

Annual Review - Summary Sheet

Title: Rural Access Programme Phase 3		
Programme Value: £36.5m + £36m = £72.5m	Review Date: 15/09/2015	Period Under Review: 1st June 2014 – 31st August 2015
Programme Code: 203186	Start Date: 13/05/2013	End Date: 31/10/2019 (new end date)

Summary of Programme Performance

Year	2014	2015					
Programme Score	B	A					
Risk Rating	M	M					

Summary of progress and lessons learnt since last review

Given the extraordinary year Nepal has had with the recent Earthquake and the fact that Rural Access Programme Phase 3 (RAP3) is a complex programme with multiple partners focused on one of the poorest and remote parts of the country, the programme has delivered significant results meeting most of the output targets. This is a marked improvement from the last Annual Review (AR).

RAP3 has managed to meet its milestones for the reporting period. It generated over 1.8 million employment days supporting about 7,000 households improve their income. Road maintenance works picked up last year and reached 2,087 kilometres by August 2015. 80.6 kilometres of 2.5 m wide new road tracks completed, out of which 31.6 kilometres tracks were widened to 3.5 m. The investment in allied socioeconomic development benefited 16,883 households, and support in economic infrastructure which benefitted about 22,440 households. The programme is progressing well in capacity building and policy harmonization in the rural roads sector; with an impressive 6,147 days of training contributing to improved programme performance.

The KEP - TA has managed to build a fruitful relationship with Ministry of Federal Affairs and Local Development (MoFALD) and District Development Committees (DDCs) and to effectively design, test and roll out improved systems and processes of the KEP. The capacity of the programme to deliver safety nets through employment has been increased as well as the awareness about the role that Public Work Programmes like Karnali Employment Programme (KEP) can play in social protection and economic development. Most importantly, the GoN has agreed to own and roll out the revised model throughout Karnali and beyond, and is seeking KEP-TA support for the operationalisation of the expansion. The new KEP model has been endorsed in the 2015-16 Government of Nepal (GoN) budget speech: “the Karnali Employment Programme including the targeted social protection activities in Karnali region will be made more effective” (Budget speech, p21).

The MEL has delivered a significant baseline study using a socio-economic survey of 3,200 households in core RAP3 districts along with supporting process monitoring reports on key themes such as migration and remittances.

The review highlighted the extent to which UK-Department for International Development’s (DFID’s) support for transport infrastructure and economic development is highly valued by the Government of Nepal and local stakeholders, and expectations are high. As such, the recent approval by DFID to expand and extend the Programme has been well received and DFID is in the process of determining the best implementation strategy to do this.

Multiple reviews have fed into this AR providing solid evidence on which to base the overall performance scores. These include the Local Road Network (LRN) Review, the Social and Economic Development (SED) Review and Commercial Review. The AR highlights that whilst progress on delivering outputs has been good, there are clear areas for improvement within each component, integrating across the three components and between DFID and partners. Progress against last year’s AR recommendations is detailed in Annex I.

Summary of recommendations for the next year

#	Recommendation, Who leads and Due Date
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).
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).
3	As part of expansion, DFID to review contract types for each component assessing benefits and challenges of fully output based contract (January 2016).
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)
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).
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).
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).
8	IMC to explore potential of 'schedule of rates' approach to speed up contractual process as required (December 2015).
9	IMC to devise approach and implementation structure to reduce road closure due to landslides (Mar 2016).
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).
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).
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 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)
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.
14	IMC to review management and organisation structure to deliver SED by December 2015
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).
16	IMC to further strengthen RAP3's engagement with Nepal Engineering Association, Nepal Engineering Council, and other stakeholder of recently conceived Continuing Professional Development (CPD) Forum for improving professional abilities in the wider engineering sector (December 2015-March 2016).
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)
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)
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)
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 ensure there is a clear GoN plan to scale up the admin costs to manage expansion.
21	KEPTA to experiment and innovate with the communications tactics to overcome the difficulties highlighted by MEL and engage potential workers (January 2016)
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)
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)
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)
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)
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)
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)
28	IMC to provide an update of progress on the Auditors recommendations (December 2015)
29	IMC to implement RAP3's new and comprehensive anti-corruption strategy; KEPTA to submit strategy (November 2015 onwards)

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. 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 Kalikot) have little or no road networks. In these districts 93 km of new roads will be constructed. Four (Jumla, Achham, 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 and construction, social and economic development, allied infrastructure capacity building (signed May 2013)

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

- 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)

In July 2015, the SoS approved an additional £36 million and an extension of two and a half years to RAP 3, bringing DFID's total support to £72.5million with a revised completion date of October 2019.

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 maintenance preserving the length of trafficable District Roads Core Network (DRCN) over the baseline"** The milestone, for RAP3, is 1.5 million by August 2015 representing a 284% increase from the May 2014 milestone of 260,000. The project has delivered 2.8M (of which 600,000 are from the West and the vast majority from the pilot districts)².
2. **"No of households with rise in annual income of £130 per annum compared with baseline"** The milestone for this is 5000 Households by August 2015 which the project has over delivered by 3,823 households.

By August 2015 RAP3 assisted an **estimated 6,880 households** with employment through road maintenance and construction; at a weighted average **income of £214 per annum**. RAP3 provided employment for 5,489 Road Building Group (RBG) members in very remote Humla, Mugu, Bajura and Kalikot districts; at an average income of £380 per household per year. It also created jobs for further 1,460 Road Maintenance Group (RMG) members in ten districts at an average income of £169 per household per year. RAP3's investment in social and economic development in core districts (Western Nepal) is also contributing to long term income growth for over 17,000 households including 70%-80% of RBG members.

In addition, by August 2015, KEPTA had assisted **1943 households** with employment days **at an average income of £127 per household**. Weighting by the number of households in each geographical area (necessary as the wage and number of households differ by district), gives a weighted average annual income of £119.

These income rises, however, need to be netted off from any baseline increase. Caution needs to be taken with any outcome claims and further verification is required. However, tentatively at least, it appears that RAP+KEPTA have made a strong contribution to the achievement of this indicator.

