

Loan 3260 /Grant 0529: Earthquake Emergency Assistance Project
and
JFPR Grant No. 9180 - Disaster Risk Reduction and Livelihood Restoration for
Earthquake-Affected Communities Project / Output and Activities related to Model
Schools

AIDE MEMOIRE OF REVIEW MISSION

(12 April – 24 May 2019)

I. INTRODUCTION

1. The review mission¹ (the Mission) for Loan 3260/Grant 0529: Earthquake Emergency Assistance Project (EEAP) and JFPR Grant No. 9180 - Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities Project (DRRLREAC)/ Output and Activities related to Model Schools was fielded from 12 April to 24 May 2019. Considering that less than 9 months remain before the closing of the loan and grants, the Mission focused its discussions with National Reconstruction Authority (NRA) and its three Central-level Project Implementation Units (CLPIUs) and the Department of Roads' Project Directorate (DOR PD), on (i) poor progress under contracts with current and likely completion dates beyond 23 June 2019, (ii) the continuing delays in meeting safeguards requirements related to output 2, and (iii) financial management and audit issues related to the 2016/2017 financial statements. The Mission also provided guidance to the CLPIUs/ DOR PD for the preparation of output-wise Project Completion Reports (PCRs).

2. The Mission visited District Level Project Implementation Units (DLPIUs) and subproject sites in in Dhading, Gorkha, Kavre, Sindhupalchowk, Dolakha and Ramechhap districts. The Mission also discussed relevant issues with representatives of the United States Agency for International Development (USAID). The list of persons met is in Attachment 1. The wrap-up meeting was held on 24 May 2019 under the chairmanship of NRA's Chief Executive Officer and attended by representatives of the CLPIUs and DOR's Project Directorate (PD) as well as representatives of USAID and the Swiss Agency for Development and Cooperation (SDC).² This aide memoire (and its attachments) records the Mission's findings, discussions and agreements with the officials concerned, which are subject to confirmation by the higher authorities of ADB and the Government.

II. MISSION'S MAIN FINDINGS - EEAP

A. Implementation Status

3. **Implementation progress** – The overall *implementation* progress as of end April 2019 stood at 79% with an elapsed revised implementation period of 96%.³ *Construction* progress among the four infrastructure outputs reported by the CLPIUs/ PD Office ranged

¹The Mission comprised of Naresh Giri, Senior Project Officer as Mission Leader;

²Tenzin Chokteng, Reconstruction Engineer - Disaster Risk Reduction, Reconstruction, and Resilience, DR4 Office.

³ The Mission's estimate; the implementation progress is based on progress in pre-construction activities and construction.

between a high 95% for output 1 – schools and a low 62% for output 2 – strategic roads. Construction progress for output 2 – district roads and output 3 – office buildings stood at 83% and 80%, respectively. Continuing with low progress, output 2 – strategic roads remains the most critical output to achieve full project completion by 31 December 2019.

4. The main achievements as of 30 April 2019 in terms of outputs are as follows (Attachment 2): output 1 – of the target of 154 schools, rebuilding of 64 schools ongoing with 90 schools completed; output 2 – strategic roads – rehabilitation of all 99.6 km of road sections ongoing; output 2 – district roads – rehabilitation of 91 km under eight contracts road completed/ substantially completed and construction ongoing for 209.6km out of the target of 300.6 km of road sections; output 3 – construction of 288 temporary buildings completed in Q4 2017, repairs of 61 buildings completed in Q2 2018, rebuilding of 20 buildings completed/ substantially completed and works ongoing on the remaining 42 buildings out of the total target of 62 buildings; and output 4 – some 300 agency staff out of the target of 500 staff trained in earthquake resilient building design/ construction and safeguards requirements, and 82 members of School Management Committees (SMCs) trained in supervision for and monitoring of the construction of safe school buildings. The TA 8910 supported program to assist the SMCs of all schools (including DRRLREAC schools) to prepare school-based disaster risk management plans is ongoing since early April 2019.

