

## Ex-Ante Evaluation (for Japanese ODA Loan)

### 1. Name of the Project

Country: Federal Democratic Republic of Nepal

Project: Emergency Housing Reconstruction Project

Loan Agreement: December 21, 2015

Loan Amount: 12,000 million yen

Borrower: The Government of Nepal

### 2. Background and Necessity of the Project

#### (1) Current State and Issues of Earthquake Disaster Reconstruction and Housing Sector in Nepal

On April 25, 2015, a 7.8-magnitude (United States Geological Survey) earthquake occurred, originating about 80 km northwest of the capital city of Kathmandu. Together with the impact of the aftershocks, the earthquake caused immense damage, resulting in 8,702 deaths, 22,303 injuries, approximately 500,000 houses destroyed and 260,000 houses partially collapsed<sup>1</sup>. The government of Nepal implemented the Post Disaster Needs Assessment (PDNA) with the assistance of the World Bank, UNDP, JICA and other organizations, and estimated the total loss from the earthquake as equivalent to 706.5 billion Nepal rupees (approx. 868.9 billion yen), and the cost for restoration and reconstruction as 669.5 billion Nepal rupees (approx. 823.5 billion yen). The Asian Development Bank (ADB) downwardly-revised the GDP growth rate expectation for Nepal for FY2014-2015 (from July 2014 to July 2015) by 0.8% to 3.8%, from the perspective of the impact of the damages on the national economy.

The housing sector accounts for about 50% of the total loss and cost of the reconstruction, representing the largest ratio of damages and reconstruction needs.

In the damaged local areas, typical houses are constructed using a traditional method of bonding non-burnt bricks with mud, without consideration for earthquake resistance. Among the houses damaged by this earthquake, 95% were constructed using such traditional method. Therefore, there is an urgent need to reconstruct and reinforce these houses.

#### (2) Development Policies for Earthquake Disaster Reconstruction and Housing Sector in Nepal, and the Priority of the Project

The government of Nepal upholds the 13th Plan (from FY 2013/14 to FY2015/16) as the primary national development strategies plan. In this plan, the government states that in order to alleviate damages from disasters, the mainstreaming of disaster management upon development is crucial. For this purpose the plan states that it is essential to further develop legal and administrative systems, ensure information and

<sup>1</sup> Source: PDNA Survey Report

communications systems, and improve the capacities of disaster preparedness and response. Further, National Strategy for Disaster Risk Management (2009) stipulates the vision of constructing a resilient society against disasters through a) mainstream disaster risk management in the development process in line with sectoral development plans and poverty reduction plans by establishing administrative systems, b) enhancing policies and legal and judicial systems, and c) establishing an enabling environment for consistent disaster risk management from the central government to general households.

This project aims to improve disaster risk management capacity as a part of the Reconstruction Program engaged in by the government of Nepal.

### (3) Japan and JICA's Policy and Operations in Earthquake Disaster Reconstruction and Housing Sector in Nepal

The project is in conformity with Japan's Country Assistance Policy for the Federal Democratic Republic of Nepal (April 2012) as it sets "Building social infrastructure and institutions for balanced and sustainable economic growth" as a priority area and "Sustainable development in a way that gives consideration to natural environment and disaster prevention" as a development issue. JICA also analyzes in its Country Analysis Paper (April 2014) that the "development of social infrastructure and sustainable systems and balanced economic development" is the issue of focus. Following the recent earthquake disaster, JICA policy is to implement activities seamlessly from emergency aid provided by the Japan Disaster Relief Team to the rehabilitation and reconstruction.

In the 3rd UN World Conference on Disaster Risk Reduction held in Japan, the Sendai Declaration (March 2015) and Sendai Framework for Disaster Risk Reduction 2015-2030 (March 18, 2015) were adopted. It was set forth to promote (1) understanding disaster risk, (2) strengthening disaster risk governance to manage disaster risk, (3) investing in disaster risk reduction for resilience, and (4) enhancing disaster preparedness for effective response and "Build Back Better<sup>2</sup> (BBB)" in recovery, rehabilitation and reconstruction. Further, the government of Japan advocates the Sendai Cooperation Initiative for Disaster Risk Reduction (March 14, 2015), and promotes BBB.