3. **Number of short term jobs created (50 days + pa/HH) due to Output 4.3- milestone target 800 for KEPTA; Total number of employment days created (cumulative) due to RAP3 (Outputs 1 and 2) and KEPTA (Output 4.3) – milestone target 1.7M; % jobs for women due to outputs 1,2, and 4.3 – milestone target 33%.**
KEPTA's contribution to the achievement of this outcome indicator is 2,117 short term jobs

² MEL's RAP3 VfM Scoping Study Report, Oct 2015 (QUEST No. 5196158), data source; RAP3 information system. 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.

created up to August 2015. Cumulative employment days between June 2014 and August 2015 were 105,863 and the enrolment of women in the four projects was around 51%.

RAP3 created 1.8M employment days with RAP3's rural road work generating 1.67M person days of employment (93% of RAP3 total). The number of short term jobs created was 6,949 and about 33% of RAP3 job-days have gone to women. Each RAP3 job-holder for road works received more than 100 days of employment each year.

It is evident that excellent progress has been made towards the outcome milestones— some exceeding the targets by a distance. This would suggest that the targets for next year need to be more ambitious and more careful analysis is required on the income target.

Overall output score and description

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

Key lessons

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

- Despite good working relationships with GoN, there is an opportunity to further deepen relationships – especially at the District level where the programme could play a more catalytic function in helping the district plan for and integrate the various development and GoN interventions. This would help address the current significant duplication and lack of links between what could be complimentary projects and initiatives.
- There are elements of good collaboration, but more needs to be done to integrate the three elements of the Programme – MEL, RAP and KEPTA. This will require stronger leadership and direction from DFID.
- Given DFID's influencing ambition, DFID needs to step up our level of engagement and direct communication with key Government counterparts.
- There is a need to improve the quality of the reports and in particular the VfM analysis which is still weak.
- There is a need to reconsider the dropping of the Monitoring function of the MEL component so to ensure that there is an objective means to verify the outputs delivered (given this triggers payment).
- With key elements of the programme having an adaptive approach with changing output targets (e.g. KEPTA, SED), it is worth querying if output based contracts are always the most appropriate mechanism for managing the programme and partner.
- Partly as a result of the challenging year, but also a factor of GoN and organisational changes, there has been a change of personnel on all sides which has come at a cost in terms of institutional memory and building momentum. This has been most challenging for KEPTA.
- Whilst the Programme has very specific targets for gender in both RAP3 and KEPTA, it is not clear that we have a sufficiently deep understanding of gender issues and the impact the various interventions have for women.

Key actions

All actions are summarised in the recommendations table.

Has the logframe been updated since the last review?

Yes.

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>Medium</i>	Impact weighting (%):	41%
Risk revised since last AR?	<i>N</i>	Impact weighting % revised since last AR?	<i>Y</i>

Indicator(s)	Milestones	Progress ³
1.1 Km of roads under maintenance (annual)	2000km (by August 2015)	2087km (by August 2015)
1.2 Km of new roads constructed	2.5m wide track-75km, 3.5m wide-40km, 4.5m wide road-0km (three progressive stages)	2.5m-80.6km, 3.5m-31.6km
1.3 % Annual Road Asset Management Plan (ARAMP) July target achieved by May	50%	62% (DFID resources)

Key Points

RAP3's delivery in this output has met expectation, essentially driving IMC's delivery in the programme's second year of implementation. This is encouraging despite impacts of the devastating 25/04/2015 earthquake and its aftershocks on the IMC team.

After much effort in procurement and backlog (spot) maintenance in the first year, routine/recurrent maintenance of the core networks of rural roads in districts, which are known as District Roads Core Networks (DRCNs), picked up and then matured in the second year through deployment of Road Maintenance Groups (RMGs) in ten districts. 275km of DRCN were being maintained by RMGs in May 2014 (Source- DFID AR 2014), which increased to 1741 km in August 2014, and then 2087km in August 2015 (Indicator 1.1). It is worth noting that RAP3 helped the Government in Sindhupalchowk, a RAP3 non-core district and one of the districts worst hit by the earthquake, to open rural roads and facilitate much needed early response and supplies.

The overall target for labour based new roads in four extremely remote districts is also judged to meet expectation (Indicator 1.2). Effective implementation of districts' Annual Road Asset Management Plans (ARAMPs) was seen in part of DFID's fund mobilization (Indicator 1.3). However effective use of ARAMP resources from GoN and other sources needs to be ensured for sustainable GoN systems in the LRN sector; and RAP3 needs to explore potential of extending indicator 1.3 to non-DFID resources.

RAP3's operational implementation plan for year two (QUEST No. 5008502) is judged to be effective in: (a) efficiently allocating resources in DRCN, prioritizing maintenance with the help of districts' annual LRN plans (ARAMPs) and 5-yearly District Transport Master Plans, DTMPs, (b) preserving mostly non-engineered earthen rural roads with available funds, (c) ensuring good construction quality in new roads, with due considerations of environmental and safety safeguards, (d) using DFID's money to ensure implementation of labour based approach of building and maintaining DRCN, (e) creating 1.67 million employment days from road works contributing to the outcome level result of 1.799 million employment days, and (f) largely meeting monthly reporting targets on output level LRN results (indicator 1.1 and 1.2) as well as financial targets of output based contract⁴.

Summary of responses to issues raised in previous annual reviews

DFID Nepal and DoLIDAR agreed on a transition strategy for non-core districts (April 2015), and as a result resource has been progressively focused in year two on core districts in western Nepal. The rationale for this shift is to ensure RAP3's tangible impacts on road network and poverty reduction in the Western Nepal.

To incentivise performance of districts, DFID set targets for December 2014 about the disbursement of funds for road maintenance through the ring fenced District Development Fund (disbursement of 90% and 65% of committed funds in year one based on volume of commitments to districts). The targets were

³ Date source: RAP3 annual report by IMC, September 2015 (QUEST No. 5168216).

