

Annual Review - Summary Sheet

Title: Rural Access Programme Phase 3			
Programme Value: £72.5m		Review Date: Sept Oct 2016	
		Period Under Review: 1st Sept 2015 – 31st August 2016	
Programme Code: 203186	Start Date: 13/05/2013	End Date: 31/10/2019	

Summary of Programme Performance

Year	2014	2015	2016	2017	2018	2019		
Programme Score	B	A	A					
Risk Rating	Med	Med	Mod					

Summary of progress and lessons learnt since last review

The programme continues to deliver significant results and has met most of the output targets for the year. In terms of the Local Road Network component, the programme has generated over 3 million employment days and supported over 72,000 households improve their income. The programme has maintained over 2,000kms of district core road network (with impressive access all year access round figures) along with 60KMs of new road being opened to 4.5m width. The results delivered are now independently verified using a separate MEL team. Over 13,000 training days have been carried out with the result that the Continuous Improvement Matrix (CIM) scores for districts continue to improve (over 7 out of a max of 10 in pilot districts). This provides the basis by which the GoN can take on the full running and management of the RAP programme. In addition, in response to the last AR and external review, the “Social and Economic Development” component has been completely restructured (now called RAP3 Connect) with a much improved approach, team and ambition. Based on the continued good progress, DFID negotiated a cost extension and new 3 year plan with IMC bringing the end date to 2019.

The Oxford Policy Management (OPM) led support to the Karnali Employment Programme (KEP) has had a more challenging year. Whilst delivering most of the outputs and excelling in their district level KEP support, the change of emphasis from last year’s direct implementation to a focus on national policy influencing with an aim to strengthening policies, guidelines, institutions and systems has been less successful. Following a detailed organisational review along with a Fiduciary Risk Assessment, DFID have worked with OPM to reshape the team, approach and ways of working extending the programme to 2019.

The ITAD run MEL component has shown good flexibility in reshaping their work plan and have delivered a number of important reviews. Most notably, the completion of the midline survey based on 3600 households (significantly more than the GoN National Living Standards Survey completed for the same geographical area) provides an excellent resource to inform and guide the focus of the 3 year extension. The ITAD contract has also been extended until 2019.

Multiple reviews have been fed into this Annual Review including DFID HQ’s Internal Audit providing solid evidence on which to evaluate progress.

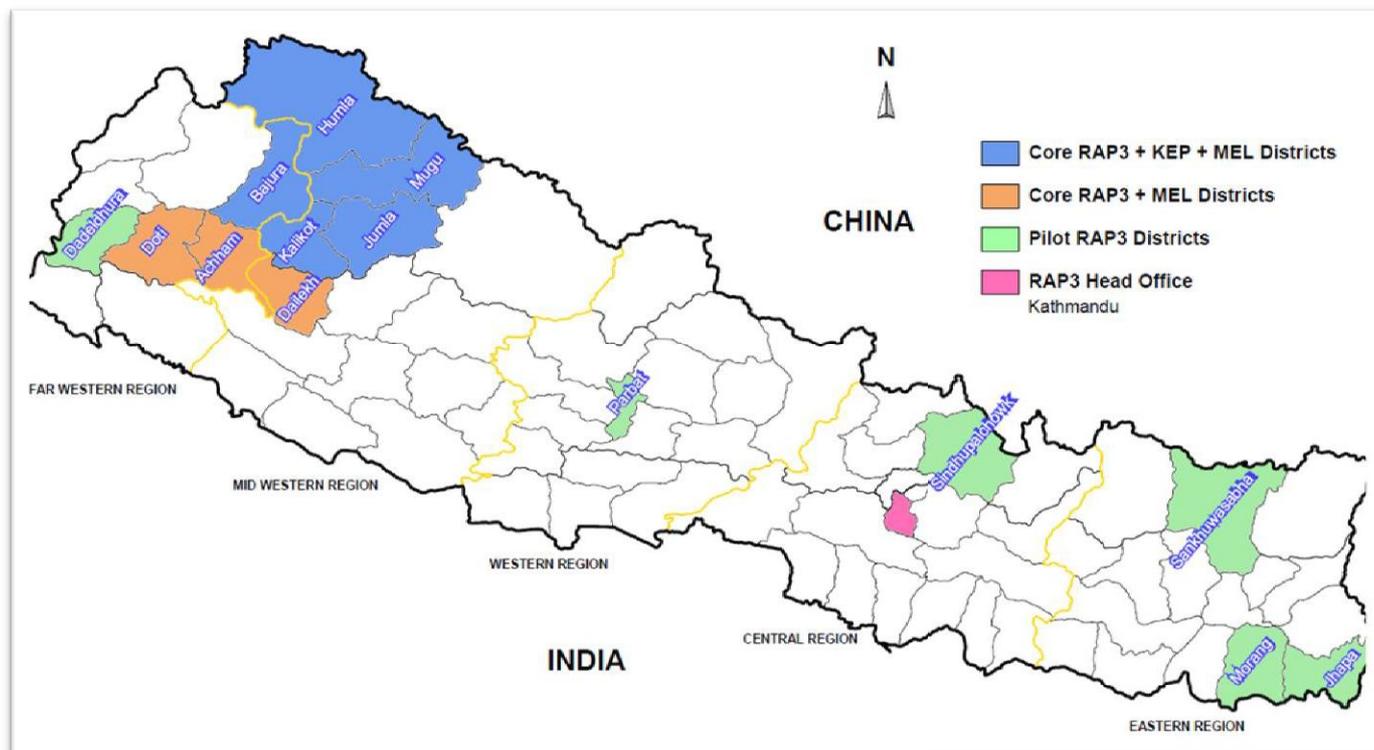
As the programme enters the next stage (a 3 year cost extension) along with adding two further new components (Financial Aid to support the KEP and construction of the new Mugu-Humla road), the team will need to focus on two priorities (i) establishing a clear strategy, engagement plan and process for supporting the GoN take up the funding and management of the RAP/KEP programme post 2019 (which has started well with the GoN allocating some budget this fiscal year to both programmes); and (ii) the additional components creates further complexity (and risk) and the DFID team and partners will need to ensure even stronger programme management and set of assurances to ensure continued delivery at pace.

Summary of recommendations for the next year

#	Recommendation, Who leads and Due Date
1	IMC to disseminate RAP3's good practices and achievements through communication pieces and workshops in coordination with DFID and GoN (to publicise successes and help engage other Local Road Network programmes) (Dec 2016 onwards)
2	IMC to implement the exit plan for pilot districts as concluded in LRN sustainability approach and begin to put in place an action plan for handing over the core district maintenance to the GoN (e.g. can we use and access the Road Fund). This should include the funding and people resources to manage RMGs, being specific in terms where each district is today and what is required over the next 3 years and include a specific policy/influencing strategy (August 2017).
3	IMC to ensure a cost management plan is in place to actively manage the cost of the extension period. This should include working with DFID, RAP Co-ordinator and GoN officials to prepare for and deliver a steering committee which formally agrees to "cap" costs for the extension period (and mitigate the cost overrun risk) (Dec 2016)
4	IMC to develop and implement a matrix to document and track progress against main recommendations from the reviews conducted including MEL's independent reviews, MEL's independent verification of LRN's major results, Crown Agent's Fiduciary Risk Assessment, RAP3 Performance Management and Verification audits (technical audit and verifications, independent financial audit etc.) and IAD DFID internal Audit. DFID to update RAP3 delivery plan every trimester accordingly. (Nov 2016 onwards)
5	DFID and IMC to review the revised "open book" output based payment approach in year 1 of the extension period (early 2017).
6	IMC to shift the implementation year to align with the GoN fiscal year (June 2017)
7	As the new CONNECT approach is designed to test new approaches and take greater risks, the IMC team will need to ensure they actively manage and flag risks as well as ensure the team is actively learning and being bold to stop what is not working and scale / replicate what is.
8	Linking with the new overall RAP3 logframe being developed and contract extension, IMC to work with MEL to consolidate "capacity building support to GoN" and develop a mini LF which captures the key activities, innovation, safeguards and results (Mar 2016)
9	IMC and MEL to develop and implement a work plan in agreement with DFID and GoN (MoFALD and DoLIDAR in particular) for enhancing LRN sector coordination (Nov 2016 onwards)
10	In the next period, KEPTA will not be focusing on policy influencing and will instead be focusing on capacity development to support the implementation of KEP. However, it is recommended that KEPTA strengthen the working relationship with KRDU to ensure that all KEPTA activities are grounded within MoFALD and that all knowledge products developed for and with the Government of Nepal are fit for purpose (DFID to verify March 2017)
11	In the next phase, KEPTA will be focusing primarily on building institutional capacity within KRDU and within the implementation districts. The programme would benefit from developing and implementing a targeted system of tracking- on an ongoing basis- capacity enhancement and institutional reform within KEP (similar to the Capacity Improvement Matrix). Ongoing monitoring can allow the team to adapt and trouble-shoot as needed (Macrh 2017)
12	Given the increased focus on sustainability the RAP3 Extension, it will be important to identify how the MEL team can positively contribute to key policy goals (e.g. GoN taking on the funding and management of RMGs). (August 2017)
13	Given the investment in the RCA report and subsequent "MidLine Report", it will be important for DFID and the MEL team to ensure that the findings and key insights are shared widely and genuinely used. This should include exploring in detail cross cutting themes such as gender and conflict. (Dissemination plan due by January 2017)
14	MEL team to lead a process engaging all partners to finalise the updates the logframe for the extension period (Dec 2016)
15	Whilst there have been examples of improvements in VfM, understanding and measuring VfM as a routine process is still not sufficiently developed. Post the finalization of the logframe led by the MEL team, all partners will work with DFID to define a robust measurable VfM framework which can be monitored routinely (Jan 2017)

A. Introduction and Context (1 page)

DevTracker Link to Business Case:	http://devtracker.dfid.gov.uk/projects/GB-1-203186/documents/
DevTracker Link to Log frame:	http://devtracker.dfid.gov.uk/projects/GB-1-203186/documents/



Outline of the programme

The objective of RAP3 is to **reduce poverty in Western Nepal** by 'improving incomes and resilience through employment, sustainable access to markets and improved access to economic opportunities in the rural transport¹ impact area (RTIA) of the project'.

