Report Number: ICRR0022396

1. Project Data

Project ID	Project Name
P095977	NP: Road Sector Development Project
Country	**Practice Area(Lead)**
Nepal	Transport

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-48320,IDA-50020,IDA-58650,IDA-H3390,IDA-H6290	30-Jun-2012	126,444,070.00
Bank Approval Date	**Closing Date (Actual)**	
06-Dec-2007	15-Jan-2020	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	42,600,000.00	0.00
Revised Commitment	128,515,589.07	0.00
Actual	126,444,070.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The objective of the Project is for residents of the beneficiary districts to have all-season road access, thereby reducing travel time and improving access to economic centers and social services.
(Financing Agreement, Schedule 1, page 4 and the Project Appraisal Document (PAD, page 4).

The implementation of this Road Sector Development Project (RSDP) took 12 years. In line with the Operations Policy and Country Services (OPCS) guidelines for projects extending over ten years, an

interim Implementation Completion and Results Report (ICR) was prepared and subsequently validated in an interim ICR Review by IEG in 2017. This Review covers both the original project and the AF, and the ratings assigned by IEG in this final ICR Review replace the ratings assigned in the interim ICR Review.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

There were two original components (PAD, pages 5 and 6). (see 2e below for total estimated project cost and actual cost).

1. Road development. The estimated cost at appraisal was US$42.9 million. With AF1, the revised estimate was US$59.0 million. With AF2, US$27.0 million was approved . The total estimated amount for this component was US$120.0 million. The actual cost was US$113.7 million (including US$40.8 million for the original project, US$60.2 million for AF1, and US$12.7 million for AF2).

Activities in this component included: (i) upgrading 297 kilometer (km) of existing dry season roads to all-season standards with sealed gravel components: (ii) periodic maintenance on 450 km of the strategic highway and feeder road network: (iii) road safety audits and road safety works: and (iv) carrying out a program of compensation, resettlement and rehabilitation of displaced persons. With AF1, the road upgrading works were scaled up from 297 km to 700 km and periodic maintenance was expanded from 450 km to 2,550 km.

The following changes were made on July 8, 2011, with financing from AF2: (i) An additional 20 km for slope stabilization and all-weather surfacing works: (ii) Major and minor bridge maintenance was added in the wake of the 2015 earthquake (55 bridges/ 2,000 meters for major maintenance and 300 bridges/ 9,000 for minor maintenance of bridges): and (iii) Construction of 33 bridges, along gaps in the strategic road network and replacing three bridges damaged in the earthquake.

2. Institutional Strengthening & Policy Reform. The estimated cost at appraisal was US$6.6 million. US$13.0 million and US$8.0 million was approved with AF1 and AF2 respectively. With this, the total cost was US$27.0 million. The actual cost was US$20.1 million (US$9.3 million for the original project, US$7.1 million for AF1 and US$3.7 million for AF2.

This component planned to strengthen the institutional capacities of the Department of Roads (DOR), the Roads Board Nepal (RBN) and the Ministry of Planning and Works (MOPPW). Activities in this component: (i) Technical Assistance (TA) for (i) Human Resource Development (HRD): (ii) Geo-technical, Environment and Social Development: (iii) Information Technology (IT) and Developing Management Information System (MIS): (iv) Road Assessment Management: (v) Road Safety Action Plan: (vi) Effective Quality Assurance: (vii) A mechanical training center: (viii) Strengthening Roads Board Operations: (ix) Technical Audit: (x) Equipment and logistics: and (xi) preparing for a follow up project.

The following component was added during AF2:

3. Resilience Enhancements. The estimated cost at appraisal was US$20.0 million. The actual cost was US$14.5 million. Activities in this component: (i) 1,600 meters of modular steel bridges, and (ii) heavy equipment for the DOR's fire heavy equipment division at selected DOR staging sites for rapid response to unforeseen failures along the strategic roads network.

Project Preparation Advance (PPA) and contingencies were estimated at US$1.0 million for the original project and US$4.0 million for AF1. With this, the total was US$5.0 million. The amount disbursed was US$2.9 million (including US$1.7 million for the original project and US$1.2 million for AF1).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost. The total estimated project cost (including for the original project, AF1 and AF2), was US$173.0 million. The actual cost was US$151.3 million.

