

## Annual Review - Summary Sheet

This Summary Sheet captures the headlines on programme performance, agreed actions and learning over the course of the review period. It should be attached to all subsequent reviews to build a complete picture of actions and learning throughout the life of the programme.

<b>Title:</b> <b>Rural Access Programme 3</b>		
<b>Programme Value: £36.5m</b>		<b>Review Date: June 2014</b>
<b>Programme Code: 203186</b>	<b>Start Date: 13/05/2013</b>	<b>End Date:30/06/17</b>

### Summary of progress and lessons learnt since last review

This review takes place during the early phases of implementation of RAP3. The contract with IMC, the service provider for the main component of the project, was signed in May 2013 and the inception document was submitted to DFID in October 2013. The inception period detailed the design of the work programme, including the identification of Annual Road Asset Management Plans which prioritised maintenance and roads building activities, and social and economic development 'clusters'. Implementation was delayed due to the adverse weather conditions in this highly remote region, and started in earnest in March 2014. It is note worthy that preparatory activities continued despite a major national election in Nepal in November 2013, prior to which there were a number of regional disturbances.

The inception phase revealed the need to revise first year targets, based on the reassessment of costs of delivery and quality of the road network in the region. DFID urged IMC to accelerate first year activities to the extent feasible to ensure a quick and effective start up. This had further impacts on the design with agreement of a marginal shift from labour based to 'labour based equipment supported' approaches and increased spend in non-core districts. These revisions in the results targets were agreed by DFID (QUEST No. 4311019) but were not reflected in a revised log frame. As such, this review is based on the original log frame with results assessed by the end of May 2014, but scoring takes into account both these revised targets and the fact that the effective work season in the region extends to September 2014. A further review of the project will be conducted at this point.

The review highlighted the extent to which DFID's support for transport infrastructure and economic development in the Western Region is highly valued by the Government of Nepal and local stakeholders, and expectations are high. However, the current focus on road maintenance and economic development, rather than new construction, remains contentious at the district level and IMC are under pressure to demonstrate the impact of this approach. In line with the objective of a 'quick start up', IMC have focused on mobilisation activities in the first year, aware that consolidation of new approaches will follow in year 2. There is significant scope to further support this consolidation with an early extension to accelerate key result areas.

The other two contracts that are part of RAP3 (OPM support to the Karnali Employment Programme (KEP) and ITAD monitoring, evaluation and learning) started only in October 2013, due to delays in procurement. These projects faced similar delays in implementation due to the climatic condition. Nonetheless, both contracts have progressed well and are well placed to consolidate the learnings from the inception phase in the coming year.

### Summary of recommendations for the next year

The programme is considered to be progressing well and is well placed to consolidate work in the coming year. This is a complex programme, with multiple components and partners, and is focused on one of the poorest and remote parts of the country. Flexibility in approach, based on learnings from implementation, is critical to success. The timing of the review process has enabled reflection on a range of issues that will guide preparations for the coming year, during which time activities are expected to pick up considerably.

### **Local Road Network Activities**

- IMC to develop an exit strategy for non-core districts and focus resources from year two on core western cluster to ensure tangible impact on road network in the West (December 2014)
- DFID to communicate to GoN and IMC about the need to prioritise DDF disbursement to ensure 90% utilisation by end December 2014 (65% in districts where three tranches have been disbursed)
- Capacity development strategy to be reviewed and revised plan in place, including the private sector partners and further development of Annual Road Asset Management Plan by November 2014
- Proposal to halt road upgrading and use fund for local road bridges in the core districts to be developed and discussed with GoN (agreement by October 2014), with option to include upgrading as part of proposed programme expansion.

### **Enhancing Social Impact**

- IMC to review and improve the wage payment system, to ensure positive improvements in beneficiary feedback report (to be reviewed in September 2014)
- Electronic payment systems to be piloted in next year in OPM supported KEP projects (by December 2014) in collaboration with the DFID supported Access to Finance Programme
- OPM to ensure government signoff for new KEP guidelines and plan next year's technical assistance programme accordingly (August 2014)
- DFID to explore engagement between KEP/public works approaches and broader social protection policy framework through Social Protection Task Team with possible additional funding (concept note by September 2014)
- DFID to consider investing directly in the KEP programme (as part of RAP3 expansion proposal) in the coming year, to support the GoN request to expand the roll out of the revised approach in the pilot districts
- DFID to engage a short term (10% cadre) support to review livelihood development component of RAP (by November 2014)
- IMC to develop an action plan to respond to review and workshop recommendation in areas of coordination in planning and implementation and piloting improved economic analysis of SED clusters (by October 2014)
- Review of social and economic development component to be conducted, with pilot local economic analysis strategy in clusters implemented by November 2014

### **Ensuring Greater Synergies Between Programme Components**

- 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 (September 2014)
- Strengthen the integration of the three component of RAP3, specifically establishment of a common GIS based planning system (initiated by December 2014) and incorporating lessons from KEP to improve wage delivery in IMC implemented activities (pilots started from March 2015)
- The targeting and inclusion approach used by IMC will be reviewed following analysis of the baseline data (by December 2014)