⁴ Source of points (a) to (d) in this paragraph: LRN review report (1st draft) by MEL, Oct 2015.

communicated to GoN and IMC, and closely monitored by IMC. Six districts exceeded or broadly met the target, two came close and two (Doti and Jhapa) missed the target. The main actions taken were: (a) the two non performing districts received no further fund from year one commitment, (b) districts received much lower commitments for the second year of implementation (January 2014-January 2015), i.e. 50%-75% of the first year of implementation to focus on RMG works and contracted major maintenance works (Year two implementation plan QUEST No. 5008502), and (c) DFID allocations for roads upgrading differed.

The proposal for road upgrading was revised to mobilize GoN funds in non-core districts and the RAP3 steering committee endorsed it in March 2015. GoN has committed NPR 200 million for gravelling and blacktopping roads in non-core districts (Jhapa, Morang, and Parbat), a positive step of the Nepal Government towards sustained all-weather connectivity to rural areas. RAP3 extension has a provision for additional heavy maintenance and rehabilitation/upgrading of DRCN in core districts to improve poor and isolated communities' access to schools, clinics, and markets.

Third party MEL produced independent process monitoring reports between June 2014 and September 2014 that included technical assessment of road works but this process stopped.

Recommendations for next year

- DFID to develop concept and Terms of Reference (ToRs) for implementing LRN part of RAP3 extension up to July 2019 (considering 3 months of financial closure, and including proposed Humla Mugu Road) and procure ensuring competition, clear expectations from DFID contractor(s), and DFID/GoN lead in strategic directions (Dec 2015).
- 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 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. (Mar 2016)
- IMC to provide proposal for using remaining fund for LRN component up to March 2017 and continue implementing transition strategy for non-core districts (Nov 2015).
- IMC to support DFID develop indicator(s) for outcomes of LRN (especially maintenance) works on connectivity and road performance (Jan 2016).
- IMC to improve its internal M&E systems on the basis of upcoming MEL review of its M&E process and systems (Dec 2015- Mar 2016).
- IMC to devise approach and implementation structure to reduce road closure due to landslides (Feb 2016).
- IMC to explore potential of 'schedule of rates' approach to speed up contractual process as required (Dec 2015).
- IMC to propose a simple graduation model for improving skills and awareness of RBG/RMG member families (Dec 2015).
- IMC to work with GoN to push for implementation of LRN review recommendations on refining DTMP and ARAMP processes/methodologies/ prioritization/ implementation quality and technical qualities of RAP3- LRN works (Nov 2015 onwards).
- DFID to decide on output based contract for LRN activities assessing benefits and challenges of fully output based contract (Jan 2016).
- RAP3-MEL to strengthen quarterly independent verification of LF outputs and disbursement linked indicators (DLIs) of output based contract in the future (Dec 2015 onwards).

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>Medium</i>	Impact weighting (%):	12%
Risk revised since last AR?	N	Impact weighting % revised since last AR?	Y

Indicator(s)	Milestones	Progress* (taken from Trimester Report August 2015)
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	Total 17,000 a)17,000 b)14,300 c) 5,200 d) 3,700 40% 20%	16,883 a) 16,883 b) 15,000 c) 5200 d) 5770 e) 45% women f) 20% DAG
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	Total 21,000 a) 15,000 b) 6,000 c) 1,000 d) 1,000	22,440 a) 22,440 b) 3517 c) 1776 d) 2064
2.3 Number of private sector service providers engaged by SED in SED clusters	630	671

Key Points

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. Building on the Year 1 group formation and mobilization, the second year has supported “supply side” work with various Income Generating Groups, built economic infrastructure like trail bridges, irrigation schemes, renewable energy and collection centres, and engaged in “market linkages”. The field visit to Bajura confirmed a wide array of interventions (from supporting mason training to blacksmiths to agrovets) and for the groups visited, a clear sign of progress was the surplus cash generated by cash for work and their savings group had put the local money lender out of business.

Whilst the project (broadly) delivered the milestone outputs for this year, there are fundamental questions about range of interventions deployed and how they are managed. An External Fundamental Review of SED conducted this year was very critical of the work and highlighted the need to move to a more focused and strategic set of interventions informed by deeper analysis (of need, economic potential, what others are doing etc.) as well as a rethink on the delivery approach (balance direct delivery vs more systemic change) and management arrangements (the “layers” of organisations represent a challenge to VfM). The team is currently engaged on redesign of RAP3-SED component with a new strategy and plan expected by December 2015.

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

The following issues were raised by the previous AR: (i) the SED approach including the cost of the delivery through multiple layers of management and the need to work more sustainably with the private sector. These are being addressed through the redesign process; (ii) equity aspects of the interventions where landed farmers were likely to benefit more than landless disadvantaged groups. The SED interventions are agriculture based but also include work with more disadvantaged groups through Non Timber and through support to more traditional Dalit crafts such as blacksmithing. The redesign will need to balance this issue of equity.

Recommendation

1. Based on the findings from the Fundamental Review of SED, IMC to complete redesign by December 2015 and DFID to sign off as appropriate.
2. IMC to review management and organisation structure to deliver SED by December 2015

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

Indicator(s)	Milestones	Progress		
3.1 Number of transport infrastructure management training days for Government, Private sector and other stakeholders	2,400	7,316 cumulative total (Total 6,147 in June 2014-Aug 2015; Government-2023, Private-688, RAP3 related staff and stakeholders- 3,436)		
3.2 % of Annual Social Audit findings conducted at District level showing satisfactory rating increasing year on year	30%	District government (DDC and DTO) rating - 82%		
3.3 Central government, district government and private sector Continuous Improvement Matrix (CIM) scores (max 10) demonstrate continual improvement towards Sectorwide approach (SWAp) compliance	(improvement from May 2014)			
			July 2015	May 2014
		Pilot districts	7.05	6.73
		Core districts	5.81	5.09
		Central government	5.30	4.50
Private sector	NA	4.80		