Project financing. The original project was financed by an IDA grant of US$42.5 million. AF of US$75.0 was approved on August 25, 2016, and AF of US$55.0 million was approved on June 15, 2016. With this, the Bank financing was US$173.0 million. About US$6.9 million was cancelled due to the savings from the depreciation of the Nepalese Rupee relative to the US$ on January 21, 2015 and US$20.0 million of AF2 was cancelled on June 2019. According to the information provided by the team, an undisbursed balance of US$8.67 million in the AF2 grant was cancelled.

Borrower contribution. The borrower contribution was estimated at US$8.0 million at appraisal. Their actual contribution was less than planned at US$4.7 million.

Dates. The original project became effective on February 21, 2008 and closed on June 30, 2015. The AF1 became effective on July 8, 2011, and closed on June 30, 2017. The AF2 became effective on January 15, 2017, and closed on January 15, 2020.

Other changes. The changes made through the two AFs (Level 1 restructurings), and six level 2 restructurings are listed below.

First Level 2 restructuring on September 6, 2010.

- The closing date of the original grant was extended by 18 months from June 30, 2012, to December 31, 2013, for completing the project activities.

These changes were made with the AF1 (Level 1 restructuring) on July 8, 2011.

- As indicated in section 2d, the project scope was expanded, and targets were revised to reflect the increase in scope.

Second Level 2 restructuring on January 21, 2015.

- Funding was reallocated between categories.

- Savings of US$6.9 million realized due to the depreciation of the Nepalese Rupee was cancelled.

Third Level 2 restructuring on June, 18, 2015.

- The closing date for AF1 was extended to June 30, 2016, to enable the government to cope with the disruptions and delays caused by the April 2015 earthquake and the trade blockage at the border with India, and to resolve the technical challenges involving the design of bridges on major highways.

Fourth Level 2 restructuring on February 3, 2016.

- Funds were reallocated between categories, with more funding for institutional strengthening activities.

Fifth Level 2 restructuring on June 15, 2016.

- The project closing date for AF1 was extended from June 30, 2016, to June 30, 2017.

These changes made through the AF2 (Level 1 restructuring) on June 15, 2017.

- As indicated in section 2d, a new component was added to enhance the resiliency of project roads. The project scope was expanded to include construction of 33 bridges along gaps in the strategic road network, and replacement of three bridges damaged in the 2015 earthquake.
- The following PDO indicators were added: an indicator to measure the enhanced resilience of the RSDP roads; an indicator to measure bridge vulnerability; and an indicator to measure enhanced access as reported by beneficiaries.
- The PDO indicator for the percentage reduction of black spot in the strategic road network was dropped due to the increase in cost.

Sixth Level 2 restructuring on June 10, 2019.

- The closing date for AF2 was extended from July 15, 2019, to January 15, 2020, and US$20.0 million of the undisbursed amount was cancelled.
- The scope of activities associated with maintenance of bridges was reduced to 1,500 meters (from 2,000 meters) of major maintenance and 6,245 meters of minor maintenance (from 9,000 meters), as these activities were carried out by the government.

A split -rating application: While the new indicators were added at the PDO-level during AF2, these were access and resilience enhancement activities that were left over from the earlier operations (slope stabilization and bridge construction), as well as to respond to the needs emerged/identified in the wake of earthquakes of April and May of 2015 (major & minor maintenance of quake-affected bridges, modular steel bridges and equipment to enhance resilience and the ability to respond in emergencies). This represents the expanded project scope in line with the additional funds allocated. The PDO remained unchanged, without reflecting the resilience focus of added activities.

3. Relevance of Objectives

Rationale

Country and sector context. Nepal, the poorest country in South Asia, with a per capita Gross Domestic Product (GDP) of US$270 in 2005 and the slowest growing economy in the region (with growth estimates for 2005 -2006 of 2%, compared to the regional average of 8%), was just recovering from a ten year insurgency in the years before appraisal. In the transport sector, 12 of the 75 administrative districts lacked road connectivity, and another 14 had only seasonal tracks. Given that access to all-season road is a critical measure of access in Nepal, as the monsoon rains make earthen roads impassable for many months at a time, improving service delivery through access to all season roads in the remote and security-affected areas was important to the government strategy.

Government strategy. The PDO continues to be well-aligned with the government strategy. Nepal's Poverty Reduction Strategy (PRS) and the tenth Five-Year Plan (2002-2007) identified improving transport connectivity as among the top priorities. The government's Priority Investment Plan (PIP) prepared in 1997 and updated for 2007 - 2016, highlighted the importance of improving accessibility to the Strategic Road Network, by specifically bringing the population within two hours walk in the Terai (the southern plains that border India), and four hours walk in the hill districts (north of the Terai), to an all season road. The government's 14th periodic plan (2017-2019) and the 15th periodic plan (2020 -2024) identified improving physical infrastructure and improving accessibility as priorities.