This flagship project is an important part of DFID Nepal's objective of delivering economic benefits to the poor, one of the central pillars of the Country Poverty Reduction Diagnostic. DFID's Rural Access Programme (RAP) started in 2000 and has achieved significant results for Nepal. This includes over 1,000km of new roads constructed and over 17 million person-days of employment for poor people, 40% of which has gone to poor women. The programme has received a number of international awards including the prestigious Edmund Hambly Medal from the UK Institution of Civil Engineers for innovations in sustainable development.

The design of this third phase of the Rural Access Programme (RAP3) focuses on construction of key new roads, road maintenance to protect the value of infrastructure investments, labour based approaches as a poverty reduction strategy with specific support to the GoN Karnali Employment Programme and sustainable improvements in economic opportunity through social and economic development. This is supported by a Monitoring, Evaluation and Learning component. RAP3 is focused on eight 'core' districts in the Mid and Far Western Region of Nepal (an area that has the highest levels of poverty and geographical isolation in the country) and six 'pilot districts' for road maintenance with a plan to phase out support during the project lifespan.

RAP3 is currently being implemented by three service providers with distinct areas of delivery:

¹ Rural transport impact area (RTIA) mainly refers to the impact area of RAP3's rural road works.

- IMC World Wide (£47.3m) - Road maintenance and construction, economic development and capacity building (signed May 2013 and extended in 2016)
- Oxford Policy Management (OPM, £4.8m) – Technical Assistance to the Karnali Employment Programme (KEPTA) and social protection policy (signed October 2013 and extended in 2016)
- ITAD/DAI (£2.4m) – Monitoring, Evaluation and Learning (signed October 2013 and extended in 2016)

In the coming year, as agreed with the Secretary of State, two further components will be added:

Up to £12M to construct the Mugu-Humla road link with a service provider

- Up to £6M in Financial Aid to the GoN to support the scale up of the Karnali Employment Programme.

B: PERFORMANCE AND CONCLUSIONS (1-2 pages)

Annual outcome assessment

In broad terms, the theory of change for RAP3 assumes that poverty reduction in the West of Nepal will be driven through a) improved maintenance led access b) increased economic linkages to markets and c) direct and indirect income support (wage and livelihoods).

The RAP3 outcome statement is: **'Improved incomes and resilience through employment, sustainable access to markets and improved access to economic opportunities in the rural transport infrastructure area (RTIA) of RAP'**. This Outcome has 3 indicators:

1. **"Number of people benefiting from new roads and road maintenance as a result of having a trafficable District Roads Core Network (DRCN)"**. The milestone for August 2016 was 2 million people and the project has delivered 2.8 million based predominantly on ensuring that 2000KM of district core network is well maintained².
2. **No of households with rise in annual income of 10,000 NR per annum compared with baseline"**. The milestone for this is 10,000 Households by August 2016 with an assumed income baseline of 32,000 per annum³. By August 2016 the project had delivered: RAP3's Road Building Group (RBG) and Special Building Group (SBG) members from 6,600 households from four extremely poor and remote districts received an annual wage of NPR 68,647. Road Maintenance Group members from 1,500 households received annual wage of NPR 52,800. In addition, by August 2015, KEPTA had assisted 16,230 households with employment days at an average income of NPR 14,312 per household. Hence about **24,300 households'** incomes have increased in varied amounts through employments through KEP and RAP3. This analysis will need to be considered alongside the detailed mid-line report MEL have just produced on poverty trends in the region.
3. **Number of short term jobs created (50 days + pa/HH). Total number of employment days created (cumulative) due to RAP3 (Outputs 1 and 2) and KEPTA (Output 4.3) – milestone target 2,998,000; % jobs for women milestone target 33%.**

KEP's contribution to the achievement of this outcome indicator is 16,230 short term jobs created for 34 days. The programme delivered many more jobs but for less than the 50 days per job ambitious target, with a 41% rate of enrolment for women.

RAP3 created 3,071,623 employment days, 95% of which through rural road works, exceeding the target by 2.4%. 36% of RAP3 job-days have gone to women against a target of 33%.

Given the broadly good progress against outcome indicators, and the analysis from MEL, DFID will revise the logframe for the extension period to ensure that it reflects any updates to the theory of change

² Data source: Nepal's population census, 2011. The data is compiled by totalling the population of each Village Development Committee that a RAP maintained or constructed road passes through. It includes beneficiaries those earn RAP3 wage and also those who can access that road. There is a significant lack of accurately projected population in the villages benefitting from road maintenance and construction

³ Taken from the MEL mid-line with a 2016 inflation adjusted figure

and has realistic indicators. MEL will work with DFID collaborating with IMC, OPM and DoLIDAR to revise the logframe.

Overall output score and description

A – Meets Expectations. The project has made good progress against output milestone targets.

Key lessons

The lessons below are all reflected in core recommendations to improve the project:

- Relationships with GoN have deepened (both centrally and locally) – and all partners (DFID & RAP) need to continue to make time to invest (especially given the GoN staff changes)
- The DFID led quarterly meetings for all partners have been very positive – and this should be continued and enhanced to ensure cross partner sharing and collaboration
- The move within KEPTA from direct support to influencing was too ambitious – and a more focused approach is required in the extension.
- The MEL midline report provides a wealth of information and insights into progress in the Far West generally as well as specifically with RAP beneficiaries. This will be shared widely as well as used to test the programme's theory of change.

Key actions: All actions are summarised in the recommendations table.

Has the logframe been updated since the last review?: No.

C: DETAILED OUTPUT SCORING (1 page per output)

Output Title	Development and Sustained Management of Local Road Network (LRN) in RAP3 districts		
Output number per LF	Output 1	Output Score	A
Risk:	<i>Moderate</i>	Impact weighting (%):	41%
Risk revised since last AR?	<i>N</i>	Impact weighting % revised since last AR?	<i>N</i>

Indicator(s)	Milestones	Progress ⁴
1.1 Km of roads under maintenance (annual)	2000km	On track 2167km in 10 maintenance districts
1.2 Km of new roads constructed	2.5m wide track-75km, 3.5m wide-75km, 4.5m wide road-40km (three progressive stages)	On track 2.5m-90km, 3.5m-71km, and 4.5m-60km (in four of most remote districts in Nepal)
1.3 % Annual Road Asset Management Plan (ARAMP) July target achieved by May	75%	On track 83%

Key Points

The Output 1 relates to the expansion and maintenance of Local Road Networks (LRN) in the programme districts. RAP3's delivery in this output has met expectations, despite being constrained from fuel shortages during a blockade at Nepal-India boarder. This output has created 1.272 million employment days for 8,300 households between September 2015 and August 2016 (Outcomes indicators 1.2 and 1.3).

Between September 2015 and August 2016, RAP3's road maintenance works focused mainly on the routine and recurrent maintenance throughout the year by Road Maintenance Groups (RMGs). The RMGs maintained just over the target of 2,000km trafficable district roads in ten programme districts (Indicator 1.1). The review period (Sep 2015- Aug 2016) represents stability and predictability in RAP3's RMG works, a significant success. In addition, RAP3 has started piloting an innovative 'Special Maintenance Group (SMG)' approach to execute heavier maintenance works that RMG's can't perform.

RAP3 has started recording 'days of roads opened' in response to the LRN Review. In the rainy month of August 2016, roads maintained by RAP3 were reported to be opened for 26 out of 31 days (84%). It will take some time to generate statistically significant data for a time series analysis, but so far such evidence shows the effectiveness of RAP3's maintenance works on LRN- especially in mountainous areas where dirt roads are mostly closed during monsoon.

RAP3's comparative strength (or effectiveness) in road maintenance can be attributed to: (a) heavy capital investments in the first two years in the ten districts, (b) learning/adapting, innovation and institutional engagement in maintenance pilot districts since 2011, and (c) reducing costs of RMG core processes and materials⁵ whilst improving safeguards in the District Development Fund (DDF). These have led to the establishment of a good RMG system working closely with GoN which delivers predictable routine and recurrent maintenance of the LRN in the ten maintenance districts. This provides a great basis for the GoN to take on the funding and management of RMGs and, in fact, this fiscal year the allocated their first ever budget dedicated to RAP3-RMGs. This demonstrates GoN's ownership and the potential for RAP3's sustainable exit.

