



## Nepal: Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities

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| Project Name                          | Disaster Risk Reduction and Livelihood Restoration for Earthquake-Affected Communities  |                    |
| Project Number                        | 49202-001   |                    |
| Country                               | Nepal   |                    |
| Project Status                        | Active  |                    |
| Project Type / Modality of Assistance | Grant   |                    |
| Source of Funding / Amount            | <b>Grant 9180-NEP: Disaster Risk Reduction and Livelihood Restoration for Earthquake Affected Communities</b>   |                    |
|                                       | Japan Fund for Poverty Reduction  | US\$ 15.00 million |
| Strategic Agendas                     | Environmentally sustainable growth<br>Inclusive economic growth   |                    |
| Drivers of Change                     | Governance and capacity development<br>Knowledge solutions<br>Partnerships  |                    |
| Sector / Subsector                    | <b>Education</b> - Education sector development   |                    |
| Gender Equity and Mainstreaming       | Effective gender mainstreaming  |                    |
| Description                           | <p>The Project impact will be (i) improved equity and enhanced social inclusion in the earthquake-affected districts; and (ii) improved disaster preparedness and resilience of earthquake-affected communities. The outcome will be livelihood and schooling in poorer and more severely earthquake affected communities restored with better disaster resilience.</p> <p>Output 1: Schools in poorer and severely affected districts constructed or rebuilt as model disaster resilient schools will rebuild or retrofit at least 14 model schools (e.g., year 1-12 senior secondary schools) with disaster resilient standards in line with the government's school reconstruction plans and to be equipped with ICT equipment, science laboratories and improved learning space, furniture, and amenities. The component will be implemented using the same implementation arrangements as the Earthquake Emergency Assistance Project (EEAP). The overall designs and approach to disaster resilient structures are expected to be harmonized with the EEAP.</p> <p>Output 2: Microcredit facility for livelihood restoration provided to small farmer cooperative (SFC) members will provide microcredit to approximately 12,500 affected households to restore damages from the earthquake. The microcredit will have flexible purposes to meet various needs of affected households and could finance (i) reviving microenterprises; (ii) restoring livestock, agricultural activities, and other means of livelihood; and (iii) cover essential expenses during the recovering period such as food. Microcredit will be channeled through the networks of small farmers cooperatives (SFCs) affiliated under Small Farmers Development Bank (SFDB). SFCs are member-owned and member-governed cooperatives with small and poor farmers as members. SFDB has 85 SFCs in the affected districts with the total 150,000 member households. Using the grant proceeds, the government provides a loan to SFDB. SFDB onlend the loan to SFCs and SFCs further relend to final borrowers. Microcredit will be provided in the same areas for the model schools. SFC member networks will also be utilized to provide training on safe shelter and house construction, and community based disaster risk awareness building (Output 3).</p> <p>Output 3: Disaster risk management capacity of the affected communities strengthened. Training programs will be provided on disaster resilient construction and disaster risk management. The disaster resilient construction training will adopt the training of trainer methodologies in which trained masons and carpenters will conduct community level training. The Project will also support disaster risk management trainings for the settlements associated with the concerned community schools, including maintenance of school buildings as potential evacuation centers in the event of disasters. The Project will prepare community based disaster risk management plans for the individual school areas, and train teachers, education administrators, school management committee members and village development committee members, selected at the local level.</p> |                    |

Project Rationale and Linkage to Country/Regional Strategy

On 25 April 2015, a 7.8 magnitude earthquake struck Nepal causing widespread destruction and loss of life. The initial earthquake was followed by aftershocks and another powerful quake on 12 May 2015. The earthquake affected 31 out of 75 districts in Nepal. Among the affected districts, 14 in the Central and Western Region with the total population of 5.4 million were most severely affected.