Bank strategy. The PDO is well-aligned with the Bank strategy. At appraisal, the Bank's Interim Strategy Note (ISN) of 2007 proposed that the emerging development agenda focus on public investments in the remote areas of Nepal for increasing inclusion. Pillar one of the Bank's Country Partnership Strategy (CPS) for 2014-2018 underscored the need for "Increasing Economic Growth and Competitiveness" , through explicitly focusing on market access to the poor, and facilitating national and regional integration, through improving transport connectivity. The Bank's current Country Partnership Framework (CPF) reiterated the need for increasing transport connectivity, through improved maintenance of roads, constructing safe, climate resilient and cost-effective bridges, and improving connectivity in rural areas.

Bank prior experience. The Bank financed several projects in Nepal, including the Road Maintenance and Development Project, that closed on June 30, 2007. This project supported the government's Priority Investment Plan (PIP - 1997) for the transport sector and updated the plan for 2007 -2016. The updated PIP highlighted the importance of improving accessibility to the Strategic Road Network in the Terai and in the hill districts. This project directly responded to that priority.

Relevance of the lending instrument. A Sector Investment Lending (SIL) was used for the project designed as a "fast track" operation, as opposed to other options (an adaptable Program Loan and a Sector- Wide Approach (SWAp). A SIL approach, unlike an adaptable program loan, was flexible, and provided for the Bank's exit if the security situation deteriorated during implementation. A swap approach was deemed inappropriate, given the time it would have taken to harmonize the implementation framework and reach consensus on design standards, safeguard policies and implementation guidelines with other donors.

Relevance of PDO. Although the PDO was relevant to the Government and Bank strategies for Nepal, the PDO statement - providing all season road access for residents of beneficiary districts - was narrow, and focused only on the infrastructure investments financed by the project. Given that the project included institutional strengthening activities, and 15% of Bank-financing was allocated for this component, a reworded PDO statement would have better represented the range of activities supported by the project. This would also have aided in formulating relevant indicators for monitoring the institutional dimension of the project. The relevance of objective is rated as substantial.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1
Objective
For residents of the beneficiary districts to have all-season road access, thereby reducing travel time and improving access to economic centers and social services.

Rationale
Theory of change. The outputs of activities, such as upgrading roads and slope protection works, periodic maintenance of the strategic road network and road safety works, were likely to improve the condition of the road network, reduce travel time, and increase the share of population with access to all-season roads and economic centers and social services. The activities that were added with AF2 - construction of bridges, rehabilitation of bridges damaged by the earthquake, and major and minor maintenance of bridges, together with the activities discussed above, were likely to enhance resiliency, and these activities were likely reinforce the PDO of improving access to economic centers and social services in the project-intervened areas of the participating districts. The project also supported institutional strengthening of the respective transport agencies for improving management of road assets. Unlike the infrastructure investments, the institutional strengthening activities lacked a coherent strategy and were not linked to the PDO. The theory of change does not explicitly state the assumptions made to realize the institutional dimension of the project.

Outputs (ICR, pages 22 -31).

- 680 kilometers (km) of non-rural roads were rehabilitated, short of the target of 705 km.
- Periodic maintenance was provided on 2,595 km of highways, exceeding the target of 2,550 km.
- The road safety action plan was approved by the government as targeted.
- Geotechnical assessments were completed as targeted. Capacity building activities for environmental and social aspects were completed and awareness activities for HIV- AIDS were completed as targeted.
- 6.68 million days of temporary employment was created on road sites, exceeding the target 2.50 million. 663, 211 jobs went to women far exceeding the target of 250,000. 280,907 jobs were provided

for Dalits and 3,280,292 for Janjits (target 250,000) (historically disadvantaged groups in Nepal). There were no targets for this indicator.