### **Log Frame Revision**

- **DFID to revise log frame approved by September 2014, and programme extension options agreed by October 2014**
- Log frame to be revised, to combine RAP3 employment results from IMC and OPM led activities
- Log frame to be revised to track GoN maintenance investment and new indicators on capacity development (September 2014)
- Logframe indicators to be updated to capture outcomes of SED activities on poor and non-poor groups (September 2014)
- Log frame to be updated to reflect revised targets and to include results from KEP as part of the output on job creation (September 2014)

### **Programme Management**

- Review all service providers fraud and anti-corruption strategy and develop/update as needed (by October 2014).
- All RAP3 service providers to submit full Asset Inventory Register by September 2014.
- Results update review to be carried out in October, to capture progress in period ending September 2014
- Supervision plan to be developed, to structure inputs into next annual review (September 2014)

## A. Introduction and Context (1 page)

DevTracker Link to Business Case:	 Approved Rural Access Programme Bt Document:3599962
DevTracker Link to Log frame:	 Logframe updated version Rural Access Document: 3897349

### 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 transport 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. The design of this third phase of the Rural Access Programme builds on a number of lessons for previous projects, namely the need to focus on road maintenance to maintain the value of infrastructure investments, promote labour based approaches as a poverty reduction strategy, and develop sustainable improvements in economic opportunity through social and economic development.

RAP 3 is focused on 8 ‘core’ districts in the Mid and Far Western Region of Nepal, an area that has the highest level of poverty in the country (DFID 2013). Four of these districts (Humla, Mugu, Bajura and Kailkot) have little or no road networks. In these districts 93km of new roads will be constructed. Four (Jumla, Accham, Dailekh and Doti) have an existing road network where main focus is on maintenance. Social and economic development activities are focused in 15 ‘clusters’ in the core districts. In addition, RAP3 is continuing support to six ‘pilot districts’ for road maintenance with a plan to phase out support during the project lifespan (with the potential to feed this work into a broader transport sector project being developed by DFID).

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

- IMC World Wide (£31.5m) Road maintenance, social and economic development, allied infrastructure capacity building (signed May 2013)
- Oxford Policy Management (OPM) – £3.2m – Technical Assistance to the Karnali Employment Programme (KEPTA) and social protection policy (signed October 2013)
- ITAD/DAI (1.65m) – Monitoring, Evaluation and Learning (signed October 2013)

## **B: PERFORMANCE AND CONCLUSIONS** (1-2 pages)

### **Annual outcome assessment**

In broad terms, the theory of change for RAP 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).

As this is the first year of implementation, it is too early to measure the achievement of outcomes (and impacts), but the assessment is that the project is on track based on the assumptions made in the business case. There is however scope to further improve and simplify the outcome indicators in the log frame, and to enable more effective analysis of the theory of change. It is expected that the results of the analysis will lead to important lesson learning regarding the assumption and potential design improvements in the coming months.

### **Overall output score and description**

#### **B (outputs moderately did not meet expectations)**

This assessment has been based on the output scoring given below, summarised using the DFID annual review scoring calculator. **While progress has been generally good, across the outputs, targets set in the programme log frame were overly ambitious for the first year, with agreed revisions that were not reflected in a revised log frame.**

### **Key lessons**

**Key cost drivers** of this project have increased, largely due to higher than expected wage rates, material costs and logistics in the Western Region. IMC have suggested that these key costs could be up to 25% higher than estimated during the inception phase, on the basis of implementation experience. Unit costs need to be verified continuously and, where valid, on-going changes to implementation plans can be expected.

**Seasonality** is key to working in the Western Region, where people tend to migrate during the winter. Work has started to further strengthen the 'learning' regarding the challenges of development in the region, and findings will need to be fed into implementation approach through the project.

RAP3 is recognised by the government and stakeholders as one of the main development programmes in the region, and **expectations** are very high for delivery. The current resource envelope is limited, and need to be used highly strategically. In doing so, the programme needs to demonstrate effective approaches for the region. There is also significant scope for a cost and time extension to the programme (tentatively for 35m, which includes agreed 6m ICF funding) from year two, focused on increasing ambition on tangible benefits to the region (connecting the most remote areas with new roads).

**Key areas of work to be considered for the expansion of the programme** (in line with with log frame results, with a focus on job creation) include:

- Increase new road construction, bridges and upgrading in the core districts, with a focus on linking remaining 'unconnected' districts to the road network (Mugu-Humla Road)
- Increasing investments in small infrastructure in social-economic development clusters (bridges, labour based village road construction, and climate adaptation linked infrastructure) to accelerate impacts on poverty reduction and economic development
- New investment in Employment Programme wage and material budget for the Karnali Region, and expanded support to social protection sector coherence.
- Expansion of Monitoring, Evaluation and Learning, focused on developing government capacity and sector learning and coordination
- Additional funding for road maintenance, and potential fund for disaster relief and reconstruction, for core district

Programmes like RAP3, which aim to transfer well established approaches to new and highly challenging part of the country, should be designed in a way that enabled sufficient time in the first year to establish systems and learn from the realities on the ground. Key to this is the **reduce ambition in log frames and spending profile in the first year**.