The programme has overachieved in targets related to new roads (Indicator 1.2), in particular for achieving the road width of 4.5m or more. Heavy emphasis has been rightly put on retaining structures and difficult sections (e.g. hair-pin bends and hard-rock excavations). This has strengthened confidence in IMC's plan to finish five out of seven new roads by mid-2018. The main challenge however has been

⁴ Date source: RAP3 annual report by IMC, September 2015 (QUEST No. 5168216).

⁵ Less than 10% of LRN investment is on maintenance and this is decreasing as the processes become more efficient and the road condition is preserved (Source: Crown Agent's FRA of RAP3)

continuously increasing costs. The share of hard rocks in excavation (the main cost driver) proved to be higher than the design estimate. The GoN's district wage rates have also increased by an average of 43% over last three years where RAP3 is building new roads (QUEST No.5553245). These two factors, together with increased costs in gabion materials, have significantly increased the unit costs. For the extension period, DFID has agreed to increase the target of total length of the seven roads to 97km (which absorbs a significant part of the budget) and will work with IMC to continuously review the costs for each road (RAP3 Mar-Jul 2016 Trimester Report). In the next year, the potential risks of cost overrun and/or failure to complete roads will have to be actively managed and DFID will work with the GoN and steering committee to formally "cap" the costs.

The programme information shows improvement in achieving Annual Road Asset Management Plans (ARAMPs) targets well before the rainy season of June-August (Indicator 1.3, 83% of GoN financial commitment to the ARAMP was met by May 2016 compared to 62% last year). This indicator needs to be reconsidered as perhaps an outcome indicator as there are many factors that affect GoN commitments and spend for ARAMPs.

Some issues related to delays, works quality, and budgets have been reported for road improvement works in Morang and Jhapa. IMC and DoLIDAR are assessing technical and contractual aspects to address them.

DFID also commissioned a number of reviews, verifications and audits in the reporting period; which have provided positive feedback on the LRN component. Analyses and recommendations from these should ensure continuous improvements in the programme's well established performance and assurances to maximize impact and value for money.

Summary of responses to issues raised in previous annual reviews

- DFID developed Terms of Reference (ToRs) for implementing RAP3 cost and time extension; and the subsequent extension contract has been negotiated and concluded with IMC.
- DFID commissioned review of RAP3 theory of change through MEL. MEL is currently revising the RAP3 Logframe, which will include both outputs and outcomes of LRN component considering the extension.
- IMC provided proposal for the use of remaining fund for LRN component (original) in its year three implementation plan (IY3, Feb 2016-Jan 2017). Furthermore the LRN extension proposal provides approaches and budget estimates for LRN maintenance, new roads, and flexible fund for maintenance/new roads/institution development. Upcoming year four implementation plan (IY4) is expected to provide further details.
- MEL completed a review of IMC's internal monitoring and assurance systems (PMV, performance management and verification), and recommendations were well accepted by IMC. M&E review has been transformed to ToC review and logframe revision.
IMC has started recording road opening data, which would measure the effectiveness of road maintenance works and would provide information to plan emergency and routine/recurrent maintenance.
- Schedule of rates contracting approach was explored in the IY3 plan, and is expected to be addressed by IMC in the core districts in the extension period.
- Model for RBG/RMG skills graduation was addressed through MEL's work on ToC. MEL's beneficiary feedback survey and review team's field visit provided positive feedback on their construction skills and applicability of those skills beyond RAP3.
Review of DTMP and ARAMPs have been delayed and a National DRCN Investment Plan for DoLIDAR has been prioritized after completion of DTMPs of all 75 districts.
- DFID commissioned RAP3 - FRA (through the Crown Agents) has recommended to reviewing the VfM of the payment for results approach.
- MEL conducted an independent verification of two LRN outputs- new roads physical progress and RBG employment days with positive conclusions.
- DFID have also agreed with MEL to provide independent assessment of RAP outputs twice a year until mid-2019.

Recommendations for next year

1. IMC to disseminate RAP3's good practices and achievements through communication pieces and workshops in coordination with DFID and GoN (to publicise successes and help engage other LRN programmes) (Dec 2016 onwards)
2. IMC to implement the exit plan for pilot districts as concluded in LRN sustainability approach and begin to put in place an action plan for handing over the core district maintenance to the GoN (e.g. can we use and access the Road Fund). This should include the funding and people resources to manage RMGs, be specific in terms where each district is today and what is required over the next 3 years and include a specific policy/influencing strategy (August 2017).
3. IMC to ensure a cost management plan is in place to ensure actively manage the cost of the extension period. This should include working with DFID, RAP Co-ordinator, GoN officials to prepare for and deliver a steering committee which formally agrees to "cap" costs for the extension period (and mitigate the cost overrun risk) (Dec 2016)
4. IMC to develop and implement a matrix to document and track progress against main recommendations from the reviews conducted including MEL's independent reviews, MEL's independent verification of LRN's major results, Crown Agent's Fiduciary Risk Assessment, RAP3 PMV audits (technical audit and verifications, independent financial audit etc.) and IAD DFID internal Audit. DFID to update the RAP3 delivery plan every trimester accordingly. (Nov 2016 onwards)
5. DFID and IMC to review the revised "open book" output based payment approach in year 1 of the extension period (early 2017).
6. IMC to shift the implementation year to align with the GoN fiscal year (June 2017)

Output Title	Poor households gain improved access to economic opportunities, services and economic infrastructure in the RAP 3 influence area		
Output number per LF	Output 2	Output Score	A
Risk:	<i>Moderate</i>	Impact weighting (%):	12%
Risk revised since last AR?	<i>N</i>	Impact weighting % revised since last AR?	<i>N</i>

Indicator(s)	Milestones	Progress (SED progress 2.1, 2.2, 2.3 based on 5 months; Connect 2.4 for the remainder)
2.1 Number of beneficiaries receiving Social and Economic Development (SED) support that improves a) livelihoods b) skills c) market linkages and d) household energy % women % DAG	Overall: 19,000 Of which: 20% DAG 40% Women	Fractionally below target As of Feb 2016 Overall 18,403 Of which: 20% DAG 45% women
2.2 Number of households benefiting from SED linked infrastructure investments a) trail bridges, b) renewable energy c) irrigation d) processing and processing and marketing	Overall: 32,000	Over delivered target As of Feb 2016 Overall: 48,579
2.3 Number of private sector service providers engaged by SED in SED clusters	900	Fractionally below target As of Feb 2016 806
2.4 RAP3 CONNECT progress under: a) Preparatory Activities b) Planning, Monitoring, Evaluation and Learning c) Third Party Investment Leveraged d) Improved efficiency and scaled up markets	Overall: 41% (# of activities completed % planned activities) a) 61% b) 40% c) 32% d) 32%	On Track Overall: 42% (# of activities completed % planned activities) a) 61% b) 40% c) 32% d) 33%

Key Points

Following a Fundamental Review of the SED component in 2015, it was decided to stop the SED component (as defined) at the end of the second year of implementation at the end of January 2016. In its place, the team have worked up a new component called RAP3 CONNECT supported by a new RAP team. The approach is fundamentally different, from direct support to beneficiaries working through INGOs in SED to a focus on partnerships with private sector businesses creating opportunities and connections with the poor delivered by the RAP team. The CONNECT component will focus on (i) leveraging private sector investment and interest in commercial opportunities through **reducing the risks of investment** in Micro, Small, and Medium Enterprises (MSMEs) in our districts to enable the scale up of activities; and (ii) work to **strengthen the enabling environment** to promote entrepreneurship and enhance accessibility of business opportunities to individuals in the region, particularly women and youth.

In terms of the completion of SED activities (output indicators 2.1, 2.2 and 2.3), during the 2 years of implementation RAP have provided 18,403 households with income generation support (skills, linkages, livelihoods, energy), facilitated 806 Business Service Providers and delivered economic infrastructure works (trails, energy, irrigation, processing/marketing) benefitting 48,579 households.

Output indicator 2.4 was agreed with the team for the period 1st June – 31st August 2016 with four components. Highlights of progress include:

- a) *Preparatory Activities*: Mobilise team, conduct due diligence of partners and prepare for signing of partnership agreements.
- b) *Planning, Monitoring, Evaluation and Learning*: Set up CONNECT programme management manual including how to monitor risks and progress against the theories of change.
- c) *Third Party Investment Leveraged*: 29 activities have been achieved including identification and selection of production pockets for 8 MSME partners, the selection of Hamri Didis, baseline data collection for 9 MSME partners, initiated negotiations with BFIs for 4 MSME partners, prepared the business plan for 5 MSME partners, held business promotion meetings within farmer communities to promote the value chain idea for MSME #3 (dairy cooperative) and completion of recruitment of partner staff for MSME #9 (seed cooperative).
- d) *Improved efficiency and scaled up markets*: 12 activities completed including identifying new business ideas, facilitating visits to local enterprises and designing investor pitches.