- The Human Resource Policy in the Department of Roads (DOR) was updated and a three- year training plan was finalized. The DOR staff were trained. (No targets were specified for this indicator).
- The upgrading of roads in remote districts in the mid-western and far-western regions of the country, intended to improve access to the isolated communities, presented engineering challenges, in view of the difficult physical environment. This influenced the choice of upgrading materials and technologies used. Based on past pilot projects, the roads in this project used a unique, low cost design comprised of a particular river bed gravel sized, that was locally sourced and hence cost effective.
- Major maintenance activities were provided on 1,500 meters of bridges, as per the revised target (although short of the original target of 2,000 meters).
- Minor maintenance activities were provided on 9,500 meters of bridges, as targeted.
- 1,500 meters of modular steel bridges for rapid response were provided as targeted.
- With respect to the resilience -added activities, only six bridges (145 meters) were fully completed when the project closed, well short of the target of 31 bridges (670 meters). The ICR (paragraph 15) reports that by March 15, 2020, an additional five bridges had 80% of works completed and another nine bridges had 70% of works completed, achieving an overall weighted physical progress of 64%. The ICR (paragraph 35) explains that in the absence of a proper design review mechanism with site verification, bridge alignments and heights were found to be not appropriate to the construction site and contributed to delays in contract implementation. With regard to roads with enhanced resilience measures, with 0.73 km of roads rehabilitated at project closing against a target of 16 km, the target was significantly underachieved. By May 2020 (four months after closing), 4.6 km of roads had been rehabilitated by GoN, corresponding to 42% of the target. This target was defined at the PDO level, while these are clearly output-based indicators.
- The activity of strengthening planning for the strategic road network and bridges was not completed due to the delays in completing the inventory survey.

Outcomes

- The share of population with access to an all season road, increased from 8% at the baseline on June 25, 2007, to 15% when the original and AF1 closed, exceeding the target of 14%.
- The journey time in the project area to economic centers (markets and district headquarters) decreased from four hours at the baseline to 1.9 hours in June 2016, exceeding the target of 2.6 hours.
- The journey time to social centers (schools, colleges and hospitals) decreased from 4 four hours at the baseline to 1.2 hours, exceeding the target of 3 hours.
- 752,000 people benefitted from project activities, slightly short of the target of 800,000. This shortfall was due to the slightly fewer than planned km upgrading of roads. 53% of the beneficiaries were women as targeted. According to the sampled beneficiary survey, at 82% positive response against the target of 70%, the target has been exceeded.
- The ICR provides no details on the extent to which the project activities contributed to the institutional strengthening of the respective agencies in areas pertaining to providing for road maintenance, management of road assets, and road safety.

In sum, efficacy is rated as substantial, although there were moderate shortcomings in activities pertaining to resilience and reducing vulnerability through construction of bridges.

Rating
Substantial

OVERALL EFFICACY
Rationale
On balance, efficacy of achieving the PDO is substantial, although there were moderate shortcomings in activities pertaining to resilience and reducing vulnerability through roads and bridges works.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic analysis. A cost-benefit analysis was conducted at appraisal for activities with associated rehabilitation of roads under the original and AF 1 projects. These activities accounted for 70% of Bank financing for the project. The benefits from improved roads were assumed to come from four sources: (1) time savings. (2) reduction in vehicle operating costs. (3) prevented road closures. and (4) modal shift benefits (based on the assumption that road improvements would enable switching from using mules or porters to trucks). The ex-post Economic Internal Rate of Return (EIRR) for the original project was 41%, above the 12% threshold, as compared to the ex-ante EIRR of 23%. The ex-post EIRR of the AF1 project was 29% as compared to the ex-ante EIRR of 23%. The ex post EIRRs were higher than expected, due to the higher than expected traffic flows on the rehabilitated roads.An economic analysis was conducted of the three completed road sections involving seal and slope stabilization interventions (financed by AF2). The ex post EIRR was 27% as compared to the ex ante EIRR of 13%.

Administrative and operation issues. There were several administrative and operational shortcomings during implementation. Operational issues in the initial years, exacerbated by frequent staff rotation at the Department of Roads, affected implementation of institutional strengthening activities. After starting the project on emergency reconstruction, the Bank failed to engage fully on the institutional strengthening and the extension of the project did not help in taking the agenda forward. Although 15% of the Bank financing for the project were allocated for institutional strengthening activities, there were no appropriate indicators for monitoring the extent to which the project activities contributed to improving the asset management of roads. According to the borrower and stakeholders comments (ICR, page 37), it is not clear if the road safety aspects were included in all roads upgrading and slope stabilization contracts (Borrower's ICR, page 47). There were significant delays in implementing the activity associated with the bridges component (AF2 activity), due to poor contract management and supervision issues. Only six bridges were fully completed as compared to the target of 31

bridges, when the project closed. Although the project spanned a twelve year implementation period, over half (52%) of the AF2 funding was unutilized and cancelled when the project closed.