The **timing of the annual review** (June) is appropriate despite the fact that full results cannot be captured for the working season. This can be adjusted in the revised log frame. The June review enables upsteam course corrections leading onto the design of the next implmenetaiton year (October – January). It is recommended that, in addition to the annual review, a ‘results review’ will be carried out in October, with a formal minute circulate to team leader/Head of Office.

**Has the logframe been updated since the last review? N/A**

A revised logframe will be finalised following the appraoval of this review, based on the same impact and outcome statement from the original log-frame (output level and outcome indicator changes only).

## C: DETAILED OUTPUT SCORING (1 page per output)

<b>Output Title</b>	Employment for poor and disadvantaged groups in Road Transport Influence Area		
Output number per LF	Output 1	<b>Output Score</b>	<b>B (output moderately did not meet expectations)</b>
Risk:	<i>Low</i>	Impact weighting (%):	20%
Risk revised since last AR?	<i>NA</i>	Impact weighting % revised since last AR?	<i>NA</i>

Indicator(s)	Milestones	Progress
1.1 Number of days employment generated	2 million	239,990 (May 31 <sup>st</sup> 2014) <i>(Estimated 500,000 by end September 2014)</i>
1.2 Number of 'poor and vulnerable households' employed for at least 50 days	10,000	Insufficient time for start of work <i>Expected 4,800 by September 2014</i>
1.3 % people employed from poor and vulnerable groups	75%	23.6% of direct jobs to disadvantaged groups
1.4 Number of women employed on equal wage basis to men	5000	1723 (35.9%) by end May 2014

### Key Points

These results are owned by the IMC implementation plan, and driven by road building and maintenance work. The implementation plan approved greater use of labour based equipment supported technologies, and greater use of contractors, which reduced employment day in the interest of more rapid progress. The result targets were revised in the implementation plan from IMC, to 4.3m jobs for the project (57% of initial target) but these approved results were not reflected in a revised log frame. Increasing the jobs result to the original estimate will require an increase in the programme budget. **The performance assessment for this output takes into account the revised targets agreed in the implementation plan** (see accompanying note: Quest no. 458834).

Implementation by IMC started only in April 2014 due to the adverse weather conditions in the region. As result, full results need to account for the effective working season (April – September). Based on projected jobs results by the end of September, performance on output 1.1 is around 43% below revised target. The expected number of short term jobs for year one (4800) is in line with revised results agreed in the implementation plan. Process monitoring, and field visit report, noted concerned about predicatability and awareness of payment structures, particularly from user groups.

The performance on pro-poor inclusion can only be assessed fully following the completion of the baseline (July 2014). RAP 3 is operating in some of the poorest districts of the country, and is focused on the road influence area (4 hours walk from the road). IMC are using a disadvantaged group (DAG) approach which identifies target groups based on caste (dalits) and being highly food insecure. Field report show that, in the project area, many higher castes are poor and dalit habitations tend to be further from the road corridors, implying that (based on the current definition of the road influence area) benefits are likely to be bias towards the higher castes. Similar issues affect the gender inclusion results, in a region with higher levels of male migration and burden on women.

### Recommendations

- The targeting and inclusion approach used by IMC will be reviewed following analysis of the baseline data (by December 2014)
- Log frame to be updated to reflect revised targets and to include results from KEP as part of the output on job creation (September 2014)

- IMC to review and improve the wage payment system, to ensure positive improvements in beneficiary feedback reports (to be reviewed in September 2014)

<b>Output Title</b>	Improved and sustainable access due to climate resilient rural transport infrastructure (RTI) upgrading, maintenance and road/trail bridge construction		
Output number per LF	Output 2	<b>Output Score</b>	<b>A</b>
Risk:	<i>Medium</i>	Impact weighting (%):	20
Risk revised since last AR?	<i>NA</i>	Impact weighting % revised since last AR?	<i>NA</i>

<b>Indicator(s)</b>	<b>Milestones</b>	<b>Progress</b>
2.1 Number of new trails and trail bridges opened by RAP	20	8 (May 2014) <i>Projected 45 by end of September 2014</i>
2.2 km of roads maintained and/or upgraded by RAP	500	275km under maintenance, 30km of new construction in progress. Expected 1033 by September 2014
2.3 Percentage of RAP infrastructure meeting standards for climate and disaster resilience	85%	Standards embedded in designs, to be reviewed after completion
2.4 Percentage decrease in transportation costs in RTI areas Rs/Ton/KM and R/Passenger Km	X-10%	Too early to assess, baseline to be established and tracked through periodic monitoring

### Key Points

IMC is supporting the central and district governments to deliver their 5 yearly District Transport master Plans (DTMP) and yearly Annual Road Asset Management Plans (ARAMP). DTMPs and ARAMPs institutionalize GoN's priority in road works in order of maintenance, rehabilitation/upgrading, and lastly new roads construction so as to preserve and prevent deterioration of the core rural roads network in districts. The key innovation in RAP3 is the use of 'Road Maintenance Groups' (RMGs) for routine & recurrent aspects of road maintenance.