5. **Contract awards and disbursements** (Attachment 3) - Loan 3260 - As of 30 April 2019, cumulative contract awards and disbursements reached \$163.38 million and \$126.35 million, 81.7% and 63.2% of the loan amount. The disbursement during Q1 2019 reached \$6.89 million against the Q1 projection of \$14.50 million, a significant shortfall. No contract awards are projected for 2019. Grant 0529 - Cumulative contract awards and cumulative disbursements reached \$8.47 million and \$7.19 million, 84.7% and 72.0% of the grant amount. The disbursement during January-March 2019 reached \$0.82 million against the Q1 projection of \$1.15 million. No contract awards are projected for 2019. TA 8910 - Cumulative contract awards and cumulative disbursements reached \$3.09 million and \$2.15 million, 90.9% and 63.2% of the total grant amount of \$3.40 million.

6. **Compliance with Loan covenants** - Most of the covenants have been or are being complied with (Attachment 4). However, critical covenants related to environmental management and resettlement compensation payments associated with road subprojects remain partially complied.

7. **Current commitments under Loan 3260/ Grant 0529 proceeds** - Comparing the current cost category-wise commitments against the latest allocations shows that \$36.81 in loan proceeds and \$1.55 in grant proceeds have not yet been committed (Attachment 5). However, the current commitments are expected to increase because of variations to civil works and consultants' contracts as well as price escalation provisioned in contracts for building and strategic road components. A reallocation of loan and grant proceeds among cost categories and/or among components is currently not required.

B. Overall Issues and Agreed Actions

1. Challenge to Meet the 23 June 2019 Completion Deadline: Poor Construction Progress

8. Construction progress under almost all ongoing contracts is behind the original work or latest revised schedules. Through its site visits, the Mission assessed that poor contract management and inadequate resource mobilization by the contractors continues to be the

main reasons for delays. Together with the CLPIUs/ DOR PD, the Mission identified “highly critical” contracts, i.e. contracts with current and or expected completion dates beyond 23 June 2019. As shown in the summary table below, the strategic roads output is the most critical one with four of its six contracts to slip beyond this date.

Highly critical contract packages

Outputs	Total	Expected completed by 23 June 2019	Expected completion after 23 June 2019	
			Confirmed	Likely
	(no)	(no)	(no)	(no)
Schools	51	33	15	3
Office buildings (new)	17	7	7	3
District roads	21	13	5	3
Strategic roads	6	2	4	0
Total	95	55	31	9
<i>% of Total</i>	100	58	33	9

2. Government Funding for Project Expenditures beyond 31 December 2019

9. The Mission explained the urgency to complete the entire construction work within the project completion period. It has further been reconfirmed that ADB financing will not be available for project related expenditures beyond 31 December 2019. This applies for expenditures associated with civil works, consulting services and incremental recurrent cost. Such expenditures will therefore have to be fully financed through the Government’s own resources. The CLPIUs/ DOR PD are to consider this, if necessary, while preparing the FY 2019/2010 budget requests.

Decision/ agreed action:

- (i) *NRA and the CLPIUs/ DOR PD to include adequate budget provisions in the FY 2019/2020 budget requests for expected expenditures beyond 31 December 2019 requiring 100% Government financing.*

3. Expected and Original Output and Outcome Targets/ Indicators

10. During the mid-term review conducted (MTR) in August – October 2017, it was concluded that the project’s original output and outcome targets and indicators could not be achieved for the main reasons elaborated as below, and reductions were therefore agreed. With the project currently nearing completion, the Mission and NRA revisited these targets and indicators and confirmed the reasons for non-achievement.

11. With project preparation undertaken on a fast-track basis, the original cost estimates turned out to be lower than the actual cost. Hence, the higher actual cost led to an increase in per unit cost of subprojects, thereby reducing the output targets as shown in Table 1. In addition, in the case of output 1 - schools rebuilt, NRA decided to (i) select only higher grade schools for rebuilding under the project, (ii) undertake rebuilding only thereby avoiding relatively less costly retrofitting of buildings considered for the original target,⁴ and (iii) adopt “build-back-better” and “complete-school” concepts thereby providing additional facilities

⁴ The cost of retrofitting a building is typically less than 30% of the cost of constructing a new building.

which significantly increased the unit cost for school rebuilding.⁵ For output 3 - government buildings rebuilt or retrofitted, priority was given to rebuilding of extensively damaged office buildings resulting in a higher unit cost.

12. The original output targets for the three infrastructure outputs could not be achieved within the available project financing due to higher per unit rebuilding costs than estimated during project preparation. Based on the latest information available to the Mission, the following output targets are expected to be realized, see Table 1 below.