Key points and response to last annual review

This output is closely linked to RAP3's LRN works (Output 1). It relates to inputs (Indicator 3.1), accountability (Indicator 3.2) and effectiveness (Indicator 3.3) of the programme's works for strengthening systems and institutions to manage rural roads infrastructure sustainably. The new Logframe indicators capture the last annual review's recommendation on the Logframe change and capacity building strategy, but with more emphasis on measurability of indicators and the output based contract's disbursement linked indicators. Quite a number of activities (e.g. efficient use of engineering interns and engagement in CPD for wider engineering sector) are being successfully implemented by RAP3 beyond the Logframe, raising its profile in innovation and collaboration with DoLIDAR and districts

Indicator 3.1- The progress in the trainings days (three times of target) has been impressive with the progress driven by the on-the-job trainings by RAP3 staff to people directly involved in the programme. The UK based Institution of Civil Engineers' Continuing Professional Development (CPD) approach has been applied in RAP3 to deliver on-the-job trainings linked to the annual cycle of RAP3's rural roads activities. Mandatory competency test after the intensive and well-structured annual LRN training adds to the quality of the training.

Indicator 3.2- This indicator concerns stakeholder satisfaction measured through audits in districts. Satisfaction level of key district government stakeholders (DDCs and DTOs) is impressively high (82%) but district level social audits have not been conducted. This lapse is significant, though RAP3 conducts its well established public audit of RBG/RMG works in villages.

Indicator 3.3 – This relates to progress in continued improvement of different stakeholders to meet Government's ambition for moving towards SWAp. Improvements have been observed in the RAP3 districts and central government based on standard criteria⁵ but not in the private sector due to withdrawal of local consultants in some districts.

Recommendations

- DFID to revise RAP3 extension Logframe to capture realistic opportunities of efficiency, accountability, risk management, and effectiveness of policy harmonization, systems building and institutional strengthening in the LRN sector (Feb 2016).
- IMC to develop a new institutional strengthening strategy/plan analysing the needs for DoLIDAR, DDCs, DTO and private sector capacity building (Jan 2016).
- IMC to further strengthen RAP3's engagement with Nepal Engineering Association, Nepal Engineering Council, and other stakeholder of recently conceived CPD Forum for improving professional abilities in the wider engineering sector (Dec 2015-Mar 2016).

⁵ maintenance, planning, technical, financial, institutional and social/political criteria

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

Indicator(s)	Milestones	Progress
4.1 Policy developed and operationalised	1) District Employment Fund (DEF) and partnership model for joint funding operationalised 2) KEP costing model developed and discussed 3) Review and consultation of Employment Guarantee Bill	1) DEF for partnership funding of KEP successfully created in Jumla and Kalikot and operationalised with a non-freezing ledger. Partnership with DDC and DFID fund tested and operationalised. 2) KEP costing model successfully developed, with technical note and presentation. Presented to DFID and MoFALD the w/c the 24 th August. Costing model accepted by GoN. 3) Completion of review, consultation and proposed the modification in Employment Guarantee Bill
4.2 Effective interaction between KEP and wider social protection forum	Ways to collaborate and complement is explored from common planning to implementation	The KEPTA programme has held at least one meeting with members from LGCDP to explore efforts to improve targeting, through improved Village Development Committees (VDCs) and processes such as citizen registration. Continuous dialogue with government officials and Public Works Programmes (PWPs) were made. Presentations on possible collaboration and PWP harmonisation made at central level.
4.3 KEP's guideline implemented which reflect policy dialogue, promoted and compliance increased	1) Demonstrate KEP guideline in 18 VDCs (6 VDCs - KEPTA-led and 12 VDCs- KEP led) to promote KEP revised model. 2) Piloted and documented the demand-led employment creation approach in 2 VDCs 3) 1 central level review assessment conducted on demand-led pilots and demonstration projects	1) 6 KEPTA led VDCs with 3 each in Jumla and Kalikot; 12 KEP led KEPTA assisted VDCs with 6 each in Jumla and Kalikot. 2) Piloting of the demand-led employment creation approach in 2 VDCs completed. 3) There have been two central level reports. One from a Regional Review Workshop on the 7 th August that assessed the performance of KEP and KEPTA. The second was a joint monitoring team visit to Jumla and Kalikot in June 2015. The team comprised MoFALD, National Planning Commission, DFID, LGCDP and KEPTA

Key Points

The Programme has made good progress on policy support. The District Employment Fund (DEF) was created as a pilot experience with the objective of testing a joint funding of PWPs and the joint DFID and GoN fund under DEF was successfully operationalised in the KEPTA-led projects. A Memorandum of Understanding (MoU) between the DDCs in Kalikot and Jumla and OPM was signed as the basis of overall RAP3 agreement with Government and Local Self Governance Act. Furthermore, the KEPTA developed costing model has been developed as a flexible budgeting tool that facilitates the simulation of different budget implications. The initial presentation highlighted the difference between allocations at the district level between KEP and KEPTA projects and led to the lowering of the number of days employment being offered from 60 to 50. This is an example of how the model acts as an aid for policy

and programme development. It has been used by KEP and KEPTA to plan the expansion and TA support.

In terms of wider collaboration with the SP forum, KEPTA has engaged in initial discussions regarding the collaboration among different PWPs and the potential for system integration. MoFALD/ Karnali Regional Development Unit (KRDU) has confirmed that this is an important area of work for P2Y2.

In terms of delivery, KEPTA's support to the KEP reform process was focused almost entirely in Jumla and Kalikot and covered four modes of operation:

- KEPTA led (KEP assisted) – Planning, implementation and payment led by KEPTA with KEP Unit assistance
- Demand-led pilot - Planning, implementation and payment of participants were led by KEPTA with KEP Unit assistance. The funding for implementation was fully provided under TA and participants were offered 60 days of work.
- KEP led (KEPTA assisted) - Planning, implementation and payment of participants were led by the KEP Units with KEPTA assistance. The funding was entirely from the KEP budget and the DCMCs decided on the number of days of work to be offered with the suggestion of 30 days
- VDC led - Planning, implementation and payment of participants were in line with the normal KEP operation at the VDC level with KEP Unit assistance. The DCMCs decided on the number of days of work to be offered with the suggestion of 20 days. "Strategic support" in the form of basic survey equipment was provided by KEPTA

A Regional Workshop event and joint GoN field visit were organised to review performance and recommend changes for the period ahead.