The first year has focused on priority maintenance works, including spot treatment, back-log maintenance using small contractors and local user committees. RMG mobilization has also begun, with field visits and process monitoring showing positive results. The progress in road maintenance has been driven by the non-core districts (72%). Road building has been started in 5 out of the 7 proposed alignments with over 30km of track opening achieved.

The review process found progress on implementing the maintenance programme in districts to be slower than expected, prompting a detailed review of the District Development Fund (QUEST No. 4578893). While 73% of the transferred amount has been contracted, only 12% of work has been completed. Contracting has been delayed in three districts. The review also highlighted the increased unit costs of road maintenance and construction activities in the core districts, 20% higher than the implementation plan and the limited impact on road upgrading within the current budget. IMC is building foot-trails in core districts, progress being slower than expected in the first year.

The first year of implementation has highlighted the need to focus RAP3 resources to ensure tangible and positive impact in the highly remote Western Region. There is also scope to consider further funding (through a RAP3 extension) to expand new road construction to ensure tangible legacy of RAP3 in the West.

### Recommendations

- IMC to develop an exit strategy for non-core districts and focus resources from year two on core western cluster to ensure tangible impact on road network in the West (September 2014)
- DFID to communicate to GoN and IMC about the need to prioritise DDF disbursement to ensure 90% utilisation by end December 2014 (65% in districts where three tranches have been disbursed)

- Proposal to halt road upgrading and use fund for local road bridges in the core districts to be developed and discussed with GoN (agreement by October 2014), with option to include upgrading as part of proposed programme expansion.
- Independent process monitoring to include technical assessment of road works and monthly process feedback to form the basis for Action Taken Report from relevant service providers (from August 2014).

<b>Output Title</b>	Improved access to economic opportunities through training, infrastructure development and private sector engagement		
Output number per LF	Output 3	<b>Output Score</b>	<b>B</b>
Risk:	<i>Medium</i>	Impact weighting (%):	30%
Risk revised since last AR?	<i>N/A</i>	Impact weighting % revised since last AR?	<i>N/A</i>

<b>Indicator(s)</b>	<b>Milestones</b>	<b>Progress</b>
3.1 Number of households adopting improved economic activities, due to RAP	10,000	7000
3.2 Private sector investment in key value chains (Rps pa)	X+5	To early to measure, awaiting baseline
3.3 Percentage increase in value of production of key products in RTIA (average) maintained in the districts	5%	To early to measure, awaiting baseline

### Key Points

The RAP3 design included a more ambitious focus on social and economic development (SED) than in previous phases, reflecting the limited nature of the road network in many Western Districts and the need to 'graduate' beneficiaries of direct wage support. This component is managed by IMC and implemented by multiple partners, and focuses on income generation, development of economic infrastructure (including trail bridges in output 2) and promotion of alternative energy. The approach is based on developing 14 'clusters' in the core districts which have been selected on the basis of economic potential and limited alternative sources of support (Quest document no. 4503280).

The first year has focused on mobilisation of the SED groups based and promotion of a range of farm and non-farm activities. Mobilisation has been rapid, including some existing RAP supported groups (workers from RAP1 and 2) as well as some new groups that have not yet been supported by RAP. Groups visited during review field trips had already started activities and received training and input support for poultry and vegetable production.

The review raises concerns over the equity aspects of the project interventions so far, where landed farmers were likely to benefit more than landless disadvantaged groups. The team also highlighted the need to review the multiple layers of implementation involving international and local non-government organisation and the need to forge greater synergies between various partners working under the SED component. These concerns were raised in an SED workshop held in June 2014, where the major resolution was the need to develop a common GIS based monitoring and planning system. The review also raises concerns of the costs of delivery associated with the SED activities, which in some cases where assess at 100% of the benefit transfer.

In the coming year, IMC need to ensure that the innovative aspects of the SED design are initiated, namely the focus on market linkages and engagement with private sector actors to ensure sustainable impact of the approach.

### Recommendations

- DFID to engage a short term (10% cadre) support to review livelihood development component of RAP (by November 2014)
- IMC to develop an action plan to respond to review and workshop recommendations in areas of coordination in planning and implementation and piloting improved economic analysis of SED clusters (by October 2014)
- Logframe indicators to be updated to capture outcomes of SED activities on poor and non-poor groups (September 2014)

<b>Output Title</b>	Strengthened institutional capacity to sustainably manage rural transport infrastructure		
Output number per LF	Output 4	<b>Output Score</b>	<b>B</b>
Risk:	<i>Medium/High</i>	Impact weighting (%):	20
Risk revised since last AR?	<i>N/A</i>	Impact weighting % revised since last AR?	<i>N/A</i>