Table 1: Changes in Output and Outcome Performance Targets

Output Targets			Associated Outcome Performance Targets	
Outputs	Original	Expected at completion	Original	Expected at completion
Output 1	At least 715 schools (including 5 model schools) rebuilt or retrofitted	154 schools (including 9 model schools) rebuilt	Enrollment rates in basic and secondary schools, for boys and girls, restored to pre-earthquake level in project districts, with at least 350,000 students benefitting from new or improved facilities	Enrollment rates in basic and secondary schools, for boys and girls, restored to pre-earthquake level in project districts, with at least 59,200 students benefitting from new or improved facilities
Output 2	About 135 km of strategic and 450 km of district roads rehabilitated	100 km of strategic and 300 km of district roads rehabilitated	28% of total earthquake damaged roads improved and operational	19% of total earthquake damaged roads improved and operational
Output 3	About 300 district-level government buildings rebuilt or retrofitted with provision for select temporary offices	123 district-level government buildings rebuilt or repaired with provision for select temporary offices	10 district headquarters have permanent and safer buildings	11 district headquarters have permanent and safer buildings

13. Because of the reduction in the targets of output 1 – schools rebuilt and output 2 – roads rehabilitated, two of the project's four outcome performance targets are to be reduced (Table 1). Further, in the case of the outcome performance target associated with output 1, the assumption of number of beneficiary students per school taken during project preparation was higher than the actual number. This further contributed to the reduction in the original performance target. Hence, the reduction in the original number of beneficiary students is the result of the reduction in the output target together with lower number of beneficiary students per school. In the case of the outcome performance target related to output 2, the reduction is directly linked to the reduction in output target.

Agreed action:

- (i) *The expected output and outcome targets and indicators at project completion agreed.*

⁵ \$0.12 million/school was considered as unit cost during project preparation while the actual unit cost is \$0.63 million/ school.

4. Financial Management Issues

14. The 2017/2017 audited project financial statements and the Auditor's reports raised financial management and audit issues. With the project nearing completion, all outstanding issues need to be resolved as soon as possible, requiring a specific timebound actions to be agreed with the CLPIUs/ DOR PD as well as the Auditor General.

Agreed actions:

- (i) *NRM staff to discuss with the CLPIUs/DOR PD and the Auditor General the specific issues by 31 May 2019; and*
- (ii) *Specific timebound action plans to be submitted to ADB by 15 June 2019.*

5. Revisions in Project Administration Manual

15. Since the last update/ revision of the PAM in March 2017, project implementation arrangements evolved and the implementation period was extended therefore requiring another update/ revision. The March 2019 update/revision of the PAM reflects the current implementation arrangements as well as the extended implementation period.

Agreed action:

- (i) *The March 2019 update/ revision of the PAM agreed.*

6. Project Completion Report

16. With the last review mission tentatively scheduled for September 2019, the CLPIUs/ DOR PD are to prepare and submit draft output-wise PCRs to NRA and ADB before this mission. To assist in preparing the PCRs, the Mission clarified to each of the CLPIUs and DOR PD the contents and format of the PCRs.

17. In the context of PCR preparation, the Mission highlighted the importance of ensuring the **sustainability** of the project's investments. Sustainability is one of the four core criteria and an unsatisfactory rating could reduce the overall rating of the project. The Mission therefore requested that the CLPIUs obtain adequate assurances from the "beneficiary" agencies before or during the hand-over of the subprojects. In the case of strategic roads, DOR PD is to ensure that following the hand-over of the Panchkhal-Melamchi (PM) road, the Road Board starts the collection of toll fees for the maintenance of this road.

Agreed actions:

- (i) *The CLPIUs to obtain adequate assurances from the "beneficiary" agencies before or during the hand-over of the subprojects; and*
- (ii) *DOR to ensure that the Road Board levies toll fees for the use of the PM road following its completion.*

C. Output Specific Issues and Agreed Actions

1. Output 1 – school reconstruction

18. **Output-wise physical progress** – While the output reached overall substantial completion in March 2019, progress in three districts still need to be accelerated, i.e. in Kathmandu, Sindhupalchowk and Dolakha districts. The completion of 15 contracts (23 schools) will slip beyond 23 June 2019 (Attachment 6) with the likelihood that the completion of three more contracts will slip beyond this date depending on the performance of the contractors. The CLPIU assured the Mission that all loan-financed schools will be completed by end-October 2019.

