

Technical Assistance Report

Project Number: 48218-003
Transaction Technical Assistance (TRTA)
November 2017

Nepal: Institutional Strengthening of the Nepal Rural Road Sector for Sustainable Development

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 2 November 2017)

Currency unit	–	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.00968
\$1.00	=	NRs103.346

ABBREVIATIONS

ADB	–	Asian Development Bank
DOLIDAR	–	Department of Local Infrastructure Development and Agricultural Roads
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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I. THE PROPOSED PROJECT

1. Nepal's agriculture suffers generally from low productivity caused by high transaction costs stemming from poor connectivity between farms and markets, poor economies of scale and quality of produce, compounded by weak agricultural research and development. Its three distinct agro-ecological zones of *terai* (lowland), hills, and mountains influence agricultural production and define economic opportunities and constraints facing farmers. While the geography creates difficulties, the wide range of agro-ecological zones and micro climates makes possible the production of a broad range of agricultural outputs. This creates potential to improve agricultural productivity and farm incomes, and meet demands of domestic, regional, and global markets. Recognizing this vast potential, the Government of Nepal took a bold step to bring in much-needed development to the sector by signing the Agriculture Development Strategy in 2015.¹ The government recognized that dramatic changes were needed, such as improving connectivity, promoting agribusiness, and increasing commercialization across the sector, if the sector was to perform to its potential and raise its long-term annual growth rate from 3% to the government's goal of 5%. The Agriculture Development Strategy recognizes access as one major constraint on developing agriculture, particularly commercial agriculture value chains. Transport in many high-potential agricultural production areas is limited to earth roads which are not operational after rains, resulting in high transport costs and losses of production quality and quantity. Only 17% of the rural population in Nepal has access to all-weather roads, compared with 60% in India and 37% in Bangladesh. The project will improve rural roads to all-weather standards, serving the productive agricultural areas and the rural population in 16 poor districts and ensuring roads are maintained in a sustainable manner.

2. The proposed project will improve the accessibility of the road network in agriculture value chain development zones in Nepal, and thereby increase rural population engagement in agricultural production, and agribusiness development. It will improve 388 kilometers (km) of rural roads to all-weather standards in 16 districts located in five states,² and enhance the capacity of the rural infrastructure agency to address institutional constraints on rural road development.

II. THE TECHNICAL ASSISTANCE

A. Justification

3. The proposed transaction technical assistance (TA) for Institutional Strengthening of the Nepal Rural Road Sector for Sustainable Development has one output: rural infrastructure agency capacity enhanced. For a long-term institutional framework, splitting the functions of road development policy and programming from project implementation has been proven effective in India. The TA will assess whether this structure is feasible for the Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR), specifically by restructuring DOLIDAR as a dedicated and autonomous rural road agency focusing solely on implementation of rural roads. This will ensure efficient decision-making for project implementation, and help build expertise in outsourcing technical work and understanding of International Federation of Consulting Engineers' requirements.

4. The TA will (i) develop an appropriate institutional structure for managing the overall rural road network, (ii) develop appropriate management structures for managing each layer of the

¹ Ministry of Agricultural Development. 2015. *Agriculture Development Strategy 2015 to 2035*. Kathmandu.

² State 1 (Dhankuta, Ilam, Jhapa, Morang, Panchthar, and Sunsary), State 3 (Bhaktapur, Chitwon, Dolakha, Kathmandu, Kavre, Sindhuli, and Sindhupalchowk,), State 4 (Parbat), State 5 (Rolpa) and State 6 (Rukum).

rural road network, and (iii) implement new business procedures and provide training to DOLIDAR staff to enable organizational restructuring and adoption of a new institutional and management structure.

5. This TA is listed in the country operations business plan, 2018–2020 for Nepal.³ The large knowledge component is more suited to TA than a loan, but will have an effect on current and future investments.

B. Outputs and Activities

6. **Output: Rural infrastructure agency capacity enhanced.** The output will redefine and restructure DOLIDAR to a state-of-the-art rural road agency, and implement new business procedures and provide training to DOLIDAR and provincial and municipal officials to enable DOLIDAR to adopt a new institutional and management structure. New business procedures will cover planning processes, procurement and contracting processes, quality assurance systems, engineering (pavement design, maintenance methods, and safety), and human resource management. The TA will provide exposure to international practices related to institutional and management structures for managing the overall rural road network, and generally support the establishment of the new rural road agency.

C. Cost and Financing

7. The TA is estimated to cost \$1.25 million of which \$1.00 million will be financed on a grant basis by the Asian Development Bank (ADB) Technical Assistance Special Fund (TASF 6). The government will provide counterpart support in the form of staff, office space, and other in-kind contributions. The detailed cost estimates for the grant are in Appendix 1.

8. The TA proceeds will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

D. Implementation Arrangements

9. The TA will be implemented over 12 months, and is expected to start on 1 October 2018 and end on 30 September 2019. The Ministry of Federal Affairs and Local Development through DOLIDAR will be the executing agency. A Kathmandu-based project coordination unit established within DOLIDAR will be the implementing agency. Table 1 summarizes the required consulting services.

10. ADB will administer the TA. The project coordination unit will select, supervise, and evaluate consultants.

³ ADB. 2017. *Country Operations Business Plan: Nepal, 2018–2020*. Manila.

Table 1: Implementation Arrangements

Aspects	Arrangements
Indicative implementation period	October 2018–September 2019
Executing agency	MOFALD through DOLIDAR
Implementing agency	Project coordination unit established within DOLIDAR
Consultants	To be selected and engaged by ADB
	QCBS 40 person-months \$1.0 million
Advance contracting	Advance contracting will be used for the consultant recruitment.
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).

ADB = Asian Development Bank, DOLIDAR = Department of Local Infrastructure Development and Agricultural Roads, MOFALD = Ministry of Federal Affairs and Local Development, QCBS = quality- and cost-based selection, TA = technical assistance.

Source: Asian Development Bank.

10. **Consulting services.** The TA will be implemented over 12 months and will require about 40 person-months of consulting services (about 16 person-months international and 24 person-months national) (Table 2). The team of consultants will be recruited by ADB in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time) under one package using the quality- and cost-based selection method with a quality–cost ratio of 90:10.⁴ A full technical proposal will be used for the selection of a firm. Disbursement under the TA will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

Table 2: Summary of Consulting Services

No.	Position/Source	Person-Months (International)	Person-Months (National)
1	Team leader cum rural roads network management expert (international)	10	
2	Contract and project management specialist (international)	4	
3	Rural roads planning specialist (national)		6
4	Quality assurance specialist (national)		6
5	Road maintenance and pavement specialist (national)		8
6	Road safety specialist (international)	2	
7	Legal expert (national)		4
	Total person-months	16	24

Source: Asian Development Bank.

⁴ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2)

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	440.0
ii. National consultants	270.0
b. International and local travel	60.0
c. Reports and communications	20.0
2. Training, seminars, conferences, exposure visits	100.0
3. Surveys	40.0
4. Miscellaneous administration and support costs	30.0
5. Contingencies	40.0
Total	1,000.0

Note: The technical assistance is estimated to cost \$1,000,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, provision of office space, and furniture.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 6).

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=48218-003-TARreport>

1. Terms of Reference for Consultants