Summary of responses to issues raised in previous annual reviews (where relevant)

Following the SED fundamental review, DFID have concluded all recommendations from the last annual review including the restructuring the component, the IMC team, the delivery approach and agreeing a new work plan which has just concluded the inception phase.

Recommendation

7. As the new approach is designed to test new approaches and take greater risks, the IMC team will need to ensure they actively manage and flag risks as well as ensure the team is actively learning and being bold to stop what is not working and scale / replicate what is.

Output Title	Institutional capacity to manage LRN assets strengthened		
Output number per LF	Output 3	Output Score	A+
Risk:	<i>Moderate</i>	Impact weighting (%):	17%
Risk revised since last AR?	<i>N</i>	Impact weighting % revised since last AR?	<i>N</i>

Indicator(s)	Milestones	Progress
3.1 Number of transport infrastructure management training days for Government, Private sector and other stakeholders	6,000	Over delivered target Cumulative total 13,158 GoN = 4,295, Private Sector = 1,300 and Others = 7,563 (mainly orientation to RBGs, RMGs, LRCC and local community reps)
3.2 % of Annual Social Audit findings conducted at District level showing satisfactory rating increasing year on year	35%	Over delivered target >50%
3.3 Central government, district government and private sector Continuous Improvement Matrix (CIM) scores (max 10) demonstrate continual improvement towards Sectorwide approach (SWAp) compliance	Improvements from last AR Pilot Dist: 7.05 Core Dist: 5.81 All Dist: 6.34 Central GoN: 5.3	Over delivered target Pilot Dist: 7.10 Core Dist: 6.09 All Dist: 6.52 Central GoN: yet to be measured

Key points and response to last annual review

IMC continued to deliver in the areas of strengthening institutional and technical capacities of local and central stakeholders. This output represents a critical package of TA support to: (a) enhance performance of RAP3's works for output 1 (roads maintained and constructed), (b) enhance sustainability of RAP3 through GoN's ownership and funding for maintaining its LRN asset in RAP3 pilot districts, and (c) more importantly improve MoFALD and DoLIDAR's abilities to maintain and improve rural roads throughout the country. Good progress has been made in response to last year's recommendations:

- The RAP3 LF will be revised for the capacity and institutional development component (CIDC) benefitting from the recently concluded extension to IMC's contract. IMC has ensured high priority for strategies and plans for exit and capacity/institutional development in the extension, mainly through thinner but more efficient helpdesk TA in pilot districts, GoN funding for RMGs, support to DoLIDAR for disaster resilience of LRN, and support to Nepal Engineering Council (NEC) for implementing Professional Engineering (PEng) status in Nepal (QUEST. 5565812).
- NEC's long term ambition for PEng system received a significant boost through a high level and well represented workshop for the PEng process guidelines and relevant regulations (Dec 2015).

RAP3 has continued to deliver impressive progress in training, primarily driven by the participation of people directly involved in the programme (Indicator 3.1). It is worth noting that these trainings are designed as demanded by the comprehensive Continuous Improvement Review of the previous year. District audits have shown an improving trajectory in the programme's satisfaction level, evidence for the programme's strong opportunity to influence for GoN ownership and funding for maintaining existing LRN (Indicator 3.2). Similarly, the programme's evaluation of GoN capacities in the LRN sector shows positive trajectory in districts- especially in pilot districts (Indicator 3.3). The improvement trajectory of the central level is also positive but will require additional efforts. In addition, the collaboration with DoLIDAR has been more strategic with some positive results: GoN approved the common guidelines for RMGs, made progress on DTMP/ARAMP reviews (20+ districts completed) and a national LRN investment strategy, GIS mapping of LRN and LRN inventory, and support to add road safety to rural roads work.

Recommendations

8. Linking with the new overall RAP3 LF being developed and the contract extension, IMC to work with MEL to consolidate "capacity building support to GoN" and develop a mini LF which captures the key activities, innovation, safeguards and results (Mar 2016)
9. IMC and MEL to develop and implement a work plan in agreement with DFID and GoN (MoFALD and DoLIDAR in particular) for enhancing LRN sector coordination (Nov 2016 onwards)

Output Title	All of the policies and guidelines needed for the delivery of Social Protection through Public Works Programmes (PWP) are formulated and implemented		
Output number per LF	Output 4	Output Score	B
Risk:	<i>Major</i>	Impact weighting (%):	10%
Risk revised since last AR?	Y	Impact weighting % revised since last AR?	N

Indicator(s)	Milestones	Progress
4.1 Policy developed and operationalised	1) KEP Costing model institutionalised 2) Developed "Employment-led social protection" guidelines 3) Developed and submitted <i>National Social Protection Strategy through PWP</i> , based on the learning from KEP.	<i>Progress, but not as expected</i> 1) KEP costing model was updated. It was only partially used by government since it helped to influence the allocation of resources (eg technical staff at cluster level) but it was not used for FA planning. 2) Guidelines were developed, but there was limited engagement with KRDU in design and development- thus limiting the impact and usefulness of the report. 3) PWP Strategy was developed - but there was limited engagement with KRDU in design and development- thus limiting the impact and usefulness of the report.
4.2 Effective interaction between KEP and wider social protection forum	Creation of convergence forum at district and national level to promote SP.	<i>Milestone achieved</i> Convergence forums created and conducted in every district and at the central level. Software and database created and transferred to KRDU.
4.3 KEP's guideline implemented which reflect policy dialogue, promoted and compliance increased	1) Revise KEP Operational Guidelines 2) Pilot and implement costing model based modality in 18 VDCs	<i>Milestone achieved</i> 1) KEP guidelines revised in September 2015 and again in August 2016. 2) Revised Guidelines rolled out to every VDC and cluster based approach (developed through costing model) is being piloted in 2016.

Summary

In 2015/2016 KEPTA moved away from direct involvement in KEP implementation and shifted their focus on national policy influencing- with an aim to strengthening the policies and guidelines (Output 4) and the institutions and systems (Output 5) to improve the quality and effectiveness of public works programmes as a social protection tool. While KEPTA continued to achieve results and meet their deliverables in each of these areas- their strength remained in direct support to the implementation of KEP, with less success and government appetite for wider reforms outside of KEP.

The KEPTA team identified a number of challenges that they faced in making a shift from direct implementation to policy influencing. These are worth reflecting on for the current review period. However, as a result of these lessons, the forthcoming year will see a shift for KEPTA towards an approach that explicitly focuses on institutional capacity building for KEP- with an aim to maintain the gains made.

- When planning the TA, the challenges associated with shifting from Tier 1 (piloting and direct implementation) to Tier 3 (policy influencing) were underestimated. KEP capacity at district level is very low and inadequate and, in practice, key processes of the new KEP guidelines (e.g. targeting, MIS) could not be implemented without substantial TA support and involvement, and in many cases even leadership. For KEPTA to be able to shift quickly from piloting in Y1 to policy influencing in Y3, there was a need for commitment from the government to increase KEP

resources as needed. However, though admittedly KEP resources have increased, they are still inadequate- particularly in programme administration and oversight.

- Despite recruiting some consultants with experience in policy influencing, the profile of most KEPTA team members continued to be operational.

The absence of a DFID social development adviser for at least half the evaluation period created a challenge for KEPTA opportunities for policy influencing. With limited policy leadership from DFID, the team struggled to engage with bureaucrats at higher levels and with key players in the field of social protection like the World Bank, UNICEF, etc.

- Capacity strengthening is a long process and is not always linear. Whilst the TA was designed to be flexible and responsive, it was also under pressure to deliver results in a relatively short time frame. A medium to long term theory of change and a TA exit strategy could have strengthened the programme to better define and achieve its results. By contrast, the annual planning process resulted in sometimes short-sighted TA, and was consequently more focused on daily operations rather than on long-term investments.
- Throughout the year there was a shift in KRDU leadership and a shift in priorities- with greater emphasis on KEP implementation and less emphasis on wider policy influencing objectives. As such, policy influencing activities had less traction within KRDU.
- Expansion of activities to Bajura (at the request of MoFALD) were important in helping the Government realize its ambition to expand the programme beyond Karnali, but the addition of a new district stretched TA resources.

Key Points

Through the experience and documentation of KEPTA's direct implementation activities (2014-2015) and its support to the development and improvement in policies and guidelines to strengthen public works programming (2015-2016), the KEPTA team has contributed towards strengthening the quality of guidance and policies. Whilst the milestones have largely been met and the documentation produced is of adequate quality, there were mixed results in terms of their usefulness and uptake by government which has limited their potential impact.