19. **Progress USAID-financed schools** – Of the five USAID-financed contracts (17 schools), three contracts are complete/ substantially complete. Of the remaining two contracts, one contract will be completed before 23 June 2019 while the completion of the other contract will slip beyond that date. Under the latter contract, the delay in rebuilding the Shree Sahayogi School, Gokarneswhor, is the principal reason in the contract's completion date beyond 23 June 2019. A major effort on the part of the contractor to ensure physical completion of this school requiring "reverse" scheduling of the remaining works assuming school completion and hand-over by 15 September.

20. **Re-alignment of DSC resources to critical districts** –The Mission noted that the re-alignment agreed during the December 2018 mission was not carried out.

21. **DRR aspects** - The Mission reiterated the observation of the December 2018 mission that some school sites face risk of slope failure and have difficulties in proving access for disable children to basic facilities. The Mission noted that additional slope protection works have been initiated for 18 schools out of the 34 vulnerable schools. Action for the remaining 16 schools still need to be taken. The Mission requested to address the vulnerability issue for all the remaining schools, even for those schools requiring a contract variation exceeding the 15% threshold currently exercised by the CLPIU. The Mission observed that for a number of schools the slope of the ramps are not as per design standard; this needs to be corrected. For some schools, due to the steep terrain slope, meeting the standard may not be possible. In such cases, a separate toilet(s) for disabled persons close to the main building(s) may be required.

22. **Insufficient WASH facility-** Although this issue was highlighted since the mid-term review mission in August-October 2017, concrete actions to fully address the issue have not yet been taken. Out of 154 schools, 65 schools were identified as having water supply issues. For 25 schools, the available water supply source is more than 8 km from the school, thereby making it difficult to address the issue within the remaining implementation period. In such cases, the SMC/ municipality may need to ensure continuous water supply through alternative arrangements. For the remaining 40 schools, the issue has been resolved for only 6 schools, leaving 34 schools for which action is still to be taken.

23. **Poor quality of toilet facilities-** The Mission team observed that poor quality continues to be an issue for a number of schools. The Mission reiterated that such quality issues need to be addressed before issuing completion certificates.

24. **Quality issues raised by USAID-commissioned Monitoring Team** - The team has observed quality issues associated with grant-financed schools, school-specific as well as general observations. Several of the general observation are also applicable to loan-financed schools. The CLPIU/DSC need to address such issues before issuing completion certificates.

25. **Weak contract administration** - The Mission noted that contract administration issues identified during the December 2018 mission have not yet been fully addressed. This is particularly the case related to time extensions, variation approvals, completion

certificates, and as-built drawings. Ensuring the submission of accurately prepared as-built drawings is important for future maintenance and repair of the buildings by the SMCs and municipalities. In this context, the Mission referred to the TOR of the DSC which requires verification of the drawings by the DCS as part of construction supervision services.

26. **Handing-over and sustainability of completed schools** - Reconstructed school buildings are being handed over to municipalities to assume the O&M liabilities. In response to the recommendation of the December 2018 mission, the CLPIU has included in the handing-over letter an assurance from the municipality for O&M. However, a more specific assurance from the municipalities is recommended.

27. The Mission observed that school management is not always familiar with the use and maintenance of solar and other equipment provided to the school. Furthermore, school management is not familiar with the maintenance requirements for the buildings and installed WASH facilities. The Mission therefore requested that the CLPIU provides hands-on training on maintenance requirements as well as small repairs to school management with participation of concerned municipalities. The O&M manual prepared by CLPIU with assistance of JICA would be useful for such training.

Agreed actions:

- (i) Complete all loan-financed schools by end-October 2019;
- (ii) Complete all USAID financed schools by 15 September 2019, with special attention to be given to the Shree Sahayogi School;
- (iii) Re-align the DSC resources as agreed earlier;
- (iv) Undertake slope protection works for the remaining 16 vulnerable school sites, even for cases requiring a contract variation exceeding the 15% threshold;
- (v) Address quality issues observed by the USAID-commissioned monitoring team before issuing completion certificates;
- (vi) Ensure that ramps providing access for disabled children to basic facilities are meeting design standards; where necessary, provide additional toilet(s);
- (vii) Address water supply issues for 34 schools before 30 June 2019;
- (viii) Correct quality issues related to toilet facilities before issuing completion certificates;
- (ix) Improve contract administration, particularly in terms of contract variation and time extensions approvals, issuance of completion certificates and as-built drawings;
- (x) Obtain specific assurances from municipalities for assuming O&M liabilities of completed schools; and
- (xi) Provide hands-on training on the O&M requirements of buildings, WASH facilities and equipment, preferably before school handing-over.