Over 8,000 community public schools were affected with 25,134 classrooms fully destroyed and another 22,097 partially damaged. In institutional private schools, 956 classrooms were fully destroyed and 3,983 classrooms were partially damaged. More than 80% of the damages have been concentrated in the 14 most-affected districts. Public schools accounted for 92% of total damages and losses. The total damages and losses in the education sector are estimated at NPs31.3 billion. Of this, the damage to infrastructure and physical assets is estimated at NRs28 billion. The total needs for recovery and reconstruction are estimated at NRs39.70 billion. Due to the disruption in educational services, there will be an impact on enrolment, attendance and internal efficiency, leading to an increase in the number of out-of-school children. Higher grades children may start to work as rehabilitation labor and become less regular or drop out eventually. Urgent efforts are needed to reconstruct the schools and support systems to protect the learning outcomes of the children.

The earthquakes affected the livelihoods of about 2.3 million households, and 5.6 million workers across 31 districts resulting in the loss of 94 million work days and NRs17 billion personal incomes in FY2015. The agriculture sector was most severely affected. It is estimated that 68.9% of all work days lost occurred in agriculture, followed by commerce, industry and supplies, and tourism with 23.2% and 7.9% respectively.

Affected households need immediate access to finance to recover their livelihood and restart generating incomes. However, microfinance institutions (MFIs), which are the main source of finance in rural areas, were also affected. In Nepal, only 14% of total populations have account with banks. The majority of the affected households have access to only semi-formal sources of finance such as microfinance NGOs and savings and credit cooperatives. The earthquake affected large number of such unbanked households and it is estimated that approximately 30% of 1.5 million total MFIs borrowers across the country are affected. As most of the affected borrowers do not have alternative income generating activity and source of repayment, MFIs will face both liquidity and solvency issues, impacting their capacity to assist their communities in a time of need. It is estimated approximately NRs10 billion MFI portfolio is now at risk and MFIs funding requirements to meet with affected people's demands is estimated over NRs100 billion. MFIs have limited funding sources and mainly rely on the government's deprived sector lending scheme, in which banks are mandated to allocate 5% of their total loan portfolio to onlend to MFIs. After the earthquake, banks are particularly cautious in extending loans to MFIs due to the increased risk from the disaster.

For the education sector, the recovery strategy involves three major elements: (i) improving existing policies, guidelines and systems to ensure safety; (ii) ensuring that new schools and other education institutions are climate change and disaster resilient; and (iii) enhancing disaster resilience through awareness building among teachers and students.

For livelihood, the recovery strategy focuses on enabling households to recover their productive activities, while increasing their resilience to disasters. Affected households face a situation in which they desperately need to access to finance to regenerate incomes, but they cannot obtain commercial sources of finance precisely because their income stream is disrupted. There is a need for a special assistance to provide immediate access to finance to affected households. For this, MFIs and savings and credit cooperatives have a significant potential to serve an effective mechanism to provide assistance rebuilding affected people's livelihood. MFIs have huge outreach, community based linkages, and long and trusted presence in the rural areas. A priority need is injecting liquidity to MFIs to onlend to specifically affected households to enable them restarting their livelihoods and becoming again bankable.

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| Impact | Improved equity and enhanced social inclusion, and enhanced disaster preparedness and resilience of earthquake-affected communities. |
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## Project Outcome

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| Description of Outcome | Livelihood and schooling in poorer and more severely earthquake-affected communities restored with better disaster resilience |
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| Progress Toward Outcome | Output 1: The design of 4 schools is ready and the procurement process is expected to start from the March end 2017;<br>Output 2: Out of 12,500 targeted households SFDB has distributed \$3.1 million to 10,487 affected households<br>Output 3: Out of 3 types of training to be provided is 150 VDCs; training is ongoing in 14 VDCs (9.3%). |
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## Implementation Progress