Indicator(s)	Milestones	Progress
4.1 Percentage increase in District RTI budget allocated to maintenance (% over start of year)	10%	39% increase from GoN's last financial year budget in RAP's 10 maintenance districts – but largely due to donor funds which have displaced GoN/district funds
4.2 Percentage increase in percentage of district annual budget and workplan spent and completed effectively before year end	15%	Too early to measure - <i>first year focused on preparatory works, mobilization and agreements for implementing maintenance works</i>
4.3 Percentage of third party audits of RMG showing 'highly satisfactory' ratings for transparency and inclusion (metric to be developed)	20%	Formal audits not carried out (to early) However RBG works accelerated to meet high demand for jobs, issues related to insufficient orientation of RMGs and RBGs, works measurement method, medical facilities being addressed by project
4.4 District level financial management reviews rating satisfactory for government managed results based implementation	1	No data : <i>independent review on-going in two districts</i>

## Key Points

This outputs captures IMC impacts on the broader policy, budgetary, and implementation capacity of GoN on issues of local road network planning, maintenance and accountability. RAP3 included 6 'pilot districts (5 in non-Western regions) with a view to developing country systems for maintenance, and it is these districts which have been the main driver of the results. A high level of IMC investment in backlog maintenance has resulted in an overall increase in district RTI budgets, but a decrease in government contribution as a result. It is too early to judge other results, relating to work plan completion (4.2), satisfaction rating through audits (4.3) and financial management (4.4). A follow on review in September 2014, at the end of the effective work season, will be able to provide a better account of these results.

In the past year, IMC has achieved a number of additional successes in the area of capacity building, not captured in the current log frame. These include training of 148 district level GoN staff in project management and delivery, positioning of seven interns in RAP3 districts, establishment of a Road Safety Unit in DoLIDAR and support for a Road Safety Assessment Report. IMC has also prepared 11 DTMPs in non-RAP3 districts (to be used in World Bank supported programme) and continues to be recognised as an effective pioneer of the mainstreaming of maintenance approaches in Nepal.

The review highlighted the need to expand the focus of capacity building to a broader set of stakeholders, namely the private sector engineering consultants and contractors involved in RAP3 implementation where lack of capacity has been one cause of delays. Overall, the log frame indicators for this component needs to be reviewed, to capture IMC work on capacity building better and to focus more on sustainability impacts of the project.

## Recommendations

- IMC to initiate a capacity development programme for private sector delivery partners (designed by October 2014)
- Log frame to be revised to track GoN maintenance investment and new indicators on capacity development (September 2014)

<b>Output Title</b>	Improved performance of social protection (KEP) scheme in two pilot districts and strengthened policy framework and evidence based planning		
Output number per LF	Output 5	<b>Output Score</b>	<b>A</b>
Risk:	<i>Medium</i>	Impact weighting (%):	10
Risk revised since last AR?	<i>N/A</i>	Impact weighting % revised since last AR?	<i>N/A</i>

<b>Indicator(s)</b>	<b>Milestones</b>	<b>Progress</b>
5.1 Percentage increase in number of employment days provided by KEP to the poorest households in pilot districts against baseline	20%	Jumla:20.2% Kailikot: 13.2% <i>Estimated based on # days work created under pilot modality/total jobs for district</i>
5.2 Percentage increase in beneficiaries reporting on transparency, equity and awareness of procedures of KEP in pilot districts (against baseline)	10%	Final audit and qualitative review pending – but review visits indicate <u>significant improvements</u> in working conditions in pilot districts
5.3 Number of changes to National Social Protection Policy influenced by evidence presented by RAP e.g. RAP influence evident in the design of a National Employment Programme.	1	Revised guidelines for KEP submitted to GoN for approval

## Key Points

This component focuses on reforming a government led programme of cash for work specially focused on the highly remote Karnali region (where RAP3 is operating in four out of five districts) and is being implemented by Oxford Policy Management (OPM). Designed as a flexible technical assistance programme, the original plan was focused on broad policy and analytical support in pilot districts (Jumla and Kalikot) This rapidly progressed toward direct implementation of 4 pilots projects based on a request from the government led steering committee.. The DFID funding project did not include budget for wage payments, and OPM have been successful in influencing the government to allocate £125,000 (9% of programme budget) for the pilot projects which were implemented by OPM under a new modality. As a result, project inputs have been focused on direct implementation support at field level which included technical design of local infrastructure projects, provision of tools, safety gear and worker insurance, development and use of management information systems, and social mobilisation to target the poor. By the end of May, OPM have created 26,020 days labour using this additional government fund, benefiting 811 workers.

These pilots have enabled significant changes to the existing KEP guidelines to be tested, drawing on international experiences with wage based social protection. Most notable has been the provision of 'job cards' to workers (for the first time in Nepal), who were selected through a community based pro-poor targeting approach. Job card holders received over 40 days work (61 in Jumla and 45 in Kalikot), a significant increase from the baseline of 10 days per worker. Equally important has been the successful implementation of a new payment modality whereby a daily living wage of NPR250 was paid every 15 days, with a final payment at the end of the project based on the district wage rate. Other innovations include the provision of toilet and child care facilities on work sites.

Based on this experience of implementation, OPM has drafted revised KEP guidelines which are currently under review by the GoN. They have also initiated reviews focused of poverty and social

protection, economic growth strategy, public works programmes and watershed management potential for the Karnali region. There is a strong demand to scale up this approach, from the GoN, in the coming year and OPM have been asked to work on updating the draft National Minimum Employment Act.