The recent earthquake in Nepal is a large-scale disaster that occurred immediately after the 3rd World Conference on Disaster Risk Reduction, and the government of Japan is showing willingness to support the reconstruction of Nepal. In specific, Deputy Prime Minister Taro Aso called for holding a consultative group meeting at the 48th Annual Meeting of the Asian Development Bank held in Baku in May 2015, which

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<sup>2</sup> Targeting a construction of disaster resilient society instead of simple restoration to the pre-disaster state, preventing the recurrence of vulnerability, breaking away from the spiral of disaster and poverty, and realizing sustainable development.

resulted in the consultative group meeting in Kathmandu on June 25, jointly hosted by Japan, where aid of more than 32 billion yen in total was announced.

#### (4) Other Donor's Activities

As aid for this earthquake disaster, the World Bank is scheduling to implement (1) the Earthquake Housing Reconstruction Project (EHRP) aimed to reconstruct housings (143.9 million SDR [200 million USD], for which the Financing Agreement was signed on August 14, 2015), (2) Post-Disaster Second Financial Sector Stability Development Policy Credit aimed to enhance the financial sector (100 million USD, for which the Financing Agreement was signed on August 14, 2015), and (3) loans by recombining the existing loan projects (irrigation, electric power, healthcare, transportation, etc.). The ADB is implementing aid worth 600 million USD in total at maximum, including (1) the 200-million-USD Earthquake Emergency Assistance Project for school reconstruction, maintenance of roads in agricultural villages, and the reconstruction of public facilities, (2) the 15-million-USD Japan Fund for Poverty Reduction (JFPR) for supporting the refurbishment of schools, restoring the livelihood of agricultural producers, etc., and establishing disaster prevention capability for reconstruction from earthquake disasters, (3) offering of an emergency grant (3 million USD), and (4) financial support for agricultural financing (30 million USD) and recombining the existing loan projects (up to 350 million USD).

#### (5) Necessity of the Project

As explained above, this project is based on the concept of BBB, which is the basic policy of the Sendai Cooperation Initiative for Disaster Risk Reduction released by the government of Japan in March 2015, and promotes early reconstruction from the earthquake disaster by offering funds conducive in reconstructing general residences damaged by the earthquake into residences resilient to disasters that fulfill certain earthquake resistance standards mainly in local areas. Because the project matches the restoration and reconstruction needs in Nepal as well as the aid policies and analysis of the government of Japan and JICA, JICA has a strong necessity and relevance in supporting the implementation of this project.

### **3. Project Description**

#### (1) Project Objective(s)

The objectives of the Project are to restore and improve the living condition of the victims of the Nepal earthquake by reconstructing the destroyed and damaged houses with an adequate seismic standard in the districts severely affected by the Nepal earthquake, thereby contributing to the sustainable socioeconomic development of the region.

## (2) Project Site/Target Area

14 districts where the damages from the earthquake disaster are serious (Bhaktapur, Dhading, Dolakha, Gorkha, Kathmandu, Kavrepalanchok, Lalitpur, Makwanpur, Nuwakot, Okhaldhunga, Ramechhap, Rasuwa, Sindhuli and Sindhupalchok)

## (3) Project Components

- 1) Housing reconstruction: Housing grants, debris management, equipment and materials procurement, etc., for the victims of the earthquake in Nepal to construct housing units resilient to disaster
- 2) Consulting service (project management, design and inspection support, training, fund management, environmental and social consideration, etc.)

## (4) Estimated Project Cost (Loan Amount)

14,159 million yen (among which, 12,000 million yen is covered by ODA loan)

## (5) Schedule

From December 2015 to December 2020 (61 months in total)

The project will be completed upon the completion of the lending of funds for housing reconstruction.

## (6) Project Implementation Structure

- 1) Borrower: The Government of Nepal
- 2) Guarantor: None
- 3) Executing Agency: Ministry of Finance or succeeding institute<sup>3</sup>. However, the Ministry of Urban Development (MOUD) and the Ministry of Federal Affairs and Local Development (MOFALD) will be in charge of the actual implementation of the project.
- 4) Operation and maintenance system: MOUD and MOFALD

## (7) Environmental and Social Considerations/Poverty Reduction/Social Development

### 1) Environmental and Social Considerations

(i) Category: FI

(ii) Reason for Categorization:

In accordance with Environmental and Social Considerations Guidelines (April 2010), sub-projects for this project cannot be identified before the approval of loan by JICA, and such sub-projects may have an impact on

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<sup>3</sup> The government of Nepal intends to newly establish the Reconstruction Authority, and it is forecast that the Reconstruction Authority will be the implementing organization after the establishment.

environment.