2. Output 2 - strategic road rehabilitation

28. **Overall physical progress** – Progress under four out of the six contracts remained poor since the December 2018 mission, resulting in an overall physical progress of only 65% by end-April 2019 (Attachment 6). Insufficient resources mobilized by the contractors, especially in terms of work force continues to be the principal reason for the poor progress. Delay in completing resettlement payments, tree clearing, and shifting of utility infrastructure also contributed to the delays in the case of the Dhading – Gorkha (DG) and the Panchkhal-Melamchi (PM) contracts. In the case of the latter contract, the prolonged delay in approving the variation order is affecting progress. Only two contracts are likely to be completed by 23 June 2019. Of the remaining four contracts, completion of the PM road contract remains the most challenging requiring a monthly progress of >10% to reach completion 7 October, the current completion date.

29. **Reducing road length under the PM contract** – Considering the need to include additional works in addition to the additional works already included in the VO1, the Mission recommended that the road section between KM 22+500 and KM 22+977 (the current end-point) be deleted from the contract considering that this section extends the contract beyond Melamchi city center.⁶

30. **Social safeguard issues** – There has been virtually no progress in implementing the resettlement plans (RPs) for the DG and PM subprojects since May 2018 with the overall progress currently standing at 41% (Attachment 9). Insufficient attention by DOR's project managers contributes to this unfavorable situation. Acceleration in RP implementation remains urgently required. The submission of updated RPs as requested by the December 2018 review mission remains due.

31. **Tree cutting issues** – Tree clearing is no longer an issue following the agreement with the DoF for the clearing of trees along the Sindhupalchowk section of the PM road on 29 April 2019. The Mission noted that that tree marking has been completed for this section. The contractor is to immediately start the tree cutting.

Agreed actions:

- (i) Consider deletion of the section between KM 22+500 and KM 22+977 from the PM contract; Update the RPs and submit to ADB by 31 May 2019;
- (ii) Substantially complete compensation payments by 15 July 2019;⁷
- (iii) Continue to provide ADB on fortnightly basis information about progress in compensation payments and deed transfers; and
- (iv) Immediately start tree clearing along the Sindhupalchowk section of the PM road.

3. Output 2 - district roads rehabilitation

32. **Overall physical progress** – The overall physical progress stood at 83% by end-April 2019 (Attachment 6). Eight contracts have been completed/ substantially completed (total length 91 km). Insufficient resources mobilized by the contractors continue to be the main reason together with delays in compensation payments. Of the remaining 13 contracts, the completion of 5 contracts will slip beyond 23 June 2019 with the likelihood that the completion of three more contracts will also slip beyond this date depending on the performance of the contractors.

33. **Safeguard issues** – Progress in RP implementation remains slow with overall progress standing at 52% in terms of compensation payments made and 40% for deeds transferred (Attachment 9). RP implementation is substantially completed for four subprojects out of the 16 subprojects with RPs. One factor essentially halting progress for several months was the unavailability of budget for six subprojects. However, the budget has only recently made available except for the Solukhumbu subproject. The submission of updated RPs for each subproject as requested by the December 2018 review mission remains due. Considering the current construction stage, acceleration of RP implementation is urgently required for seven subprojects.⁸

⁶ Because this section requires road widening, this section also involves resettlement/ land compensation.

⁷ A minimum of 70% of total payment is considered as "substantial".

⁸ Bhirkot - Sahare-Hawa (Dolakha), Luetel - Aanpeepal (Gorkha), Kuntabesi - Nagarkot (Kavre), Thaiba-Godamchaur (Lalitpur), Haldebesi-Dhibi-Dhandebesi (Ramechhap), PipalBhanjyang - Haitar - Netrakali (Sindhuli), and Garma - Nele -Bogal Road (Solukhumbu)

34. **Tree clearance issue** – Tree clearing is no longer an issue.

35. **Engagement of a Transport Economist (Rural Roads)** – The recruitment of a national transport economist has not yet been initiated. The support of the economist is required for preparing the PCR.