### **Recommendations**

- DFID to consider investing directly in the KEP programme (as part of RAP3 expansion proposal) in the coming year, to support the GoN request to expand the roll out of the revised approach in the pilot districts
- 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 (September 2014)
- Log frame to be revised, to combine RAP3 employment results from IMC and OPM led activities
- Electronic payment systems to be piloted in next year in OPM supported KEP projects (by December 2014) in collaboration with the DFID supported Access to Finance Programme
- OPM to ensure government signoff for new KEP guidelines and plan next year's technical assistance programme accordingly (August 2014)
- DFID to explore engagement between KEP/public works approaches and broader social protection policy framework through Social Protection Task Team with possible additional funding (concept note by September 2014)

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

### **Key cost drivers and performance**

The first year of implementation has revealed increased in key costs drivers of labour based work in the Western region of up to 25%. These increases can be justified, give that original estimates were based on RAP2 experience in the Eastern Region. Management costs have been kept in line with agreed limits for all contracts, and allocations between sub-components have been as expected for IMC implemented activities. For OPM support to the Karnali employment programme, there has been a reallocation of budget from analysis to implementation which has been enabled by a revision to the contract, the new version of which follows efficient output based model.

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

VfM measures in BC focused on the IMC contract, key summary findings of the review include:

#### **Economy:**

- Technical Assistance by IMC at 12% of total costs (against BC prediction of 15%)
- Expenditure by IMC at the end of may 2014: £10,244,542 (99.05% of forecast).
- Programme management by OPM less than 6% as agreed in SoS submission, and the share of technical assistance directed towards direct implementation support has increased (decreased international consultant inputs)
- A contract amendment to the monitoring and evaluation contract (ITAD) has reduced size of the consultant team and directed costs to long term field level monitoring

#### **Efficiency**

- 38% of total spend by IMC has been transferred to districts for maintenance
- There has been an overall increase in unit costs of spot maintenance and road building, through regular maintenance is not estimated at half of original estimate (NPR 35000-40,000)
- The cost of delivering the SED activities (estimated at 46% of the overall component costs) is considered high and needs to be reviewed
- Output based contracting in place, which is expected to be driver of efficiency, but progress slow

#### **Effectiveness**

- Independent monitoring component on track to complete baseline which will enable robust assessment of impacts on poverty reduction and increased incomes

## Assessment of whether the programme continues to represent value for money

Taking into account justifiable changes in unit costs for the remote Western region, the programme is currently assessed as delivering good value for money at the output level. Further understanding of the impact of investment will be able to be provided by the forthcoming baseline and continuous monitoring being carried out by the independent Monitoring, Evaluation and Learning component. Overall, start up costs are expected to be higher in the first year, and there will be continued tracking of value for money as the pace of implementation, and a review of value for money is recommended at the end of the work season (September 2014).

## Quality of financial management

Monthly disbursement requests are provided by the partners and disbursements in arrears are made.

IMC invoices DFID in the payment for result approach (P4R) based on pre-agreed Define 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. The invoice amount will be a sum of the total DLI payments plus the TA costs.

We receive monthly progress report from IMC with achieved progress, next month plan, financial monitoring including forecast, and risk management. This includes routine recording and tracking of fraud and corruption issues. Presently IMC, does not have a specific anti-corruption strategy (though the IMC code of ethics covers aspects of this, with specific statements on 'zero tolerance' to corruption and adherence to the UK Anti-Bribery Act 2010 – see Quest No. 4592425).

**Action:** review all service providers fraud and anti-corruption strategy and develop/update as needed (by October 2014).

Date of last narrative financial report	Monthly Financial monitoring report of May 2014
Date of last audited annual statement	N/A as 1 <sup>st</sup> year of the implementation

## **E: RISK** (½ page)

### **Overall risk rating: Medium**

As a directly implemented programme, the risk to fund usage are general considered to be low, however the process of working through the district development fund and involving district stakeholders in procurement have delayed progress. IMC has systems to ensure that DDF funds are ringfenced and that reports on compliance are submitted on a monthly basis. All payments are made against development indicator outputs, and all invoices are verified by the DFID programme team. Third party monitoring systems have been put in place, through monthly independent process monitoring, and support have been availed from a DFID funded public financial management programme to review and strengthen financial management system in two of the RAP 3 districts (assessment report submitted August 2014). Detailed Risk Update Table Quest No. 4592478.

### **Overview of programme risk**

A detailed assessment of programme risks have been compiled as part of the accompanying annual review note which includes a detailed updated risk assessment (Quest no. 458834) which is now used as the basis for monthly management by DFID. Overall, there is no change to the risk assessment.