(iii) Other/Monitoring

In this project, MOUD and MOFALD, which are the implementing agencies, categorize each sub-project according to the domestic laws of Nepal and the Environmental and Social Considerations Guidelines (April 2010) and take necessary reactions for relevant categories, while receiving support from the consultants employed with ODA. Sub-projects do not include Category A projects.

2) Promotion of Poverty Reduction:

Call out social mobilizers within the consulting service so that poor households are not excluded when there is a grant of fund for housing reconstruction, and promote benefits to the poor.

3) Promotion of Social Development

Gender Informed (Significant) project: Call out social mobilizers within the consulting service so that female heads of household can easily access housing reconstruction fund upon granting fund for housing reconstruction, and ensure female participation.

(8) Collaboration with Other Donors

While the World Bank is scheduled to implement EHRP, this project will be implemented under close collaboration with an earthquake housing reconstruction program according to the implementation framework based on Program Operation Manual as a co-financing project. In addition, the World Bank is scheduling to conduct survey to identify beneficiaries and construct management information system through technical assistance, and this project will also utilize the achievements of such technical assistance.

(9) Other Important Issues

The areas covered by the project, amount of housing grants, and beneficiaries will be decided in the Program Operation Manual after a survey is conducted with the World Bank.

#### 4. Target Outcomes

##### (1) Quantitative Effects

###### 1) Performance Indicators (Operation and Effect Indicators)

Indicator	Baseline (Recorded in 2015)	Target (2022) (2 years after completion)
Number of disaster-resilient houses constructed in this project based on the technical guideline (houses)	0	85% of households receiving housing reconstruction fund*
Number of beneficiaries receiving the full amount of housing reconstruction fund (households)	0	39,000**
Ratio of women households receiving housing reconstruction fund (%)	N/A*	Decided based on the ratio of women households identified through beneficiary survey*

\* Baseline and target are finalized based on the beneficiary survey conducted by the World Bank and other organizations.

\*\*Number of houses covered by the reconstruction program that received the full specified amount of housing reconstruction fund. Specified amount is decided according to the amount of housing reconstruction fund designated in the operation manual (assuming 200,000 Nepal rupees as a provisional amount).

##### (2) Qualitative Effects

- Improved safety of general residences.
- Promotion of sustainable social/economic development in the region.
- Realization of BBB.

##### (3) Internal Rate of Return

Indicators cannot be calculated, as sub-projects are unidentified.

#### 5. External Factors and Risk Control

(1) Precondition: Co-financing of the World Bank is decided at the same timing.

(2) External condition: Materials necessary for housing construction are available at an adequate price and quality.

#### 6. Lessons Learned from Past Projects

##### (1) Lessons Learned from Similar Projects

From the past reconstruction support projects after natural disasters (including the Programme for Rehabilitation and Recovery from Typhoon Yolanda), lessons have been learned that one should take into consideration: (1) establishment of a progress

management committee comprised of the relevant organization in the supported country and holding regular meetings, (2) escalation of prices according to the restoration/reconstruction, and (3) reconstruction support considering disaster risks, upon the implementation of a project.

(2) Utilization of the Lessons in this Project

Based on above, it is scheduled that this project will consider the provision of reconstruction aid by also adding risks of disasters other than earthquakes, based on (1) the establishment of an implementation and monitoring system for the smooth implementation of the project, (2) summing up costs and deciding sub-projects by taking into consideration the escalation of materials price and labor costs, and (3) the concept of “Build Back Better,” after consultation with the World Bank, which is the co-financer.

<b>7. Plan for Future Evaluation</b>
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(1) Indicators to be used

- 1) Number of disaster-resilient houses constructed in this project based on technical guideline (houses)
- 2) Number of beneficiaries receiving housing reconstruction fund (households)
- 3) Ratio of women households receiving housing reconstruction fund (%)
- 4) Average amount of housing reconstruction fund received (Nepal rupee)

(2) Timing of the next evaluation: Two years after the completion of the project (ex-post evaluation)

End