



<b>1. Project Data :</b>		<b>Date Posted :</b> 03/20/2000	
<b>PROJ ID:</b> P010475 <b>OEDID:</b> C2578		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b> Road maintenance and rehabilitation project	<b>Project Costs (US\$M)</b>	81.0	77.8
<b>Country:</b> Nepal	<b>Loan/Credit (US\$M)</b>	50.5	48.8
<b>Sector, Major Sect .:</b> Highways, Transportation	<b>Cofinancing (US\$M)</b>	16.1	14.9
<b>L/C Number:</b> C2578			
	<b>Board Approval (FY)</b>		94
<b>Partners involved :</b> UNDP, SDC, DFID	<b>Closing Date</b>	06/30/1999	06/30/1999
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

The project had six objectives: (i) ensure adequate and timely funding for road maintenance; (ii) strengthen sectoral planning by introducing network-based planning and support the development of a Priority Investment Plan (PIP); (iii) improve public sector implementation capacity in the road sector; (iv) support the development of private sector capabilities to carry out road maintenance by contract; (v) develop District Development Committee's (DDC's) road maintenance capabilities for district roads through a pilot project using labor-intensive methods; and (vi) improve road conditions through road rehabilitation and maintenance on selected roads .

**b. Components**

The project components designed to achieve the objectives were the following : (a) Road Rehabilitation and Overlays : Support rehabilitation and overlays of 320 km of selected highways and 133 km of feeder roads of the strategic road network (30% of total project cost); (b) Resealing and Regravelling : Support a periodic maintenance program of roads and bridges for 609 km in three regions on the strategic road network (37% of the total); (c) Pilot Labor-based District Road Maintenance and Rehabilitation : Support road rehabilitation and maintenance for 147 km in four districts and promote appropriate rural transport technology to encourage community participation in road maintenance (6% of the total); (d) Institutional Development and Training : Support institutional strengthening of Ministry of Works and Transport (MOWT), Department of Roads (DOR) and four District Development Committees (DDC), and includes components financed in parallel by IDA, DFID and SDC (16% of the total); and (e) Routine Maintenance : Support a gradually developed comprehensive routine maintenance program by contract (11% of the total).

**c. Comments on Project Cost, Financing and Dates**

The project was funded by four donors: The Bank (63%), U.K. Department for International Development (9.5%), Swiss Development Corporation (8.5%) and UNDP (1%), in co-operation with the government that contributed approx. 18% of the project cost. There were substantial cost overruns, upward of 30 percent. These cost overruns, that reduced the km of roads that could be rehabilitated or maintained, were caused by delays in procurement and worse than anticipated road condition . Nonetheless, the project closed on time and achieved an excellent ERR of 31.4 percent vs. 21.4 percent at appraisal. The increase in the ERR is due to greater than forecast traffic growth and poorer initial road condition than surveyed .

**3. Achievement of Relevant Objectives :**

The project largely achieved its objectives . A road fund is being created to ensure adequate and stable funding of road maintenance. However, the road fund is not yet operational, and continued donor support is envisioned for the foreseeable future. Sectoral planning did improve. Systematic data collection for road and bridge condition and traffic is in place; traffic safety, maintenance divisions and geo-environmental units have been established and trained, also on the job; and, the Priority Investment Plan (PIP) was prepared and (grudgingly) accepted by the government. Through an extensive institutional development program there was a clear improvement in the implementation capacity in the public sector . The development of private sector capabilities to carry out road maintenance by contract and District Development Committee's (DDC's) capabilities for district roads using labor-intensive methods were both (partially) successful. Because of procurement procedures a stable work programming that would sustain

the fledgling private sector was not achieved . Finally the road conditions did improve : at the beginning of the project, 1992, 52 percent of the strategic network was in poor condition; at completion, 1999, only 12 percent of the strategic network was in poor condition.

**4. Significant Outcomes /Impacts :**

The most significant outcome of the project was a broad -based improvement in road management . This included improvement in road condition, improved funding, articulated attention to needed policy improvements, attention to environmental safeguards and traffic safety, and training of DOR professional staff . These accomplishments were possible through common, coordinated and coherent approach by four donors to support Nepal's road sector .

**5. Significant Shortcomings (including non -compliance with safeguard policies ) :**

The organization of the road sector in Nepal remains fragmented and 'over -organized'. The assignment of responsibilities is not clear and decentralization remains a problem in spite of its apparent benefits (paras 8.13, 8.14). There also are too many units and organizations with responsibility over roads . That makes road management inefficient and decisionmaking slow . An illustration of this is the inability of the project to introduce a funded 3-year rolling road program.

<b>6. Ratings :</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Deficient	Unsatisfactory	The ratings are equivalent. Although OED concurs with this rating, it is not clear why the Bank (and the donors) were unable to work with the government so that it would have become the champion of the improvements sought.
<b>Quality of ICR :</b>		Satisfactory	

**7. Lessons of Broad Applicability :**

There are two broad lessons . First, a coordinated and coherent approach by multiple donors working together toward a well-focused and clearly articulated sectoral objective (e.g. improved road maintenance) yields results. This is particularly useful to the donors and the government, especially if there are periodic reviews and exchanges to ensure integration of experiences at the managerial levels . Second, project preparation and appraisal should focus on sector program preparedness rather than just the economic evaluation of individual projects . In Nepal, as in many other countries, road designs and cost estimates were out -of-date when implementation started . It would have helped and contributed to sustainability, if there had been a recurrent program preparation process supported by good cost, traffic and road condition information . In the current project, the introduction of 3-year rolling program was not achieved.

**8. Audit Recommended?**  Yes  No

**9. Comments on Quality of ICR :**

The ICR is informative but it is too long . Its messages could be delivered in fewer pages and be structured better . The section 'Achievement of Objectives and Outputs' should contain a specific discussion by objective . The amounts contributed by each donor should also be spelled out .