### **Outstanding actions from risk assessment**

- Slow progress on DDF disbursement – to be managed through communication over December targets
- Local conflict over road alignments – on-going disputes in Kalikot have let to work being halted, awaiting resolution
- Private sector capacity for implementation: being addressed through IMC developed training programme, and short term changed to direct implementation by RAP staff in critical cases
- Monitoring and supervision: many areas where RAP3 project are working are difficult to access, addressed through embedded field teams and independent project officers

## **F: COMMERCIAL CONSIDERATIONS** (½ page)

### **Delivery against planned timeframe**

All service providers are delivering along the forecasted lines, taking into account some of the delays that have occurred due to contracting processes and regional implementation challenges discussed above. The coming year will provide a more detailed assessment of implementation, as this will cover a full working seasons in the core RAP3 districts and there will be a follow up review of delivery against planned results by end September 2014.

### **Performance of partnership(s)**

Performance of partnerships with service providers is assessed as satisfactory, with a high degree of responsiveness from all service providers. Inception phases for OPM and ITAD contracts have resulted in minor amendments to better meet the needs of the programmes. The review period with IMC has provided an important opportunity to reassess implementation strategies for the coming year, with a high degree of involvement and responsiveness from the provider.

From May 2014, monthly management reporting have been established, shared with the DFID team leader, which reviews risks, progress on result, and key actions (May Monthly Management Report Quest No. 4506482). From May 2014, the team has also institutionalised feedback reporting and sharing from field visits, enabling on-going tracking of issues and follow up.

### **Asset monitoring and control**

Asset Inventory Register has been requested from IMC, but submission has been delayed due to on-going disposal of RAP2 assets. Guidance on asset monitoring has been provided to OPM and ITAD.

**Action:** All RAP3 service providers to submit full Asset Inventory Register by September 2014.

## **G: CONDITIONALITY** (½ page)

Not applied

## **H: MONITORING & EVALUATION** (½ page)

### **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. In the first year, there has been good progress in setting up the team, delivering the evaluation strategy (based around a more detailed theory of change) and carrying out the field work for the baseline (qualitative and quantitative) which is due to be delivered in August 2014. The baseline has used innovative GIS based sampling to track impact along road corridors, and with a high number of respondents (3200) will be one of the most important data sets available for the region.

The MEL team have also conducted pilot process monitoring, through the team of five 'embedded' field officers based in the core districts. Process monitoring will be carried out monthly from July 2014, and the team have had some success in initiating the institutionalisation of MEL with an office base in the Government counterpart building.

Early findings from the MEL team have supported the need for this investment. Preparatory research has revealed some important insights into issues of migration, gender, and economic development in this remote region. In the next year, the main focus will be in analysis and dissemination of the baseline dataset, drawing on thematic issues relating to RAP3 implementation as well as establishing the feedback mechanism for process monitoring and other MEL activities with DoLIDAR, RAP3 service providers and broader stakeholders.

### **Monitoring progress throughout the review period**

This review was led by Ben Powis (Social Development Adviser – DFID Nepal) with inputs on infrastructure from Suman Baidya (Infrastructure Adviser – DFID Nepal) and June Shrestha (Programme Manager DFID Nepal), and Prasanna KC (Financial Sector Adviser DFID Nepal). This team compiled the draft reviews, which were peer reviewed by an independent team consisting of Abhijit Ray (Infrastructure Adviser DFID India) – for the RAP/IMC component, Andy Murray (Results Adviser DFID Nepal) – Monitoring and Evaluation Component, and Rachel Waterhouse (Social Development Adviser – DFID Uganda) – KEP/Employment Guarantee component. Anjaly Tamang Bista (Commercial Adviser – DFID Nepal) reviewed the Value for Money component. This review was based on the agreed Terms of Reference, which set of the process for independent review and impact assessment (QUEST no. 4501393), and the detailed review documents is stored in Quest (no. 458834). The review drew on the findings from two DFID/GoN joint field trips (Quest reference no. 4508937, 4516397), covering four RAP3 districts where we met with local beneficiaries, district stakeholders and project partners. The review team were also able to draw on findings from the pilot process monitoring (by MEL team) carried out in Acham and Doti (QUEST No. 4500692). Findings from the review have been shared and discussed with service providers and government counterparts. A draft of this review has been shared with the team leader for review prior to submission to HoO, and this version reflects these comments (Quest no. 4592359).

# Smart Guide

The Annual Review is part of a continuous process of review and improvement throughout the programme cycle. At each formal review, the performance and ongoing relevance of the programme are assessed with decisions taken by the spending team as to whether the programme should continue, be reset or stopped.

The Annual Review includes specific, time-bound recommendations for action, consistent with the key findings. These actions – which in the case of poor performance will include improvement measures – are elaborated in further detail in delivery plans. Teams should refer to the Smart Rules quality standards for annual reviews.

The Annual Review assesses and rates outputs using the following rating scale. ARIES and the separate programme scoring calculation sheet will calculate the overall output score taking account of the weightings and individual outputs scores

Description	Scale
Outputs substantially exceeded expectation	A++
Outputs moderately exceeded expectation	A+
Outputs met expectation	A
Outputs moderately did not meet expectation	B
Outputs substantially did not meet expectation	C

Teams should refer to the considerations below as a guide to completing the annual review template.