In sum, efficiency is rated as modest in view of the significant operational and administrative shortcomings, in particular during the last years of implementation.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	35.00	70.00 ☐ Not Applicable
ICR Estimate	✓	23.00	70.00 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of the PDO to the government and the Bank strategy is substantial. Efficacy of the project development objective is rated substantial, although there were moderate shortcomings in activities pertaining to resilience and reducing vulnerability through roads and bridges works. Efficiency is modest, in view of the administrative and operational shortcomings, in particular during the last years of implementation, with 52% the additional funding unutilized and cancelled. Taking these ratings into account, the overall outcome is rated moderately satisfactory.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

Technical risk. There are technical risks, given the limited number of experienced engineers at the Department of Roads (DOR), and limited technical capacity, especially at the Bridges branch of the DOR.

Government commitment. Given that the DOR gets a separate maintenance budget from the government and local bodies get separate unconditional grants for local maintenance, the risk associated with government commitment is rated as low to medium. In this context, the ICR (paragraph 56) notes that the

government has also allocated a significant grant (US$80.0 million) financed by the Bank, to undertake periodic maintenance of high traffic sections of the strategic road network.

Fiduciary risks. The ICR (paragraph 58) notes that government programs in Nepal remain vulnerable to fiduciary risks. Although the government has introduced e-bidding which has to an extent, improved DORs fiduciary systems, there are still residual risks associated with transparency of the fiduciary systems.

8. Assessment of Bank Performance

a. Quality-at-Entry

This project was prepared based on the experience from the prior Bank-financed project (The Road Maintenance and Development Project). Lessons incorporated at design, included preparing technical designs based on field surveys given the difficult terrain, and focusing on upgrading roads rather than constructing roads (where blasting might be required). Several risks were identified at appraisal, including substantial risks associated with technical design, weak implementation capacity, and possibility of disruptions due to conflict in project areas. Mitigation measures incorporated at design, included increased monitoring, dialogue with the client, and keeping the technical design simple. With mitigation measures, the overall risk was rated as moderate (PAD, page 19). The implementation arrangements were appropriate, with the Department of Roads (DOR) the main implementing agency, a project Coordination Unit (PCU) of the Foreign Cooperation Branch (FCB) in the DOR as the project coordinator and a Project Management Unit (PMU) in three locations near construction sites for day-to-day supervision (PAD, page 7). The arrangements made at appraisal for safeguards and fiduciary compliance were appropriate (discussed in Section 10).

There were moderate shortcomings at quality-at-Entry. One, the institutional strengthening component of the project was ambitious in the range of activities it sought to support (Human Resources, Road Assets Management, Road Safety and Road Board). The activities lacked a coherent strategy or prioritization, and lacked a clear exposition of how these activities were going to impact the efficiency of the transport agencies. This was exacerbated by lack of appropriate indicators for monitoring the institutional dimension of the project (discussed in section 9a).

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

23 supervision missions were conducted over an eleven-year implementation period (twice a year supervision missions on average). The AF2 project addressed critical needs, such as constructing bridges and rehabilitating bridges that were damaged in the 2015 earthquake, and by introducing a new resilience component for future disaster related events on the strategic road network. As noted in the Borrower's ICR

(Annex 7), the support provided by the supervision team aided in safeguards compliance. The ICR provides no information on the continuity of leadership during the implementation period.

Given the shortcomings associated with the institutional dimension of the project, the Bank was not effective in helping the project advance the institutional strengthening and policy reform agenda. The team responded to this constraint through progressive downward revision/recalibration of its expectations, as described by the ICR (paragraph 53), rather than through identifying and pursuing alternative avenues for furthering the reform agenda.

Quality of Supervision Rating
Moderately Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The two key outcomes indicators of the original and AF1 projects - percentage increase in population in project districts with access to all season roads, and decrease in journey time to key economic and social centers - were appropriately linked to the PDO. Baseline data and targets were specified for these indicators. A project-specific results monitoring tool was developed at appraisal (PAD, paragraph 28).