- A KEP Costing Model developed in July 2015 was updated in 2016. The Costing Model served as a useful tool in helping KRDU to cost and model various implementation models. As a result of these models, KRDU agreed to appoint sub-engineers in each of the districts (although with some considerable delay). The Costing Model, and associated TA, also proposed a 'cluster-model' of programme implementation that allows for more effective deployment of technical staff (shifting to geographic areas where works are underway rather than having all technical staff in district headquarters). This approach was piloted in Jumla and Kalikot and will be scaled up in the forthcoming period. (Ref Indicator 4.3 and 5.2)

Public Works Programme Convergence forums were created and facilitated in every district and at a central level to help strengthen coordination across public works programmes. The first forums were held at the district level- in all 5 districts (with all agencies working on PWPs). The second forum was a central level discussion based on the outcomes of the district level forums. Based on the central level forum, an Access-Based database (and GIS mapping system) was developed to provide all the stakeholders with access to a shared database on public works programmes. A pilot database has been completed for Humla. These forums have been well-received and have highlighted the coordination challenges in public works programmes. (Ref Indicator 4.2 and 5.4)

- Employment-led Social Protection Guidelines were developed by the KEPTA team (July 2016). This was intended to provide an overarching set of guidelines to strengthen PWP programmes across GoN, however the design, development and sharing of the guidelines lacked KRDU buy-in and interest. This was a missed opportunity by the team, and more effort should have been placed to capture GoN feedback into this document and promote ownership.
- The KEPTA team provided technical inputs on the role of public works programme as part of the consultation on the National Social Protection Strategy (led by NPC).

- The revised KEP Guidelines (September 2015) were rolled out to every VDC in Jumla and Kalikot, and six VDCs in Mugu, Dolpa, Humla, and Bajura. Support to compliance is described below (Output 5).

Summary of responses to issues raised in previous annual reviews (where relevant)

- In order to add a concrete output to milestone 4.2, KEPTA moved beyond simply holding meetings and commissioned the design of a GIS mapping of PWPs in 5 districts. The GIS mapping software was presented to a number of key stakeholders, including MoFALD, RAP/IMC, Poverty Alleviation Fund, and RCIW (July 2016). It is expected that the software will be used by KEP and other stakeholders in the coming months.
- A FRA was conducted by Crown Agents (May 2016) and based on the recommendations the design of KEPTA phase 2 was designed accordingly.

Recommendations

10. In the next period, KEPTA will not be focusing on policy influencing and will instead be focusing on capacity development to support the implementation of KEP. However, it is recommended that KEPTA strengthen its working relationship with KRDU to ensure that all KEPTA activities are grounded within MoFALD and that all knowledge products developed for and with the Government of Nepal are fit for purpose.

Output Title	Institutional System for the delivery of a 'Social Protection through PWP' programme is operational within GoN and is effective		
Output number per LF	Output 5	Output Score	A
Risk:	Moderate	Impact weighting (%):	10%
Risk revised since last AR?	Y	Impact weighting % revised since last AR?	N

Indicator(s)	Milestones	Progress
5.1 System developed and operationalised to measure beneficiary satisfaction	Qualitative and quantitative assessment systems developed and implemented to measure beneficiary satisfaction	On track Beneficiary satisfaction survey designed and conducted (September 2016)
5.2 Training and systems are placed to enhance KEP Institutional Capacity	<ol style="list-style-type: none"> 1) Human resource and equipment support to rollout costing model in all Karnali districts 2) Support to monitor the KEP activities 3) Training of social protection, planning and KEP provisions in 3 districts of Karnali 4) Review the KEP institutional capacity with MoFALD 	<p>On track</p> <p>1) Human resource and equipment provided Transport (motorbikes, fuel, maintenance), Cluster and district offices, 9 people for data entry, Support in project monitoring (district and central monitoring), Provision of 2 engineering interns in Mugu and Jumla, provision of human resources: engineer, social mobilisers, district facilitator, data entry clerks, drivers, support staff)</p> <p>2) Support to monitoring KEP activities (by KEPTA and KEP staff) provided. Support for district level monitoring (in all 6 districts) and central monitoring visits.</p> <p>3) (a) Training to VDC secretaries, LGCDP social mob and KEP staff including; Training on social facilitation to LGCDP Social Mobilizers of Jumla and Kalikot in P2Y1 and Mugu, Dolpa, Humla and Bajura in P2Y2. (b) Engineering training to all KEP engineering staff in Nepalgunj (c) Observation Tour to MGNREGA for Karnali +Bajura LDOs, KEP Engineers and, KRDU Staff (d) VET (Village Engineering Technology) training to VDC technician of all Karnali Districts and Bajura KEP VDCs. Note Jumla and Kalikot in P2Y1, Mugu, Dolpa, Humla and Bajura in P2Y2 (e) Orientation on Guidelines, Social Protection and Planning to VDC secretaries, LGCDP Social Mobilizers and VDC Technicians of all KEP VDCs.</p> <p>4) KEP institutional capacity reviewed with MoFALD - leading to the operationalisation of the cluster model (in Jumla and Kalikot) and deployment of sub-engineers. Plans to scale up cluster model in 2016-2019.</p>
5.3 % of GoN KEP fund implementing at: Level One (100% Compliance) Level Two (50% Compliance) Level Three (20% Compliance) Non-compliant (0% Compliance)	L1=15%, L2=40%, L3=45%	Over delivered target L1= 22%; L2=78%; L3=0%; L4=1%

<p>5.4 National Stakeholders engaged to debate, promote and practice social protection through PWPs</p>	<p>1) Conduct thematic studies and share</p> <p>2) Formation and discussion of convergence/ complementarity</p> <p>3) Creating basis of social protection through PWP strategy</p>	<p>On track</p> <p>1) Thematic study on labour based technologies and on PWP international experiences and framework conducted and shared.</p> <p>2) PWP Convergence forums created and operational both at central and district levels.</p> <p>3) Event with NPC and parliamentarians about the role of PWPs in SP.</p>
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Key Points

KEPTA has excelled in its district level work across Karnali and in Bajura where it has been instrumental in helping KEP achieve significant improvements in adherence to KEP Guidelines and strengthened programme implementation. However, the aim to influence and strengthen institutional systems across GoN for 'Social Protection through PWP' was ambitious and the KEPTA team struggled to generate buy-in and influence across GoN. However, excellent progress was made in the establishment of PWP Convergence Forums to help generate a wider dialogue on the importance of coordination in PWPs.

- KEPTA provided on-going human resource and capacity building support to KEP at both the central and district levels. At the district level this support included full-district model (Jumla and Kalikot), selected VDC-focused support (Mugu, Dolpa, Humla) and targeted support in 5 VDCs in Bajura. This district-led support has been instrumental in strengthening compliance with the KEP Guidelines (particularly in targeting), strengthening social mobilisation and outreach, and providing engineering support. According to the compliance tracking tool, KEP has exceeded its targets for the year- with 78% of VDCs demonstrating more than 50% compliance – up from 16% last year. There were however significant challenges in recruitment- notably of government sub-engineers which impacted on programme effectiveness.
- KEPTA supported the design and implementation of a beneficiary satisfaction survey (September 2016) to capture the feedback from the beneficiaries in Mugu, Humla and Jumla engaged in the new KEP model as per the revised guidelines. This survey also provided a framework that may be used for future government-led beneficiary satisfaction surveys, although greater consultation will need to take place with KRDU to ensure relevance and usage. Some of the key findings from the survey include:
 - Good awareness of KEP approaches and effective targeting of the poor. Appreciation of the usefulness of assets created.
 - Some concern/frustration over the seasonality of employment (coinciding with agricultural periods) and lack of safety equipment.
 - Limited awareness and use of transparency and accountability mechanisms (grievance handling, public audits)
- KEPTA held three workshops with high-level GON officials to discuss social protection through PWPs with an aim to feed into the National Social Protection Framework. The National Social Protection Framework document ended up being a shorter document than anticipated, with limited discussion of public works programmes.

Summary of responses to issues raised in previous annual reviews (where relevant)

Recommendations

- KEPTA has developed and refined its communication strategies (i) targeted at a broad audience about KEP/KEPTA and (ii) targeted at communities to strengthen social mobilisation and awareness of KEP. The community based strategy (last updated May 2016) has been an important tool in mobilising awareness in Karnali.

- To strengthen community awareness of KEP and to build coherence with LGCDP, KEPTA developed a social mobilisation training manual in collaboration with LGCDP (September 2015). Following the acceptance of the manual by the KRDU, training was delivered in the districts with the engagement of the LGCDP district teams in Karnali. This has helped improved the targeting of the programme, and has increased the engagement of social mobilisers of KEP.

Recommendations

11. In the next phase, KEPTA will be focusing primarily on building institutional capacity within KRDU and within the implementation districts. The programme would benefit from developing and implementing a targeted system of tracking- on an ongoing basis- capacity enhancement and institutional reform within KEP (similar to the Capacity Improvement Matrix). Ongoing monitoring can allow the team to adapt and trouble-shoot as needed.

