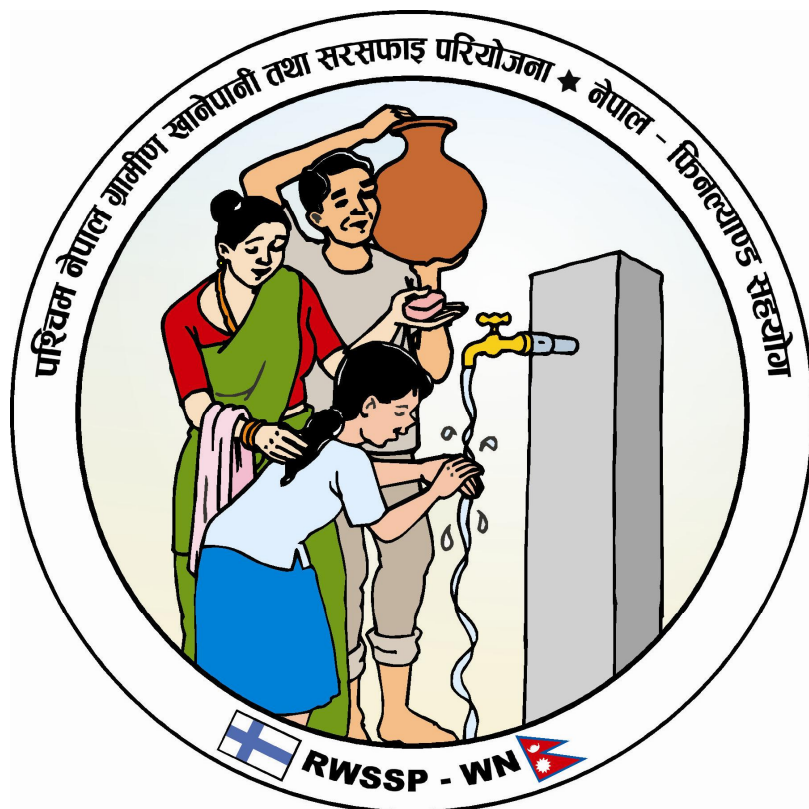


THE GOVERNMENT OF NEPAL
MINISTRY OF LOCAL DEVELOPMENT
Department of Local Infrastructure
Development and Agricultural Roads

THE REPUBLIC OF FINLAND
MINISTRY FOR FOREIGN AFFAIRS

REVISED PROJECT DOCUMENT



RURAL WATER SUPPLY AND SANITATION
PROJECT IN WESTERN NEPAL (RWSSP-WN)

August 2008-July 2012

Approved by the Steering Committee on September 2, 2009

Final MFA comments added Oct 16, 2009

Revised as per the fund flow, Nov 22, 2010

FACT SHEET

Project name	Rural Water Supply and Sanitation Project in Western Nepal
Sector	Rural Water Supply and Sanitation; Micro-infrastructure
Type of the project	New
Competent Authorities	The Government of Nepal; Ministry of Finance The Republic of Finland; Ministry for Foreign Affairs
Project Agreement signing date"	May 22, 2008
Project budget code number	Not available
Starting budget year	August 2008
Termination budget year	July 2012
Project status	On-going
Project area	Western Development Region Dhawalagiri zone: Districts of Baglung, Myagdi and Parbat Gandaki zone: Districts of Syangja and Tanahun Lumbini zone: Districts of Kapilvastu, Rupandehi and Nawalparasi Mid-Western Development Region Rapti zone: District of Pyuthan
Project implementation organization	Government of Nepal: Ministry of Local Development; Department of Local Infrastructure Development and Agricultural Roads District Development Committees of participating districts Village Development Committees Users Government of Finland Ministry for Foreign Affairs of Finland Embassy of Finland in Kathmandu Consultant
Project Budget	The Government of Nepal: NRs 292,677,000 The Government of Finland: Euro 9,703,000 District Development committees: 3% calculated from the water supply

	<p>investment costs and 5 % calculated from the hygiene and sanitation promotion costs</p> <p>Village Development Committees: 2,5% from the water scheme construction costs and 10 % from the VDC WASH plan and hygiene and sanitation promotion costs</p> <p>Users: 21 % for the construction and O&M calculated from the construction costs of the water scheme (1% in cash and 19 % in kind for construction and 1% for the O&M)</p>	
Foreign currency source	Grant	
Strategy and approach	Alignment, decentralization, downward accountability, institutional and human resource capacity development, gender and social inclusion mainstreaming, programmatic approach, ownership and behavioral change approach	
Coordination and supervision	Steering Committee	Monitoring and supervision
	Project Management Committee	Management, monitoring and supervision
	District Development Committees	Management and execution
	District Water Supply and Coordination Committee	Coordination and harmonization
	Village Development Committees	Facilitation, supervision
	Water Users' and Sanitation Committees	Implementation and management

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ABBREVIATIONS AND ACRONYMES

AAO	Administrative/Account Officer
ADB	Asian Development Bank
ARI	Acute Respiratory Infection
BMI	Body Mass Index
CBO	Community Based Organisation
CBWSSP	Community Based Water Supply and Sanitation Project
CLTBCHS	Community Led Total Behaviour Change in Hygiene and Sanitation
CLTS	Community Led Total Sanitation
CPN-M	Communist Party of Nepal (Maoist)
CPN-UML	Communist Party of Nepal (Unified Marxist-Leninist)
CTA	Chief Technical Advisor
DACAW	Decentralized Action for Children & Women
DAMSC	District Arsenic Mitigation Steering Committee
DDC	District Development Committee
DDCFAMP	District Development Committee Financial Administration Management Program
DDF	District Development Fund
DEO	District Education Office
DFID	Department for International Development
DOLIDAR	Department of Local Infrastructure Development and Agricultural Roads
DPHO	District Public Health Office
DSA	District Support Advisor
DTCO	District Treasury Controller Office
DTO	District Technical Office
DWIG	District Wash Implementation Guideline
DWSS	Department of Water Supply and Sewerage
DWSSCC	District Water Supply and Sanitation Committee
DWSSDO	Drinking Water Supply and Sanitation Divisional Office
EIA	Environmental Impact Assessment
FACD	Foreign Aid Coordination Division
FCGO	Financial Comptroller's General Office
FGD	Focus Group Discussion
GESI	Gender Equality and Social Inclusion
GOF	Government of Finland
GON	Government of Nepal
GWS	Gorkha Welfare Scheme
Helvetas	Swiss Association for International Cooperation
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HRD	Human Resources Development
IBNET	International Benchmarking Network for Water and Sanitation Utilities
IEE	Initial Environmental Examination
INGO	International Non-Governmental Organisation
JTA	Junior Technical Advisor
KPI	Key Performance Indicator
LBFAR	Local Bodies Financial Administrative Rules
LDO	Local Development Officer
LGCDP	Local Governance and Community Development Program
LIPD	Local Infrastructure Development Policy
Lpcd	Litres per capita per day
LSG	Local Self Governance
LSGA	Local Self Governance Act
M	Million
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MFA	Ministry for Foreign Affairs of Finland
MIS	Management Information System
MLD	Ministry of Local Development
MOF	Ministry of Finance
MPPW	Ministry for Physical Planning and Works
MPRF	Madhesi People's Rights Forum
MSF	Multi Stakeholder Forum

RURAL WATER SUPPLY AND SANITATION PROJECT IN WESTERN NEPAL

Annex A of the Inception Report

MTR	Mid Term Review
MW	Maintenance Worker
NC	Nepali Congress
NDHS	Nepal Demographic and Health Survey
NDWQS	National Drinking Water Quality Standard
NGO	Non-Governmental Organisation
NaPC	National Planning Commission
NPC	National Project Coordinator
NRB	Nepal Rastra Bank
O&M	Operation and Maintenance
ODA	Official Development Aid
ODF	Open Defecation Free
ORT	Oral Rehydration Therapy
P1	First Priority
PCO	Project Coordination Office
PHAST	Participatory Hygiene and Sanitation Transformation
PIU	Project Implementation Unit
PMC	Project Management Committee
PPTA	Project Preparation Technical Assistance
PRA	Participatory Rural Appraisal
PRSP	Poverty Reduction Strategy Paper
PSU	Project Support Unit
REDP	Rural Energy Programme
RRRSDP	Rural Reconstruction & Rehabilitation Sector Development Project
RWASH	Rural Water Supply, Sanitation and Hygiene sub-sector
RWSSFDB	Rural Water Supply and Sanitation Fund Development Board
RWSSSP	Rural Water Supply and Sanitation Support Programme
SA	Support Agency
SC	Steering Committee
SEAM-N	Strengthening of Environmental Administration and Management in Nepal
SLTS	School Led Total Sanitation
SO	Support Organisation
SSG	Sector Stakeholder Group
STWSSP	Small Town Water Supply and Sanitation Project
SWAp	Sector Wide Approach
TA	Technical Assistance
TYIP	Three Year Interim Plan
UC	Users' Committee
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USD	United States of America's Dollar
VDC	Village Development Committee
WAN	WaterAid Nepal
WASH	Water Supply, Sanitation and Hygiene
WATSAN	Water and Sanitation
WB	World Bank
WDO	Women Development Office of the District
WHO	World Health Organisation
WSTFC	Water Supply Tariff Fixation Commission
WUG	Water Users' Group
WUMP	Water Use Master Plan
WUSC	Water Users' and Sanitation Committee

TERMS AND DEFINITIONS

"Advocacy" = To persuade, convince, mobilize people

"Adequate hygiene behavior" = Refers to those practices that reduce the number of disease causing agents in the environment and protect individuals and families from contact with them

"Adequate sanitation" = Is the provision and ongoing operation and maintenance of a safe and easily accessible means of disposing human excreta and wastewater

"Domestic Water supply" = Generally implies development and supply of safe and adequate water needed for human consumption i.e. for drinking, household and hygienic uses

"Equality" = Being equal means with no difference in status equality or rank; rights, respects, access to opportunities, access and control of natural, financial and other resources and assets /property. It is the state of being equal. The process of achieving gender, caste and ethnic equality - while respecting their differences - refers to changing norms, values, attitudes and perceptions in order to attain equal status between men and women, between advantaged and excluded caste and ethnic groups.

"Equity" = Equity means fairness; principles of justice used to correct laws when these would seem unfair in special circumstances. Gender, caste and ethnic equity refers to fairness in women's and men's, advantaged and disadvantaged caste and ethnic groups' access to socio-economic resources.

"Gender bias" = meetings or decisions etc. are dominated by one of the sexes: *"Male-bias"* = men are dominating in number or decision making (female-bias = women are dominating).

"Gender sensitiveness and responsive "; aware of gender situation, and taking the situation into account and reacting to the situation by making action plan, identifying activities and allocating budgets – in order to eliminate gender inequality and injustice.

"Hygiene education" = Planned and systematic attempt to provide information to enable people to take action to prevent water and sanitation related illnesses and to maximize the benefits of improved water and sanitation facilities

"Hygiene promotion" = An activity to encourage behavioral change that serves to prevent infection from communicable diseases

"Integration of WASH" = The services of both water supply as well as household and environmental sanitation are linked well with hygiene education and will be provided to the same beneficiaries identified as facing health problems due to the lack of services

"Ignite or ignition" = To encourage, empower, and support people at household, Ward, VDC, and District levels as they take action.

"Improved Sanitation and Hygiene" = The process where people transform themselves to demand, develop and sustain a hygienic and healthy environment for themselves by erecting barriers to prevent the transmission of diseases primarily deriving from pathogenic contamination.

"Investments" = includes not only the direct construction costs, but also capacity building, planning, supervision, evaluation, etc...costs.

"Kuwa" = traditionally improved spring, which does not meet the criteria of protected spring.

"Minimum standard" (reflecting total behavior change) = Households and Wards are free of open defecation. All households have sealed latrines meeting clear safety specifications, used by all the family.

- All households have and use a hand washing station
- All household members wash their hands with soap (or substitute) and water:
 - After defecation/using the latrine
 - After washing a baby's bottom
 - Before preparing food
 - Before eating or child feeding
- All households have a safe system for storing and extracting water for drinking

"Poor and Excluded" = Groups, individuals and households politically, economically, socially, culturally and self discriminated on the basis of their gender, caste, ethnicity, age, marital, status, sexual orientation, religion, language, disability, HIV status and where they live and have previously limited access to development opportunities.

"Public Audit" = Public auditing is a tool taken up for the purpose of enhancing governance, particularly for strengthening accountability and transparency of service providers (local bodies) towards beneficiaries/stakeholders by publishing the program including financial information. It values the voice of stakeholders, including marginalized/poor groups whose voices are rarely heard. Public Audit is not only an event but also a process to ensure beneficiaries/stakeholders right to know of the activities of their concern. Public auditing creates an impact upon governance.

"Sanitary facilities" = Refers to latrines; solid waste disposal sites; waste management equipment; and cloth washing, hand-washing and shower units.

"Scale-up" = The approach to service provision is widely replicable in a substantial number in all VDCs and Wards in a District

"Social Inclusion" = Social Inclusion is about addressing imbalances and disparities among people caused by gender, caste, ethnicity, marital status, geographical location, language, religion, age, sexual orientation, disability and HIV status by removal of institutional barriers and the enhancement of incentives to increase the access of diverse individual and groups to WASH activities. Social Inclusion is used to describe the complementary approach that seeks to bring about system-level institutional reform and policy change to remove inequities in the external environment.

"Stakeholder" = Any organization that shall have direct or indirect influence or participation or contribution or involvement for the implementation of WASH

"WASH Program" = The package that contains the provision of safe and adequate water supply, provision of safe sanitary facilities and the promotion of improved hygiene behavior.

1. EXECUTIVE SUMMARY

History of Rural Water Supply and Sanitation Project in Western Nepal (RWSSP-WN)

Governments of Nepal and Finland have supported Rural Water Supply and Sanitation Sector in Nepal since 1989. The first two projects supported were the phases I and II of the Rural Water Supply and Sanitation Project (RWSSP) in Lumbini Zone; and the third one in the third phase of the same as the Rural Water Supply and Sanitation Support Programme (RWSSSP). The RWSSSP was phased out at the end of 2005. In order to transfer the experience of these districts and Lumbini zone to new districts, GON proposed to replicate the Programme. This was the initiation for Rural Water Supply and Sanitation Project in Western Nepal (RWSSP-WN).

Implementation of the RWSSP-WN was supposed to begin in 2005. Due to political situation in Nepal, Finland amongst many other cooperation partners of Nepal postponed her new development projects in Nepal. After the democratic transition started in April 2006, Finland decided to restart the postponed projects and thus the preparations for RWSSP-WN could continue. Agreement between the two governments on the Rural Water Supply and Sanitation Project was signed in May 22, 2008 and the project started in August 1, 2008. The project is planned to phase out by July 2012.

In addition to RWSSP-WN there is another Finnish funded water project running in Far West development region of Nepal, namely the Rural Village Water Resource Management Project (RVWRMP) that was started in October 2006 and will continue till the end of August 2010. Whereas RWSSP-WN concentrates on sanitation, hygiene and water supply the RVWRMP operates with integrated water resource management principles, having livelihood development and small scale hydropower and irrigation components.

Rationale behind the new Project Document

Firstly during the inception phase of the Project it was found out that the present water and sanitation projects in Nepal focus mainly for water supply construction with limited and minor inputs to hygiene and sanitation. The concentration of those projects is merely to increase the access to water supply and sanitation only and they do not aim to change the behavior and habits of the people in water management, hygiene and sanitation. The latter would have greater impact on to the improved health and thus improved livelihood.

Secondly it was proposed during the inception phase that the Project funding modality should be changed from the consultant based “project funding” to the Government to Government “investments funding” thus paving the way for programmatic and sector focused approach and increased ownership. Furthermore the GON-to-GON funding channel should not end at the district level but should continue to VDC and community level as well.

Thirdly it was found that all water and sanitation projects in Nepal have their own project specific manuals and guidelines, which are not harmonized and therefore causing confusion and additional burden for the districts’ government officials to cope with different approaches, methodologies and rules. All these projects follow “project approach”. The confusion is further added at the VDC and community level as well where several actors with different rules and approaches implement projects at village level; and in many cases by-passing Local Bodies. Therefore it is proposed that instead of following same “project approach” the RWSSP-WN should aim for permanent change in Water Supply, Sanitation and Hygiene (WASH) approach harmonization. The proposed new approach in WASH aims for

harmonized, coordinated and programmatic District WASH Implementation to achieve universal access targets before 2017 as set by the GON. The role of the RWSSP-WN is to support the development and implementation of Local Bodies owned gender sensitive and inclusive WASH strategies, approaches and methodologies.

Fourthly it was found out that the focus of the original project document was towards Integrated Water Resource Management (IWRM) as already practiced by the RVWRMP in Far West. It was proposed and already endorsed by the GOF that instead of implementing two similar projects in Nepal it would be better to divert from the RVWRMP's IWRM approach toward coordinated and harmonized WASH sector support approach with focus on improved health and nutrition and using hygiene and sanitation as an entry point at VDC level instead of water resource/supply.

Fifth observation was that during the inception phase the Master Plan for Sanitation and Hygiene in Nepal, 2009-2017 as well as Single Approach for Planning, Implementation and O&M of Rural WATSAN Programs (2009), were just emerging. These documents as well as the ongoing discussions and debate between the two Ministries of MLD and MPPW regarding the Sector Wide Approach (SWAp), offer excellent opportunity for RWSSP-WN to act as a bridge and action research for the WASH sector development in Nepal and thus revision of the project Document is necessary.

Overall objective, purpose and outcomes

The overall objective of the Project is the increased wellbeing of the poorest and excluded. Underlying the overall objective and the approach of the project is the notion that lack of water supply, sanitation and hygiene causes poverty. Thus fulfilling the needs of the poorest and the excluded regarding water, sanitation, hygiene and nutrition and providing them opportunities to increase their own wellbeing through decentralized governance system will reduce poverty resulting in higher productivity and income.

The purpose of the project is to fulfill the basic needs and ensure rights of access of the poorest and excluded households to safe domestic water, good health and hygiene through decentralized governance system.

It is expected that the Project will achieve the following results or outcomes:

- ❑ Increased women's productive role (time and energy)
- ❑ Decreased hardship, gender and social discrimination linked with water, sanitation and hygiene
- ❑ Improved health, nutrition and hygiene of community people in program districts, particularly among the poorest and excluded
- ❑ Decreased infant and maternal mortality
- ❑ Enhanced institutional capacity of local bodies to facilitate the execution of Water Supply, Sanitation and Hygiene (WASH) sector/projects and behavioral change process
- ❑ Sustainable operation and maintenance of domestic water schemes managed by inclusive Water and Sanitation Users' Committee
- ❑ Gender Equality and Social Inclusion (GESI) responsive WASH sector policies, strategies and guidelines at the central and local levels adopted

The project will achieve these outcomes through carrying out activities in major areas of:

1. Domestic Water,
2. Health, hygiene, sanitation and nutrition
3. Inclusive local WASH governance and
4. Local WASH Policy and guidelines

Project area and physical targets

The RWSSP-WN works in altogether nine district of Nepal. Six of them are located in the hills and three in the southern plains (Terai). Eight of the districts are in the Western Development Region and one in Mid-Western. The Office for RWSSP-WN with its two wings called the Project Support Unit and Project Coordination Office is located in Pokhara in Western Development Region.

The RWSSP-WN emphasizes the importance of hygiene and sanitation activities in achieving the outcomes and takes hygiene and sanitation as an entry point in the Village Development Committee level. The water schemes are implemented in the Village Development Committees where hygiene and sanitation activities are ignited. In addition to the water supply, sanitation and hygiene activities RWSSP-WN supports arsenic mitigation activities in the three project district located in the Terai.

It is estimated that in water supply 70,000 new people will benefit from RWSSP-WN support. Likewise 250,000 people will benefit from RWSSP-WN support in sanitation and hygiene. District level targets depend on the actual coverage figures presented in this Project Document on water supply and sanitation. More resources will be channeled to districts with low coverage than to those with higher coverage.

Support to the Local Governance Institutions

Government of Nepal has committed itself into providing all its citizens the basic level of water supply and sanitation services by the year 2017. RWSSP-WN supports Government of Nepal in this task in the Western and Mid-Western Development Regions of Nepal.

The project is facilitated at the central level by the MLD/DoLIDAR and executed by the District Development Committees of the participating nine districts. The actual implementers are the Village Development Committees and the communities through the Water and Sanitation Users' Committees.

The role of the Project Support Office in Pokhara is that of assisting and providing support to the District Development Committees in the district level WASH implementation taking the district level Multi Stakeholder Forum as an entry point. In the Multi Stakeholder Forum all relevant district level stakeholders are represented and thus it provides an opportunity to coordinate and harmonize the WASH activities.

Strategies and approaches

Following the purpose of the Project the RWSSP-WN supports gender responsive WASH implementation that is driven by gender equality and social inclusion principles in selection of project areas, designs, staffing, institution establishment and capacity building.