Agreed actions:

- (i) NRA/CLPIU to provide required budget for compensation payments under the Solukhumbu subproject on urgent basis;
- (ii) CLPIU//CISC to update the RPs and submit to ADB by 31 May 2019;
- (iii) DLPIUs to substantially complete compensation payments of 12 subprojects by 15 July 2019;⁹
- (iv) CLPIU to continue to provide ADB on fortnightly basis information about progress in compensation payments and deed transfers; and
- (v) CLPIU to engage a transport economist before 23 June 2019.

36. **Handing over of completed roads** – The CLPIU informed the Mission that all rehabilitated roads will be handed over to the concerned provincial governments.

4. Output 3 - government office building reconstruction

37. **Overall physical progress** - The overall physical progress stood at 80% by end-April with 6 contracts substantially completed (Attachment 6). Insufficient labor resources mobilized by the contractors continues to be the main reason for the construction delays with delays in site position and the need for design adjustments also contributing to delays under some contracts. Of the remaining 11 contracts, 3 contracts already have completion dates beyond 23 June 2019 while the current completion date of 4 contracts will slip beyond this date, with the likelihood that the completion date of 3 more contracts will also slip beyond this date depending on the performance of the contractors.

38. **Handing over of completed buildings** – With a number of central-level government agencies no longer holding offices at district level following the country's federalization initiated in 2017, several buildings can no longer be handed over to the originally intended beneficiary agency. To ensure a smooth handing over of completed buildings, new beneficiary agencies need to be identified and agreed in consultation with the concerned provinces and municipalities as soon as possible.

Agreed action:

- (i) Identify and agree on beneficiary agencies as soon as possible to ensure a smooth hand-over of completed buildings.

D. Common Issues

39. **Quality issues in reconstruction** - While visiting construction sites, the Mission observed number of quality issues in school reconstruction: (i) poor quality toilet finishing including anti-slope, poor quality sanitary fixtures (ii) inadequate runoff water management, (iii) inadequate water supply, (iii) incomplete toilet facility for disable children, and (iv) issues of slope protection. In the road component, the Mission observed: (i) poor quality pavement work and inadequate supervision; and (ii) poor quality of base and sub-base materials. The

⁹A minimum of 70% of total payment is considered "substantial".

Mission discussed contract-specific quality issues with the construction supervision teams and contractors' representatives, and corrective actions were agreed (Attachment 10).

40. The Mission noted that out of 1,902 quality cases registered in the **PMIS**, only 1,502 cases have been resolved and 428 cases are still unresolved. The unresolved cases are due to lack of proper corrective action, delayed response/ reporting in the system. The majority of the registered cases relate to reinforcement detailing, form work quality, material quality and test reports, workmanship (line and level, concrete quality, masonry quality), stone masonry wall, toilets, doors and windows, and finishing items. It was agreed that the pending cases should not exceed more than 10 percent of the registered cases, and all should be resolved before handing-over.

Component-wise case status as of end-April 2019

S. No.	Component	Total cases registered	Resolved cases	Pending Cases
1	Schools	1141	876	265
2	Government Buildings	642	559	83
3	Strategic Roads	35	15	20
4	District Roads	100	42	58
	Total	1902	1502	428

Agreed actions:

- (i) CLPIUs/ DOR PD to follow up on agreed corrective actions (Attachment 10) to address observed contract specific quality issues; and
- (ii) CLPUs/ DOR PD to ensure that pending quality issues flagged in the PMIS will not exceed 10 percent of the registered cases, and all should be resolved before issuing completion certificates.

41. **Safety and environmental management** – As during previous missions, the Mission observed that at several sites, workers had been provided with only limited safety gear and construction sites lack the required cautionary signboards and ribbons. The Mission also observed inadequate dust control. Regarding the implementation of EMP, the Mission noted environmental safeguards compliance issues according to project outputs (Attachment 11).

Agreed action:

- (i) CLPIUs/ DOR PD to ensure that observed environmental safeguards issues (Attachment 11) are addressed.