Output Title	Independent monitoring, evaluation and learning promotes improved understanding of programmatic and poverty challenges in RAP 3 and generates policy-relevant knowledge		
Output number per LF	Output 6	Output Score	A+
Risk:	<i>Minor</i>	Impact weighting (%):	10%
Risk revised since last AR?	<i>N</i>	Impact weighting % revised since last AR?	<i>N</i>

Indicator(s)	Milestones	Progress
6.1 Monitoring, Evaluative Research and Learning reports completed	Target 7	Over delivered target Achieved 11
6.2 Number of community members consulted to provide feedback that informs RAP policy	Target 1000	Over delivered target Achieved 1601 (Includes beneficiaries feedback, radio outreach survey and RCA community feedback)

Key Points

The MEL team have delivered a number of critical report and analysis this year, most of which are on the RAP website:

Report	Summary
Local Roads Network Review	An independent assessment of the progress in the RAP3 LRN component. This included assessing the Output indicators, the annual planning, budgeting, design and implementation and the LRN delivery cycles. The review fed into DFID's 2015 Annual Review of RAP3. The final report was completed in November 2015.
Value for Money Review	VfM review of RAP and KEPTA to lead into the development of a VFM framework that each component could take forward as a reporting tool in subsequent years.
Independent Verification	Following last year's AR, the team have delivered two important verification activities: <ol style="list-style-type: none"> 1. A review of the RAP Performance Management and Verification (PMV) system. The PMV is used to collect, collate and report district aggregated data on a monthly basis to report results to DFID for PbR. MEL assessed the system accuracy and reliability concluding that it was on the whole fit for purpose. 2. Developed a methodology for providing an independent verification of actual results conducted twice annually. The pilot verification has been conducted by a five-person engineering team with positive results.
Review of RAP Theory of Change (ToC)	As the programme is moving into a 3 year extension, the MEL team facilitated two productive working sessions with RAP, KEPTA and DFID to test assumptions, review progress and update the RAP ToC. Next steps will be to update the logframe.
Direct Beneficiary Feedback	The team developed a feedback process using smartphone based surveys and focus group discussions (FGDs) aimed at generating feedback from only RAP direct beneficiaries. The data was analysed and the feedback written up into a report by the MEL team and shared with RAP and DFID. MEL plans to hold a 'learning workshop' early in the extension phase.
Midline Assessment	The midline report will attempt to better integrate findings from the quantitative household survey and the qualitative Reality Check Approach. The standalone Midline RCA report was submitted to RAP and DFID and the final mixed methods midline report has been submitted.
M&E support to Dolidar	MEL has continuously engaged with DoLIDAR with a focus on supporting the department to assess the effectiveness of different projects they manage and how the reporting can be harmonised.

The MEL team have demonstrated good flexibility this year in adapting the plan to the needs of the programme and over delivering against milestones. The reports have also generally been of high quality – and it has been especially important to have comprehensive feedback from beneficiaries on RAP.

Summary of responses to issues raised in previous annual reviews (where relevant)

The team have responded well to previous recommendations, from designing and implementing a thorough verification process to building more productive relationships with the project partners. The work has justified the decision to extend the contract through to end of the extension in 2019

- More work is required to ensure that the valuable insights and learnings from the MEL work are disseminated across the project, DFID, GoN, other development partners etc.

Recommendations

12. Given the increased focus on sustainability in the RAP3 Extension, it will be important to identify how the MEL team can positively contribute to key policy goals (e.g. GoN taking on the funding and management of RMGs).
13. Given the investment in the RCA report and subsequent “MidLine Report”, it will be important for DFID and the MEL team to ensure that the findings and key insights are shared widely and genuinely used. This should include exploring in detail cross cutting themes such as gender and conflict.
14. MEL team to lead a process engaging all partners to finalise the updates the logframe for the extension period (Dec 2016).

D: VALUE FOR MONEY & FINANCIAL PERFORMANCE (1 page)

Key cost drivers and performance

Rural Access Programme 3 currently has five main funding envelopes implemented by three commercial partners. This year two further lines will be added, Financial Aid to support KEP and a new contract to build the Mugu-Humla Road.

	Funding Envelopes	Budget 2013-2019 £M	Spend in AR period (Sept 15 to Aug 16)	Implementing partners
A	Improve access (Local Road Network) and Employment Days	£34.94	£4.92	IMC
B	Socio-Economic Development including Economic Infrastructure/Connect/Safeguard	£9.42	£1.26	IMC
C	KEPTA Social Protection	£4.8	£0.77	OPM
D	Monitoring Evaluation and Learning	£2.4	£0.60	ITAD
E	Capacity Building	£2.94	£0.55	IMC
	Total	£54.50	£8.10	

In terms of components A and C, the key cost drivers are the wages paid followed by the procurement of the goods required to build new roads and maintain existing roads.

Road/LRN Component cost/spend from September 2015 to August 2016:

District type	Wage/beneficiary	Tools and material	Fees, Expenses, Overhead	Total	% Wage of total	Budget source	Remark
New Construction (4 districts)	£2,293,707.03	£792,375.23	£190,960.75	£3,277,043.01	70.0%	DFID/ RAP3	RBGs wage + tools and material cost+ (fees/ overhead under MC_LRN + 1.99% fund handling)
Maintenance (8 districts)	£467,566.50		£28,932.10	£496,498.60	94.2%	DFID/ RAP3	RMGs wage - (fees/ overhead under MC_LRN + 1.99% fund handling)
Maintenance (MOR & JHA) -Gravel provided in these districts	£135,871.04	£38,058.37	£10,762.41	£184,691.83	73.6%	DFID/ RAP3	RMGs wage + tools and material cost is for Morang and Jhapa + (fees/ overhead under MC_LRN + 1.99% fund handling)
Total	£2,897,144.57	£830,433.60	230,655.26	£3,958,233.43	73.2%		
PMV Cost	£232,210.35			£232,210.35			mostly to beneficiary
TA cost			£729,752.79	£729,752.79			Proportionate 70% of TA cost
Total including TA & PMV	£3,129,354.92	£830,433.60	£960,408.05	£4,920,196.57			

SED/Connect Component cost/spend from September 2015 to August 2016:

SED/Connect	Expenses to Beneficiary	Fees, Expenses, Overhead	Total	Remarks
SED/ Connect	£759,224.64	£292,715.24	£1,051,939.89	Beneficiary cost + (fees/ overhead for SED partners + 1.99% fund handling)
Total	£759,224.64	£292,715.24	£1,051,939.89	
TA cost		£208,500.80	£208,500.80	Proportionate 20% of TA
Total including TA		£501,216.04	£1,260,440.69	

Capacity Building Component cost/spend from September 2015 to August 2016:

Capacity Building	Expenses to Capacity building work	Fees, Expenses, Overhead	Total	Remarks
Capacity Building	£442,084.99	£8,797.49	£450,882.49	Capacity building cost + 1.99 % fund handling cost - No fees + Overhead as it is covered by TA budget
Total	£442,084.99	£8,797.49	£450,882.49	

TA cost		£104,250.40	£104,250.40	Proportionate 10% of TA
Total including TA		£113,047.89	£555,132.89	
Direct beneficiary cost	£5,161,098.16			about 77%
Management, TA cost	£1,574,671.98			about 23%
Total IMC Cost			£6,735,770.15	

In terms of KEPTA, the team have completed the analysis for this year's spend of £0.77 million which is split between fees (80%) and reimbursable costs (20%). This is to be expected given it is a TA project. The MEL investment predominantly funds the team's time to conduct research and verification.

VfM performance compared to the original VfM proposition in the business case

RAP3 has introduced a series of VFM savings measures during the period of September 2015 to August 2016. According to the 2016 independent MEL VFM Analysis of the programme, "RAP3 performed well" against internal and external benchmarks. Some of the highlights are described below:

Economy

Graduate Engineers: Over the period, RAP3 has employed 22 Graduate Engineers (GEs). The GEs have similar responsibility to Engineering Officers (EO's). The cost of EO's to DFID were GBP 13,213 per annum, however the cost of GEs is GBP 6,186 per annum. For a total of 22 GE's over the period, this amounts to total cost savings of GBP 154,594.

In-house vs. External Supervision: According to a recent VfM study carried out by the RAP3 Local Road Network (LRN) team, the programme's decision to change from using external supervision consultants to in-house supervision has resulted in average cost savings of 11.36% per month. Based on this sample, this amounts to total savings of GBP 14,366 over the 12 month period. We also observed better overall performance by carrying out the supervision in-house.

Efficiency

Completion of the RAPID and HRIS Systems: The completion of the RAPID Financial Management System and the HRIS Human Resources System has resulted in significant efficiency benefits. On a large programme like RAP3 a large proportion of staff time is spent on information management. Whilst difficult to quantify, it is clear that these systems have greatly reduced staff time spent on data inputs, analysis, reporting, monitoring and evaluation, which in turn has enabled staff to focus on delivering results. The independent 2016 MEL Performance, Monitoring and Verification (PMV) Review concluded that "the RAP3 performance management and verification processes and practices ... are robust. There are examples of good practice across each of the [PMV] dimensions". Furthermore, the DFID Fiduciary Risk Assessment carried out in 2016 found that "RAP3 has a reputation as a well-managed programme, and our observations in Kathmandu and in the field support that view". This is as a result of the efficiency savings that come from the robust management systems introduced during the period.

Improvement of KEP systems: Support to core KEP processes (e.g. the costing model for KEP) enabled the GoN to generate a bottom up costing of the genuine costs required to run the KEP programme which has been used to inform GoN planning and DFID OPM extension.

Effectiveness

Payments by Results (PBR): According to the independent 2016 MEL VFM Analysis, PBR on RAP3 "is a safeguard to ensure efficiency and effectiveness". 2016 was the year that RAP3 formalized a robust PBR mechanism in close collaboration with DFID, contractually agreed under Contract Amendment 5. Whilst improvements are being made to the reporting of actual costs against logframe indicators, the PBR mechanism provides a model for DFID to ensure VFM effectiveness.