There were shortcomings in M&E design. There were no key outcome indicators for monitoring the institutional strengthening component of the project (even though 15% of the Bank financing was for this component). The M&E design of the AF project focused only on indicators relevant to the AF project, rather than the overall project objectives. The indicators on reduced bridge vulnerability and resilience improvements were not directly linked to the PDO, and were output-oriented and inappropriate for monitoring outcomes.

b. M&E Implementation
The ICR (paragraph 40) notes that not all indicators were reported diligently during implementation and there were issues in updating some data, due to the inadequacies in the Department of Roads (DORs) M&E system. Frequent staff transfers and replacement of staff with not enough experience in monitoring hampered M&E implementation.

c. M&E Utilization

The M&E data was mainly used as a progress management tool and for adjusting some components during implementation. The ICR (paragraph 41) notes that there is no evidence that the project's M&E framework or data would be used beyond the project life.

In sum, the overall quality of the M&E framework was rated modest, mainly due to the shortcomings in M&E design.

M&E Quality Rating
Modest

10. Other Issues

a. Safeguards
The project was classified as a Category B (partial assessment) project under World Bank Safeguard policies. Four safeguard polices were triggered at appraisal: Environmental Assessment (OP/BP 4.01); Involuntary Resettlement (OP/BP 4.12): Indigenous Peoples (OP/BP 4.10): and Forests (OP/BP 4.36). (PAD, page 18).

Environmental Assessment and Forests. An Environmental and Social Management Framework (ESMF) was prepared to address possible environmental issues at appraisal, as the precise location of project activities were not known. This framework included measures to address issues with forests safeguards. This framework was subsequently updated in April 2013. The ICR notes that compliance with social and environment safeguard policies were rated as moderately satisfactory when the project closed. According to the information provided by the team, there were no issues with the safeguards on forests.

Involuntary Resettlement. The PAD (paragraph 61) notes that about two hectares of land acquisition was expected and displacement of some families was expected in project activities associated with upgrading roads. A Resettlement Policy Framework (RPF) was prepared to address issues of compensation, resettlement and rehabilitation of the affected families. The ICR (paragraph 45) notes that cash compensation was paid in full for 91 Project Affected Households (PAHs), in lieu of 76 parcels and 48 structures. In the case of remaining 24 households with 19 land parcels and 11 structures, compensation remained outstanding when the project closed, as the affected household did not provide the required documentation for clearance for payments. The ICR does not report of any issues with the safeguards on indigenous people.

b. Fiduciary Compliance
Financial management. A financial management assessment conducted at appraisal concluded that the arrangements were adequate, and the financial isk was rated as moderate (PAD, paragraph 56). The ICR (paragraph 46) notes that there no significant financial issues during implementation and the financial audits were unqualified.

Procurement. A procurement assessment conducted at appraisal, concluded that the arrangements were satisfactory (PAD, paragraph 54). The ICR (paragraph 47) notes that the Department of Roads (DOR) successfully utilized e-procurement, and there were no significant procurement issues during implementation.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The ICR draws the following three main lessons from the experience of implementing this project, with some adaptation of language.

1. Road investments have the potential to contribute to economic recovery in post-conflict environments. This project implemented in a post-conflict environment in Nepal, highlighted the contribution of improving all-weather infrastructure in remote districts, so that the residents feel connected to the essential services and economic opportunities. The beneficiary survey results showed positive response on improvement in accessibility to social and economic service facilities, reduced travel time, and improvement in economic development.

2. Major project restructuring and Additional Financing (AF) must be relevant to the original project goals. The Bank in this project was able to quickly mobilize additional support through AF1 and 2. However, it is important to critically assess whether the advantages of a long ten plus years engagement with the same PDO would be offset by the loss of the opportunity to engage the government in a fresh dialogue before a new operation.

3. Supporting innovative approaches to developing and using local materials can be cost effective and aid in promoting local entrepreneurship. This project demonstrated the value of

providing incentives for using locally-sourced material and upgrading low traffic roads at a lower cost.

The ICR draws the following lesson from this project.

The Project Development Objective (PDO) needs to be representative of the range of activities supported by the project. Although 15% of the Bank financing for this project was allocated for the institutional strengthening component, these activities were not clearly linked to the PDO. A more representative PDO would have aided in formulating indicators that were relevant for monitoring the institutional dimension of the project.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well-written, concise and at 16 pages adheres to the recommended length. The theory of Change provided in the text is logical, and provides a clear link between the infrastructure investment activities, the outputs and outcomes. However, no mention is made of the assumptions underlying each level of the Theory of Change. The ICR candidly acknowledges the shortcomings associated with the institutional strengthening component of the project and how the team could have better addressed the issues. The ICR draws reasonably good lessons from the experience of implementing this project.

One minor shortcoming is that the description of project restructurings is at times confusing.

a. Quality of ICR Rating
Substantial