42. **Gender equality and social inclusion action plan** – The Mission assessed the overall progress towards implementation of activities under GESI Action Plan (GESI-AP in Attachment 12). Among 13 activities listed in the GESI-AP, 9 activities are ongoing (64%) and 5 are completed (36%). Likewise, out of 19 total targets (both qualitative and quantitative), 9 targets are achieved (47%), 1 is partially achieved (5%) 6 targets are on track (31%) and 3 targets are not on track (17%). In 8 quantitative targets, 1 is achieved (13%) and 7 targets are partially achieved (87%). Overall, the progress is low against elapsed time of the project. The CLPIUs/DOR PD need to ensure achievement of remaining 7 quantitative targets before project closing in December 2019 for a successful rating of GESI action plan implementation at the project completion. Inputs of GESI experts/or social development experts should be ensured to consolidate results of all 3 outputs and collect qualitative information to support quantitative results for the project completion report.

43. Activities under output 1 - school rebuilding are on track. GESI-sensitive risk assessments which were planned to be undertaken as part of the overall school DRM plan

was initiated in Q1 2019. Until Q1 2019, DRM plans of 12 schools out of the targeted 154 EEAP schools have completed. The remaining is targeted to be completed by September 2019. Capacity building for disaster preparedness and emergency in the schools, which is being done in conjunction with the school DRM plan was also initiated. As of Q1 2019, 12 trainings have been held, with about 47% women and girls' participation. The Mission requested the CLPIU to ensure increased participation of women and girls in the upcoming trainings for the remaining project period. Efforts may be made to carry out trainings at times and venue that may ensure more participation.

44. Activities under output 2 - strategic and rural roads rehabilitation are ongoing. The target of 20% women in road related construction works and in compensatory tree plantation is only partially achieved. In case of road construction works, it is unlikely to be met as percentage of women employed currently stands at only 8%. The underachievement is due to the nature of construction works that required technical skills to operate heavy equipment, skills normally not found among women. However, the Mission suggested to target women for other remaining works such as cleaning of the road sections once they are complete. Compensatory tree plantations are still pending in several districts. Although the target under rural roads has been achieved (27.5%), it is unlikely to be met for strategic roads. The Mission observed lack of awareness-raising campaigns on human-trafficking, sexually transmitted infections and sexual/gender-based violence. As against the target of 50% participation of women in such campaigns, only 36.2% has been achieved. The Mission requested the CLPIU/ DOR PD to plan the rest of the awareness campaign to ensure that the intended objective and targets are met before project closing. The Mission also observed that the resettlement compensation to the female headed households (FHHs) is still not complete. For example, in case of rural roads, out of 208 FHHs, only 42 FHHs have received income generating training programs.

Agreed action:

- (i) *CLPIUs/ DOR PD to undertake as soon as possible the GESI related activities for which targets are partially achieved (Attachment 12).*

45. **Informing/ seeking ADB approval for time extensions and contract variation orders** - The Mission reiterated ADB's request to provide ADB copies of approved EoTs and variations together with the justification(s) to facilitate the update of contract information in ADB's Procurement Review System. The Mission also reminded the CLPIUs/PD Office that the following variations require ADB prior approval: (a) an EoT beyond the loan closing date and with material extension; and (b) modifications to contract terms and conditions without or with a change in the original contract amount.

46. **Completion certificates and as-built drawings** – The Mission raised ADB's concern over process adopted by the CLPIU- education for issuing the first completion certificate.¹⁰ The Mission requested that the CLPIUs ensure that contractors submit well-prepared as-built drawings as per relevant contract clause.

47. **Variations to individual/consulting firms' contracts** – The December 2018 review mission reminded the CLPIUs/DOR PD of the need to extend and adjust the contracts of consulting firms/ individual consultants to ensure adequate support for the issuance of completion certificates of the civil works contracts, verification of as-built drawings, the preparation of PCRs, and the outputs' financial closure. Until to date, required contract variations have not yet been processed/ approved.

¹⁰ An inspection committee was not formally established, an inappropriate checklist was used to assess the completion status, the punch-list was not officially documented/ recorded, and the completion certificate was without agency heading.

48. **Need to improve consultants' performance** - The Mission assessed that the performance of all consulting firms still needs improvement in terms of contract management and supervision. The performance of several Res/DTLs in terms of contract administration and management remains unsatisfactory. Also, the services of some key experts are inefficiently utilized. The consultants' teams efforts to submit quality progress reports remain inadequate as evidenced by the recently submitted Q1 2019 reports. .