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| Description of Project Outputs | <ol style="list-style-type: none"> <li>Schools in poorer and severely affected districts constructed or rebuilt as model disaster-resilient schools</li> <li>Microcredit facility for livelihood restoration provided to members of small farmers' cooperatives (SFCs)</li> <li>Disaster risk management capacity of the affected communities strengthened</li> </ol> |
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| Status of Implementation Progress (Outputs, Activities, and Issues) | <p>1) Project implementation Unit has been established. 14 schools has been identified to develop as model school. 1st package IFB will be published by 31 March 2017 and remaining packages IFB will be published by 30 June 2017. Delay in design completion is the major issue hindering the project implementation.</p> <p>2) \$6 million has been disbursed to Ministry of Finance. Out of this amount \$5.5 million has been disbursed to Small Farmers Development Bank (SFDB). Out of 12,500 targeted households SFDB has distributed \$3.1 million to 10,487 affected households through 42 Small Farmers Agriculture Cooperatives in Dhading, Nuwakot, Rasuwa.</p> <p>3)</p> <p>a. Community based Disaster Risk Management Training: Training material under finalization stage and the training is planned to start by 13 April 2017.</p> <p>b. Community based disaster resilient construction training: Out of 90 VDCs; training is ongoing in 14 VDCs of Dhading, Rasuwa and Nuwakot; the number of participants is 273.</p> <p>c. Training for school communities on disaster risk management: Not yet started.</p> |
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Geographical Location

## Safeguard Categories

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| Environment              | B |
| Involuntary Resettlement | C |
| Indigenous Peoples       | C |

## Summary of Environmental and Social Aspects

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| Environmental Aspects    | Subproject selection criteria were formulated to avoid significant adverse environmental impacts. The environmental assessment and review framework (EARF) prepared in accordance with ADB's Safeguard Policy Statement (2009) and government laws and regulations aligned with the EEAP will be used for the Project. Initial Environmental Examinations and environmental management plans will be prepared consistent with the EARF through consultant support provided through the Project, and will be incorporated in bidding documents and contract documents to be implemented by contractors and monitored by the implementing agencies. Environmental reporting to the Nepal Resident Mission will be done on a semiannual basis. |
| Involuntary Resettlement | Subproject selection criteria were formulated to avoid land acquisition, involuntary resettlement issues, and social risks. The Project ensures that the implementing agencies have adequate capacity to screen subprojects through consultant support.   |
| Indigenous Peoples       | Subproject selection criteria were formulated to avoid land acquisition, involuntary resettlement issues, and social risks. The Project ensures that the implementing agencies have adequate capacity to screen subprojects through consultant support.   |

## Stakeholder Communication, Participation, and Consultation

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| During Project Design         | Extensive consultations were made with the government, development partners, relief organizations, famers groups and NGOs. Based on the discussion, the project design was developed. The project will target selected rural communities affected by the earthquake on 25 April 2015 and aftershocks. The disaster survivors including the poor and vulnerable groups will benefit from the project. School children and their families will gain confidence to allow children to resume their education with the establishment of safe and earthquake resilient schools that can also serve as a community disaster risk management learning facility. Participation of vulnerable groups, including women, indigenous people and persons with disability, shall be ensured through participation in consultation and awareness raising events. The provision of microcredit for livelihood restoration to approximately 12,500 households having mostly women members in small farmers cooperatives (SFCs) will provide immediate financial assistance to restore livelihoods and food shortage. Livelihood restoration microcredit will enable affected households to recover their main livelihood and restart income generating activities, and regain their ability to self-reliance and sustainability. The capacity development and training activities to strengthen disaster risk management capacity of rural communities will improve affected households skills and knowledge to cope with future disaster to reduce their vulnerability and attain sustainable improvements in their social and economic well-beings. |
| During Project Implementation | The project will provide support to SFCs who have unprivileged small farmers as members of earthquake-affected communities. Being local farmers' savings and credit cooperatives, SFCLs have regular group meetings and the project will use SFC meeting as a platform to discuss and gain feedback from the beneficiaries on any social, economic or project related issues. The SFDB will include a recording and reporting requirement of SFC's meetings to the project executing agency and steering committee. Consultations and focus group discussions will be organized to ensure equitable representation and participation of women and DAGs. The public, especially affected households, the local governments and beneficiaries will be consulted and their opinions solicited.<br>The project will also closely consult with stakeholder and School Management Committee during implementation.  |