GoN Funding: GoN have allocated budget from this fiscal year's budget to fund the RMGs created by RAP. This provides a pathway to long term sustainability.

Implementation of RAP3 Connect: The RAP3 Connect component was approved in 2016 following a DFID Fundamental Review. The collaborative and innovative process saw the component re-designed to deliver unprecedented effectiveness VFM gains for the programme. Based on the re-design, initial estimates show that the CONNECT programme will cost GBP 1.57m to DFID but will generate some GBP 2.25m investment by the private sector. This means that for every GBP 1.00 invested by DFID, GBP 1.44 will be leveraged from the private sector. This increases the CONNECT funding from GBP 1.57m to GBP 3.82m, an increase of 244% over the DFID funded budget for CONNECT and contributes greatly to the programme's effectiveness gains.

Equity

According to PMV data, for the period of September 2015 to August 2016, the average composition of RBG/SBG workers was 64% male to 36% female with 26% for disadvantaged groups. This is higher than the 33% target. It is also recognized that working in some of the most remote, poorest parts of Nepal will drive up unit costs but deliver on reaching the poorest parts.

Recommendation:

15. Whilst there have been examples of improvements in VfM, understanding and measuring VfM as a routine process is still not sufficiently developed. Post the finalization of the logframe, all partners will work with DFID to define a robust measurable VfM framework which can be monitored routinely (Jan 2017).

Assessment of whether the programme continues to represent value for money

In submitting the contract extension for RAP3, the cost effectiveness analysis was updated with a cost benefit ratio of >4. The project thus continues to represent good VfM.

Quality of financial management

IMC invoices DFID using a payment for result approach (P4R) based on pre-agreed Disbursement Linked Indicators (DLIs). RAP3 will invoice DFID at the end of each calendar month, stating which DLI's have been achieved during the month and the invoice amount will be a sum of the total DLI payments plus the TA costs. The monthly progress report from IMC details results achieved, financial monitoring including forecast for next month, risk management and confirmation that there is no cushion between the invoiced amount and achieved results. The unit rate of the DLIs are changeable each Trimester to allow their invoicing to match their predicted/projected expenditure.

The Financial Management (FM) part of RAPID, an online financial reporting system, is fully operational in all districts and in Kathmandu. Component wise expenditure details are compiled using FM module. Three modules, including 1) Work Sheet, 2) Cash Book and 3) Contract Management, are operational.

An external financial audit of RAP3 accounting records of financial transactions for the period from 1 October 2014 to 31 January 2016 was conducted. The audit report, including auditor's findings, recommendations, management responses and an analysis of findings and action plan have been submitted to DFID and discussed by all parties (Quest document for the financial audit report – 5613480, Analysis of Summary of findings – 5613432). The issues identified are mainly procedural. Out of 13,600 transactions, the number of audit issues raised amounts 0.56% whilst for DDC and partners percentages stand at 0.84% and 1% respectively. Put more positively 99.44% of transactions were fine.

We also have just received the external financial audit report of OPM on KEPTA accounting records for their financial transactions for the fiscal year 2072/73 (15 July 2015 to 14 July 2016) including management letter. The SRO and programme team will now review and agree next steps with OPM.

KEPTA and MEL are also managed predominantly on an output basis and both invoice DFID post-delivery of agreed milestones. Outputs are scrutinised by DFID's advisors and programme team before payments are made.

Date of last narrative financial report	RAP: Monthly Financial monitoring report of August 2015
Date of last audited annual	RAP: Audited report for the period 1 st October 2014 to 31

statement	January 2016. Quest number 5613480. KEPTA: Audited report for the period of 15 July 2015 to 14 July 2016. Quest document number 5613550 & 5613556 MEL: Not required.
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E: RISK (½ page)

Overall risk rating: Moderate

The gross risk for this programme is Major (given it principally involves cash payments to informal groups of workers in remote Nepal) and works in part through GoN systems - but the team considers the controls established to make the net risk moderate. Key assurance controls include (i) ensuring our partners have robust policies and procedures including a whole department in IMC for performance management and verification; (ii) all DFID payments are made against development indicator outputs, and all invoices are verified by the DFID programme team with third party verification of the LRN spend; (iii) critical “risky” delivery mechanisms including the District Development Funds have ring-fenced finance with no objection checks in place to prevent misuse of funds; (iv) IMC and OPM are externally audited once a year.

Overview of programme risk

A detailed assessment of programme risks (and return) is included in Annex 1. This is discussed monthly with project partners and there are no outstanding actions.

F: COMMERCIAL CONSIDERATIONS (½ page)

Delivery against planned timeframe

The programme is on track to deliver against the extension commitments – albeit with a revised approach to supporting KEP. Throughout, DFID has been engaged with the partners to realign plans to ensure overall delivery of project outcomes. This will become more important with the addition of two further components and partners (FA to GoN and New Road in Humla).

Performance of partnership (s)

DFID’s internal audit from head office conducted a detailed RAP3 programme audit during 8 – 18 March 2016 and there are no significant issues in the report. In addition, the Fiduciary risk assessment of RAP LRN was positive. There have been more challenges in the realignment of the OPM led KEPTA work but these have been addressed in the renegotiation of the contract extension.

Asset monitoring and control

All partners have produced a full asset list which is checked by the DFID team every 6 months (QUEST 5449572, 5480602 and 5598142). Assets spot checks were completed at KEPTA Kathmandu office on 12th February 2016 (Quest no. 5346263) and their Kalikot/Jumla offices on 27th April 2016 (Quest no.5431521), IMC Kathmandu office on 16th September (5599340) and in IMC Accham office on 27th September 2016.

G: CONDITIONALITY (½ page)

Update on partnership principles (if relevant)

Not Relevant

Evidence and evaluation

The RAP3 project includes a component on independent monitoring, evaluation and learning (MEL) which is being implemented by ITAD. The increased focus on M and E was justified in the business cases on account of the lack of data on development challenges in the Mid-Far Western region. The team have just conducted a midline survey to understand progress from the initial baseline. MEL will now lead a process of reviewing the core assumptions and evidence within the theory of change to provide a robust basis analysis of the programme rationale. The MEL team will also continue to conduct independent verification of progress to provide DFID with hard evidence to justify the payment by results.

KEPTA has also invested in assessing the creation of a number of evidence products which have been used by a variety of stakeholders (e.g. Assessment of Public Works Programmes operating in Karnali, Beneficiary Survey of KEP). These have been fed into the more central level discussions on Social Protection.

Monitoring progress throughout the review period

The MEL component continues to invest in M&E – working directly with RAP and KEPTA on M&E frameworks and supporting continuous improvement practices. The team also works with DoLIDAR to support their M&E of the sector. Both RAP and KEPTA have good field presence to monitor activities closely and send regular reports to the programme's central offices in Kathmandu. These are summarized to produce monthly and more formal trimester reports for DFID. DFID also conducts regular management meetings with service providers and the RAP3 Steering Committee meets at least twice a year. The DFID team have also engaged on a number of field trips, including two to support this AR.

This Annual Review process has been written by Gareth Weir (Economic Development Team Lead DFID Nepal), Suman Baidya (Infrastructure Adviser DFID Nepal), June Shrestha (Programme Manager DFID Nepal), Nina Schuler (SDA Advisor DFID Nepal). It has been peer-reviewed by Ben Powis (SDA Burma, former KEPTA lead), and quality assured by Andy Murray (Results Adviser DFID Nepal) and Simon Lucas (Climate and Development Team Leader, DFID India). This review was based on the agreed Terms of Reference (QUEST No. 5558459). The review drew on the findings from DFID/GoN joint field trips to the East (Morang/Jhapa) and West (Doti, Accham, Dadeldura) where the DFID team met with local beneficiaries, district stakeholders and project partners. For KEPTA, the review drew on findings from joint DFID-GoN-KEPTA field visits to Jumla, Kalikot (April 2016) and Mugu (June 2016). It also relied on independent reviews and verification from MEL and an independent *Organisational Review of KEP* (March 2016). Findings from the review have been shared and discussed with service providers and government counterparts.