RWSSP-WN aligns as much as possible with the Government of Nepal and works as an initiator and a testing ground paving the way towards sector wide approach in water supply, sanitation and hygiene. The Project strengthens local governance institutions and builds the capacity of individuals working in

them as per the gaps identified. Project planning is aligned to the GON annual and periodic planning processes.

All the implementation decisions are to be based on decentralization and downward accountability principles as presented in the Local Self Governance Act (1999). RWSSP-WN promotes gender sensitive, inclusive, community led and need based demand driven participatory planning, design, implementation, monitoring and evaluation.

The Project supports coordinated and harmonized right based and need based District WASH implementation targeting the poorest and excluded communities who have no access to safe drinking water, sanitation and water for hygiene.

The estimated total Project budget is 14.7 Million Euro. The contributions calculated from the total 14.6 million EURO between the stakeholders are: GOF 67 %, GON 22 %, DDCs 1 %, VDCs 3 % and communities 6 %.

2. PRESENT SITUATION

2.1 Overall situation

The major political parties (UCPN-M, NC, CPN-UML, and MPRF), in their CA election manifestos, have stated their commitment to an inclusive democratic and federal system of government and to devolve local level and community development related functions to local bodies. They have expressed active commitments towards state restructuring to ensure a decentralized, accountable, people-oriented, and democratic self governance system; ending all forms of discrimination, economic exploitation and to address the needs of the poor and excluded including women, Dalits, Janajatis, Madhesi, old aged, disabled and remote regions and communities by ensuring their participation in state mechanisms, development and empowerment. This process offers good opportunity for RWSSP-WN to succeed. Even lately there have been promises that local bodies will be established soon. Anyhow, the debate is still ongoing what would be the method of selecting these bodies.

Absence of elected representatives in the local bodies has created leadership vacuum and affected the local governance system over the last decade in the country. It is practically only the Village Development Committee (VDC) secretary who at the moment provides services within the VDC. This has greatly constrained the scope for interaction between the local bodies and communities, and because there are no elected representatives, has minimized the scope of downwards accountability to citizens and communities. As a consequence, there has been low level of participation by local people in development activities.

The likely return to elected local representation in local bodies in the years ahead presents an opportunity to begin to strengthen downward accountability in the local governance system – and to help redefine the relationship between local administration and local communities promoting more constructive interaction. Elected local bodies are expected to be in place after general and local elections are held after the new Constitution has been finalized.

In the meantime, GON has made provisions to fill in the District Development Committees (DDCs), Municipalities and Village Development Committees (VDCs) by all-party mechanism on the basis of one party one representative. These bodies are responsible for coordination, planning, conflict resolution, monitoring, and review; and will be able to interact with local community organizations and individual members of the community in planning and decision making on issues falling under the authority of the local bodies.

There have been positive developments towards improving functioning of the local government between the political parties. A greater number of VDCs have now become more operational again. DDCs and Municipalities remain operational, and – to varying degrees – have done so throughout the conflict.

The government is committed to increasing the volume of fiscal transfers to local bodies, and has, for example, increased the size of VDC block grants from 0.5 million NRs. Up to 3.0 million. Increased fiscal transfers from the government to local bodies provide the opportunity to strengthen and improve the quality of local infrastructure, service delivery, and empower the community – and will directly contribute to the process of post-conflict reconstruction and recovery. Equally, this also serves as a GON commitment to decentralization. Similarly, GON is also moving ahead to link allocation of transfers of resources to DDCs and other local governments as a basic measure to improve good governance.

There is also now a growing realization that there are opportunities to make local bodies effective and accountable not only by strengthening them but also by enabling communities to have greater voice in

how they shape their development space, and how they wish to engage with local bodies. The underlying premise here is that of upward pressures to enhance good local governance by focusing on communities as well.

Water Supply and Sanitation

National Water Plan (2002-2017) has envisaged attaining 90 percent water coverage and basic sanitation coverage by 2012. The current coverage rates are estimated at 76 percent for improved water supply and 46 percent for basic sanitation; the corresponding rates for the urban and rural area are 81 percent and 41 percent respectively. With these rates, it appears that Nepal has already achieved millennium development target for drinking water and is approaching the target for basic sanitation (i.e. halving the proportion of people without access to drinking water and sanitation facility in the base year 1990 by the year 2015). However, the situation looks different if the coverage is defined in reference to a minimum travel time to fetch water. Recent studies estimate that by adjusting the stated coverage to 15 minutes collection time, that Nepal needs to serve an additional 7,000 rural households every month between 2000 and 2015 to meet millennium development goal for drinking water (similarly, 10,000 toilets need to be constructed every month in order to meet the sanitation targets).

Several drinking water schemes, particularly the gravity flow systems, are not functioning properly for a variety of reasons including inadequate maintenance, design or construction flaws, natural disaster and water rights disputes. It is estimated that 56 percent of the water schemes require major repairs and 16 percent need complete rehabilitation to restore and assure adequate water supply. Furthermore for those communities that have improved water supplies, many of the schemes are in dire need of rehabilitation because not all users' groups have been able to properly carry out the operation and maintenance responsibilities.

The water supply and sanitation situation in RWSSP-WN project area is the following: ¹

Water supply and sanitation situation in Nepal and in RWSSP-WN project area (2008)

District	Total No of households	Water Supply				Sanitation	
		No of households with access to WS	Coverage %	No of HHs access to functional WS	Actual % WS coverage	No of households access to sanitation	%
Pyuthan	44,269	35,258	79.64%	20,582	46.49%	8,389	18.95%
Kapilvastu	82,505	66,836	81.01%	66,191	80.23%	16,253	19.70%
Rupandehi	130,202	117,027	89.88%	117,027	89.88%	58,708	45.09%
Nawalparasi	118,545	99,517	83.95%	91,424	77.12%	43,233	36.47%
Baglung	54,638	49,649	90.87%	31,221	57.14%	29,510	54.01%
Tanahu	64,165	52,619	82.01%	38,233	59.59%	33,481	52.18%
Syangja	63,524	49,871	78.51%	36,214	57.01%	41,678	65.61%
Myagdi	23,137	19,274	83.30%	14,694	63.51%	9,303	40.21%
Parbat	32,711	28,765	87.94%	17,558	53.68%	23,424	71.61%
TOTAL for RWSSP-WN area	613,696	518,816	84.54%	433,144	70.58%	263,981	43.01%
Hills	282,444	235,436	83.36%	158,502	56.12%	145,786	51.62%
Terai	331,252	283,380	85.55%	274,642	82.91%	118,195	35.68%

¹ Un-official information received from DWSS regarding the WSS situation in RWSSP-WN project area in the beginning of 2008-2009 fiscal year. DWSS through its divisional offices carried out inventory of water supply and sanitation in all districts in 2008 and is still in a process of analyzing and compiling the data.

This table shows that water supply coverage in RWSSP-WN area is quite good (as an average of nearly 85 % water supply coverage) but the problem is that 14 % of existing schemes need complete rehabilitation. When the schemes for rehabilitation need are deducted from the coverage the RWSSP-WN water supply coverage decreases to 70 %. Sanitation situation is different. Access to sanitation is only 43 % as an average in the Project districts and in Pyuthan and Kapilvastu districts the access to sanitation is even less than 20 %. The best sanitation situation is reported to be in Parbat district with over 71 % access. The natural conclusion from this table is that hygiene sanitation needs more attention than water.

The arsenic situation in the three Terai districts is the following²:

District	Number of the wells tested	Arsenic concentration >50 ppb	% exceeding 50 ppb	Number of people affected >50 ppb arsenic drinking water
Nawalparasi	32,219	3,957	12.28	21,763
Rupandehi	75,396	513	0.68	2,821
Kapilvastu	36,060	1,193	2.99	6,561
TOTAL	143,637	5,663	3.9	31,145

According to this information total of 31,145 people living in the three Terai districts are in a risk to have effects from too high arsenic concentration if they drink arsenic contaminated water regularly. The situation is worst in Nawalparasi district.

Furthermore DWSS has just recently drafted the Master Plan for Sanitation and Hygiene in Nepal (2009-2017), which will provide good base for RWSSP-WN to test the new Master Plan ideas in practice. The plan aims universal access in sanitation by 2017 and gives adequate importance for sector coordination and behavioral change in hygiene and sanitation. Furthermore the plan focuses for the VDC level hygiene and sanitation program implementation. RWSSP-WN design is in line with this.

2.2 Government and sectoral policies

The Three Year Interim Plan (TYIP) for 2008-2010, gives emphasis on rural reconstruction and rehabilitation of infrastructure and consequently an investment plan has been prepared. It is considered a post-conflict response of the GON to the urgent needs of the conflict affected rural people. The main objective is to restore and enhance the delivery of public services to Nepal's rural population through reconstruction and rehabilitation. The expected outcome will improve rural serviceability, provide equitable access to services and facilities and create additional income and employment opportunities for the rural majority. The scope includes roads & bridges, irrigation, water supply and sanitation, electricity, communication, building and physical facilities and rural airports.

Nepal's Foreign Aid Policy (2002) forms an integral part of the overall policy for mobilizing external resources for development, calls for donors, INGO and NGO for enhanced transparency and realignment of their resources with rational and local government priorities. Besides, it encourages INGOs and NGOs to contribute to and strengthen the national development process. However, there are very few NGOs with focus on WASH.

² DWSS (2008)

To field the TYIP the GON is now introducing two large scale programmes: a Rural Reconstruction & Rehabilitation Sector Development Project (RRRSDP) and Local Governance and Community Development Programme (LGCDP). Both are supported by multiple donors. Finland is currently not part of contributing donors, but specifically participation at LGCDF via likeminded donor might prove to be functional way to engage into crucial dialogue on local governance. There is an obvious expectation that these programmes will enhance capacity development at the district level, and as such build capacity to absorb external and internal financing to public services and infrastructure, as such these are de facto backbones for enabling ODA disbursements to flow in coming years. RRRSDP also includes a WASH window, more on recurrent than investment side.

WASH sector is guided by Local Self Governance Act (LSGA) and it provides greater role for DDCs and VDCs to assert the authority. Recently Local Infrastructure Development Policy (LIDP) was enacted by GON to scale-up the pace of rural development and to improve livelihoods of rural population. Furthermore, this act states that responsibilities of Ministry of Physical Planning and Works (MPPW) are to plan and implement large scale schemes whereas local authorities are responsible to implement small scale schemes, less than 1000 beneficiaries.

In 2004, GON enacted Rural Water Supply and Sanitation Policy and Strategy, as well as an Action Plan to address social exclusion, caste and ethnic groups, to address gender equality, participatory and overall to institutionalize decentralization process. Implementation of water and sanitation schemes is through Water Users and Sanitation Committees (WUSCs) with support from support organization (SO), normally an NGO. In technical matters engineers and engineering firms are utilized, though the capacity remains limited at district and lower levels.

Thorough Policy Framework summary is presented in Annex A.

2.2.1 Finnish development cooperation in Water Supply, Sanitation and Hygiene (WASH) Sector in Nepal

Finland has supported rural water supply and sanitation for almost two decades; first two phases as Rural Water Supply and Sanitation Project (RWSSP) and third phase as Rural Water Supply and Sanitation Support Programme (RWSSSP) in Lumbini Zone. Phases I and II covered all six districts of Lumbini Zone: Palpa, Gulmi, Kapilvastu Rupandehi, Nawalparasi and Arghakanchi. The third phase included also Parbat district in Dhawalagiri Zone and Tanahun district in Gandaki Zone.

RWSSSP in Lumbini Zone used the community-based and local government focused implementation modalities as its implementation approach. The Programme was implemented through the MLD by the participating DDCs under the management of the Project's Implementation Unit (PIU) based in Butwal.

The RWSSSP Approach and Cycle which worked through the District Development Committees, adopted a participatory methodology, strongly involved women and encouraged self-reliance to enhance sustainability. The Programme promoted self-reliance in the institutional, technical and financial aspects of the community projects through the mobilisation of local resources, development of village-based O&M funds, involvement of other government agencies for technical assistance, and a choice of technologies to suit local conditions.

Two funding modalities were used: (i) self reliance funding modality where User Committees were able to mobilise most of the resources for construction and where the GOF contribution did not exceed 25%; and (ii) the more conventional funding of schemes where 50% of funds came from GON and GOF.

RWSSSP phased out at the end of 2005. However, there was a need to replicate the existing programme in the adjacent zones to Lumbini Zone in order to transfer the experience to the new districts. This was the initiation for RWSSP-WN.

In addition to RWSSP-WN in 2008 there was another Finnish funded water project ongoing, namely the Rural Village Water Resource Management Project (RVWRMP) that started on 15th of October 2006 and will continue till the end of August 2010. It operates with integrated water resources management principles, having small scale hydro and irrigation components included. RVWRMP works in nine (9) hilly/mountainous districts of the Far- and Mid-Western Nepal and additionally with arsenic mitigation and sanitation in Kailali District. The overall budget of the project is NPR 1,274 million, equivalent to EUR 13.7 million. The overall objective of the project is: *“Improved quality of life, environmental conditions and increased opportunities to improve rural livelihoods in the Mid- and Far Western regions through rational, equitable and sustainable use of water at the village level.”* RWSSP-WN finds synergy and cooperation with RVWRMP in many fields but especially in water use planning, arsenic mitigation, water supply designs and construction, M&E and O&M.

Another Government of Finland funded Project namely Support to Environmental Administration (SEAM-N) is covering areas where synergy and cooperation is looked for. The areas of cooperation between SEAM-N and RWSSP-WN are: Institutional sanitation, water quality monitoring and ecological sanitation.

2.3 Background studies

RWSSP-WN benefits from an extensive range of studies and reports prepared by previous projects and these provide a valuable database for the Project. The most recent and significant reports are summarized below:

2.3.1 Master Plan for Sanitation and Hygiene in Nepal, 2009-2017, March 2009 (Draft, proposed for discussion)

The March 2009 paper describes very well different approaches in use for rural and urban sanitation programs in Nepal. Unfortunately the present paper does not give room enough for the behavioral change in hygiene and sanitation; instead it concentrates more for the increment of latrine coverage. Anyhow this is only the first draft and hopefully the final master plan provides guide on the behavioral change as well. The paper exclusively provides the fundamental problems in the formulating of the nationwide program of sanitation and hygiene. Those problems raised in the paper have been widely used in the preparation of the RWSSP-WN new project document. The summary of the problems raised are given below:

a) Diversity of approaches with inherent incompatibilities

The first problem on the way to smooth attainment of the national goal of sanitation is that there are many programs or initiatives that are mutually incompatible in terms of their approaches that present differing scenarios in terms of pace of progress and prospects for sustainable universal coverage. The main concern is the diversity in providing subsidy. Other main concern is the by-passing of the DDC/VDC,

b) Lack of long-term perspective and permanent institution in the communities for sustained promotion of hygiene and sanitation

The present emphasis has been mainly on only one component namely, latrine construction. But to attend also to other aspects of sanitation such as personal hygiene, food hygiene, proper handling, storage and use of drinking water, waste disposal and so on, there is a need for a longer terms

perspective to the problems and institutional arrangements made accordingly. The paper proposes that there should be local institutions continuously at work to raise awareness among the people and take various measures to raise the level of practice of hygiene among the people. Presently, no inclusive institutional arrangement exists with capacity to reach out to all the households in the communities even for that relatively simple purpose. This problem is there even where SLTS or CLTS are being implemented.

- c) Non-implementation of fundamentally important and far-reaching national policy prescriptions

The Rural Water Supply and Sanitation National Policy 2004 includes provisions such as the capacity building of the community, promotion of health education program as part of the water and sanitation initiatives, adopting a decentralized approach to minimize government's direct involvement in the implementation, allocation of budget to the local bodies, the DDC to act as the "prime agency" and VDCs to play the "lead role in involving WUSCs" in rural water supply and sanitation facilities. These are vital provisions for the successful attainment of the national goal on water and sanitation. However, the non-implementation of most of those commitments has kept most sanitation initiatives centrally (and donor)-driven, and has, over the years, spawned the mutually incompatible diverse approaches. Essentially, it has denied the local bodies the opportunity to search for locally applicable options including the possibility of turning to private sector partnership.

- d) Top-down, supply driven

Another problem with the methodologies of the various programs has to do with the fact the programs do not get initiated in the communities unless officials from an implementing agency show up at the doorstep of those communities with resources. A demand driven initiative in contrast would have the authority inherently residing with the beneficiary communities themselves who could then demand that those programs be implemented in their communities as early as possible. This would push the concerned agencies into a position of having to continuously and positively respond to their demands, thus making simultaneous implementation of those programs in many communities at the same time. For this, two conditions would have been necessary. Firstly, information about the programs and methods of accessing their resources should have been widely available to the people. Secondly, the program methodology should have been such that the agencies are necessarily required to respond to the demands made by the communities. Presently, the process is sequential, and the decision about the number of communities to be covered rests with the implementing agencies.

- e) Need for addressing the poor peoples' concerns

It has been widely noted that building a temporary latrine is expensive for the builder because it has to be built over and over again. Besides, temporary latrines may not send people defecating in the open, but they are not necessarily sanitary that isolate human excreta from the environment. But building a permanent latrine is an expensive proposition not easily affordable for the poor. While by building and using their own sanitary latrine and not defecating in the open, the poor are also promoting a public good to help other people in the community to enjoy a healthy living, the opportunity cost of building a latrine for the poor is not the same as for the more fortunate neighbors. In urban sanitation too it has been the poorer neighborhoods that are disadvantaged in order to make the projects more affordable for their richer neighbors in the core area. The government policy of 2004 has committed that "Proper methodology and norms will be developed in identifying the poorest households within the community and such households will be provided with specified target grants". It also mentions about "special subsidies for the construction of latrines for poor households defined by food insufficiency, female headed households, (low) wage level and disabled indicators". Thus, the implementation of the

government policy has a long way to go in making latrines affordable for the poor people too. In this connection, it should be noted that since it is generally the poor who have lagged behind in sanitation too, poor people's latrines must constitute a priority concern in the communities' bid for total and sustainable sanitation. The community support for the poor is crucial given the fact that an unknown proportion of them do not have land where to build latrines. Therefore, it is the totality of the community that could possibly find the wherewithal to find necessary land space for them before the entire community could derive the health benefits of total sanitation

2.3.2 Mid Term Review (MTR) Report of RVWRMP, March 2009

The findings of the recently completed Mid Term Review of the RVWRMP in Far Western Development Region of Nepal provide perfect ground for RWSSP-WN in planning the project intervention and approaches as both projects' initial designs were very much the same. The main relevant findings for RWSSP-WN are summarized below:

- ❑ The MTR found out that RVWRMP is well in line with the goals and aims of Finnish development co-operation and Nepali policies and strategies. The Project contributes – directly or indirectly – to the achievement of all eight Millennium Development Goals (MDGs).
- ❑ Water Use Master Plans (WUMPs) do not include other needs and priorities not even the auxiliary support provided by RVWRMP. The MTR recommended that with the costs of present WUMP all development needs of the VDCs could be included into the WUMP.
- ❑ Recent development of national policies, strategies and plans has increasingly emphasized gender, social inclusion, development of local infrastructure, etc., making the Project even more relevant.
- ❑ The agricultural calendar has not been fully taken into account in scheduling of activities.
- ❑ Regarding the concerns of the GON staff on the work load, low salaries and lack of incentives MTR recommends these problems to be resolved by the Government, not by the Project.
- ❑ MTR supports the experiment on the district WUMPs but does not assume them to replace VDC WUMPs. MTR also supports the idea of expanding the scope of WUMPs towards multi-sectorality.
- ❑ MTR recognizes that water supply and sanitation targets set in the RVWRMP project document were not realistic.
- ❑ RVWRMP has been acknowledged by virtually all stakeholders for its efficiency, transparency, inclusion and empowerment. The ownership in the communities is high and the Project has demonstrated promising impacts there
- ❑ As a result of the selection criteria of VDCs, RVWRMP is directed on a social basis to the most disadvantaged beneficiaries in the most remote areas. Efficiency has a low priority in the selection. Considering the selection of VDCs and the fact that, unlike most other projects, RVWRMP has not applied unit cost ceilings, the average cost of water supply is reasonable. As a result of the higher costs, together with the high subsidies provided to virtually all beneficiaries, the number of beneficiaries of improved facilities and services is substantially lower than if efficiency, unit costs and level of community commitment measured by the level of contribution had played any role in VDC selection.