One of the successes of the programme is the GoN's ambition to expand the KEP both in Karnali but also into Bajura with the Programme moving from away from any KEPTA led work to KEP led and KEPTA supported. Despite an increase in GoN resources to support the full costs associated with the expansion, they are not sufficient and further DFID support is requested. With less direct delivery and insufficient budget (especially admin), it will be harder to ensure that consistent quality is delivered through KEP. This needs to be discussed and worked through with the GoN.

As part of the due diligence for further DFID support, Crown Agents have completed a Financial Control Report examining the internal controls of the KEPTA and DEFs. The analysis found that the KEP projects have generally followed the Operating Guidelines and Project Implementation Manual of KEP and that an appropriate cash flow model has been communicated well to all the KEP projects by OPM. This is very positive. The report does suggest important recommendations including improving the timeliness and discipline of payments; reviewing the procurement responsibilities, setting up a consolidated statements of expenditure across all agencies, ensuring bank accounts are opened in all cases and exploring how to move from a practice of accountability for the appropriation of funds to a more programmatic, administrative or economic analysis approach. This weakens the ability to analyse the VfM performance of the KEP – which is especially important given the various models of delivery. It will be important to ensure clear documentation and VfM analysis in ongoing support.

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

There has been much progress (see Annex I), but the following recommendations have not progressed as well as expected:

- 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, RAP using job cards and reviewing the approach to targeting etc.
- Similarly, 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

- From the DFID side, more needs to be done to explore engagement between KEP/public works approaches and broader social protection policy framework through the Social Protection Task Team

Recommendations

- The milestone for indicator 4.2 lacks specificity. In the logframe review after the annual review, all milestones should be checked to ensure clarity.
- DFID to clarify process and timings for expansion of funding to KEP (e.g. timing and purpose of 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 ensure there is a clear GoN plan to scale up the admin costs to manage expansion.

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:	Medium	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	Operational improvement made to increase stakeholder satisfaction	Some progress including Provisions for complaint and grievance settlement introduced at project level; Transparency enhanced using job cards and entitlements – but this is an area for further improvement.
5.2 Training and systems are placed to enhance KEP Institutional Capacity	1) Equipment supports for effective function of KEP 2) Printing of job cards and Guidelines 3) Training of MIS to effectively monitor the work progress 4) Promotion of labour based technology and guideline provisions	1) Basic engineering equipment provided to 60 VDCs, IT equipment provided to KEP Units and Karnali Regional Development Unit 2) Support in guidelines revisions, printing of guidelines and job cards 3) MIS training was given to each member of the KEP Unit in both Jumla and Kalikot, to give the team the capacity to carry out MIS entry. 4) 66 KEP project implementing engineering staff received Labour Based Technology (LBT) training and 192 members implementing KEP received training on social protection, planning and guidelines provisions
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= 5.52% L2=16.47% L3=78.01%	L1= 5.48%; L2=16.44% L3=78.08% There are 4 components to the assessment (Institutional Functioning, Project Selection, Targeting and Project Implementation).
5.4 National Stakeholders engaged to debate, promote and practice social protection through PWPs	1) Publication of SP through PWP research papers 2) KEP Policy Discussion 3) Disseminate KEPTA Lesson Learnt for SP through PWP	1) Published 3 research reports 2) GoN Endorsement of new KEP principles and costing model 3) Discussed KEPTA learnings with SP through PWP with central stakeholders

Key Points

KEPTA acknowledge that indicator 5.1 is an area for further improvement. Despite the systems introduced, budget constraints did not allow a system to measure beneficiary satisfaction to be

developed and this was omitted from the Phase 2 Year 1 (P2Y1) plan. This will need to be included in Phase 2 Year 2 (P2Y2) and could be supported by MEL.

In terms of 5.2, communication campaigns were held in each KEPTA led, Demand pilot and KEP led VDCs in Jumla and Kalikot, to inform locals of the new KEP provisions; MIS training was given to each member of the KEP Unit in both Jumla and Kalikot, to give the team the capacity to carry out MIS entry and the details of each worker and project were entered into the MIS. The selected workers were given job cards which entitled them to work in KEP projects.

A MEL review of the communication campaign observed that the communication campaigns were more focused on information dissemination than engaging potential workers. Community members consulted by MEL reported that low levels of literacy, indifference towards development activities and inability to assert their right to work were major challenges faced by the communication campaigns.

MEL also reported that the process of worker identification and selection faced major challenges. These included the assertion of rights by relatively well-off families. A common observation reported by MEL is that Ward Community Forums (WCFs) lacked the capacity to facilitate participatory processes and were dominated by local vested interest groups (notably local contractors) in their membership. This highlights a possible risk to efficient targeting and a fiduciary risk to the performance of PWP. A mitigating action could be greater coordination between KEPTA and LGCDP to improve the performance of local governance bodies – something that has begun, but which should continue and deepened. For example, MEL recommends that further effort should be made to engage WCFs and target communities *in advance* of project commencement for mapping of potential beneficiaries. LGCDP could be utilised to provide support to WCFs to address barriers to work, for example from a lack of citizenship cards

5.3 highlights how the bulk of KEP projects operate at 20% compliance against the 4 areas of assessment with only just over 5% at 100% compliance. Whilst this is great progress given the baseline, it is clear there is a long way to go.

With regards to 5.4, a series of studies have been conducted and disseminated in order to provide valuable information for the policy process (Assessment of PWPs operating in Karnali; Analysis of economic development in Karnali; Poverty and social protection in the Mid-West) alongside GoN endorsement of new KEP principles and costing model.