## Summary Sheet

Complete the summary sheet with highlights of progress, lessons learnt and action on previous recommendations

## Introduction and Context

Briefly outline the programme, expected results and contribution to the overall Operational Plan and DFID's international development objectives (including corporate results targets). Where the context supporting the intervention has changed from that outlined in the original programme documents explain what this will mean for UK support

## B: Performance and conclusions

### Annual Outcome Assessment

Brief assessment of whether we expect to achieve the outcome by the end of the programme

### Overall Output Score and Description

Progress against the milestones and results achieved that were expected as at the time of this review.

### Key lessons

Any key lessons you and your partners have learned from this programme

Have assumptions changed since design? Would you do differently if re-designing this programme?

How will you and your partners share the lessons learned more widely in your team, across DFID and externally

### Key actions

Any further information on actions (not covered in Summary Sheet) including timelines for completion and team member responsible

**Has the logframe been updated since the last review?** What/if any are the key changes and what does this mean for the programme?

## C: Detailed Output Scoring

### Output

Set out the Output, Output Score

### Score

Enter a rating using the rating scale A++ to C.

### **Impact Weighting (%)**

Enter the %age number which cannot be less than 10%.

The figure here should match the Impact Weight currently shown on the logframe (and which will need to be entered on ARIES as part of loading the Annual Review for approval).

Revised since last Annual Review (Y/N).

### **Risk Rating**

Risk Rating: Low/Medium/High

Enter Low, Medium or High

The Risk Rating here should match the Risk currently shown on the logframe (and which will need to be entered on ARIES as part of loading the Annual Review for approval).

Where the Risk for this Output been revised since the last review (or since inception, if this is the first review) or if the review identifies that it needs revision explain why, referring to section B Risk Assessment

### **Key points**

#### **Summary of response to iprogrammessues raised in previous annual reviews (where relevant)**

#### **Recommendations**

Repeat above for each Output.

### **D Value for Money and Financial Performance**

#### **Key cost drivers and performance**

Consider the specific costs and cost drivers identified in the Business Case

Have there been changes from those identified in previous reviews or at programme approval. If so, why?

**VfM performance compared to the original VfM proposition in the business case?** Performance against vfm measures and any trigger points that were identified to track through the programme

#### **Assessment of whether the programme continues to represent value for money?**

Overall view on whether the programme is good value for money. If not, why, and what actions need to be taken?

#### **Quality of Financial Management**

Consider our best estimate of future costs against the current approved budget and forecasting profile

Have narrative and financial reporting requirements been adhered to. Include details of last report

Have auditing requirements been met. Include details of last report

### **E Risk**

#### **Output Risk Rating: L/M/H**

Enter Low, Medium or High, taken from the overall Output risk score calculated in ARIES

#### **Overview of Programme Risk**

What are the changes to the overall risk environment/ context and why?

Review the key risks that affect the successful delivery of the expected results.

Are there any different or new mitigating actions that will be required to address these risks and whether the existing mitigating actions are directly addressing the identifiable risks?

Any additional checks and controls are required to ensure that UK funds are not lost, for example to fraud or corruption.

#### **Outstanding actions from risk assessment**

Describe outstanding actions from Due Diligence/ Fiduciary Risk Assessment/ Programme risk matrix

Describe follow up actions from departmental anti-corruption strategies to which Business Case assumptions and risk tolerances stand

### **F: Commercial Considerations**

#### **Delivery against planned timeframe. Y/N**

Compare actual progress against the approved timescales in the Business Case. If timescales are off track provide an explanation including what this means for the cost of the programme and any remedial action.

#### **Performance of partnership**

How well are formal partnerships/ contracts working

Are we learning and applying lessons from partner experience

How could DFID be a more effective partner

## Asset monitoring and control

Level of confidence in the management of programme assets, including information any monitoring or spot checks

## G: Conditionality

### Update on Partnership Principles and specific conditions.

For programmes for where it has been decided (when the programme was approved or at the last Annual Review) to use the PPs for management and monitoring, provide details on:

- a. Were there any concerns about the four Partnership Principles over the past year, including on human rights?
- b. If yes, what were they?
- c. Did you notify the government of our concerns?
- d. If Yes, what was the government response? Did it take remedial actions? If yes, explain how.
- e. If No, was disbursement suspended during the review period? Date suspended (dd/mm/yyyy)
- f. What were the consequences?

For all programmes, you should make a judgement on what role, if any, the Partnership Principles should play in the management and monitoring of the programme going forward. This applies even if when the BC was approved for this programme the PPs were not intended to play a role. Your decision may depend on the extent to which the delivery mechanism used by the programme works with the partner government and uses their systems.

## H: Monitoring and Evaluation

### Evidence and evaluation

Changes in evidence and implications for the programme

Where an evaluation is planned what progress has been made

How is the Theory of Change and the assumptions used in the programme design working out in practice in this programme? Are modifications to the programme design required?

Is there any new evidence available which challenges the programme design or rationale? How does the evidence from the implementation of this programme contribute to the wider evidence base? How is evidence disaggregated by sex and age, and by other variables?

Where an evaluation is planned set out what progress has been made.

### Monitoring process throughout the review period.

Direct feedback you have had from stakeholders, including beneficiaries

Monitoring activities throughout review period (field visits, reviews, engagement etc)

The Annual Review process