- ❑ RVWRWP has been affected by the human resources problems in many District Development Committees (DDCs), resulting in delays and putting more pressure on the Project team and increased the cost of technical assistance.
- ❑ The Project has approached gender and social inclusion issues in a serious and responsible manner. A strong basis has been laid by first conducting the Gender Equality and Social Inclusion (GESI) study. Building on the findings and on the policies of GON and GOF, a GESI Strategy and Action Plan has been developed. The Strategy and Action Plan reflects the Project's commitment to achieve an inclusive, equitable and participatory development approach. The Project has taken care of applying participation and procurement in a very transparent manner. For instance, public auditing of schemes has been highly appreciated by beneficiaries and other stakeholders. It is a best practice in terms of good governance

2.3.3 Single approach for Planning, Implementation and O&M of Rural WATSAN Program, March 2009 (Draft, proposed for discussion)

This paper is the first try to harmonize Water Supply and Sanitation Program approaches. The first draft was published by DoLIDAR for discussion in March 2009. The paper concentrates mainly to discuss the approaches in water supply but ignores the sanitation and hygiene nearly totally. Luckily same time came another paper, Master Plan for Sanitation and Hygiene, which is discussed above. This document assessed the approaches practiced in sanitation and hygiene. Furthermore the "Single Approach" paper stands for integrated water resources approach instead of integrated WASH approach. The paper anyhow presents different approaches applied in Nepal and formulates common approach for discussion. The proposed approach (which clearly shows how the approach concentrates on water supply only) is summarized as follows:

- a) Planning
 - a. Prepare and finalize Water Resource potential map of district
 - b. Prepare Inventory Map of Existing Water Resources Schemes
 - c. Identification of Target Communities (collection of demands of schemes through Village Development Committee (VDCs)
 - d. Prepare District Perspective Water Resources Plan
 - e. Acceptance of District Perspective Plan
 - f. Preparation of Five Year Water Resources Master Plan of the District
- b) Development
 - a. Formation and registration of user's committees
 - b. Training and awareness raising programs
 - c. Preparation of community action plan and community mobilization
 - d. Community contribution
 - e. Conducting detail survey, preparing engineering designs, cost estimate, contract documents (if any)
 - f. Drafting an agreement to Water User and Sanitation Committee (WUSC)
- c) Implementation
 - a. Obtaining consent for the District Implementation Strategy (DIS) from the concerned VDCs
 - b. Awareness raising orientation and training to WUSC
 - c. Mobilization of WUSC

- d. Construction civil works structures
 - e. Formation of Operation and Maintenance Plan/ Mechanism
 - f. Social Auditing and commissioning of WATSAN schemes (Display board)
- d) Post implementation
- a. Monitoring and Supervision works (Role and responsibilities of the concerned agencies)
 - b. Reaching consensus on the operation and maintenance strategy among the concerned parties (VDC, DDC, WUSC etc)
 - c. Training to WUSC and Maintenance Workers about operation and maintenance and sustainability of the schemes

2.3.4 Strategy and Action Plan for Drinking Water Quality Monitoring in RWSSP-WN, March, 2009

The consultancy carried out in water quality monitoring proposes several things to be considered in district WASH implementation support provided by RWSSP-WN. It strongly recommends that RWSSP-WN should be the testing ground for the modified safety plan developed for rural water supply as well as for the water quality monitoring as proposed in the National Drinking Water Quality Standard (NDWQS), 2005. The testing of the safety plan is ongoing at the moment by DWSS and the results will be soon available for the RWSSP-WN. The testing of the water quality monitoring would provide important information regarding the applicability of the NDWQS to the nation level before the standard becomes valid for rural areas (2015).

The report includes several comments to the existing National Drinking Water Quality Standard. To mention the most important such as:

Recommendations for the NDWQS

- *The proposed coliforms or total coliforms cannot be considered as hygienic indicators. Consultant recommends to include fecal coliforms in the parameter list instead of total coliforms.*
- *To identify Escherichia coli content in water are expensive, though possible nowadays. The consultant recommends Colilert method.*
- *The expression of hygienic standard as E. coli MPN/100 ml is not good because the MPN-method is not the most practical to detect the presence/absence of E. coli in 100 ml sample.*
- *NDWQS will be effective in all rural water supply schemes within first three years of the second phase, this means 2015-2018.*
- *Also GoN laboratories should be accredited if carrying out these analyzes if accreditation directive will remain valid.*
- *Field measurements should be avoided as much as possible because they are not accurate.*
- *The standard defines that the water supplier themselves are responsible for water quality monitoring. This means WUSC for rural water supply.*
- *Consultant recommends storing of the water samples in 4 degrees instead of limiting the time between sampling and analyzing to 2-6 hours. Otherwise most cases the microbiological variables should be analyzed in the field and therefore the test results could not be trustable.*

Other findings are:

- The report concludes that technically regional and central government owned water laboratories are qualified to provide water quality testing services. The only problem is that all laboratories should be first accredited by the authorized government laboratory (including itself). Furthermore these laboratories should employ technical personnel, develop quality assurance mechanisms and pricing policies for providing tests for outsiders

on request. Most of the private sector laboratories in Kathmandu are technically and human resource wise qualified, accredited and ready to provide services.

- ❑ The laboratory established by Asian Development Bank (ADB) on the premises of Regional Monitoring and Supervision Office of DWSS in Pokhara was found out well equipped. Anyhow it was found out that the laboratory is not operational and it still needs further furnishing. The laboratory has no quality control system, no chemicals and no policies have been established to provide services for outsiders. The laboratory does not have human resources and budget to operate.
- ❑ In order to start systematic water quality monitoring the report proposes that the costs would be initially covered from the WASH basket of the District Development Fund (DDF). The DDC opens tendering among the consultants having accredited water quality laboratory. The tendering includes the planning, implementation and reporting of the water quality monitoring in the schemes planned or constructed by the RWSSP-WN.
- ❑ Institution wise the report recommends that District Water Supply and Sanitation Committee (DWSSCC) in hill districts and District Arsenic Mitigation Steering Committee (DAMSC) in Terai districts should assume the responsibility of water quality monitoring temporarily in order to test the standard.
- ❑ Analysis of the collected samples should be carried out mainly by the accredited laboratories. No field laboratories should be established and the field analyses should be avoided as much as possible. By this way the quality of monitoring results can be secured. Furthermore two to three members of the WUSC in the scheme area should be trained to take and handle water samples.
- ❑ Report proposes that the main type of water quality monitoring is three time per year (pre-monsoon, during monsoon, post-monsoon) and includes water hygiene monitoring and need based water hygiene monitoring. Basically only the presence/absence of E. coli in 100 ml sample will be analyzed. The total coliforms will not be analyzed in spite of the fact that it has been mentioned in the standards. Once a year also the physical and chemical parameters mentioned NDWQS will be analyzed.
- ❑ The proposed water quality monitoring program has been divided into two parts:
 - Part A: Piped Schemes and
 - Part B: Un-piped schemes.

In both parts there are the following three phases:

- ✓ Background monitoring in pre-feasibility stage
- ✓ Completion monitoring before the commissioning stage
- ✓ Operational monitoring in three stages:
 - pre-monsoon
 - during monsoon
 - after monsoon

2.3.5 National Urban Water Supply and Sanitation Sector Policy, 3rd Draft V.3, August 2008

National Policy for Urban Water Supply and Sanitation includes the latest development work done in urban and rural water resources, national sanitation, rural water supply and sanitation, water quality and urban development. Therefore many issues discussed in this policy are relevant to RWSSP-WN and

have been used in RWSSP-WN design. The policy recognizes that water supply coverage levels have increased towards target levels even if sector definitions of “coverage” continued to vary widely. In response, government has introduced targets for basic, medium and high service levels as follows:

Service Level	High	Medium	Basic
Quantity (lpcd)	112 –150	65	20 – 45
Quality	WHO Standards	National Standards	Potable
Accessibility	Within the house (fully plumbed)	Within the compound (yard tap)	Within 20 min. walking distance (stand-post supply)
Duration of supply (hrs./day)	24	24	4
Continuity (months/yr)	12	12	12

The definition of the water supply coverage given in the Rural Water Supply and Sanitation National Strategy, 2004:

Quantity: Water quantity for domestic use should be 45 liters per capita per day (lpcd). In no case should per capita water availability be lower than 25 lpcd.

Accessibility: For public taps, the horizontal and vertical distance to be travelled to reach a tap stand should not be more than 150 meters and 50 meters respectively. All households should be able to fetch water within 15 minutes per round trip.

Reliability: There will be few, if any, unscheduled outage, prompt repairs when breakdowns occur, minimum system downtime and little significant seasonal variation in water supply to users.

Quality: Water quality should meet minimum National Drinking Water Quality Standard of Nepal, 2005.

The Rural Water Supply and Sanitation Policy, 2004 admits that sanitation has received lower priority than water supply despite its central role in determining public health. Anyhow progress has been made since 2001 as child mortality declined from 91 per 1000 live births in 2002 to 61 in 2006 (NDHS).

The policy is built on the strategies, which are relevant for the RWSSP-WN. The most relevant for RWSSP-WN have been summarized for this document.

Public Health

The following statements in the policy are also part of RWSSP-WN design:

“Water resources are to be protected and water supply needs to meet national bacteriological, chemical and physical water quality standards using technologies that are appropriate to the local operating context. Particular attention to be paid to the monitoring of arsenic levels in groundwater and appropriate mitigation measures. Water at designated points in each system will be tested regularly in certified laboratories with results posted publicly.

Hygiene promotion through inputs provided by local government agencies, local bodies and NGOs will ensure that water storage, handling and waste related practices are sanitary. Flexible financial mechanisms, including cross-subsidies, and the use of appropriate and affordable technologies will help facilitate this.”

Economic Growth

The policy links the water supply and sanitation with an understanding of the economic growth and their economic value to ensure sustainability and quality of life. Furthermore the policy condemns that sliding tariff rates to be established in order to ensure cost recovery. Furthermore the policy enhances the encouragement of private sector organizations to initiate “corporate social responsibility” activities. These could be also the issues important for RWSSP-WN to take into consideration.

Social Inclusion: Access to Services for the Poor and Disadvantaged Groups

The statements and principles stated in the policy regarding poor and excluded are also relevant to RWSSP-WN. The policy states that the poor will have access to sustainable basic services at affordable prices and a voice in service-related decision making that will affect them. Tariff structures and other financing mechanisms will help cross-subsidize services for the poor. According to the policy the rights and needs of poor and marginalized groups, and especially of women, will be protected primarily through their statutory and proportional representation in Water Users and Sanitation Committees and related sub-committees. Affirmative action is proposed to ensure that such representatives fill executive positions in these committees thereby ensuring that their interests are protected. Women’s participation will be emphasized in all aspects of water supply and sanitation planning, implementation, management, operation and maintenance.

Protecting and Optimizing Investments

The policy states that WUSCs should be enabled to register as private companies, select financing institutions from a range of public and private sector institutions, secure legal right to the use of water sources and prepare water safety plans. At the moment these are not valid for rural water supply but these should be also the ultimate goal for rural as well.

Furthermore the policy requires the use of demand responsive approach in the selection, planning, design and implementation of water supply and sanitation schemes. It encourages low cost options including the upgrading of traditional water and sanitation services (in rural water supply they are Kuwas) and the promotion of new technologies such as rainwater harvesting. This is all directly related to RWSSP-WN.

Furthermore the policy states that a fixed percentage of capital investment costs in cash and in kind in accordance with the socio-economic classification and service level will be defined and that on site sanitation will be the responsibility of individual households but with subsidies and technical guidance available for poor and marginalized settlements.

The policy encourages the capacity building at local bodies and community level. It states that basic training on water supply and sanitation operation, maintenance, repair and monitoring for technicians, junior technical personnel and trades people – preferably at the district or regional level by involving private sector trainers should be conducted.

Environmental Protection

The policy sees environmental protection vital for the sustainability of scheme benefits and essential in its own right. The policy further states that environmentally friendly technologies such as rainwater harvesting will be promoted. It further requires Initial Environmental Examination (IEE) and/or Environmental Impact Assessment (EIA) to be included in all projects to identify potential threats.

An Efficient, Effective and Accountable Urban Water Supply and Sanitation Sector

The accountability statements are very relevant for RWSSP-WN. The policy states that central line agencies will serve as policy makers, regulators, facilitators, technical support agencies and monitoring and evaluation agents. Ownership and responsibility for the implementation and management of projects will be the responsibility of local bodies and Water Users and Sanitation Committees. NGOs will play important roles in community awareness raising and public auditing. The policy emphasizes the important role of the Water Supply Tariff Fixation Commission (WSTFC) especially in water and wastewater quality control. According to the policy WSTFC will have an authority for the application of appropriate incentives and punitive measures.

Furthermore the policy emphasizes the collaboration among sectoral and inter-sectoral stakeholders through the re-activation of District Water Supply and Sanitation Coordination Committees. This is in line with RWSSP-WN design.

2.4 Problems to be addressed

The generic problem for sustainable rural water supply and sanitation in Nepal is inadequate coverage in sanitation and low service level in water supply. According to the inventory carried out by the DWSS in 2008 the coverage of adequate rural water supply in the project area Hill Districts is reported to be 83 % and the sanitation access is 50%. Same figures in Terai are 87 % for water supply and 32 % for sanitation access. Anyhow, these figures do not show the actual reality in the field. Many water supply systems are in need of repair or rehabilitation and are only partially functional. In many cases the poor and excluded have been left out from the scheme service area. In most cases the poor and excluded are the ones who are still without the service. Inventory has counted only toilet buildings, but does not present the actual use of them or situation of good hygienic practice. It has been observed that in many cases toilet building are used for other purposes such as stores or as a house for menstruating women.

Institutional capacity has two shortcomings, namely institutional and individual inefficiency, and constrained facilities and logistics. Institutional and individual inefficiency involves a wide variety of issues, such as:

- ❑ tendency to create new or parallel institutions,
- ❑ inadequate support capacity from central level to Districts and from Districts to VDCs,
- ❑ weak participatory planning processes,
- ❑ lack of sectoral coordination in Districts,
- ❑ overly rigid processes and bureaucracy,
- ❑ inadequate monitoring and evaluation at all levels,
- ❑ inappropriate incentive policies and mechanisms.

These problems are further compounded by inadequate facilities and logistics constraints.

Human resource capacity problem are at district, VDC and community levels and leads to weak management, implementation and facilitation capacity. Main constraints are:

- ❑ inadequate involvement of poor and excluded at all levels
- ❑ inadequate skills at all levels
- ❑ inadequate skills development at all levels,
- ❑ inadequate knowledge of the importance of good hygiene habits and quality of water
- ❑ inadequate technical skills and resources at all levels,
- ❑ high staff turn-over at district level,

The human resource constraints are often made worse by inefficient use of existing resources due to lack of coordination and poor cooperation between stakeholders.

Inadequate financial and physical resources accompanied with poor financial management leads to insufficiently mobilized resources at all levels. The factors contributing to the problems at the District level include:

- ❑ poor revenue generation
- ❑ insufficient allocations from the central budget to the WASH sector in districts,
- ❑ inefficiency in targeting the subsidies
- ❑ lack of coordination and cooperation between the stakeholders
- ❑ inadequate financial planning and management mechanisms and practices,
- ❑ lack of political ownership and determination especially at the District and Central levels to adopt policies that are realistically based on available resources and do not mislead the communities' expectations of GON capacity.

Technologies and methods promoted are inappropriate for the poor and excluded. There are a variety of facts contributing for this problem such as:

- ❑ inadequate collection and use of O&M funds,
- ❑ extreme poverty,
- ❑ inadequate access of most marginalized groups to improvements and services,
- ❑ lack of safety nets,
- ❑ subsidization mechanisms
- ❑ lack of harmonization and coordination of approaches and strategies
- ❑ inadequate access to formal credit mechanisms.

Gender and Social Inclusion in water supply and sanitation implementation is not yet adequately addressed. All principles and strategies are already approved on paper but in practice poor and excluded are still:

- ❑ not adequately involved in planning, design and implementation stages
- ❑ left outside of the WASH services (They are left in pockets or they live in the areas where construction costs of traditional services will become high)
- ❑ not represented in the project implementation and management committees
- ❑ not yet able to contribute financially for the project matching fund or O&M fund
- ❑ without adequate funds to build their own sanitation structures
- ❑ often not adequately aware of the benefits available for them

The above problems will be addressed by:

- ❑ developing uniform and harmonized district level and district owned implementation and subsidy policies, strategies, guidelines, coordination mechanisms and structure for aligned WASH implementation through local bodies,
- ❑ focusing capacity development activities on the local bodies and WUSCs
- ❑ devolving the transparent and accountable decision making power in finance, fund management, planning, implementation and O&M to VDC and community levels including the poor and excluded
- ❑ using VDC level Total Behavioral Change in Hygiene and Sanitation as an entry point
- ❑ channeling funds for district level implementation by using government fund management
- ❑ carrying out massive awareness and advocacy of water, sanitation and hygiene campaigns at district and VDC levels

- ❑ using demand based VDC and scheme application approach in project expansion
- ❑ using participatory and inclusive gender responsive approach in all stages of the project cycle

2.5 Stakeholders and beneficiaries

Short descriptions of the major RWSSP-WN stakeholders are presented here. More comprehensive stakeholder analysis is presented in Annex B.

2.5.1 Government agencies at Central level

Ministry of Local Development (MLD) operates through local bodies i.e. District Development Committee (DDC) and Village Development Committees (VDCs). Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR) under MLD is responsible for the provision of all necessary technical and managerial support to local bodies, as well as for the coordination of all infrastructure development activities within the framework of the MLD.

Ministry of Physical Planning and Works (MPPW) is the sectoral ministry responsible for water supply and sanitation for over 1,000 beneficiaries. In close cooperation with National Planning Commission (NaPC) MPPW formulates policies and plans for the sector. The Ministry of Finance (MOF) allocates budgets for the sectoral ministries. The functional responsibilities of MPPW are divided into four agencies. Department of Water Supply and Sewerage (DWSS) is responsible for water and sanitation. The MPPW has established M&E unit for rural water supply and sanitation sector in Nepal. The major objective of the M&E unit is to consolidate the investment made in the sector and establish a realistic picture at the sector for future investment.

Rural water and sanitation policy states that the role of DWSS has been shifted from implementation to that of facilitation leaving construction, operation and maintenance of systems to local bodies, NGOs and users groups. Despite continuous discussions between MPPW and MLD, responsibilities in WASH implementation still overlap.

The Ministry of Health and Population (MHP) plays a leading role in improving the condition of health of the people including mental, physical and social well being, for overall national development with the increased participation of the private sector and non-governmental institutions. The Ministry is also responsible to make necessary arrangements and formulate policies for effective delivery of curative services, disease prevention, health promotion activities and establishment of a primary health care system.

The Ministry of Education and Sports (MES) is an apex body responsible for the formulation of education policies and strategies. It ensures the implementation of policy and programs through Regional Directorates and District Education Offices throughout the country. Schools are formidable channels to change the sanitation behavior of the children and then to influence the family in the rural communities. *School Led Total Sanitation* programs have been implemented in many schools.

2.5.2 Local Bodies

2.5.2.1 District Development Committees (DDCs)

DDC has autonomous state authority at the district level. DDC has coordinating role of all development related activities in the district. The rules and regulations provide the organizational structure for multi-sectoral coordination and define the process of integrated plan formulation.

According to MPPW water and sanitation sector policy, a District Water Supply and Sanitation Coordination Committee (DWSSCC) for WASH in the district is headed by the DDC President and in his/her absence LDO-secretary of DDC. The DWSSCC is the umbrella mechanism that is instrumental in launching WASH campaigns such as ODF or district WASH program.

DDCs have experience of implementing programs and projects – which they do through users committees, NGOs, private sector, or VDCs. They have considerable mandate for supervision and monitoring of programs at the district but this is still one of the weakest aspects. DDCs in consultation with VDCs and communities prepare annual and periodic District Development Plans for water supply and sanitation.

2.5.2.2 District Technical Office (DTO)

District Technical Office (DTO) supported by DoLIDAR is the technical wing of DDC. Thus, DTO is responsible for preparation, planning and execution of the water supply and sanitation schemes for less than 1,000 beneficiaries. Water Users and Sanitation Committee (WUSC) is responsible for overall implementation management and post construction operation and maintenance of the water schemes. NGOs, CBOs and individual members of civil society will be engaged for technical backstopping, training and capacity building, social mobilization and to develop Community Action Plan. Community Action Plan outlines step-wise activities that are carried-out in the project including operation & maintenance and follow-up phase. The capacity of the DTO needs to be strengthened to support the District WASH Program implementation. DTO has no experience of implementing hygiene and sanitation programs. DTO is a member of the DWSSCC.

2.5.2.3 Drinking Water Supply and Sanitation Divisional Office (DWSSDO)

DWSSDO is the line agency of DWSS having responsibility for drinking water and sanitation project implementation for over 1,000 beneficiaries. It is very difficult sometimes to draw the line between the projects implemented by DWSSDO and DTO and therefore sectoral responsibilities appear to be overlapping between the two.