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

N/A- covered in the output above.

Recommendations

- Experiment and innovate with the communications tactics to overcome the difficulties highlighted by MEL and engage potential workers.
- Pursue coordination with 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.

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>Low</i>	Impact weighting (%):	10%
Risk revised since last AR?	<i>N</i>	Impact weighting % revised since last AR?	<i>Y</i>

Indicator(s)	Milestones	Progress
6.1 Monthly process monitoring studies completed, resulting in management response	11	Achieved. 4 compliance monitoring reports and 7 thematic monitoring reports completed.
6.2 Number of responses to beneficiary feedback collected	500	Achieved. A total of 500 direct beneficiaries were consulted during the process monitoring, through participatory processes such as key informant interviews, focus group discussions and case studies.
6.3 Number of research reports published (with evidence of GoN ownership)	3 baseline study reports for RAP3 districts	Achieved. The MEL team conducted four thematic studies in the review period.

Key Points

The Monitoring, Evaluation and Learning (MEL) component achieved all logframe milestones, and has produced a rich array of evidence, in the review period. The MEL component covers 3 main areas of work: (i) impact assessment, (ii) regular process monitoring and (iii) thematic studies.

The MEL Component is adopting a mixed methods approach to impact evaluation of RAP3, and conducted both quantitative and qualitative baseline studies during the review period. The quantitative baseline was conducted in April-May 2014 using a socio-economic survey of 3,200 HHs households (HH) in core RAP3 districts, with the report completed in November 2014. Road Maintenance Groups (RMGs) were not formed at the time of the original baseline survey in April 2014, therefore a follow-up survey of RMG members was conducted in April and May 2015 as a thematic study to establish a baseline for this group. A total of 409 households were interviewed, with a report produced to analyse and compare the RMG population with the wider baseline population. The review notes that the delay in conducting the RMG baseline (for acceptable reasons) has to an extent compromised the baseline and it will not be possible to fully understand programme impact on these groups. The qualitative baseline study (using the Reality Check Approach⁶) was conducted in 25 host households in core districts in April 2014 and the report produced in July 2014, with findings also being used to supplement findings in the quantitative report.

In the period June to September 2014 process monitoring focused on compliance activities, however the focus shifted to theme-based monitoring for the subsequent 7 reports. The process monitoring work has now been discontinued following discussions with DFID.

The MEL team conducted four thematic studies during the review period. Two of these were the RMG and RCA baseline surveys mentioned above, with the other two being the RCA studies of Direct RAP Beneficiaries and Trail Bridge Users. The main points of note from these studies were the apparent limited household coverage, with each study involving only 12 households, although the studies did include the views of a substantial number of the community. Indeed, of the 3 HHs in Bajura district included as part of the beneficiaries RCA, only one was a RAP3 beneficiary household due to the limited number of road maintenance group members. This undermines the analysis and conclusions related to Bajura

⁶ Reality Check Approach (RCA) is an internationally recognised form of qualitative research that requires the study team to live with people living in poverty in their own homes for periods of time and use this opportunity for informal conversations with all members of the household and their neighbours as well as frontline service providers with whom they interact

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

Not relevant as this is the first year of the MEL component. However, DFID Nepal's Statistics Adviser made a number of recommendations in May 2014 following the inception phase, including the balance between process monitoring/thematic studies and the potential for process monitoring to strengthen RAP implementation. The monitoring aspect of the MEL component now focuses on capacity building of DoLIDAR, RAP3 and KEPTA and piloting of a citizen-centric/community focused monitoring component, as opposed to process monitoring, and the review notes the opportunity cost of this change of focus. The classification of the RCA baseline as a thematic study, and not as a core aspect of the impact evaluation, was flagged as potentially reducing the complementarity between the two methods. This risk has not materialised as both the quantitative and qualitative baselines were conducted at the same time, with the RCA findings being used to enrich the quantitative report. Institutionalisation was also flagged as an area to focus on in future years, with the year 2 workplan having a clear focus to strengthen in this regard and work closely with DoLIDAR to strengthen capacity. Some concerns were raised last year around the working relationships between implementers and the MEL component. While it is clear that these could be improved further, the relocation of the MEL team to the RAP office following the earthquake was seen as positive, as is the fact that all parties are content with the mutually-agreed workplan in place for year 2.

Recommendations

- 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.
- For the midline RCA exercise, greater consideration should be given to the number of 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.
- 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.
- 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.

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

Key cost drivers and performance

Rural Access Programme 3 has six main funding envelopes implemented by three commercial partners.

	Funding Envelopes	Budget 2013-2017 £M	Spend in AR period (June 2014 to August 2015) £M	Implementing partners
A	Improve Access (Local Road Network)	£ 12.90	£ 2.97	IMC
B	Socio-Economic Development including Economic Infrastructure	£ 6.54	£ 2.69	IMC
C	Employment Days	£ 5.42	£ 2.22	IMC
D	Social Protection	£ 3.20	£ 1.56	OPM
E	Monitoring Evaluation and Learning	£ 1.60	£ 0.61	ITAD
F	Capacity Building	£ 1.57	£ 0.56	IMC
		£ 31.23	£ 10.61	

For the IMC work, the team does not have the breakdown of this investment for this year of activity and so has generated the analysis below from the overall project budget. This will give a fair insight into the key cost drivers and the team will work with IMC to develop better analysis post this AR.