Annex 1: Progress against last year's AR recommendations

#	Recommendation in AR Sept 2015	Progress by Sept 2016
1	DFID to clarify strategy for implementing RAP3 extension up to July 2019 (considering 3 months of financial closure, and including all components including the proposed Humla Mugu Road). Approach needs to ensure best Value for Money (VfM) for DFID and engage DFID contractor(s) and GoN as appropriate. (December 2015).	<i>Completed:</i> DFIDN worked with PCD to lead a comprehensive negotiation with all 3 suppliers. IMC, OPM and ITAD contracts have been extended to Oct 2019. Humla Road is mid-way through OJEU procurement.
2	RAP3-MEL to strengthen quarterly independent verification of Logframe (LF) outputs and Disbursement Linked Indicators (DLIs) of output based contract in the future (December 2015 onwards).	<i>Completed:</i> MEL conducted a due diligence on RAP's Performance Management and Verification (PMV) system and found this to be fit for purpose. DFID have also agreed with MEL to provide independent assessment of RAP outputs twice a year.
3	As part of expansion, DFID to review contract types for each component assessing benefits and challenges of fully output based contract (January 2016).	<i>Completed:</i> DFID worked with PCD to assess contract types for extension including changing the IMC contract to a hybrid input/output. RAP3 FRA recommends reviewing the output based approach in LRN.
4	DFID to work with partners to identify if and how the programme could play a more catalytic function in helping the district plan for and integrate the various development and GoN interventions (Feb 2016)	<i>Underway:</i> The new RAP CONNECT programme includes a component to work with the district GoN to map and co-ordinate "social economic activities". Work is also continuing with KEP to explore ways to bring together different cash for work programmes in Karnali (e.g. through a MIS).
5	Given DFID's influencing ambition, DFID needs to step up level of engagement and direct communication with key Government counterparts. Explore setting up quarterly meetings with all partners (agreed by December 2015).	<i>Underway:</i> DFID have successfully set up quarterly meetings with all partners which have proved very useful. DFID team making a concerted effort to engage more with senior GoN officials (especially given all the recent changes in GoN officials).
6	IMC Worldwide to work with GoN to push for implementation of LRN review recommendations on refining District Transport Master Plan (DTMP) and Annual Road Asset Management Plan (ARAMP) processes/methodologies/ prioritization/ implementation quality and technical qualities of RAP3- LRN works (Nov 2015 onwards).	<i>Underway:</i> DTMPs of 75 districts completed successfully. This prepares basis for refinements in DTMPs/ ARAMPs and develop evidence for GoN led National DRCN Investment Plan.
7	IMC to work with KEPTA and review targeting approach including proposing a simple graduation model for improving skills and awareness of Road Building Group and Road Maintenance Group (RBG/RMG) member families (December 2015).	<i>Underway:</i> Initial thinking explored and ideas need to be synchronised with KEPTA extension plans.
8	IMC to explore potential of 'schedule of rates' approach to speed up contractual process as required (December 2015).	<i>Completed:</i> Explored in the year three plan (Feb 2015- Jan 2016). Planned to be addressed in the extension period.
9	IMC to devise approach and implementation structure to reduce road closure due to landslides (Mar 2016).	<i>Completed:</i> Measurement of 'roads opened' indicator undertaken. This needs to continue this year.
10	IMC to improve its internal Monitoring and Evaluation (M&E) systems on the basis of upcoming MEL review of its M&E process and systems (December 2015- March 2016).	<i>Completed:</i> MEL review of M&E systems (PMV) completed and IMC have an action plan in place to follow up.
11	IMC to provide proposal for using remaining fund for LRN component up to March 2017 and continue implementing transition strategy for non-core districts (November 2015).	<i>Completed:</i> Proposed in the year three plan 2016 - 2019
12	With service providers' support, DFID to revise RAP3 extension Logframe with potentially: (a) 2-3 indicators covering annual and major maintenance, (b) one indicator for DRCN upgrading/ rehabilitation works with DFID and GoN resources, (c) new output	<i>Underway:</i> Given the planned extension, DFID opted to step back from the immediate redesign of the log frame and engage MEL to help reassess the core Theory of Change for the programme. The exercise was informative and challenged core

	for design and implementation of prioritized road bridges, (d) indicators for climate and disaster risk reduction in LRN and road-bridge works, and (e) outcome indicator for outcomes of LRN works on connectivity/road performance; (f) further tighten and clarify KEPTA milestones, (g) review the outcome milestone targets and methodology for measuring progress, (h) updates post the SED redesign, and (i) institutional strengthening in LRN sector (March 2016)	assumptions. The next step is now to work with the partners to update the logframe.
13	Based on the findings from the Fundamental Review of SED, IMC to complete redesign by December 2015 and DFID to sign off as appropriate.	<i>Completed:</i> RAP CONNECT signed off and underway.
14	IMC to review management and organisation structure to deliver SED by December 2015	<i>Completed:</i> RAP CONNECT is directly delivered.
15	IMC to develop a new institutional strengthening strategy/plan analysing the needs for Department of Local Infrastructure and Agricultural Roads (DoLIDAR), DDCs, District Technical Office (DTO) and private sector capacity building (January 2016).	<i>Completed:</i> Proposed in the year three plan (2016-2019).
16	IMC to further strengthen RAP3's engagement with Nepal Engineering Association, Nepal Engineering Council, and other stakeholders of the recently conceived Continuing Professional Development (CPD) Forum for improving professional abilities in the wider engineering sector (December 2015-March 2016).	<i>Completed:</i> Significant boost for PEng process and regulations through high level workshop (Dec 2015). NEC support built into the next 3 year plan.
17	Oxford Policy Management (OPM) and IMC to develop discussion on consolidating lesson learning, and explore options to adopt revised KEP approach in other areas of RAP3 supported cash for work activities. Initial discussions were stalled post the Earthquake but the teams need to develop actions points for any synergies looking at areas such as extending the concept of District Transport Master Plan (DTMP) concept to Village Transport master Plan (VTMP), common GIS planning system, cash for work schemes in IMC districts, KEPTA focusing on Maintenance, RAP3 using job cards etc. (Action Plan due January 2016)	<i>Completed:</i> Discussed at quarterly stakeholder meeting, RAP now has jobs ID cards, KEP to introduce maintenance and safety procedures.
18	Despite ongoing discussions, further analysis is required to determine if and how electronic payment systems could be piloted in KEP projects in collaboration with the DFID supported Access to Finance Programme (OPM + DFID, due January 2016)	<i>Underway:</i> Multiple discussions have taken place between A2F and RAP3 partners with concrete plans being worked up.
19	DFID to work with partners to explore engagement between KEP/public works approaches and broader social protection policy framework through the Social Protection Task Team (August 2016)	<i>Underway:</i> DFID co-chair of the Social Protection working group and actively engaged on GoN Social Protection policy and plans
20	DFID to clarify process and timings for expansion of funding to KEP (e.g. timing and purpose of Fiduciary Risk Assessment, FRA) and come to final decision by December 2015. The team needs to work closely with KEPTA and GoN to ensure that all recommendations from the Financial Controls Review and FRA are addressed as well as to ensure there is a clear GoN plan to scale up the admin costs to manage expansion.	<i>Underway:</i> FRA completed using Crown Agents and work underway with KEP unit to design the FA component.
21	KEPTA to experiment and innovate with the communications tactics to overcome the difficulties highlighted by MEL and engage potential workers	<i>Completed:</i> KEPTA have developed a communications manual and have disseminated this at the local level, with trainings for VDC, KEP

	(January 2016)	and LC+GCDP partners. (Nov 2015)
22	KEPTA to pursue coordination with Local Governance and Community Development Programme (LGCDP) to enhance the performance of local governance structures, with a view to supporting beneficiaries to remove barriers to work and proactively identify potential workers before a project start, etc. (January 2016)	<i>Completed:</i> KEPTA provided training to LGCDP mobilisers in every KEP district and engaged them in key activities such as targeting. However this coordination requires more work as LGCDP mobilisers are not always incentivized to work on tasks outside of their core mandates
23	DFID should play a more prominent role in managing relationships between implementing partners and the MEL team, to ensure the MEL products are fully informed by, and utilised by, implementing partners and other key stakeholders (start November 2015)	<i>Underway:</i> Quarterly meetings have provided a good forum for MEL to present findings for discussion.
24	For the midline Reality Check Approach (RCA) exercise, greater consideration should be given to the number of Households (HHs) included in the research, with district selection and targeting of HHs being done prior to field visits as part of design to ensure target household availability (KEPTA by August 2016)	<i>Completed:</i> RCA and mid-line report have recently been submitted.
25	Greater attention should be given to outreach and dissemination of MEL products, to ensure the range of evidence produced through MEL has as wide an impact as possible (proposed approach from KEPTA by January 2016)	<i>Underway:</i> MEL has run a number of dissemination workshops for selected deliveries. Further work required this year.
26	DFID to include the MEL component as part of RAP3 extension discussions, to ensure predictability of funding and an agreed strategy for MEL to support programme learning for the remaining period of implementation. As part of this, a central focus should be on whether the monitoring component strikes the right balance between third-party monitoring versus capacity building activities. In addition, consideration should be given to developing a deeper understanding of gender within the RAP3 Programme (by January 2016)	<i>Completed:</i> The ITAD MEL contract has been extended. It has the right balance of independent verification with other supporting activities. <i>Underway:</i> Given the richness of the mid-line report, the team will work with MEL to deepen insights on gender impacts of RAP.
27	DFID to work with project partners to improve reporting (especially on risk) and establish VfM metrics for RAP3 and KEPTA which can be monitored routinely (March 2016)	<i>Completed:</i> All partners now use the updated DFID risk matrix which is updated and discussed monthly. A MEL led VfM assessment of RAP and KEPTA provides a foundation to build VfM metrics which can be routinely monitored.
28	IMC to provide an update of progress on the Auditors recommendations (December 2015)	<i>Completed:</i> IMC provided an update.
29	IMC to implement RAP3's new and comprehensive anti-corruption strategy; KEPTA to submit strategy (November 2015 onwards)	<i>Completed:</i> IMC and OPM anti-corruption strategy in place.