At the moment DWSSDO has the mandate to implement sanitation in the District. DWSSDO is a member of the already existing District Water Supply and Sanitation Coordination Committee (DWSSCC) currently chaired by the Local Development Officer (LDO). The Draft Sanitation Master Plan anyhow proposes that a District Sanitation Section as part of the DDC Secretariat would be established. The Section would be headed by the District Sanitation Officer

2.5.2.4 Village Development Committees (VDCs)

VDCs are autonomous state authorities with their own plan and budget. Responsible for water supply and sanitation functions among others VDCs can plan and implement WASH programs of their own. VDCs WASH plans can include a number of water supply schemes, but sanitation and hygiene programs are not commonly found in the VDC plans. However, whenever campaigns such as ODF are launched in a VDC and when demanded they can contribute with their funds as well.

VDCs are also coordinating agencies of programs funded by other agencies. Following a well elaborated participatory planning process VDCs recommend bigger schemes to higher authorities (DDC and central government agencies). Institutional arrangement is such that the DDC should provide technical support to the VDCs as needed for which DDCs can obtain certain fraction of VDC grant funds.

The VDCs get a sizeable amount of money (Rs 1.5 to 3.5 million) as block grant from the central government, which has made them financially strong. The new programme LGCDP will also top up to the

block grant making them even stronger. Recent government decision with regard to nominating VDC officials will enhance their legitimacy and institutional capacity. Organizational capacity of the VDCs is however still limited as the VDC secretary, who is a junior staff considering the amount of programs, budget and responsibilities s/he has to handle, is most often supported by only a junior assistant.

2.5.3 Donors, INGOs and NGOs

Existence of NGOs involved in WASH sector is significant in districts. Many of them implement programs in the capacity of service organizations to implementing agencies. Most notable of the implementing agencies include the Rural Water Supply and Sanitation Fund Development Board (RWSSFDB or the "Fund Board"). Though in general the NGOs are also supposed to follow the planning process of the local bodies, but they are not bound to do so. As a result, in practise they tend to bypass the decentralized planning process. NGO function is considered helpful when it comes to raising community awareness, and as a helping hand of the local bodies.

The number and category of local media have increased a lot in recent days – there are local FM radios, local newspapers, and cable TV operators often having local broadcasting channels. Thus the community people have variety of options. The stakeholders have recognized and appreciated the role of media for community awareness and behaviour change. The local bodies are also found increasingly using the media to disseminate information to the public.

Provided that it is properly selected, the media can be instrumental to bring about behavioural change among people, to promote good governance (voice and accountability) and as an interface to improve relationships between the citizen and the service agencies.

Major donors in the sector include World Bank (WB), Asian Development Bank (ADB), Department for International Development (DFID), Finland, Helvetas, UNICEF, Plan, WaterAid, etc. All donors now support the implementation of rural schemes using community-based approaches although mechanisms differ considerably.

World Bank (WB) supports the semi-governmental Fund Board. The Fund Board is operated from central level. It operates through support organizations (SO) and support agencies (SA). Fund Board projects are getting approved by the DDCs. The "Fund Board" projects are implemented in all RWSSP-WN districts.

Asian Development Bank (ADB) provides support through DWSS and its fifth loan to the sector, Community Based Water Supply and Sanitation Project (CBWSSP), is in progress. CBWSSP funds are channelled to Designated Sector Account at the Treasury and further through DDCs, while DWSS plays a facilitating role. The project works in remote conflict affected 21 districts and is planned to reach significant numbers of the poor and socially excluded. CBWSSP is implemented in Kapilvastu and Pyuthan districts.

ADB also supports DWSS in implementation of water and sanitation projects in small towns or emerging towns. First phase Small Town Water Supply and Sanitation Project (STWSSP) was implemented in 29 towns whereas second phase Project Preparation Technical Assistance (PPTA) is on-going which will include 17 towns.

The third project important to RWSSP-WN is the Rural Reconstruction Rehabilitation Sector Development Program (RRRSDP), which has remarkable water supply component and its main implementing agency is DoLIDAR. RRRSDP is coordinated at district level by the DTO and it overlaps with RWSSP-WN in Baglung, Myagdi and Parbat districts.

Department for International Development (DFID) Rural Water Supply and Sanitation Strategy (2004) was designed for moving from project-based approach to preparing for a sector wide approach (SWAp). For political and division-of-labour reasons, DFID pulled-out its investment support from Fund Board, NEWAH and Helvetas. However, it is still providing support to Gorkha Welfare Scheme (GWS), an NGO which exclusively works in rural water supply and sanitation. Furthermore, DFID is supporting Rural Reconstruction and Rehabilitation Sector Development Project (RRRSDP) and Local Governance Community Development Program (LGCDP). Both of these projects have rural water supply and sanitation components.

UNICEF support is provided through a programme "*Decentralized Action for Children & Women* (DACAWE) in which key sectoral interventions are integrated at district level. It also supports the government in sector policies and water quality issues. In mid 70s, UNICEF began piloting community water supply and environmental sanitation programme in Nepal in cooperation with Helvetas, together with MLD. Helvetas and UNICEF programmes were transferred to DWSS in 1988 and DWSS was then designated as lead agency in the sector. RWSSP-WN overlaps with UNICEF water and sanitation programs in Kapilvastu, Nawalparasi and Tanahun districts.

WaterAid Nepal (WAN) supports Nepal Water for Health (NEWAH), locally established NGO, which is exclusively engaged in rural water supply and sanitation across the country. NEWAH has regional office in all five-development regions and operates throughout the country. WAN also supports NGOs namely Lumanti and Centre for Integrated Urban Development (NGO) in three small urban areas. In addition, WAN supports sector through advocacy, research and experience sharing, and as such is powerful stakeholder in the NGO side of the sector.

Swiss Association for International Cooperation (Helvetas) in mid 70s initiated working in Western Region of Nepal. Long experience of UNICEF and Helvetas program helped to produce community-based guidelines including technical and procedural manual in 1992. Since then sustainability of water supply project improved remarkably. Helvetas now works in Western Region and in Far-Western Region with a similar concept of water resources management in coalition with Finnish supported RVWRMP.

Gorkha Welfare Scheme (GWS) operates in Eastern and Western regions where most of the Gorkha British army lives. GWS is also known to be an institution that often carries research and advocacy work. GWS often integrates micro-irrigation in addition to water supply, sanitation and hygiene education in order to improve livelihood of the beneficiaries.

2.5.4 Grassroots Organizations

Grassroots organizations are provider of services as well as users themselves. Examples are CBOs and Water and Sanitation User Committees of a water scheme. Registration of the WUSCs with district authorities is mandatory. They participate in the planning and construction, and are responsible for operation and maintenance of schemes.

The grassroots organizations (if formed in an inclusive manner and operate democratically) command legitimacy and influence in the community and have more accurate information about the community than any other organization. They thus become the backbone of a successful WASH programme.

The more effective grassroots organizations/institutions include the following: Women's Clubs, Schools, Saving and Credit Organizations (groups or cooperatives), Political Parties, Village Health Workers, and Local Clubs. Particularly the promotion of hygiene and sanitation is considered to be more effective if it is launched through one or more of these existing organizations.

2.5.5 Beneficiaries

The beneficiaries of RWSSP-WN are the rural people living in the selected VDCs of RWSSP-WN as well as the local bodies of the nine project districts. The central level beneficiary organization is DoLIDAR.

2.5.6 Sector Coordination

2.5.6.1 Central level

The sector coordination at Central level has made some progress with the regularization of all stakeholder inclusive biannual Sector Stakeholder Group (SSG) meeting under MPPW leadership, with MLD participation. There is a lot of hope as it provides an opportunity and a single platform for the government for policies and programmes to be discussed and debated, and ideas and information exchanged. SSG also engages more frequently on ad hoc basis for certain events such as National sanitation week, environment day, water day etc. There are continuous discussions between the MLD and MPPW ongoing regarding the SWAp in WASH sector.

2.5.6.2 Local Bodies level

The Local Bodies (the VDCs and DDC) and a Drinking Water and Sanitation Coordination Committee are the coordinating mechanisms for WASH activities in a district. The DDCs have two committees carrying out the responsibility: the Sectoral Plan Formulation Committee and Integrated Plan Formulation Committee. In addition the monitoring committee and monitoring sub-committee have important role in coordination as well. While the plan formulation committees are functioning relatively well, the monitoring committees have not even been formed since the termination of tenure of the local body representatives. Moreover, these committees are internal to the DDCs and VDCs; therefore they do not include a wide range of civil society and private sector organizations. Particularly this is a crucial matter for implementing activities involved with sanitation and hygiene component of the RWSSP-WN that demands an encompassing and multi-sectoral response.

The District Water and Sanitation Coordination Committee (DWSSCC) is functional as per the Water and Sanitation Policy offers room for working together for government agencies, local bodies, and civil society. The coordination committee at the moment is a platform primarily for sharing information among the actors at the district level.

3. DEFINITION OF THE INTERVENTION

The project logical framework or project planning matrix is presented in Annex C.

3.1 Overall objective

The overall objective or long term objective of the project is increased wellbeing of the poorest and excluded.

Underlying the overall objective and the project approach is the notion that lack of water supply, sanitation and hygiene causes poverty. Thus fulfilling the needs of the poorest and the excluded regarding water, sanitation, hygiene and nutrition and providing them opportunities to increase their own wellbeing through decentralized governance system will reduce poverty resulting in higher productivity and income.

Main indicators used to measure the increased wellbeing are the Human Development Index (HDI), Poverty Index, Household/Per capita income, Life Expectancy, Empowerment Index and the Governance Index.

3.2 Project Purpose

The purpose of the project is to fulfill the basic needs and ensure rights of access of the poorest and excluded to safe domestic water, good health and hygiene through decentralized governance system.

The outcomes (results) resulting from the accomplishment of the purpose and corresponding indicators to the same are listed below. These results in turn will contribute towards the achievement of the overall objective.

3.3 Results

It is expected that the Project will achieve the following results or outcomes:

1. Increased women's productive role (time and energy)
2. Decreased hardship, gender and social discrimination linked with water, sanitation and hygiene
3. Improved health, nutrition and hygiene of community people in program districts, particularly among the poorest and excluded
4. Decreased infant and maternal mortality.
5. Enhanced institutional capacity of local bodies (DDCs and VDCs) to facilitate the execution of WASH sector/projects
6. Sustainable operation and maintenance of domestic water schemes managed by inclusive WUSC
7. GESI responsive WASH sector policies, strategies and guidelines at the central and local levels adopted

The indicators to measure the achievement of the above results are:

A. Health and Sanitation

- ❑ Incidence of top ten diseases (i.e. diarrhea, skin, ARI, intestine worms, pyrexia, gastritis, ear infection, eye complication, chronic bronchitis, abdominal pain) reduced by% (from baseline)
- ❑ Infant mortality rate under five decreased by% (from baseline)
- ❑ Maternal mortality rate decreased by% (from baseline)

- ❑ Proportion of malnourished children under 3 yrs per 1,000 decreased by....% (from baseline)

B. Domestic water supply

- ❑ Quantity of water used per capita per day at the end of dry season increased byltr./ % (from baseline)
- ❑ Domestic water schemes running successfully during the last 5 years or over increased by.....% (from baseline)
- ❑% improved in water quality (Arsenic by%, E-coli by.....%,) (from baseline and NDWQS)
- ❑ Population covered by domestic water supply increased by% (from baseline)

C. Governance

- ❑ GESI responsive DDC WASH sector policy developed and in use
- ❑ WASH District Development Funds increased by% (from baseline)
- ❑ Per capita WASH fund increased by% (water and sanitation disaggregated) (from baseline)
- ❑ WASH sector coordination mechanism is functional

3.4 Outputs

There are four major outputs of the Project. They are:

1. Well-functioning domestic water schemes managed by inclusive WUSCs providing safe domestic water to all users.

Most of the non-built water supply schemes are located in the areas where natural water sources are not available. It is expected that the unit cost per capita will increase in those areas. Therefore acceptable district and GESI specific unit cost limits are to be set for the planned water schemes for approval and the designs should favor the use of locally available materials and equipment. This has been already partly taken into account in the design of the Project budget. This principle means that the Project should encourage alternative water supply systems such as Kuwa improvements, hand dug well rehabilitations, point source spring improvement, rainwater harvesting, etc.). These options should be used if the traditional gravity system or elevated water tank system becomes too expensive or its use is not affordable by the beneficiaries. Anyhow, the final decision is always with the users and if they can mobilize additional funds for more expensive technical solution, then project should have flexibility to approve this.

The role and ownership of inclusive WUSC in planning, implementation and operation and maintenance of water scheme is utmost important. In order to ensure that poor and excluded will benefit from the Project a minimum limit of 20 % calculated from total water scheme construction costs should directly benefit poor and excluded.

2. Total behavior changed in hygiene and sanitation of individuals, households, communities and institutions

The behavioral change in hygiene and sanitation means that households or institutions don't just construct and use latrines. The approach includes behavioral change in personal and household hygiene and sanitation and in hygienic drinking water management in the prevention of waterborne diseases proportionately in all socio-economic groups. The behavioral change needs to be TOTAL including all socio-economic groups of the society. Therefore Project shall concentrate on behavioral change programs by using tools such as PHAST and CLTS. In order to achieve total behavior change the process is lengthy (several years) and requires continuous interaction with households. Therefore the use of

already existing health personnel (permanent and volunteers) and existing Community Based Organizations is utmost important. The process should be strengthened with participatory monitoring and rewarding system where CBOs can play important role. The behavioral change program is entry point to the VDC where water supply component will be part of it. Furthermore it is emphasized that people should change their habits to use drinking water for sanitation purpose. In the areas of water scarcity the separation of drinking water from sanitation water becomes utmost important as well as introduction of the ecological sanitation dry toilets, which use does not require water at all.

Individual behavioral change means improved defecation and personal hygiene behavior, increased use of soap and hand washing at critical times, improved kitchen hygiene (household and environmental sanitation). Special emphasis will be given for the washing of hands with soap. Studies show how this is most efficient way of reducing diarrheal morbidity as illustrated in the graph below (Fewtrell et.al 2005). As schools, health posts, communal halls, etc. are the places where best demonstrations are needed the behavioral change programs should not be limited to the households but include also these institutions. Also to minimize the maternal and infant mortality rates health facilities will be strengthened by establishing the health funding (insurance) system in each VDC.

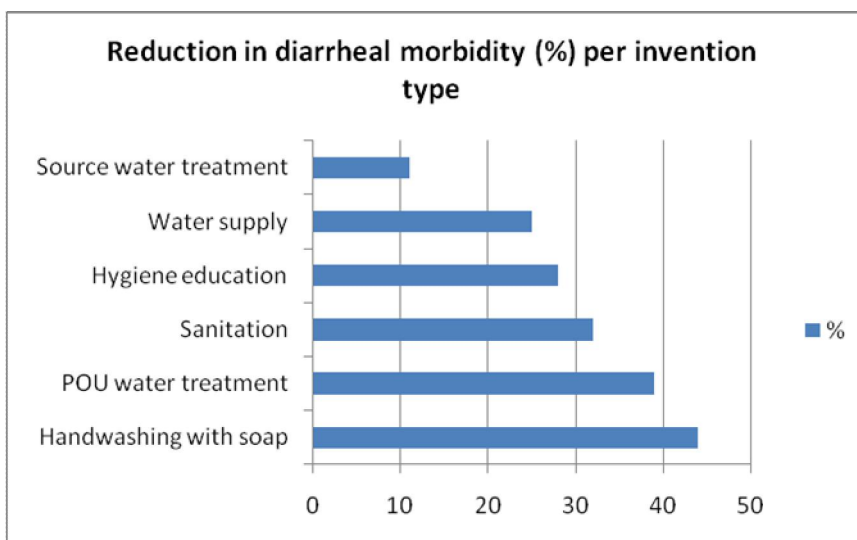
The nutrition education connected with small-scale nursery development (kitchen gardens) focusing on mothers and children will strengthen the change ignited through behavioral change. Nutrition programs will be connected into existing CBOs. The nutrition program is conducted at community level with the existing or new breastfeeding and pregnant mother groups led by Lead Mother and its main objectives are to improve maternal and infant health and to reduce chronic malnutrition among children and mothers.

Based on the baseline data already collected in the VDC WASH Plan nutritional status of mothers and children at household level will be assessed by Community Hygiene and Sanitation Action Committee (CHSAC). Total Behavior Change triggers, Natural Leaders, Female Community Health Volunteers (FCHV), Service Providers (SP) and Lead Mothers will visit the individual households and support the households in developing their nutrition habits. They facilitate the establishment of Mothers' Groups for nutrition improvement. The lead mothers of each group receive training in group facilitation and they are the community level helping hands for the Female Community Health Volunteers. Nutrition education and the importance of nutrition will be conducted in schools, community and households. Awareness raising about nutrition, malnutrition and its affect to human health especially of mothers and children will be aired by FM radio, posters, songs, street dramas, video documentary shows etc. Special Lead Mothers Training manual will be prepared.

Health workers, FCHVs, teachers, lead mothers, will be orientated about the following topics;

- Nutrition- Introduction
- Elements of food or basic food
- Nutritional status of local food stuff
- Protection and preservation of food
- Hygienic handling of food
- Food faddism
- Food adulteration and their affects on health
- Improper food habit
- Improper food product marketing strategy
- Consumer responsibilities and education for proper nutrition and food habit

A regular growth monitoring, Body Mass Index records, health check-ups, immunization, vitamin distribution, de-worming, will also be followed up by the FCHVs and lead mothers. FCHVs will also keep record of Body Mass Index (BMI) of mothers and children. The progress of nutrition program will be monitored by VDC WASH Coordination Committees, CHSAC and SP.



3. Strengthened institutional capacity of local bodies to facilitate the WUSCs for the implementation, operation and maintenance management of domestic water, sanitation and hygiene (WASH) programs in a self-sustainable manner

The role and use of the local bodies in the facilitation of WASH programs in the districts at DDC and VDC levels is the main implementation strategy of the Project. The coordination, technical and managerial skills of the local bodies personnel need to be improved and resources available in the districts and VDCs efficiently used. This requires multi-sectoral coordination and crossing the traditional borders between different government institutions. The coordination in hygiene and sanitation behavioral change is very important because of the main human resources available to carry out the behavioral change programs are in District Public Health Office and Health Centers and in the Water Supply and Sanitation Divisional Office. Therefore the funds from donors (including Finland) to support District WASH Program's implementation should be channeled through one pooled fund-basket called District WASH Fund used through local bodies targeting all people, but giving priority to poor and excluded.

In order to sustain the functionality of already existing WASH facilities increasing support to the WUSCs in technical and financial operation and maintenance management of schemes shall be provided.

4. WASH sector policies, strategies and guidelines at the central and local level prepared.

Districts have autonomous status. Therefore they have the authority to develop district specific policies, strategies, guidelines and regulations. Therefore the Project will support the development of transparent and accountable GESI responsive WASH sector policies, guidelines and strategies approved and implemented by DDCs to facilitate efficient and coordinated WASH Programs implementation in the districts. The Districts' WASH Programs serve as testing grounds for national policy and strategy proposals and development providing valuable inputs to the national level. One part of this is the human resource development in WASH. Therefore the Project supports improved GESI responsive human resource development for effective, decentralized WASH implementation.

The indicators to measure the achievement of the above described outputs are:

A. Domestic water coverage

- ☐ Increased by.....% population (target 70,000 additional people) have access to safe domestic water supply (from baseline) (served vs. un-served) (socially and geographically disaggregated)
- ☐ Increased by.....% of institutions have access to safe drinking water
- ☐ Reduced time to 15 minutes to fetch water (from the baseline)

B. Hygiene and Sanitation coverage

- ☐ Increased by...% population (target 250,000 additional people) have access to safe sanitation (from baseline) (served vs. un-served) (socially and geographically disaggregated)
- ☐ Increased by.....% of institutions have access to safe sanitation
- ☐ Increased by.....% (..... nos. VDCs and Wards/Communities declared ODF) of VDCs and Wards declared ODF

C. Arsenic mitigation

- ☐ Increased by% of population (10,000 people) have access to arsenic mitigated domestic water supply (from baseline) (define the level of arsenic) (served vs. un-served)

D. Governance

- ☐ Increased by.....% of WUSCs led by Women and poor and excluded (from baseline)
- ☐ Increased by.....% of DDF budget allocated for WASH activities by DDCs
- ☐ Participatory planning and monitoring system in use.
- ☐ Participatory Public Auditing in use.

3.5 ActivitiesA. Domestic Water Supply

To carry out the activities described below ensures that (i) improved domestic water supply schemes are operating, (ii) arsenic mitigation and lime encrustation are addressed, (iii) community mobilized resources meet the O&M management and reconstruction costs, (iv) water quality is monitored by WUSCs, DDCs and DPHOs on a regular basis and that (v) knowledge and importance of water quality and quantity by users is increased. The activities are:

- a. Construction of new domestic water schemes
 - i. Gravity schemes
 - ii. Rainwater harvesting
 - iii. Kuwa/ Point source spring improvement
 - iv. Tube and hand-dug well
- b. Rehabilitation of existing domestic water schemes
- c. Building of technical and financial capacity for WUSC and others
- d. Carryout water quality monitoring
- e. Mitigation of arsenic and lime encrustation
- f. Environmental Protection of water sources
- g. Awareness creation/ Transparency of domestic water schemes

The indicators to measure the implementation of these activities are:

- ☐no. of new schemes constructed (disaggregated e.g. gravity, rainwater...)