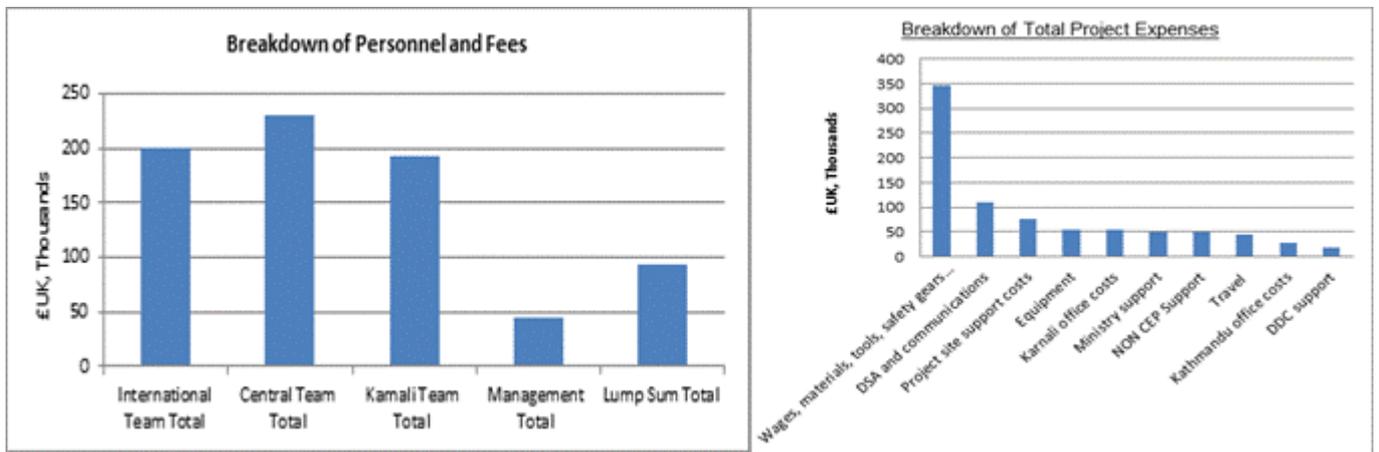
In terms of components A and C, the key cost drivers are the wages paid followed by the procurement of the goods required to build new roads and maintain existing:

RMG (LRN)			RBG		
Total Investment		£ 6,810,000	Total Investment		£ 6,850,000
<i>made up of</i>	DDF procurement of goods, services, contractors	£ 2,390,000	<i>made up of</i>	Operating Costs	£ 240,000
	LRN Workers Wages	£ 2,650,000		RBGs Wages	£ 6,090,000
	RMGs Wages	£ 1,770,000		DDF procurement of goods, services, training	£ 520,000

In terms of B – the SED component, the investment across the three iNGO and 2 local NGO partners reveals that the key cost drivers are iNGO Direct support/training (26%) followed by Admin fee (25%).

SED			PRACTICAL ACTION			HELVITAS TOTAL		
Total SED Investment		£ 4,856,000	Total Investment		£ 1,762,000	Total Investment		£ 1,920,000
WINROCK TOTAL		£ 1,174,000	<i>made up of</i>	Admin	£ 200,000	<i>made up of</i>	Admin	£ 239,000
	Admin	£ 269,000		Direct Support / Training	£ 221,000		Direct Support / Training	£ 592,000
	Direct Support / Training	£ 522,000		Economic Infrastructure	£ 229,000		Trail Bridge SWAP	£ 350,000
	Economic Infrastructure	£ 219,000		BNF Wages	£ 45,000		Local NGO Admin	£ 230,000
	BNF Wages	£ 164,000		Local NGO Admin	£ 330,000		Local NGO Programme	£ 357,000
				Local NGO Programme	£ 737,000		SED Groups/EI Workers	£ 152,000

In terms of KEPTA, the team have the analysis for this year's spend of £1.56 million which is split quite evenly between fees (48%) and reimbursable costs (52%). All items in this section are personnel fees, except for the lump-sum costs (e.g. Management Information System (£62,097), Qualitative Research (£20,000) and Project Selection (£12,000)). The personnel fee rates are clearly the cost drivers. As this is an output based contract we have limited leverage over the inputs from a contractual perspective, but DFID should scrutinise the fee rates carefully and compare them to any benchmarks we have for Nepal as well as ensure they are appropriate for the quality of labour received.



In terms of expenses, the largest cost driver is the wages etc. paid to workers. It is noteworthy that the team have broken out (part of) the costs for the Demand Side pilot and perhaps highlights the need rework the budget reporting to be able to measure the investment in the different delivery models (KEPTA led, KEP led). This would enable useful VfM analysis to inform the GoN.

The MEL investment predominantly funds the consultant team's time to conduct the research.

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

At a basic level, the programme continues to deliver VfM as it has delivered the outputs for the year, has made very solid progress on outcomes and has remained within the planned budget. Also, the economic appraisal for RAP3 extension (for £72.5M) showed that £1 investment for RAP3 delivered benefits worth of £4. However more detailed analysis is required and a clear recommendation from this AR is to establish a robust set of metrics and qualitative analysis for all partners which helps the programme as whole optimize VfM. The following insights and ideas for metrics should be considered:

Economy (inputs):

- Technical Assistance by IMC as % of total costs (currently 14% against BC prediction of 15%)
- The admin fee for the management of SED (excluding IMC's costs) as a % of investment (which is at 26% and should be looked at).
- For both the MEL and KEPTA consultant inputs, analysis is required to ensure that the input fees benchmark well against the market and that there is a push to hire local consultants.
- Programme management by OPM >6% (ceiling agreed with SoS).

