



1. Project Data:		Date Posted : 05/03/2004	
PROJ ID: P010509		Appraisal	Actual
Project Name: Multimodal Transit	Project Costs (US\$M)	28.50	21.40
Country: Nepal	Loan/Credit (US\$M)	23.50	17.42
Sector(s): Board: TR - General transportation sector (75%), Roads and highways (14%), Central government administration (11%)	Cofinancing (US\$M)		
L/C Number: C3008; CP801			
	Board Approval (FY)		98
Partners involved :	Closing Date	12/31/2001	09/30/2003
Prepared by :	Reviewed by :	Group Manager :	Group:
Peter Nigel Freeman	Fernando Manibog	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
a) To reduce transport costs associated with Nepal's imports and exports .			
b) To streamline trade and transit procedures and to improve the efficiency and organization of transit trade documentation and data exchange .			
b. Components			
A) <u>Inland Container Depot:</u>			
a) Construction of Civil Works; US\$ 18.0 million.			
b) Access Road Improvements; US\$3.9 million.			
c) Procurement of Equipment; US\$2.0 million.			
d) Supervision Consultants; US\$0.8 million.			
B) <u>Trade and Transit Facilitation Component:</u>			
a) Technical assistance for Trade Facilitation; US\$ 1.1 million.			
b) Installation of Automated Systems for Customs Data; US\$ 1.1 million.			
c) Installation of Advanced Cargo Information System; US\$ 1.1 million.			
c. Comments on Project Cost, Financing and Dates			
The project was very complex, dependent on bilateral negotiations between India and Nepal and the introduction of a wide range of institutional and legislative reforms . For this reason preparation took a long time (five years) and there was also a 17 month elapsed period between appraisal and Board approval . Project completion was 21 months late because of the ongoing negotiations between Nepal and India during implementation . The physical construction was completed on time and the project as a whole was concluded within budget . At project closure US\$4 million was cancelled from the Credit. The Rail Service Agreement between India and Nepal as well as the selection of the terminal management company still have to be concluded .			
3. Achievement of Relevant Objectives:			
<u>Reduce import/export transport costs: (Partially achieved).</u>			
Although the physical construction components of the project were completed, the delays in finalizing the Rail Service Agreement and the selection of a terminal management company delayed the start of operations in the Sirsiya (Birgunj) inland container depot (ICD). Eighty percent of the expected economic benefits were to be generated from this terminal, (finished three years ago) and it is incurring losses through non-usage, while the potential ERR is declining and will fall below 12% if it does not become operational during 2005. The benefits generated from the road-based Biratnagar and Bhairahawa ICDs (now operational), are flowing, however, and these smaller operations are successful.			
<u>Streamline trade and transit procedures: (Achieved)</u>			
The various components were successfully implemented and the transaction costs of foreign trade in Nepal have reportedly decreased as a result.			

4. Significant Outcomes/Impacts:

- The physical works and equipment procurement were completed within budget, on time and with acceptable quality;
- The road-based ICDs are operating satisfactorily. Service has improved, waiting time has been reduced and revenues are acceptable;
- A customs reform and modernization process has been successfully undertaken;
- Trade facilitation measures have been adopted and trading procedures streamlined;
- A multimodal transport system has been initiated;
- The Project Implementation Unit and its staff were absorbed into the relevant Ministry in a very positive way; and
- The project is economically and financially robust if it becomes fully operational and is fully supported by the business community.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- The majority of the economic benefits were expected to emanate from the operation of the Sirsiya (Birgunj) ICD. For every year that the facility remains non-operational, the Nepalese economy loses about US\$ 45.6 million a year in foregone savings from reduced transportation costs. This excludes US\$ 1.0 million in potential revenue from leasehold fees, while US\$ 100,000 is spent on maintenance and US\$ 500,000 incurred in depreciation costs. In sum, there has been a loss of US\$ 4.8 million in financial revenues and the Nepalese economy has lost US\$ 17 million in foregone economic benefits;
- The entire project was delayed at all stages from preparation to closure by political instability. Political unrest resulted in frequent changes of government and the lack of a sitting parliament in the last two years has prevented the enactment of transport and insurance legislation;
- The Rail Service Agreement negotiations turned into a political and foreign relations discussion between Nepal and India, rather than a technical discussion on rail operations and schedules;
- An explicit selection process in the Development Credit Agreement for selection of the terminal management company would have minimized risks associated with the (still delayed) selection process; and
- More weight should have been given in project preparation to potential risks associated with political issues.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Moderately Unsatisfactory	Credit should be given for achieving the second objective and a small part of the first objective. There is also still a prospect of the Sirsiya (Birgunj) ICD becoming operational.
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Exemplary	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- Projects that depend on exogenous factors should be treated as high -risk projects and the Bank should have an exit strategy if enabling arrangements cannot be concluded within a reasonable time frame .
- Bilateral and regional initiatives, such as regional transit projects, require political commitment and consensus by all parties to succeed .
- Project Implementation Units can be effective, but there should be an absorption strategy once the project is completed, with a view to strengthening the Ministry concerned .

8. Assessment Recommended? Yes No

Why? The project outcome could still be satisfactory if the inland container depot at Sirsiya (Birgunj) becomes operational in 2005. The project is also a very interesting case study in its own right .

9. Comments on Quality of ICR:

This ICR was very thorough, well- presented and a pleasure to read .