- ❑% of the constructed schemes benefiting poor and excluded
- ❑ no. of existing schemes rehabilitated (disaggregated e.g. gravity, rainwater...) amount of O&M funds collected and used
- ❑no. of schemes/projects monitoring water quality (NDWQS) on a regular basis

B. Health, Hygiene and Sanitation

To carry out the activities described below ensures that (i) behavioral change in hygiene and sanitation at household level, public places and institutions has improved, (ii) nutritional status of pregnant and lactating mothers and children has improved, (iii) surrounding environment has become cleaner and (iv) local resources have been made available to keep the communities active to practice new habits. The activities are:

- a. Ignite the process of change to open defecation free VDCs and Wards
- b. Implement household sanitation, hygiene and waste water management
- c. Implement institutional sanitation and hygiene
- d. Implement personal hygiene and health programs
- e. Implement nutrition programs for mothers and children with existing CBOs
- f. Implement family health and sanitation insurance system in each selected VDC
- g. Awareness creation, motivation and rewarding

The indicators to measure the implementation of these activities are:

- ❑no. of household toilets constructed (socially and geographically disaggregated)
- ❑no. of households using toilets (socially and geographically disaggregated)
- ❑no. of toilets constructed for differently-able children at schools and people at communities
- ❑no. of schools using separate toilets for girls and boys
- ❑no. of public and demonstration latrines constructed
- ❑no. of children/adults used soap for hand washing in critical time
- ❑no. of households fulfilled the set criteria of behavioral change in hygiene and sanitation (socially and geographically disaggregated)
- ❑ Body-Mass-Index (BMI) of mothers and children improved by%, (from baseline)

C. Inclusive local governance in WASH

To carry out the activities described below ensures that (i) GESI responsive local bodies planning systems are strengthened, (ii) GESI responsive policies on rural WASH have been updated / prepared, (iii) WASH Plans at district and VDC levels have been prepared, (iv) multi-sector stakeholders coordination mechanism is established, (v) local bodies staff is trained in WASH governance and service delivery, (vi) WASH stakeholders are trained, (vi) Participatory Monitoring and Evaluation systems are established and (vii) financial management systems are established, The activities are:

- a. Coordinate and harmonize WASH sector programs, funding, approach and modalities
- b. Assist DDCs to manage District Development Fund effectively
- c. Enhance local bodies capacity to facilitate the GESI responsive WASH service delivery system
- d. Enhance roles, responsibility, transparency and accountability of local bodies and WUSCs
- e. Strengthen local bodies GESI responsive planning, programming, budgeting system
- f. Strengthen local bodies GESI responsive reporting, monitoring and evaluation system

The indicators to measure the implementation of these activities are:

- ❑no. of WASH Plans prepared by VDCs
- ❑amount of budget allocated for WASH program (water and sanitation disaggregated)
- ❑ WASH multi-stakeholders forum established and operational
- ❑no. of staff/persons (socially disaggregated) trained
- ❑no. of WUSCs maintained well managed financial records
- ❑no. of WUSCs maintainedamount of O&M funds
- ❑no of VDCs allocated at least% of funds for WASH (water and sanitation disaggregated)
- ❑times of participatory monitoring carried out by VDCs and DDCs
- ❑times of WASH public auditing conducted by WUSCs and VDCs

D. Local WASH Policy and Guidelines

To carry out activities described below ensures that district specific guidelines needed for effective, coordinated and transparent District WASH implementation have been prepared. The activities are:

- a) Prepare GESI responsive District WASH implementation guidelines
- b) Prepare District Arsenic mitigation guidelines
- c) Prepare District water quality guidelines

The indicator to measure the implementation of these activities is that all the guidelines are in use.

4. ASSUMPTIONS AND RISKS

The Project will be implemented in the midst of the constitution preparation process and thus the project may encounter unclear procedures and policies on how to proceed. Having the local bodies in place would create an improved and enabling environment for the Project to succeed in the process of devolving power and creating ownership through participatory processes. There are risks that present processes of constitution writing and elections for the local bodies may worsen the security situation and in the case of delay in local bodies election there is a risk that absence of local elected officials may delay the implementation of the project. The security risks will be addressed by the Project's security guideline to be prepared by the Project for its purpose only. The All-Party committees will be used to replace temporarily the non-availability of elected bodies.

The main Purpose of the RWSSP-WN is to fulfill of poorest and excluded households' basic needs and rights of access to safe domestic water, good health and hygiene through decentralized governance system. This is done by strengthening DDCs and VDCs in the Project Districts to respond to the demands from villages for supporting their initiatives to improve water supply, sanitation and hygiene. This requires the strengthening of the DDCs and VDCs with funds and technical support to plan, facilitate and monitor sector investments. It is assumed that local bodies will provide resources as a contribution to the implementation of District WASH Programs as planned in this project document. This assumption is addressed by the Memorandum of Understanding between DoLIDAR and DDC for the Donor support for the district and the Project will introduce district's own WASH guideline, which defines these contributions. Once approved the contributions are secured.

Available skills and financial resources need to be utilized to the extent possible at all levels therefore intensive cooperation among the stakeholders involved in the WASH development is necessary. It is assumed that cooperation and working modalities at district level will be harmonized. It is also assumed that all the stakeholders involved in development of WASH sector will provide their full support to this

cooperation. The Project will introduce District's own Implementation Guideline which ensures the cooperation with stakeholders. Furthermore WASH Sector Stakeholder Forum will be introduced, which ensures sector coordination.

The approach and strategies of RWSSP-WN are demand and responsive-led. However, if the demand or performance is not recognized it is assumed that Project can withdraw either from district or VDC and move to other areas (DDC or VDC) where community led demand responsive exists. There is a risk that in that case the poor and excluded will be left without WASH services. Project will develop indicators to address the demand and performance.

It is assumed that MLD, DWSS, DDCs, DWSSDOs and other relevant government line agencies will coordinate and harmonize policies, strategies and modalities in WASH and accordingly other relevant donors and donor funded projects in the same area (UNICEF, ADB, Fund Board, Helvetas, UNDP/REDP, etc.) will modify their policies, strategies and modalities. The Project will ensure this harmonization through the introduction of District WASH Implementation Guideline and main WASH strategy paper of WASH at District level.

The implementation of the Project depends on the availability of local human resources. There is a risk that trained and skilful people drain from the Project area, especially if trained personnel cannot be adequately motivated and utilized. To stay in a position is person's own decision and right to decide. The project cannot influence that. Anyhow the Project aims to train additional reserve personnel, which could be mobilized from the Districts, VDCs and communities if some leaves.

Change in GON's development policy and priorities during the life time of the Project can affect the overall project progress. Especially it may affect to the availability of funds from GON in time. The project will be active at central level to keep WASH as the priority of the Government.

Risks for the Project grant include (i) political instability, including frequent changes in the Government; and (ii) weak commitment to implementing new legislation and regulation (iii) inability of the DDCs to raise sufficient counterpart funds and (iv) weak capacity in the districts to manage District WASH Fund. The Project will address these risks by raising the awareness of WASH importance so that it enjoys high priority even in political crisis situations.

The risks beyond the control of the project are health epidemics and natural disasters, which in large-scale may impact the project implementation.

Peace process:

The project has no direct bearing on the on-going peace process at the central-national level. However, addressing the marginalized, poor and disadvantaged communities; the project attempts to check the common deprivation of social and economic condition of the people living in the remote and untouched areas through their participation in the WASH and livelihood activities directly. This provides the cushion effect to absorb the local human resource and internally displaced people in the productive activities.

Governance:

Instituting the governance structure at the local level from the community to the district such as water users and sanitation committees, community health and sanitation action committees, and institution management committees; and establishing a mechanism for their voice to be heard at VDC level through Village WASH Coordination Committees and at DDC level through District WASH Coordination Committees offers wider and greater scope of community and people participation in the sector. In this way the accountability for service delivery will be established throughout the governance structure where the poor and deprived people are put on the front of development.

Federalism:

The project is also cautious of the forthcoming change in the national politico-administrative structure, i.e. federalism, of the country. Whatever will be the national governing structure of the country the basic decentralized characteristics of the governing structures may remain the same. Therefore, it is anticipated that the basic governance structure for service delivery will be institutionalized at the all three levels; community, VDC and DDC, and even the basic characteristics of these will be taken over by the local governments at the sub-national level which would be established after the promulgation of the new constitution of the country.

5. COMPATIBILITY AND SUSTAINABILITY

5.1 Compatibility with the strategic goals

A considerable legal, policy and strategy review has been carried out recently in the RVWRMP and presented in RVWRMP reports. This review serves also RWSSP-WN and is therefore not presented in this document. Since then there have not been any major policy changes in Nepal. The proposed project complies with the present laws, policies and strategies and even with the recent Sanitation Master Plan proposal drafted by the DWSS.

The strategy of the Project emphasises institutionalisation of sector development through the decentralisation measures of LSG Act 1999 to promote democracy and good governance; prioritisation of areas in the highest demand for water services and lowest per capita incomes to improve their living conditions and assist the poorest communities.

The Project design is in line with the Three Year Interim Plan (TYIP) 2007-2010. Many core elements of TYIP – such as strong emphasis on gender and social inclusion, decentralization and devolution of powers to local bodies also remain at the core of the Project approach.

Millennium Development Goals (MDGs) are at the heart of development agenda of the world. Nepal is one of the 189 countries committed to Millennium Development Goals³. The Government of Nepal's Poverty Reduction Strategy paper has been aligned towards achieving MDGs and in its Three-year Interim plan 2007-2010 Nepal has renewed its policies and strategies in the same line. In line with these strategies RWSSP-WN is aiming to contribute directly on eradication of poverty and hunger, promote gender equality and empowerment, reduce child mortality, improve maternal health and ensure environment sustainability and indirectly to all MDGs through by implementation of water, sanitation, health/hygiene related activities at the local level.

This project document has been designed according to the new Finnish Development Policy Program 2007, *Towards a Sustainable and Just World Community, Government Decision-in-Principle 2007* which emphasizes sustainability. Finland promotes economically, socially and ecologically sustainable development, and places particular emphasis on the importance of issues relating to climate and the environment. At the same time, Finland stresses crisis prevention and support for peace processes as an important element in promoting socially sustainable development. The approaches and results presented in this document support and promote these goals.

Finland's main goal of development policy is to eradicate poverty and to promote sustainable development in accordance with the United Nations' Millennium Development Goals (MDGs). The

³ The Millennium Development Goals (MDGs) are eight goals to be achieved by 2015 that respond the world development challenges.

eradication of poverty and ecologically sustainable development are the most important objectives of Finland's development cooperation.

The main guiding principles of Finland's development policy are:

a) Coherence

Development cooperation must strive to eradicate poverty and to achieve ecological sustainability in a consistent way in accordance with the Millennium Development Goals. Economically, socially and ecologically sustainable development is the only path to eradicating poverty.

b) Complementarity

The Finnish Government stresses the importance of traditional official development cooperation, but at the same time contributes actively to the international debate on the new mechanisms. These should complement official development cooperation, and funding from innovative mechanisms should be channeled primarily using existing aid delivery channels.

c) Effectiveness

Finnish development cooperation builds on the partner countries' own poverty reduction and development strategies. Finland promotes more effective development funding and Finland underlines the importance of utilizing Finnish expertise and experience to support the partner countries' own development programs.

The following cross-cutting themes are supported throughout all Finnish development policy:

- ❑ Promotion of the rights and the status of women and girls, and promotion of gender and social equality;
- ❑ Promotion of the rights of groups that are easily excluded, particularly children, people with disabilities, indigenous people and ethnic minorities, and the promotion of equal opportunities for participation; and
- ❑ Combating Human Immune Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) as a health problem and as a social problem.

The Project is designed so that it

- ❑ will act as a catalyst for development and eradicates the poverty through economically, socially and ecologically sustainable WASH services
- ❑ strengthens the participation of women in social and economic activity
- ❑ promotes social equality, democracy and human rights
- ❑ emphasises the importance of environmental considerations in all activities
- ❑ practices, tests and further develops procedures which emphasise the independent decision-making authority and participation of the partner in cooperation such as new funding mechanism, community led total behavioural change, satellite development centres, health insurance, etc...
- ❑ improves the status of women and girls, and encourages equal participation by women in society and production

5.2 Policy environment

Comprehensive policy analysis is presented in the Annex A. Only short summary of main policies are presented here.

The Local Self-Governance Act (LSGA) enacted in 1999 provides for increased space and role to the local government (DDC/VDC) and municipalities on planning, programming and management of all infrastructures in the district including water supply and sanitation. In order to support technical

matters, the government has also established District Technical Offices (DTO) at district headquarters that are the technical wings of the DDC.

Local Infrastructure Development Policy (LIDP) was enacted in 2004 in order to accelerate the pace of rural development and to support rural area by improving the access of rural people in goods, services and facilities for the betterment of their lives. As per the policy MLD is responsible for rural water supply and sanitation sector for beneficiaries less than 1,000. Department of Local Infrastructure Development and Access Road (DoLIDAR) was established to provide technical backstopping to local authorities especially DDCs/DTOs. Presently DDCs are implementing around 1000 water supply and sanitation projects annually either themselves or in association with other donors, NGOs, INGOs and water and sanitation stakeholders.

In 2004 the government enacted Rural Water Supply and Sanitation Policy, Strategy and Action-Plan and its key principles are:

- ❑ Provision of water supply and sanitation services with demand driven and community managed approach, and service standards to correspond with affordability and willingness to pay. Basic service level is defined as 15 minutes round trip to fetch water at 45 lpcd (litres per capita per day)
- ❑ Capacity building, health and hygiene will be integrated with water supply and sanitation, thus acronym WASH used in this document.
- ❑ Service delivery to be participatory involving women and assets to be owned by the community.
- ❑ Addressing social exclusion of gender, caste and ethnic groups.
- ❑ Decentralizing responsibility of service delivery to local bodies. Central Government's role is limited to: (i) financing and allocation of sector investments, and (ii) formulating policies and legislation.

The Nepal National Sanitation Policy and Guidelines for Planning and Implementation of Sanitation Programme (MPPW in July 1994) policy directions state that effort will be directed towards improving and sustaining the quality of life and health of people through:

- ❑ Changing people's unhygienic sanitary behaviour and practice related to personal, household and environmental hygiene through environmental health education, information and mobilisation of community;
- ❑ Ensuring community involvement, in particular women's involvement in water management, hygiene education, and other sanitation promotion activities; and
- ❑ Encouraging the participation of non-governmental organizations and volunteers as partners in development.
- ❑ Water Users' and Sanitation Committees (WUSCs) are the actual implementing agency in all rural water and sanitation schemes. WUSCs are legal entities and they are registered in DDC as per Water Resources Act (1992).

The Three Year Interim Plan (TYIP) (2007- 2010) provides the most recent guidance on rural WASH sector priorities. It emphasizes employment-oriented, pro-poor and broad-based economic growth - priority is given to projects providing more employment to women, Dalits, Adibasi, Janajatis, youths and the Madhesi communities. It promotes good governance and effective service delivery. It gives emphasis on social development – additional investments will be made on education, health, drinking water and sanitation, and other social development activities, to develop human resources and raise the living standard of the people. It promotes inclusive development processes and targeted programs for the benefit of socially excluded groups. It respects human rights, inclusive development, gender mainstreaming and inclusion. Upliftment of Dalits and the other disadvantaged groups are emphasized

while poverty alleviation remains a key concern and challenge. It sets water and sanitation – numerical targets by the end of TYIP:

- ❑ 85% of the people should have access to improved supply of drinking water and
- ❑ 60% to sanitation services.

Its strategies include simple technology, gradually improved quality of drinking water in accordance with the National Drinking Water Quality Standard, and service standards as per the Water Supply and Sanitation Policy, 2004. It promotes and extends sanitation facilities through public awareness at the rural and urban areas with the participation and contribution of the local government and users' communities and introduces necessary policy, institutional and legal reforms for adopting SWAp. The Plan focuses on decentralization and devolution and it visions that the local bodies would be restructured according to the concept of inclusion, democracy and federal government system. The present Poverty Reduction Strategy is incorporated into the TYIP.

National Drinking Water Quality Standards (2005) provide details of the water quality standards to be applied to all new rural and urban systems and complement the Environment Protection Act (1997) which requires Environmental Impact Assessments of all new projects and pollution control for all water resources.

The Nepal Water Supply Corporation Act 2nd Amendment (2007), Water Supply Management Board Act (2006) and Water Supply Tariff Fixation Commission Act (2006) facilitate the improved management of Kathmandu Valley's water and sanitation services. These establish the legal basis for private sector management of schemes and independent fee setting and regulation and are applicable to all urban schemes.

5.3 Economic/financial feasibility

The District WASH Program will generate economic benefits through averted costs resulting from the time saved in collecting water and saved costs to heal water and hygiene related diseases. In addition income generation activities will be introduced to collect funds for the operation and maintenance.

Expenditure for water supply and sanitation is considered relatively low in comparison with other services and needs. Economic value is measured by the willingness-to-pay for improved services i.e. the contributions that households are prepared to contribute towards construction and O&M costs. However, some families are obviously unable to pay for water on the basis of extreme poverty or lack of land. Due to lack of safety nets and cross subsidization instruments at the village level and below, District WASH programs supported by RWSSP-WN will target 20% of WASH funds to the poorest while simultaneously reducing the average direct subsidies, thus avoiding a financial burden to VDCs, DDCs or GON.

Economic analysis of the impact of District WASH supported by RWSSP-WN has been limited to evaluating the cost levels of the recent investment schemes. Cost and output information has been gathered from many ongoing projects and has been used for budget preparation of the RWSSP-WN interventions. These unit costs have become defining factors in the establishment of Project targets.

The Project will generate employment and income through the labor-intensive WASH infrastructure works during implementation, through income generating activities and afterward through O&M of the new infrastructure. Furthermore the Project will contribute to greater accountability and efficiency through a strengthened and harmonized policy and regulatory framework at district level. A more transparent system of fiscal transfers will improve government budgeting and financial management practices. Decentralized decision making will bring local bodies closer to the people, improve the quality

of WASH infrastructure by allowing for a better matching of local needs and preferences, and enhance transparency.

The financial management system to be adopted for RWSSP-WN will be based on the revised LBFAR, which addresses the expenditure authorization of local bodies. This includes increasing the approving authority threshold of local development officers, and providing the DTOs with the authority to approve contracts; this is expected to significantly speed implementation and improve WASH delivery.

The establishment of district led WASH sector and common WASH pool fund in the districts strengthened through established multi-stakeholder coordination mechanisms, signed stakeholder coordination memorandum, district WASH plan and district specific WASH implementation guideline endorsed by all stakeholders and political parties will provide lessons needed for smooth transition towards Sector Wide Approach. This district WASH implementation mechanism is a tool for the districts to attract other development partners in WASH sector to invest into the sector through the established funding channel and implementation modality.

5.4 Institutional capacity

All possible activities and actions in RWSSP-WN are aligned as much as possible to the Government Structures, Policies, Strategies, Regulations and Guidelines. This is in line with the key principle mentioned in the RWSS sector strategy (2003). This means that all project decisions are based on decentralization and accountability principles.

Implementation in the Water Supply, Sanitation and Hygiene (WASH) sector requires extensive coordination and harmonization of policies, strategies and implementation modalities. RWSSP-WN plays intensive role by developing and ground testing applicable methodologies, approaches, procedures and modalities. This means that the District WASH Program modalities tested paves the way towards Sector Wide Approach (SWAp) in WASH sector at all levels.

The Project will be implemented on the basis of the Three-year Interim Plan (2007/08 – 2009/10) as a GON program in support of decentralization and local governance, to which MLD and development partners have committed. Project actions are designed and implemented in compliance with the LSGA and related regulations.

The Project design ensures transparency in all its operations' budgets, decision making process, communication and coordination among line agencies and non-state agencies. The Project design delineates roles and responsibilities of all the actors and use a systematic implementation approach to increase accountability at all levels.

The institutional capacity building strategies of the Project targets in particular the following areas:

- ❑ capacity for local bodies level planning, coordination and monitoring & evaluation
- ❑ capacity for GESI responsive participatory planning, implementation and monitoring
- ❑ capacity for transparency in financial management

5.5 Socio-economic and cultural aspects

The population in Terai consists of different castes, ethnic and religious groups. Several languages are spoken in the Terai (nepali, maithali, bhojpuri, tharu, bazikka, hindi). In the Hills, Magar communities are prevalent. Among the dominant groups, small clusters of the more deprived communities exist. The population in the Hill districts is more homogenous and less hierarchical than the caste based communities in the Terai

The differences have implications to the community level organizations, to the roles women and men have in the communities and to the general status of women, to the roles of the traditionally excluded groups, to the communication among the groups, and to their economic situation. The prevailing diversity in the Project Districts does not allow for a rigid, standardized approach to be adopted for District WASH programs implementation. Therefore the approaches used in water supply and behavioral change in hygiene and sanitation are to be flexible to fit into the given socio-cultural context. Special attention is needed to ensure that the poorest and most disenfranchised groups are not excluded from the achievements of District WASH Programs implementation.