- TA costs per year (quantitative)
- Cost of oversight / accountability across RAP and KEPTA (quantitative)
- Progress on improving the competitiveness of procurement (perhaps average cost of a standard item)

Efficiency (inputs to outputs)

- % payment linked to outputs and outcomes: Payments are made against achievement of disbursement linked indicators (DLIs) that are linked to outputs and outcomes results and delivery costs. (qualitative + some quantitative)
- Timely completion of works – (qualitative + some quantitative)
- Unit costs (road maintenance, labour wage, SED activities, KEP and MEL outputs (quantitative))
- Appropriateness of number of workers mobilized (quantitative)

Effectiveness (inputs to outcomes)

- Independent monitoring component will update household survey to assess impacts on poverty reduction and increased incomes
- Capacity to add GoN funds to Programme (RAP3 has been able to bring in GoN fund for road upgrading (over £1.25M). Similarly KEP has been able to scale up GoN funding)
- All components- meeting results targets and progress towards sustainability as % of investment: km roads built/maintained, quality of fair roads after maintenance (quantitative). To note, LRN review has highlighted the good quality of road maintenance and new roads construction, and improvements in government systems through RAP3 rural roads works. This, together with continued focus on maintenance of the rural road network, will contribute to the sustainability of about 80% of investment made by RAP3 in the reporting period.
- Total beneficiaries/£1 (quantitative): There is 0.5 beneficiary per £ spent in RAP3 rural roads activities (i.e. £5.57M for 2.8M direct and indirect beneficiaries). On average about 7,000 direct beneficiaries (RMGs and RBGs) have earned average £214 as wages last year.
- Use of MEL for performance standard (qualitative)
- Women's participation in job-days (quantitative): Women's share in job days has been around 33% for RAP3, and 50% for KEP and KEPTA. Targets for women participation have been met but there is significant scope for RAP3 to increase it in coming years, which MEL will have to monitor closely.

Improve VfM monitoring: Given the data collected across the three components, the current VfM reporting is weak. MEL are currently developing VfM analysis for RAP and this should consider not only the broad analysis of the VfM of RAP compared to other comparable programmes, but it should partner with IMC to develop a set of indicators which can be routinely monitored. In addition, OPM should be required to provide VfM information which could perhaps consider budget spent on Tier 1, 2 and 3 activities and further, how much is spent supporting the different methods of implementation. Once we understand how much is spent by KEPTA running projects, vs providing TA to projects vs running demand-led pilots, we can begin to compare unit-output costs across them. Especially valuable would be to compare these to the KEP run projects, if adequate information could be received. This information would be beneficial to informing the advocacy discussions with MoFALD and critically, broader discussions with the Ministry of Finance.

Recommendation: DFID to work with project partners (including the MEL led work) to establish VfM metrics for RAP and KEPTA which can be monitored routinely.

Assessment of whether the programme continues to represent value for money

Yes given the output and outcome results delivered this year.

Quality of financial management

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 and the invoice amount will be a sum of the total DLI payments plus the TA costs. We receive monthly progress report from IMC with results achieved, financial monitoring including forecast for next month, and risk management. To support their financial management, IMC have implemented RAPID – an online financial reporting system operational at all

levels. In addition, RAP has an Internal Audit department who operate a Risk Based Audit approach focusing on themes and different offices. This is an integral part of their Performance Verification and Management (PMV) work. The independent audit of RAP conducted last year highlighted issues related to internal control structure and its operation and compliance with the agreement terms, laws and regulations based on the selected transactions and records. It is **recommended that RAP provide a written update of progress on the Auditors recommendations.**

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 KEPTA: August 2015. MEL: August 2015.
Date of last audited annual statement	RAP: Audit prepared on 28 th May 2015 for the period 1 st October 2013 to 30 September 2014. KEPTA: First one due November 2015. MEL: Not required.

E: RISK (½ page)

Overall risk rating: Medium

The gross risk for this programme is high (given it principally involves cash payments to informal groups of workers in remote Nepal) but the team considers the controls established to make the net risk medium. Key assurance controls include (i) ensuring our partners have robust policies and procedures; (ii) all DFID payments are made against development indicator outputs, and all invoices are verified by the DFID programme team; (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.

A critical weakness that needs to be addressed is the reinstatement of the independent monitoring of outputs for RAP and KEPTA (through MEL) to offer a third party verification before payment.

Overview of programme risk

A detailed assessment of programme risks has been compiled as part of the accompanying annual review note which includes a detailed updated risk assessment (Quest no. 5196179 and Annex 2). This is discussed monthly with project partners.

F: COMMERCIAL CONSIDERATIONS (½ page)

Delivery against planned timeframe

As a result of the Earthquake in which much of the country and projects shut down for a number of months, some activities have slipped – a prime example being the FRA for KEPTA (needed to confirm plans for Phase 2 Year 2 GoN support). In addition, the SED redesign has prompted a rethink of the target activities and timelines. Throughout, DFID has been engaged with the partners to realign plans to ensure overall delivery of project outcomes.

Performance of partnership (s)

The performance of partnerships with service providers is assessed as satisfactory but with areas for development: (a) for IMC and OPM to ensure a consistently constructive approach to engaging and partnering with DFID including proactively implementing the recommendations of this review, (b) for DFID to take more of a leadership/ facilitation role and bring the partners together to drive improved synergies.

Asset monitoring and control

All partners have produced a full asset list which is checked by the DFID team every 6 months (QUEST 5179568 and 5043116). Additional spot checks were completed on field visits (Doti and Dadeldhura in April).

G: CONDITIONALITY (½ page)

Update on partnership principles (if relevant)

Not Relevant

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. The team have conducted a baseline survey in addition to a number of process monitoring reports. The comprehensive baseline survey verified the key poverty assumptions in the influence area of existing rural roads networks in the Western Nepal - strengthening the rationale for the Programme. MEL will conduct a midline household survey in May 2016 which will provide a robust analysis of progress

KEPTA has also invested in assessing creating a number of evidence products which have been used by a variety of stakeholders (Assessment of PWP operating in Karnali, Analysis of economic development in Karnali; Poverty and social protection in the Mid-West).

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 sent 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 one 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), Rudriksha Parajuli (Livelihoods Advisor DFID Nepal), Mark Dray (DFID HQ Economist) and Andy Murray (Results Adviser DFID Nepal). This review was based on the agreed Terms of Reference, which set of the process for independent review (QUEST Nos : Annual review ToR- 5196150, SED review ToR -5051270 and final report- 5037015, LRN review ToR- 5054438 and LRN Review Report-5196195, and Commercial Review ToR-5076017). The review drew on the findings from a DFID/GoN joint field trip to Bajura where we met with local beneficiaries, district stakeholders and project partners alongside inputs from the SED Review, LRN Review and Commercial Review. Findings from the review have been shared and discussed with service providers and government counterparts.