Agreed actions:

- (i) *CLPIUs/DOR PD to timely process and approve variations to consultants' contracts to ensure adequate consultants' support for project closure; and*
- (ii) *CLPIUs/ DOR PD to agree with the consultants' management teams on actions to address the contract management and supervision performance issues; ADB to be informed about the agreed actions by 30 May 2019.*

III. MISSION'S MAIN FINDINGS - DRRLREAC

A. Implementation Status

49. **Implementation progress** – As of end-April 2019, the project's overall implementation progress stood at 92% against 85% of the extended grant period elapsed. The output-wise status is as follows: (i) output 1: construction substantially complete for four schools and in an advanced stage for the remaining four schools (>80% complete); construction of all schools expected to be completed by June 2019; procurement of IT and laboratory equipment is in progress; (ii) output 2: microcredit of \$6.0 million fully disbursed in October 2017 benefitting 15,700 earthquake affected families; and (iii) output 3: the planned 130 disaster resilient construction training completed and 33 out of planned 30 community-based disaster risk management training completed; 20 additional training events to be completed by November 2019.

50. **Output 1 Contract Award and Disbursement Status** - As of 30 April 2019, cumulative contract awards and cumulative disbursements reached \$12.49 million and \$13.04 million, 83.26% and 86.93% of the \$8.4 million allocated to output 1. The disbursement during Q1 reached \$0.98 million against the Q1 projection of \$0.75 million.

B. Main Issues and Agreed Actions

51. Output 1 is on-track for its completion by end June 2019.

C. CONCLUSIONS

52. **EEAP** – Good progress has been made since the previous review mission in December 2018 in terms of the project's output 1 – school rebuilding, which reached *substantial* completion in March 2019. Output 2 - district roads could reach substantial completion by 23 June 2019, the project's implementation completion date, considering the progress achieved since the previous mission. However, this is unlikely for output 3 office buildings and certainly not achievable for output 2 - strategic roads. Any project expenditures beyond 31 December 2019 will need to be fully financed by the Government's own resources.

53. Of the 95 contracts, 55 contracts are expected to be completed/substantially completed by 23 June 2019; however, the completion of 9 of these contracts may slip beyond that date depending on the contractors' performance. The remaining loan-financed contracts can be completed before end-December 2019 with the most likely exception of the PM contract. Of the five USAID-financed contracts, the completion of one contract will slip beyond 23 June 2019. Special efforts are required to complete the Shree Sahayogi School included under this contract before 15 September 2019. .

54. Almost all ongoing contracts are behind the original or revised schedule. Under most contracts, insufficient resources mobilized by contractors continue to be the main reason for the continuing delays. Likewise, contract management and administration continue to be generally poor as well as poor enforcement of contract conditions. The CLPIUs/DOR PD Office and the construction supervision consultants therefore need to improve contract management and administration as well as better enforcement of contract conditions.

55. Addressing the water supply issues for 34 schools remains an issue as well as addressing slope stability issues for 16 schools.

56. Accelerating resettlement implementation related to road subprojects remains a high priority to ensure that ADB's safeguards are fully complied with and contractors are given unhindered access to all construction sites.

57. With the project having entered in the finishing stage, the CLPIUs/ DOR PD need to initiate the preparation of their PCRs soon, the draft of which are to be submitted to NRA and ADB before the last review mission tentatively scheduled for September 2019.

58. **DRRLREAC** – Output 1 is on-track to achieve full completion by end July 2019. The CLPIU with assistance of the DSC should prepare and submit to NRA and ADB the draft PCR related to output 1 before the last review mission tentatively scheduled for September 2019.

D. ACKNOWLEDGEMENT

59. The Mission appreciates the assurances of the NRA, the CLPIUs/DOR PD that the progress in undertaking the agreed actions will be closely monitored. The Mission expresses its appreciation to the Government, and the staff of the CLPIUs/ DOR PD and the DLPIUs as well consultants for the support provided to the Mission.

60. The Mission requests confirmation of this Aide Memoire by XX 2019.

Naresh Giri
Mission Leader, Sr. Project Officer
Nepal Resident Mission
Asian Development Bank

List of Attachments

1. List of Key Persons Met
2. Project Implementation Status
3. Contract awards and Disbursements (2019)
4. Compliance with Loan Covenants
5. Fund Utilization Tables
6. Progress status Compiled
7. List of Critical & Highly Critical Contract
8. List of contracts with Poor contract management
9. Resettlement Plan Implementation
10. Summary of Decisions and Agreed Actions
11. Environmental Safeguards Compliance Status
12. Gender Action Plan and Implementation Progress