5.6 Participation and ownership

RWSSP-WN is Government's of Nepal project at central, district and VDC levels owned by the Nepal Government. The Project is led by the government at central level and local bodies at district and VDC levels and by the people themselves at the community level. The Project enjoys first priority status in Government resource allocations (P1 status).

All actions done at the community level are led by the community with active participation and inclusion of poor and excluded. Civil servants, consultants and service organizations play only igniting and facilitating role. Selected technical and methodological solutions are aligned with the government systems and adjusted to the level of peoples' capacities to take the leadership in project implementation.

The Project translates GON commitments to strengthen local self-governance, state restructuring and the engagement of local bodies with communities with the aim of improving the WASH services delivery at the local bodies' level. Thus, support to local governance is flexible and process-oriented. Innovative and flexible methods ensure that the primary program outcome of responsive, inclusive and accountable local governance through participatory community-led development is attained.

The water supply sanitation and hygiene planning follows the LSGA and normal GON planning procedures for annual development planning in Wards, VDCs, Ilaka level and DDCs. The planning process involve multiple GON stakeholders at the District level for the "soft-ware" part, such as WDO, DPHO, DEO, DWSSDO and is open for VDCs and WUSCs outsourcing of "hardware" or "soft ware" activities to local NGO and the private sector service providers. This enhances ownership at all levels.

The project will support community-led development, defined as an approach where citizens and communities either individually or collectively, as active partners in the local governance process, prioritize, implement or fulfill their basic needs through collective action.

5.7 Cross-cutting issues

The following cross-cutting themes are supported by the Project:

Promotion of the rights and the status of women and girls, and promotion of gender and social equality:

RWSSP-WN seeks to address:

- Gender and social inclusion is integrated into each activity of the Project
- Male counterpart will be sensitized for their household responsibilities
- Male counterpart will take care of their children when female partner are engaging in WASH activities

Promotion of the rights of groups that are easily excluded, particularly children, people with disabilities, indigenous people and ethnic minorities, and the promotion of equal opportunities for participation:

a) Mainstreaming

In addition to improving community awareness of health, hygiene, sanitation, HIV and AIDS, through Behavioural Change Campaigns and IEC activities, the training for health service providers will ensure the continued mainstreaming of hygiene and sanitation care and improved water supply in targeted districts.

b) Environment

The trainings and activities are specifically designed to ensure that project beneficiaries do not over-utilize diminishing natural resources, that they restore forests, and that they learn about improved cooking stoves and biogas units as ways to reduce dependency on forest wood as fuel.

c) Child Protection

Child protection activities are included in the trainings given in WASH. Communities gain an understanding of legal and civil rights, and of the importance of registering their own birth and the births of their children.

d) Disaster Prevention & Mitigation

RWSSP-WN ensures that the project partners are sensitive to the environmental conditions of each locale, and that it will incorporate activities into trainings as needed.

e) Income Generation

Beneficiaries are encouraged to save money, join health insurance systems and available community banking and making decisions about how savings will be utilized. The nutrition component helps to create employment opportunities and introduce livelihood practices to men and women through trainings and activities designed to increase family income and improve the quality of life.

Combating Human Immunodeficiency Virus (HIV) and Acquired Immunodeficiency Syndrome (AIDS) as a health problem and as a social problem

RWSSP-WN supported District WASH Programs include education of men and women in the training programs in order to aware them on their vulnerability to HIV and AIDS and STIs and on prevention strategies.

5.8 Gender and social inclusion

In the District WASH program implementation supported by RWSSP-WN the traditionally excluded groups and the poorest of the poor are able to benefit from the District and VDC WASH resources. Gender and social inclusion (GESI) is integrated into the Project design and implementation. The GESI strategy developed by RVWRMP applies in RWSSP-WN supported District WASH Programs. GESI is mainstreamed into all WASH activities and GESI training is an integrated component of all trainings.

Currently, gender quotas are the most common strategy for involving women in rural WASH activities. Quotas for poor and traditionally excluded groups are pursued. The quota strategy is monitored and actively used to adjust strategies for increased involvement of both women and men. The program design ensures that ultra poor, Dalits and women gets first opportunities during scheme selection, recruiting of Community Mobilizers and in the use of local human resources. RWSSP-WN also promotes

inclusion of women, Dalits and other deprived communities in its staff, in the staff of partner NGOs and other partner stakeholders.

Equitable participation of both men and women is a key strategy for sustainable development in RWSSP-WN. WASH implementation processes and structures are gender sensitive. The Project design addresses the practical gender needs and responsibilities of women in water collection and utilization. The Project components focusing on promoting access to social amenities as well as access to information in the areas of health, sanitation and nutrition contributes to women's ability to undertake their productive and reproductive roles within the household and the community. The Project design addresses women's lack of access to economic resources such as finance through access to credit. It is expected that the Project will bring positive change in their social position in society, towards meeting the strategic needs and hence empowerment.

RWSSP-WN works in collaboration with the Women Development Office (WDO) of the District to increase the level of awareness on gender and gender relations.

In spite of the intentions by many stakeholders gender equity and equality has not yet been adequately realized partly due to cultural barriers at community level and partly due to inadequate awareness and skill by the personnel working in WASH. Gender has to a large degree simply been equated with women's involvement in WUSCs, gender groups and small production groups. This is a positive step towards addressing gender issues. In addition to these issues RWSSP-WN is driven with gender equality principles in designs, staffing, capacity building and leadership. Furthermore the Project is driven with principles where social discrimination is eliminated and where project benefits are shared democratically among all community members.

The Project supports development of methodologies to address the needs of the children, young people, women, conflict victims and the disadvantaged. Towards this end, the project ensures that their voices are heard in key decision-making processes at the local level, including, to the extent possible, by mainstreaming and institutionalizing their participation in established institutions. This is one specific way through which downward accountability of local bodies to the disadvantaged populations is ensured.

The Project addresses "water-discrimination" issues and includes a discussion on the cultural-evils of caste and gender discrimination and makes people aware of the concept of "equal citizens" and "all people's rights" to water and sanitation. The message is that if there is scarce water everybody has to share the water. Caste is not an issue to exclude the poorest from water access.

5.9 Environment

Integrated Initial Environmental Examinations of water schemes demonstrate that the Project is not likely to cause any significant environmental impacts since several safeguards are incorporated in the project design. RWSSP-WN provides technical and financial support to ensure that initial environmental examinations are conducted and mitigation measures are implemented to meet the Government standards. Issues addressed include environmental protection of (gravity) sources and their catchments (e.g. solid waste management), over exploitation of (gravity) sources, pollution (contamination) of ground water (arsenic amongst other natural and man-caused pollutants), erosion resulting from careless construction of pipelines, and bearing capacity of land (if locations previously less suitable for habitation are encouraged to be exploited, e.g., by rainwater harvesting).

The most critical issue related to source security is the source capacity (adequacy and reliability) of gravity schemes and possible overexploitation resulting in drying up of these sources in exceptionally dry years or even more frequently. Another issue is contamination caused by human or animal waste or

arsenic waste from arsenic removal filters, which may risk the low aquifers in Terai. These issues are addressed in the Project design by integrating the monitoring of water yields and maintaining the water point surroundings clean into the O&M management of water schemes by WUSCs.

5.10 Appropriate technology

5.10.1 Technology and designs in water supply

Technical surveys and design of new or existing gravity water schemes or tap stands, tube wells and hand dug wells with hand pumps or motorized pumps, source protection, point source or Kuwa improvements and rain water collection are participatory and based on consultation with women and the poorest (Dalits or ethnic minorities or other). This ensures the appropriate location, technology used and design. The designs contain environmental sanitation, hygiene, privacy and practicality needs of men, women and children. Appropriate technology in RWSSP-WN design is based on quality services with understanding that the technology promoted and selected is suitable for the poorest households.

5.10.2 Arsenic mitigation and lime encrustation

In RWSSP-WN design the appropriate technology or quality services in arsenic mitigation includes preparation of district level arsenic mitigation guidelines, collection of accurate data of water quality and water quality results analyzing together with the users / women. Options explored for alternative water supply are discussed together with the users / women. The options to mitigate arsenic are rainwater collection combined with arsenic filter promotion or provision of new clean water supply or rehabilitation of the old water supply. Arsenic mitigation includes also the change of peoples' behavior in the use of clean water for drinking and cooking only. The Project arsenic mitigation design ensures that arsenic containing water is used only for cleaning, personal hygiene, animals, laundry etc or for irrigation of flowers and when mixed with rain or river water for larger fields of other cash crops.

Promotion of long-lasting and affordable arsenic mitigation filters, which are hygienic and easy to clean and maintain and cheap (Bio-sand filters in plastic buckets or concrete/cement filters) and training of the arsenic water users in water management, health and maintenance & repair of filters and hand pumps and organizing exchange visits to successful arsenic mitigation projects, in the District or other Districts are additional measures, which ensure the sustainability in the Project's arsenic mitigation.

A great number of water samples (>1.2 million) have been collected in Terai Districts of Nepal and analyzed for arsenic content. Comprehensive analysis of the reasons of arsenic in ground water and possibilities to avoid it in water wells is not yet available. Possibilities to analyze the existing data will be investigated. The budget for possible data analysis is not included into presented budget. If further analysis is found feasible the budget for the analysis could be separately agreed by the competent stakeholders.

The project design addresses the research and technology development of lime encrustation, which is affecting the piped water supply systems in Terai and Pyuthan districts.

5.10.3 Technical and social aspects in hygiene and sanitation

If no water is easily available near the toilets, the transportation of water to the toilets over long distances in difficult terrain will add to women's and girl's burden. If water is not available near the toilets, people are unlikely to use the toilets and prefer open defecation near flowing water / river banks, waterfalls, sources etc. The RWSSP-WN design disaggregates the understanding between "sanitation water" and "drinking water" and creates new initiatives to collect "sanitation water".

RWSSP-WN design addresses the appropriate technology and quality service in sanitation for poor by promoting technology which is simple, cheap, hygienic and already tested, pit, pour flush or ecological models, according to national or district standards, and which requires minimum maintenance and repair and minimum external materials. Quality service also means that toilets are safe, can stand the monsoon rains and which do not collapse beneath users and toilets designs takes into consideration of old, young and disabled people who cannot walk far for defecation or who need special arrangements for toilet use because of their disabilities. In areas where land for toilets is not available the Project promotes public or shared toilets. It is also understood that even the poorest and excluded may not want to share a latrine with other households, and may prefer open defecation.

The Project applies community led and demand-driven approach in sanitation and hygiene promotion. Quality service in Project's sanitation promotion design means, that toilets have safe distance to kitchen and living areas and that they are located below water wells in hilly areas and have safe distance of pour-flash toilets in Terai. RWSSP-WN design also includes an approach of establishing satellite centers that help in changing the behavior and demand support for toilet construction.

6. IMPLEMENTATION

Project Period: The Project period is from August 2008 to July 2012.

Project Districts: The Project will be operational in six Hill and three Terai Districts:

- ❑ Baglung, Myagdi and Parbat in Dhawalagiri Zone of Western Development Region;
- ❑ Syangja and Tanahun in Gandaki Zone of Western Development Region;
- ❑ Pyuthan in Rapti Zone of Mid-Western Development Region
- ❑ Kapilvastu, Rupandehi and Nawalparasi in Lumbini Zone of Western Development Region

The map of Project districts is presented below:



Entry point

The entry point or project window at the district level is the Multi Stakeholder Forum (MSF). MSF is a meeting where all district level stakeholders agree the WASH implementation coordination and harmonization and action plan by signing a Memorandum of Understanding. At VDC level the entry point is hygiene and sanitation promotion or ignition. As a result of this VDC WASH plan is prepared and actions towards universal access in water and sanitation agreed. The VDC WASH plan includes domestic water supply and hygiene, sanitation, nutrition and capacity building interventions.

Physical targets

The implementation targets have been estimated based on the present coverage in water and sanitation as presented in the table on page 7. This means that the district level targets between the districts differ based on their present status level in water and sanitation. The coverage figures are not equally distributed between the VDCs and once the district's VDCs have been selected the actual district level targets can be established both for water supply and sanitation. The beneficiary population for water will be less than for hygiene sanitation due to the indifference in present coverage. Also the number of selected VDCs will differ between the districts.

In water supply it is estimated that 70,000 new people will benefit from RWSSP-WN support. This will increase the water supply coverage by 2 % in all 9 districts. The number of selected VDCs varies between the districts. More VDCs will be selected for project support intervention in those districts where water supply coverage or sanitation coverage is still lower than others.

In sanitation the beneficiary population will be much higher. It is estimated that a total of 250,000 people will benefit from RWSSP-WN support in hygiene and sanitation. This will increase the sanitation coverage or access to toilet by the Project support from the present 43 % up to 51 % as an average in all 9 districts. Critical situation is in Pyuthan and Kapilvastu districts, where the present coverage is 18.95 % and 19.70 % respectively. It is expected that these districts will receive more RWSSP-WN resources for hygiene and sanitation.

6.1 Approach

The implementation modality used in District WASH implementation supported by RWSSP-WN project implementation is the Government's own implementation modality and practices. Where these modalities are missing or where these practices are not sustainable, effective and efficient the RWSSP-WN role is to develop improved Government of Nepal modalities and practices aligned to the government structure and implementation and to build the capacity where gaps have been observed. The aim is not to develop project-based modalities for "Finnida Project". The key principles and features of the New RWSSP-WN are:

6.1.1 General approaches and implementation principles

Activities and actions in RWSSP-WN are aligned as much as possible to the Government Structures, Policies, Strategies, Regulations and Guidelines.

All decisions in District WASH implementation are based on decentralization and downward accountability principle. Accordingly District WASH decision making is delegated to lowest possible body. Based on this principle, as much as possible project funds to be channeled to the community or VDC from the district level.

VDC selection will be made based upon the VDC applications, which clearly present the VDC ownership (financially and politically) in WASH implementation and inclusion of poor and excluded.

WASH implementation will be aligned as much as possible to the existing committees and groups. If new committees, groups or teams to be established the establishment of these groups should be led by the local bodies.

All decision, actions and development in the Project gears towards holistic and coordinated district WASH implementation. This means that the Project modalities tested should pave the way towards Sector Wide Approach (SWAp). The Project limits its actions and development to WASH sector only. The Project's vision is aligned, and harmonized Sector Wide Approach (SWAp). Accordingly the Project concentrates on those subject areas which later on will mostly benefit the established WASH sector in Nepal. As a result Districts and selected VDCs and communities have the capacity to plan, implement, monitor and maintain their WASH infrastructure and behave with new improved hygienic practices in clean environment. This will lead for improved health, productivity and livelihood of all beneficiaries.

The Project will be implemented on the basis of the Three-year Interim Plan (2007/08 – 2009/10) as a GON program in support of decentralization and local governance, to which MLD and development partners have committed. Project actions will be designed and implemented in compliance with the interim Constitution and the LSGA and related regulations.

6.1.2 Gender and social inclusion approaches and implementation principles

The District WASH implementation is driven with gender and social inclusion equality and equity principles in designs, staffing, capacity building and leadership. The gender and social inclusion is not a separate component in WASH implementation. It is mainstreamed to all activities meaning that social discrimination is eliminated and where benefits are shared democratically among all community members. The project will seek to ensure that poor and excluded voices are heard in key decision-making processes by mainstreaming and institutionalizing their participation in WASH institutions.

In Hindu concept of impurity and purity of different castes and of women and men is closely linked with water. The Dalits and women are generally perceived as more polluted (jhuto) than the higher castes and men. There has traditionally been restriction (discrimination) of women's use of water and taps and wells during their menstruations, pregnancy and after child birth, as well as restrictions (discrimination) of Dalits concerning which tap stands and Kuwas. The concept of "Pani-chalne and pani-no-chalne people" (Hindu rules on who can give and take and share water from/with whom) is still found among the poorest and the most conservative people in the remotest areas. The Project support by all means that these discriminations are eliminated.

The Project will ensure transparency and GESI sensitiveness in all its operations budgets, decision making process, communication and coordination among line agencies and non-state agencies and in reaching to the areas where poor and excluded live. The project will delineate roles and responsibilities of all the actors and use a systematic implementation approach to increase accountability at all levels.

Peoples/POOR AND EXCLUDED voice will be heard through the mechanism of participation; social mobilization process and response will be taken by the local bodies. DDC and VDCs will coordinate the use of local NGO and civil society, and optimize their resources. Civil society raises the voice of the disadvantaged and marginal people. Indigenous Nationalities District Coordination Committee, District Dalits Coordination Committee, District Gender Mainstreaming Committee will be further mobilized to address the voice of the people.

6.1.3 Water and sanitation approach and implementation principles

The implementation of water schemes takes place in those VDCs where the VDC level hygiene and sanitation campaign is ignited. The drinking water scheme implementation will follow step-by-step approach as prepared and presented later on in the district specific District WASH Implementation Guideline.

It is generally the poor and excluded who have lagged behind in sanitation as well. Therefore the toilets for poor and excluded must constitute a priority concern in the communities' bid for total and sustainable hygiene and sanitation. The entire community should come together to lay down its own ground rules to achieve a higher standard of hygiene and sanitation for themselves. The approach of Community Led Total Behavior Change in Hygiene and Sanitation (CLTBCHS) will be applied. This approach shall start from the district level and is expanded from the district level to the selected VDCs covering the entire VDC. The aim of this approach is to declare the entire VDC Environmentally Clean (Open Defecation Free (ODF)) meaning that each VDC household member has access to latrine (one latrine can be used by several households especially in Terai) and all household members practice good accepted hygiene habits.

Sanitation should not be understood just as latrine construction alone, but as a package of activities and services related to personal, household and environmental hygiene. The "basic sanitation package" is comprised of:

1. Safe disposal of human excreta,
2. Hand washing,
3. Protection of water & food,
4. Clean household yards,
5. Oral rehydration therapy (ORT),
6. Waste water management

To make sure that the entire village build and use sanitary latrines, the procedures for promotion of latrines would require that the poor people get to build their latrines first. Public and shared toilets for the poorest and excluded are to be promoted: however, it is to be understood that even the poorest and excluded households may not want to share a latrine with other households, and may prefer open defecation. Latrine demonstrations will be carried out in schools and public places. This will create awareness and encourage women's participation in education, public services, local government and decision-making bodies and community life.

The idea of the Family Health Insurance System (FHIS) will be tested. The FHIS is a social health insurance which guarantees medical treatment at local level in case of illness or accidents of the residents of the catchment area of sub-health post i.e. VDC. This FHIS focuses on developing the capacities of Health Facility Management Committee (HFMC). HFMC will develop a guideline about the FHIS. All the households of the VDC will be the member of this system. To be the member of this system each household will collect monthly/yearly cash contribution and a fund will be established with the collected money. VDCs also put some amount of money to this fund. The other sources will be explored to raise the fund. This fund can be invested with the normal interest rate either to the individual and or group as per the decision made by the HFMC. A separate bank account will be opened to manage the fund. The insurers are not only responsible for the raising the fund and getting the services but they also support the health aid together with the HFMC. The umbrella organization of FHIS will be DHPO and executing agency will be the VDC.

Introduction of the nutrition programs will be done by connecting existing local CBOs for the education of mothers for improved nutrition. Small-scale nurseries connected with overflow-use of water from water points or with kitchen gardens will be also introduced in order to increase availability of important new nutrition values for people food habits.

6.1.4 Finance and management approaches and implementation principles

The funding of the District WASH will come from the District WASH basket under the umbrella of the District Development Fund (DDF). The WASH basket can contain funds from different donors. Finland funding to this basket is earmarked and separate follow-up of its use is to be done by the DDC/DTO and reported to DoLIDAR through RWSSP-WN.

RWSSP-WN should not increase the burden of GON in providing subsidy. In principle subsidy should be avoided and other means to help poor and excluded should be initiated and practiced. Anyhow, limited subsidy is accepted based on the principles laid down later on in the district specific WASH implementation guideline.

Reward systems for Government Personnel based on their performance should be designed and aligned to the government mechanisms and rewards or awards at ward, VDC and DDC levels should be initiated and tested. This rewarding and awarding will be steered by the rewarding strategy, to be developed

The use of Support Organizations (SOs) such as local NGOs as implementers should be limited to the minimum. The aim of the WASH implementation should be that Project Technical Assistance Team will build the capacity of the District Civil Servants to have the capacity to built VDC level capacity to facilitate WASH planning and implementation. Only in case of lack of personnel in the district the VDC and community level capacity building can be outsourced to SOs. The contracting of the SOs should be done by VDCs if their capacity to do so is adequate. If VDC capacity to facilitate SO employment is not there the DDC/DTO can carry out the task on behalf of the VDC.