## Business Opportunities

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| Consulting Services | ADB will assist the implementing agency in the selection of the following consultants, and the executing agency will be responsible for contracts and administration: (i) engineer advisor (earthquake-resistant building design for the DOE), (ii) project management specialist (JFPR), (iii) school project coordinator (school safety, JFPR), (iv) training specialist (model schools for the DOE), (v) architect (model schools for the DOE), (vi) information and communication technology specialist (model schools for the DOE), and (vii) procurement and financial management specialist for the DOE.   |
| Procurement         | The procurement of goods and works, and recruitment of consulting services will be carried out in a manner consistent with the simplified and expedient procedures permitted under ADB's Disaster Emergency Assistance Policy, Procurement Guidelines (2015, as amended from time to time), and Guidelines on the Use of Consultants (2013, as amended from time to time). Procurement capacity assessments of the executing agency and implementing agencies have been undertaken. Based on these assessments, (i) centralized procurement will be used by all implementing agencies, and (ii) the thresholds for procurement of goods and works as well as consulting services have been agreed upon with the government. Likewise, ADB's prior review and post-review have been set forth in the procurement plan. The procurement section in the project administration manual details the thresholds and processes to be followed by the project to support the executing and implementing agencies. |

## Responsible Staff

|                            |  |
|----------------------------|--|
| Responsible ADB Officer    | Giri, Naresh   |
| Responsible ADB Department | South Asia Department  |
| Responsible ADB Division   | Nepal Resident Mission   |
| Executing Agencies         | <i>Ministry of Finance<br/>DMU@NTC.NET.NP<br/>The Government of Nepal<br/>Singha Durbar<br/>Kathmandu, Nepal</i> |

## Timetable

|                     |                            |
|---------------------|----------------------------|
| Concept Clearance   | 23 Jul 2015                |
| Fact Finding        | 15 Jun 2015 to 03 Jul 2015 |
| MRM                 | 17 Jul 2015                |
| Approval            | 07 Oct 2015                |
| Last Review Mission | -                          |
| Last PDS Update     | 24 Mar 2017                |

## Grant 9180-NEP

| Milestones  |              |                  |             |         |        |
|-------------|--------------|------------------|-------------|---------|--------|
| Approval    | Signing Date | Effectivity Date | Closing     |         |        |
|             |              |                  | Original    | Revised | Actual |
| 07 Oct 2015 | 08 Dec 2015  | 08 Jan 2016      | 31 Mar 2019 | -       | -      |

| Financing Plan |                                |  | Grant Utilization          |      |        |                |
|----------------|--------------------------------|--|----------------------------|------|--------|----------------|
|                | Total (Amount in US\$ million) |  | Date                       | ADB  | Others | Net Percentage |
| Project Cost   | 17.80                          |  | Cumulative Contract Awards |      |        |                |
| ADB            | 0.00                           |  | 07 Oct 2015                | 0.00 | 7.34   | 49%            |
| Counterpart    | 2.80                           |  | Cumulative Disbursements   |      |        |                |
| Cofinancing    | 15.00                          |  | 07 Oct 2015                | 0.00 | 13.57  | 90%            |

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| Project Page            | <a href="https://www.adb.org/projects/49202-001/main">https://www.adb.org/projects/49202-001/main</a>   |
| Request for Information | <a href="http://www.adb.org/forms/request-information-form?subject=49202-001">http://www.adb.org/forms/request-information-form?subject=49202-001</a> |
| Date Generated          | 06 July 2017  |

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