RWSSP-WN employs only one person at the District level (District Support Advisor). If there is a need to employ more people at district level to support the WASH implementation, the employment on contract basis shall be carried out by the DTO using available WASH funds from DDF.

If there is a need to employ additional personnel at the VDC level to facilitate the WASH implementation, such as Social Mobilizers, then the VDC shall carry out the employment on contract basis using the VDC level WASH budget.

At scheme level the WUSC shall employ at least two people (one woman and one man) as Maintenance Worker (MW) for the scheme. The payment of these maintenance workers is maintained from the WUSC maintenance funds collected from the users according to the set tariff system. The MWs employment shall take place before the scheme construction starts as they should be present and participate in the actual construction as part of their on-the-job training.

6.2 Organization and management

6.2.1 Steering Committee (SC)

Steering committee is the highest decision making body of the RWSSP-WN (Project). It represents the competent authorities as defined in the Project Agreement signed on May 22, 2008. SC meets twice a year and upon request of any of the members. The SC is chaired by the Secretary of the Ministry of Local Development and the secretary of the Steering Committee Meetings will be the National Project Coordinator. Also the meeting place should rotate in the districts to familiarize the members with the

local conditions and the activities in the field. SC shall function more as a policy making body instead of management body. The practical and more detailed decisions required on project operation shall be done in the Project Management Committee (PMC).

The main tasks and responsibilities of the SC are to:

- ❑ Approve the annual project budgets of the Project
- ❑ Approve the Project policies and implementation principles developed during the implementation
- ❑ Approve the annual work plan submitted for its approval by the Project Management Committee (PMC)
- ❑ Approve the new Project Document after the Inception Phase and any possible changes to it
- ❑ Monitor the progress of the RWSSP-WN
- ❑ Approve any other issue of urgency and importance

The members of the Steering Committee are:

- 1) Secretary, Ministry, MLD (Chair)
- 2) Representative of the Embassy of Finland (Member)
- 3) Director General, DoLIDAR (Member)
- 4) Deputy Director General, DoLIDAR (Member)
- 5) National Project Director, DoLIDAR (Member)
- 6) Representative of DWSS, (Member)
- 7) Representative of Ministry of Finance, (Member)
- 8) Representative of Ministry of Water Resources (Member)
- 9) Representative of National Planning Commission, (Member)
- 10) Representative of Ministry of Health, (Member)
- 11) Representative of Ministry of Education, (Member)
- 12) Representative of Ministry of Women, Children and Social Welfare, (Member)
- 13) Representative of the Federation of Water and Sanitation Users in Nepal (Member)
- 14) -22) DDC Chairperson from each of the nine Project Districts, (9 Members)
- 24) Chief Technical Advisor of RWSSP-WN, (Member)
- 23) National Project Coordinator, DoLIDAR, (Member and Secretary)

National Project Director (NPD) will be nominated by the GON. The NPD will be stationed in DoLIDAR. The NPD will facilitate the planning, budgeting, progress review and monitoring at the central level.

6.2.2 Project Management Committee (PMC)

For the operational and day-to-day management purpose of the project a Project Management Committee is formed. The coordination between various stakeholders as well as making recommendations to the Steering Committee as well as coordination and management of the Project is the overall responsibility of the Project Management Committee (PMC). PMC manages the operations of the Project. The required quorum for its decisions exists when both Co-Chairs and at least one member are present. The PMC is accountable to the SC. Management decisions related to the approval of Technical Assistance Personnel and funding will be consulted with the Embassy of Finland and DoLIDAR.

Major tasks of the PMC are to:

- ❑ Ensure effective coordination of relevant stakeholders at different levels
- ❑ Propose changes to the Project Document, annual work plans and budgets for SC for approval
- ❑ Approve budget re-allocations and additional budget allocations for those activities which have budget shortage within the approved budget frame approved by the SC
- ❑ Follow-up the level of human, material, financial resources to implement the District WASH supported by the Project
- ❑ Propose annual budget allocations for Districts
- ❑ Propose the auditing of the Project for the SC to decide
- ❑ Propose the Terms of Reference and experts of the Technical Assistance Team (Long and Short Term Consultants) for Embassy of Finland and DoLIDAR no-objection
- ❑ Plan the structures of the Project for DoLIDAR and Embassy approval
- ❑ Prepare necessary manuals and guidelines needed to operate and manage the Project
- ❑ Ensure that the implementation of the Project is in line with the Country's and District's laws, principles, policies, guidelines, regulations and strategies
- ❑ Ensure that lessons learned from other similar projects are considered in preparing manuals, guidelines, strategies for the District WASH
- ❑ Monitor the performance of Project staff and if necessary, decide on necessary actions
- ❑ Compile the annual work plans and budgets for SC approval
- ❑ Provide training, technical support and advise at all levels as found necessary
- ❑ Compile financial and physical performance reports based on the information and reports received from Districts, DoLIDAR and Ministry of Finance.
- ❑ Transfer of knowledge to the local bodies personnel and other relevant stakeholders so that they will have skills for the effective and efficient implementation of the District WASH
- ❑ Assess the needs and organize the physical capacity building activity for local bodies personnel and if found necessary also for other stakeholders
- ❑ Study and propose the best ways of fulfilling the Project Purpose and implementation of the Project for SC satisfaction
- ❑ Follow-up the proper use of funds provided by the Government of Finland and Nepal for the District WASH implementation at all levels
- ❑ Check and compile the expenditure reports submitted by the Districts
- ❑ Follow-up the fund allocation to Districts by the Ministry of Finance
- ❑ Manage the funds allocated for the capacity building through PSU and monitor the use of investment and operational funds used by the Districts
- ❑ Be responsible of the Project property and material management
- ❑ Approve the technical and financial evaluations made for the procurement of goods and services by the Project tender committee
- ❑ Guide, facilitate, evaluate, supervise and follow-up the establishment, implementation and development of sustainable WASH programs financed from the District Development Fund
- ❑ Communicate and cooperate with organizations, which are involved in similar activities and have interest in District WASH development
- ❑ Ensure adequate coordination, learning and experience sharing of Project staff

The composition of the PMC is the following:

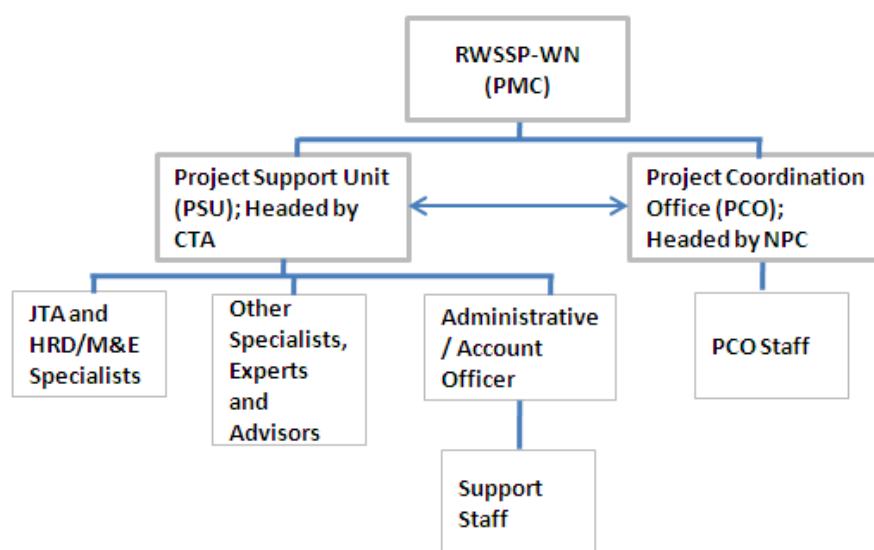
- ❑ National Project Coordinator (NPC) Co-Chair
- ❑ Chief Technical Advisor (CTA) Co-Chair

❑ HRD/M&E Specialist	Member
❑ Project Administrative/Accounts Officer	Member
❑ PCO Accountant/Engineer	Member
❑ Junior Technical Advisor	Member-Secretary

6.2.3 RWSSP-WN Office

The RWSSP-WN Office is established in Pokhara and has two wings; Project Support Unit (PSU) and Project Coordination Office (PCO). The Project Support Unit is headed by the Chief Technical Advisor (CTA) and the Project Coordination Office is headed by the National Project Coordinator. The National Project Coordinator (NPC) and his/her staff are assigned by DoLIDAR. The PSU staff is selected by the CTA. In the PSU there are three sections. One section is with the International Technical Assistance staff; Junior Technical Advisor and HRD/M&E Specialist. Both of them work under direct supervision of the CTA. Another section is with Project Specialists, who also work directly under the CTA. Project Specialists consist of specialists such as Gender, Inclusion and Social Mobilization Specialist, Health and Sanitation Specialist, Water and Sanitation Specialist, Operation and Maintenance Management Specialist, Micro-Credit/Financial/Governance Specialist and eleven District Support Advisors (DSAs). DSAs are stationed in the Districts and other specialists in Pokhara. Third section is the project administration section headed by the Administrative/Account Officer. Administrative/Account Officer works under the direct supervision of the CTA. Under the Administrative/Account Officer is the project support staff.

The organization of the RWSSP-WN is the following:



The Chief Technical Advisor (CTA) leads the PSU staff. CTA is responsible of all the major decisions concerning personnel administration and management, procurement of goods, services, equipments and financial issues as well as project management decisions in the districts related to the implementation of the District WASH Programs supported by the Project.

The Administrative/Account Officer (AAO) leads the administration in PSU. S/he reports directly to the CTA. The Administrative/Account Officer coordinates and manages various support services of PSU to the Districts and the Project staff. Comprehensive job descriptions of the PSU posts are given in Annex D.

6.2.4 Project Coordination Office

The National Project Coordinator (NPC) assigned by DoLIDAR is leading the PCO. The PCO staff work under the NPC. The NPC will be supported by two engineers, an accountant and one office assistant. NPC will organize the SC meeting. NPC jointly with the CTA is responsible of the overall coordination, administration, reporting and finances of the Project. NPC's primary duty is to ensure the smooth release of GON funds for the Districts and the reporting of the use of funds released by both Governments to support District WASH implementation. NPC's duty is also to communicate and coordinate with the Districts in all Project implementation related matters in order to ensure Government led facilitation. NPC is also to direct the Project in policy issues and coordinate and monitor the technology transfer and capacity building in District WASH implementation supported by the Project. NPC jointly with the CTA will provide support to the DDCs in planning, coordination and management of the District WASH Programs, compile the annual work plans and advise the Districts in preparation of their work plans related to the use of funds from GOF and GON. NPC is also responsible of physical and financial reporting related to District WASH supported by the Project.

6.2.5 Districts

The District WASH Programs will be supervised by the permanent structures of the District, namely the District Councils annually and the DDC body meetings monthly and by the Supervision and Monitoring Committee provisioned in the Local Self Governance Act (1999) on a four-month basis. The role of coordination among the institutions involved in District WASH development will be carried out by the DDC through District Water Supply and Sanitation Coordination Committee (DWSSCC). PSU will assign one advisor for each district to supervise, follow-up, advice and coordinate District WASH development and Programs supported by the Project.

At the district level the District WASH Program implementation is led by the LDO. For the day-to-day management of District WASH the DTO is delegated by the LDO to manage the District WASH Programs planning, implementation and finance. DTO coordinates District WASH Programs through DWSSCC. Through this coordination DWSSDO, DPHO, DEO and WDO inputs, contribution and assistance for District WASH implementation is ensured.

At VDC level the VDC Secretary coordinates the VDC WASH Programs and already existing committees and teams will be used to the maximum extent and establishment of new committees is avoided as much as possible. The VDC WASH planning is aligned to the GON annual district development planning process.

6.3 Tentative timetable

RWSSP-WN started in August 2008 and it will end in July 2012. Significant sign posts during the Project period will be:

- ❑ Inception Phase end by April 2009
- ❑ Establishment of the Programme Based Financial Operations by May 2009. Starting from July 2009 the GOF funds will flow through the Government systems
- ❑ Mid-term review will take place in November – December 2010

- ❑ Preparation for Phase II will commence in May 2011

6.4 Budget and Finance

From the construction costs of the domestic water scheme the users should cover minimum 20 % (at least 1 % in cash and 19 % in kind) while the VDC should cover minimum 2.5 % in cash from the block grant it receives. The 1 % cash from the community is deposited to the WUSC operated "construction bank account" and before the project approval. In addition to this users shall also contribute in cash minimum of 1 % of the scheme construction costs for the operation and maintenance in a separate WUSC Maintenance Account. This has to take place also before the approval of the project. This O&M contribution is saved for the separate WUSC O&M account. The tariff structure will be established when the scheme is commissioned and the tariff should cover not only the operation and maintenance and small repairs but also some major rehabilitations or expansions in order to achieve in long run full cost recovery.

In addition of the water scheme funding, the VDC should cover minimum 20 % of total costs of the VDC level total behavioral change program in hygiene and sanitation and VDC WASH Plan preparation.

The DDC should invest into the District WASH Fund 3 % annually from the total contribution provided by GON and GOF to the District Development Fund (DDF). The financing responsibility between the GON and GOF for the District WASH through DDF is: Government of Finland 58 % and Government of Nepal 42 %. The contributions for the entire project are 75 % and 25 % respectively. In this way the Project and District WASH Programs financed by the Project will be financially viable.

More detailed tentative GOF and GON budget is presented in Annex E. Summary of the GOF and GON budget with annual contribution is summarized here below:

Item	Total DDF	Total PSU	TOTAL	GoF	GoF %	GON %	GON
WATER SUPPLY AND SANITATION INVESTMENT COSTS	7,321,600	246,000	7,567,600	4,415,430	58%	42%	3,152,170
GOVERNANCE	492,000	500,255	992,255	938,255	95%		54,000
TECHNICAL ASSISTANCE	-	2,299,060	2,299,060	2,299,060	100%		
RUNNING COSTS	30,000	1,530,000	1,560,000	1,530,000	98%	2%	30,000
EVALUATION & MONITORING SUPERVISION	120,600	209,400	330,000	330,000	100%		-
TOTAL WITHOUT CONTINGENCIES	7,934,200	4,784,715	12,718,915	9,512,745	75%	25%	3,236,170
CONTINGENCIES	158,684	95,694	254,378	190,255	75%	25%	64,723
GRAND TOTAL	8,092,884	4,880,409	12,973,293	9,703,000	75%	25%	3,300,893

As can be seen from the budget the GON contribution at District level is 42 % but at the total project level it is 25 %. The total District WASH Fund financed by the GON and GOF for the nine DDCs under the DDF is totally 8,092,884 Euro.

In addition to this the DDC, VDC and community contribution is estimated as follows:

DDC

- ❑ 3 % from the total contribution given by GOF and GON to DDF and related to water supply construction and sanitation (194,058 Euro). From this amount 134,058 Euro is planned to be for water supply and 60,000 Euro for hygiene, sanitation and nutrition.

VDC

- ❑ 2.5 % for water supply activities; Total 111,715 Euro
- ❑ 20 % for hygiene and sanitation and planning; Total 400,000 Euro

Community

- ❑ 21 % for water supply construction and maintenance: Total 938,406 Euro

Accordingly the total budget of the RWSSP-WN supporting District WASH is:

Source	Euro	%
GOF	9,703,000	66%
GON	3,300,893	23%
DDC	194,058	1%
VDC	511,715	3%
Community	938,406	6%
Total	14,648,072	100%

When calculated from this total contribution the division between investments and technical assistance and others such as evaluation, management and contingencies is the following:

Type	Euro	%
Investments	9,211,779	63%
Technical Assistance	2,299,060	16%
Others	3,137,233	21%
Total	14,648,072	100%

The distribution of GOF funds during the project period is presented in the table below:

Item	GOF BUDGET USE, European years					TOTAL
	2008	2009	2010	2011	2012	
WATER SUPPLY AND SANITATION INVESTMENT COSTS	0	500,000	1,400,000	1,470,000	1,105,430	4,475,430
GOVERNANCE	-	108,255	250,000	270,000	250,000	878,255
TECHNICAL ASSISTANCE	164,000	600,000	600,000	600,000	335,060	2,299,060
RUNNING COSTS	103,000	380,000	380,000	380,000	287,000	1,530,000
EVALUATION & MONITORING	12,000	50,000	170,000	50,000	48,000	330,000
TOTAL WITHOUT CONTINGENCIES	279,000	1,638,255	2,800,000	2,770,000	2,025,490	9,512,745
CONTINGENCIES	-	-	-	190,255	-	190,255
GRAND TOTAL	279,000	1,638,255	2,800,000	2,960,255	2,025,490	9,703,000

6.4.1 Financial reporting

The financial management system available with DDC and District Treasury Controller Office (DTCO) are capable to take care of the government reporting requirements. The reporting available does not directly meet the reporting requirements of the donor. The MFA requires normally annual and quarterly planning and reporting. However, the reporting system should serve the future SWAp as well. The MFA also encourages projects/programmes to integrate into the planning and reporting system of the recipient country – for sustainability, ownership and to avoid overlapping efforts in two different reporting systems. The annual and trimesterly reporting (November, March, July) will be conducted in line with the Nepalese fiscal year. The Consultant (PSU) submits the annual and trimesterly financial reports to the Embassy of Finland/Ministry for Foreign Affairs of Finland. Financial reports will include the technical assistance and investment costs.

The inputs needed from PSO will cover for example the following:

- ☐ District Development Committee Financial Administration Management Program (DDCFAMP) is available only in Nepali Language,
- ☐ All accounting are processed based on Nepali calendar,
- ☐ Currency conversion facilities (dual currency format) are not available.

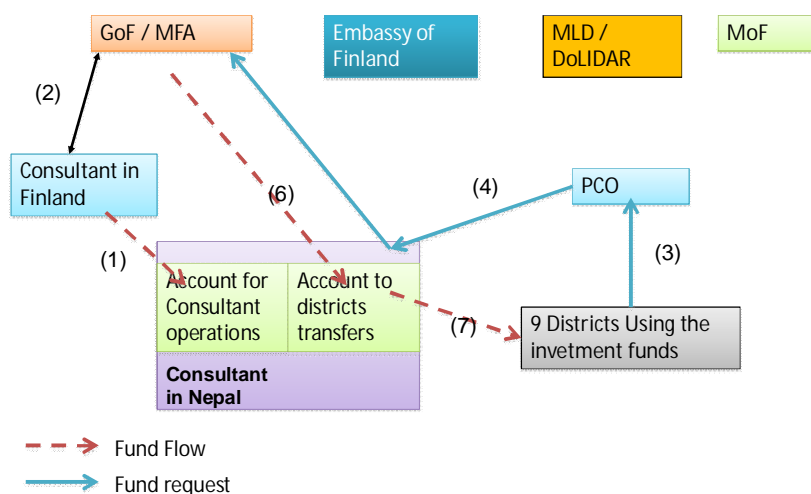
- Accounting heads available are on the basis of Government of Nepal's designated code system

6.4.2 Fund flow

RWSSP-WN fund flow is two-folded. The funds required to operate the PSU activities are transferred by the consultant in Finland to the consultant office in Nepal and reimbursed by the GoF as per the monthly re-imbursement invoices. The funds for the district investments will be transferred directly by the MFA to specific account opened by the consultant in Pokhara. Separate book-keeping and reporting of that account will be made by the consultant. The process is the following:

- i. Districts send their fund requests to the Project Coordination office (National Project Coordinator assigned by DoLIDAR).
- ii. National Project Coordinator approves the district request and forwards the request to Consultant in Nepal (Chief Technical Advisor)
- iii. Chief technical Advisor approves the request and forwards the request to the Ministry of Foreign Affairs in Finland and cc to Embassy of Finland.
- iv. Ministry of Foreign Affairs of Finland transfers the funds to the account in Nepal dedicated to the districts transfers and opened by the consultant;
- v. Consultant transfers the funds to the districts and cc to National Project Coordinator.
- vi. National project Coordinator informs the MLD and DoLIDAR. MLD informs MoF of the fund transfer.

The process is illustrated in the following diagram:

New RWSSP-WN Fund-Flow system**6.4.3 Planning and approval of annual programs**

The process for annual Planning and Budget Formulation starts in November each year i.e. at the end of the First Trimester of Nepali fiscal year. The National Planning Commission (NaPC) sends guidelines and the budget ceiling for the upcoming fiscal year to each line ministry at central level – as to MLD in the case of RWSSP-WN. MLD then distributes the information to districts through DoLIDAR.

DDCs prepare their annual District WASH Programs also supported by the Project – as part of their Annual District Development Plans - and the corresponding budgets with the support of the RWSSP-WN.

Annual District WASH Programs and budgets supported by RWSSP-WN are submitted by DDCs to the MLD through DoLIDAR for comments by the end of March. Due to the fact that RWSSP-WN is considered a P-1 project by the GON, the finalized documents are sent to the NaPC for the final approval.

6.4.4 Fund request / transfer requirements**GON:**

As RWSSP-WN belongs to the P-1 Group the GON assures availability of their share of funds of the annual budget for the Project throughout the fiscal year. Having a P-1 status means also that in case the initial budget allocation by GON is not enough to meet the actual expenditure requirement, MOF reallocates the budget accordingly.

6.4.5 GoN Fund transfer sequences and flexibility in fund release

According to the prevailing GON systems the authority for the use and release of the approved annual Project budget (GOF and GON funds) is passed to DDCs and DTCOs for the entire Nepalese fiscal year. However, along the year payment orders are issued at the district level by DTCOs to local banks according to requests by DDCs (normally on a trimester basis) subject to fulfillment of performance (both progress and financial) requirements. On receipt of funds requested, DDCs release payments to DTOs for disbursements to the implementation agencies.

6.4.6 Auditing

Auditing of District WASH Programs accounts supported by RWSSP-WN follows the GON systems:

- a) Internal audits by the Internal Audit Departments of DDCs
- b) Annual auditing organized by the Auditor General

DDC has internal audit unit within itself. Internal audit of projects implemented through DDC is carried out by Internal Audit Section within DDC, where as internal audit of DDC is carried out by DTCO. Statutory audit is carried out by Auditor General of Nepal, a constitutional body responsible for statutory audit.

In addition, during the Mid-Term Review a joint audit will be carried out by the auditors from Internal Audit departments of DDCs together with independent external auditors contracted by the GOF. A decision to continue the piloted fund flow mechanism will be made based on the recommendations of the Audit and the Mid-Term Review.

Regarding the expenditures incurred from the Finnish Government contribution audit will be performed as per Finnish Government's rules and regulations, however, a separate financial statement of expenditures will be submitted to Auditor's General's Office through PCO and DoLIDAR.

The representatives of Finland have the right to carry out any inspection or audit in respect of the implementation of the Project/Programme.

6.4.7 Key Institutions and their Roles in the finance of the Project

6.4.7.1 Ministry for Foreign Affairs, Finland (MFA)

Ministry for Foreign Affairs, Finland (MFA) is responsible for approving foreign grant. MFA authorizes to sign grant agreement and subsequent amended thereof. MFA has the following key responsibility in the project implementation:

- a. Approving the project document;
- b. Authorizing the Embassy of Finland to sign the grant agreement with the GON and subsequent amended, if any;
- c. Approving the fund requests sent by the Chief Technical Advisor
- d. Releasing the fund according to the requests

6.4.7.2 Embassy of Finland, Nepal (Embassy)

Embassy of Finland in Nepal mainly acts as contact point between GOF, GON and Consultant/RWSSP-WN. The Embassy has the following key responsibilities in the project implementation:

- a. Represent the Ministry for Foreign Affairs of Finland in Nepal
- b. Sign the grant agreement with GON and subsequent amended, if any as authorized by MFA.
- c. Review the implementation of the project.
- d. Review the budgetary and plan performances of the project.
- e. Receive and review project reports from RWSSP-WN and forward the same to MFA.

6.4.7.3 Ministry of Finance, Nepal (MOF)

- a) Foreign Aid Coordination Division

Foreign Aid Coordination Division (FACD) of the Ministry of Finance is entrusted to look after all the matters relating to external resources. FACD acts as the focal point for all the donors on matters of external assistance. This Division also acts as a focal point of the line ministries for their foreign assisted projects. Thus, FACD is involved in the development projects from the very beginning of project preparation stage to the negotiation, approval and implementation stages. Specifically, this Division has the following responsibilities:

- a. evaluate the proposals of projects of priority sectors for foreign assistance in close consultation with the line ministries;
- b. explore bi-lateral and multi-lateral funding sources necessary for the development projects;
- c. finalize the mode of external assistance through appropriate mechanisms - like project appraisal, feasibility study and negotiation with the donor agencies;
- d. process and finalize project documents and agreements on external assistance in cooperation with donors, National Planning Commission, concerning Ministry and Ministry of Law and Justice and Parliamentary Affairs;
- e. finalize the draft agreements;
- f. coordinate the foreign assistance for a specific project or sector in financial matters;
- g. resolve foreign aid related issues;
- h. process for tax and duty related matters for exemption of foreign aided projects, if necessary;
- i. obtain scholarship, expert's services and services of international volunteers and do the needful for it;
- j. update the profiles of the donors and the projects assisted by them.

a) Budget and Program Division

Budget and Program Division of MOF is entrusted to ensure effective national resource management through prudent annual development plans and programs and to contain budget deficit at desirable level. This Division also helps to implement fiscal policies of Government of Nepal by designing public expenditure plans in order to achieve sustainable and pro-poor economic growth. The role of the Division in the execution of the project is outlined below:

- a. The Division is responsible in authorizing the FCGO for the transfer of authority to use budget by the DDCs.
- b. Timely authorization of allocated budget.
- c. Maintain effective communication system with NaPC, line ministries, FCGO and Nepal Rastra Bank (Central Bank).
- d. Relocation the deficiency in fund, if any during the execution of the P1 project.

6.4.7.4 National Planning Commission (NaPC)

National Planning Commission (NaPC) is the advisory body for formulating development plans and policies of the country under the directives of the National Development Council. NaPC is chaired by the Prime Minister of Nepal. The Commission has one full-time Vice-Chairman, six Members and one Member-Secretary. The Chief-Secretary of the Office of the Prime Minister's and Council of Ministers and Finance Secretary of the Ministry of Finance from Government of Nepal are ex-officio member of the Commission.

The basic sectoral planning process is undertaken by the respective development related ministries based on the plan document. Much of the initial inputs for the sector planning are provided by the implementing ministries/departments which are then reviewed at the NaPC. Various District Development Committees (DDCs) identify their programs and projects. The programs and projects

identified by the DDCs may be implemented only upon the receipt of approval from NaPC. The role of NaPC in the execution of the project is outlined below:

- a. Approval of annual programs and projects recommended by line ministry.
- b. Approval of program/project identified and submitted by DDCs upon receipt of budget authority.

6.4.7.5 Financial Comptrollers General Office (FCGO)

FCGO is the government body responsible for the treasury operation of Government of Nepal. This office is under the Ministry of Finance and is headed by Financial Comptroller General who is a special class officer of Government of Nepal. FCGO is responsible for overseeing all government expenditure against budget, tracking revenue collection and other receipts and preparation of consolidated financial statements of the government including maintenance of basic accounts keeping of the government through the accounting personnel and staff recruited and administered by it. The role of FCGO in the project implementation is outlined below:

- a. Monitor the expenditure of the DDCs by taking expenditure report regularly through DTCO,
- b. Instruct NRB to reimburse the local banks against their claim of disbursement of budget to DDCs.
- c. Prepare consolidated financial statements of cash release and expenditures incurred and submit the same to MOF.

6.4.7.6 Ministry of Local Development (MLD)

Ministry of Local Development is entrusted to expedite local development activities through decentralized governance system. MLD is one of the ministries of the government with widespread network up to grass-root level (VDCs, Municipalities and DDCs). The role of MLD in the project implementation is outlined below:

- a. Acts as the line ministry.
- b. Presents and defends the annual budget and plan of the DDCs.
- c. Forwards the budget authority to the DDCs.
- d. Reviews the performance of DDCs in achieving the budget target and plan through DoLIDAR.

6.4.7.7 Department of Local Infrastructure Development & Agricultural Roads (DoLIDAR)

DoLIDAR is the only technical department under MLD, established to undertake rural infrastructure development programs in accordance with decentralization policies for attaining the goals set forth by the GON by making the local authorities technically capable, competent and accountable. For this, various infrastructure development activities funded through government and donor agencies are to be undertaken, in co-ordination with other concerned agencies, in professional and sustainable manner so as to ensure desired quality. The role of DoLIDAR in the project implementation is outlined below:

- a. Provides technical and administrative support to the DDCs.
- b. Helps DDCs in formulating annual budget and plan.
- c. Act as bridge between MLD and DDCs.
- d. Coordinate the RWSSP-WN in monitoring the project implementation

6.4.7.8 District Treasury Controller Office (DTCO)

DTCO is the units of the FCGO operating in all districts to carry out the function of FCGO. The role of DTCO in the implementation of the project is outlined below:

- a. Releases budget to DDCs as per the instruction from FCGO and instructs local banks to release payment to DDCs.
- b. Collects and review the statement of expenditure from DDCs and prepares periodic reports the concern ministries,
- c. Seek explanation from the DDCs if minimum target of budget and plan is not met by DDCs.
- d. Prepares the annual statement of budget release and expenditure of the respective district

6.4.7.9 District Development Committees (DDCs)

DDC is responsible for managing the revenue and expenditure within the districts. All revenue coming to the district is channeled through DDF. The DDCs or through other agencies implements various projects within the districts. The role of DTCO in the implementation of the project is outlined below:

- a. Prepare basic inputs for annual budget and plan.
- b. Submit plan to NaPC through DoLIDAR/MLD within fifteen days of receipt of budget authority.
- c. Authorizes DTO to carry out District WASH Programs Fund Management
- d. Issue fund to DTO on receipt of fund in DDF for the implementation of the project.
- e. Collect report on achievement of budget target and plan from DTO.
- f. Conduct internal audit of the project expenditure.
- g. Make periodic fund requests to the project

6.4.7.10 District Technical Office (DTO)

DTO is mainly a technical arm of DDC and is entrusted to manage the project. The role of DTO in the implementation of the project is outlined below:

- a. Approves the technical proposal submitted by the implementing agencies as per the policy laid down in LBFAR.
- b. Provides technical support the implementing agencies.
- c. Maintains a rostrum of competent supplier to be used in the District WASH Programs.
- d. Releases payments to the implementation agencies as per the policies and regulation provided in LBFAR.
- e. Maintains the accounting record of the project expenditure and submit report to DDC.

6.4.7.11 RWSSP-WN

RWSSP-WN acts as stimulant in the entire process of execution of the project. The RWSSP-WN is represented from DoLIDAR and Consultant. Chief Technical Advisor (CTA) leads Project Support Unit (PSU) with a group of specialists. National Project Coordinator (NPC) leads the Project Coordination Office (PCO) housed in the same building with RWSSP-WN in Pokhara and having other government technical staff. RWSSP-WN engages a team of technical expert and people capable of organizing reporting requirements. RWSSP-WN is mainly responsible in coordinating between DDCs, MLDs/DoLIDAR and PSU coordinates with the Embassy of Finland in Nepal. The role of RWSSP-WN in the implementation of the project is outlined below:

- a. RWSSP-WN coordinates with DDCs and other stakeholders the project execution jointly by NPC.

- b. RWSSP-WN by NPC compiles report submitted by DDCs with assistance from CTA especially in adding the report from PSU part.
- c. PCO by NPC submits compiled report of nine (9) DDCs and RWSSP-WN to MLD through DoLIDAR.
- d. PCO by NPC addresses the comments received from MLD/DoLIDAR in the process of finalizing the financial report and progress report.
- e. PSU by CTA submits report to MFA and copy to Embassy of Finland for necessary fund release.
- f. PSU by CTA receives the investment funds from MFA and transfers the same to the district.
- g. NPC makes necessary follow-ups with CTA for timely approval of plan submitted by DDCs for the implementation of project.
- h. PSU executes the technical assistance program and budget received by it directly with due approval of CTA.
- i. PSU by CTA submits trimester performance and financial reports (in line with Nepalese fiscal year) to Embassy of Finland/Ministry for Foreign Affairs of Finland

6.4.7.12 Central Bank (Nepal Rastra Bank, NRB)

NRB is the custodian of government treasury. On receipts of instruction from FCGO, reimbursement is made to the local bank by NRB. The role of NRB in the project is outlined below:

- a. Maintain bank account of GON fund
- b. Reimburse the local banks as per the instruction of FCGO.

6.4.7.13 Local Banks

Local banks are the commercial banks authorized to do government transactions. DTCO issues order (advice) to the local banks to make payment to the DDCs. Presently there are mainly two commercial banks doing government transactions in the districts; viz. Rastriya Banjya Bank Ltd. (wholly government owned) and Nepal Bank Ltd. (partially government owned). The role of the local banks in the project is outlined below:

- a. Transfer of fund to DDF as per the instruction of DTCO.
- b. Maintain bank accounts of DDC (DDF balances).
- c. Claim FCGO for the reimbursement of payment made as per the order of DTCO.

7. MONITORING

In Nepal, no institutions or individuals have really carried out the benefits monitoring in the WASH sector. DWSS with the help of ADB did piloting of this in a few selected sub-projects of Small Town Water Supply and Sanitation Sector Project where an attempt was made to monitor the benefits received by the beneficiaries of the sub-projects. Even this attempt did not include the monitoring of the sanitation part. By appreciating the outcomes of this initiative DWSS is preparing itself to make benefit monitoring as part of their regular feature to create greater development impact on the project interventions.

Owing to their weak institutional capacity the DDCs are monitoring the physical outputs only as per the NaPC prescribed formats as presented in Annex F of this document. The qualitative aspect of monitoring is lacking in this process. Inconsistency of the information/data has also raised the authenticity of the monitored results. Obtaining the poor development results is partly due to the use of weak indicators for monitoring. The VDCs have hardly any role in monitoring the construction and operation of the WASH related schemes or projects or programs. The VDCs are weak to monitor the other projects that are funded under the central development grants.

Inherent objective of the monitoring system of District WASH supported by RWSSP-WN is to build the monitoring capacity of local bodies and ultimately enhance the institutional capacity of DDCs and VDCs to monitor their development results. Therefore, to enhance the monitoring capacity of DDCs and VDCs it is suggested to have the following initiatives through the Project.

- a. Establishment of quality indicators for monitoring
- b. Stream line the flow of monitoring process
- c. Define and build the management structure for monitoring
- d. Develop human resource for monitoring

Regarding the new fund flow mechanism, an advisor from the MFA of Finland will develop a monitoring system together with the Nepalese authorities and the PSU.

7.1 Quality Indicators

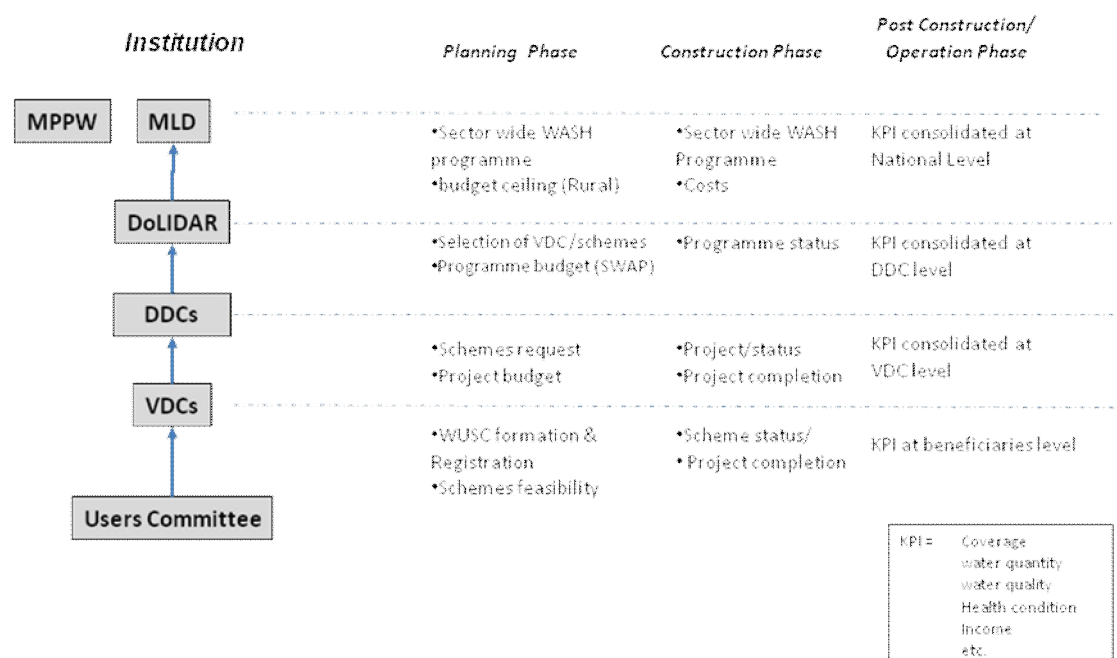
The existing progress reports to be sent by the DDCs to DoLIDAR/MLD and NaPC are on a trimester basis and contain physical and financial targets. The report does not reflect many quality results at the output and outcome level which are very important to provide timely feedback and to achieve the development effectiveness of the WASH Programs interventions. Framing quality indicators in the planning framework is foremost important in order to have the better monitoring contents and results.

This Project has framed quality indicators for itself and facilitates to frame the quality indicators for monitoring at the DDC, VDC and UC level. International Benchmarking Network for Water and Sanitation Utilities (IBNET) has set certain standard indicators and likewise many development organizations working in this sector have developed and using indicators. These indicators are more suitable to the urban and compact settlement context, and they tend to make the water supply system more commercial entity. However, the rural context is different and so the indicators framed need to be different. RWSSP-WN will carefully frame the indicators that make the schemes and changed behavior in sanitation and hygiene sustainable.

7.2 Monitoring Process

The proposed monitoring process is in three phases, planning-construction-post construction will be carried out at the four different levels i.e. DoLIDAR, DDC, VDC and WUSC; and accordingly the institutional capacity will be built upon for monitoring of WASH activities at least at the two DDC and VDC levels. The table below shows the monitoring process and the institutions involved in monitoring the progress and results. The results presented are thematic and indicative only. More detailed process and contents will be worked out by developing the performance monitoring framework based on MIS. This monitoring process will be done with the appropriate stakeholders and beneficiaries and the results obtain will be fed into the reporting system of VDCs and DDCs. The monitoring reports will be made public and be disseminated to WUSCs, VDCs, DDCs, DPHO, DEO, DWSSO and others concerned organizations and individuals.

Flow of Monitoring Information



7.3 Reporting

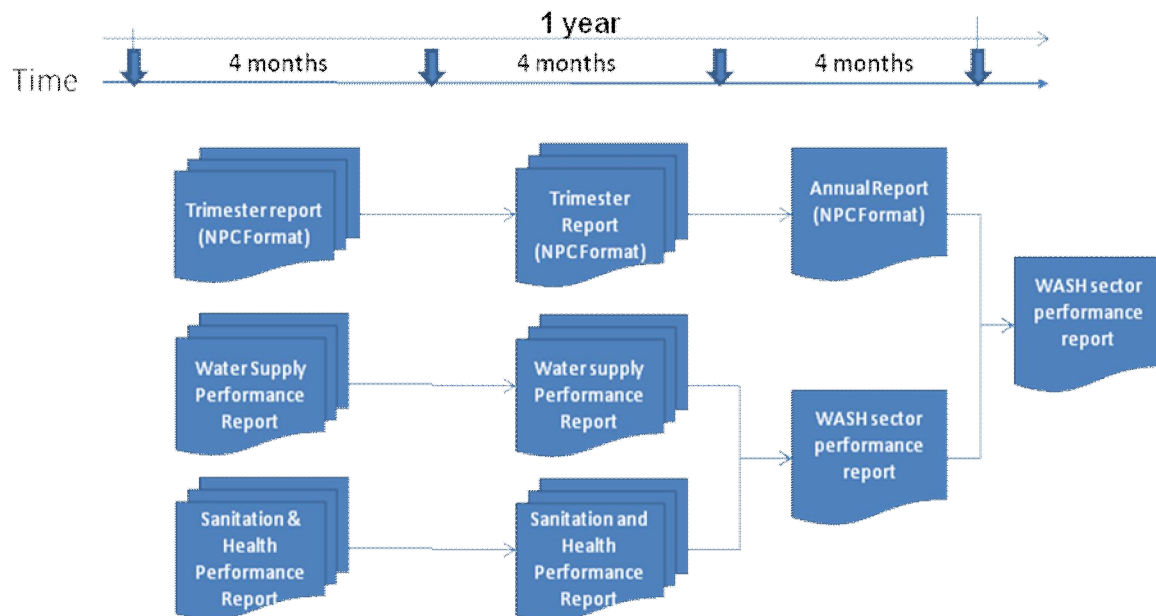
The existing reporting contents and processes are target oriented and driven by physical and financial accomplishments. Basically the reporting covers the source of funding, expenditure's target and planned activities to be carried out over a period of one year but divided into three trimesters. On each trimester the actual progress made is measured against the target set for that particular trimester and their total against annual targets.

In order to provide better performance result report, the existing reporting formats will be enhanced with two more reporting contents i.e. water supply performance and health, sanitation and hygiene performance. The report contains the Key Performance Indicators (KPIs) to be monitored to reflect the progress so far being made through WASH program / project / scheme interventions. At the end of the year a consolidated WASH sector report will be prepared by DDCs for their submission to the District

Councils and to the respective GON's departments and ministries including the Project Steering Committee.

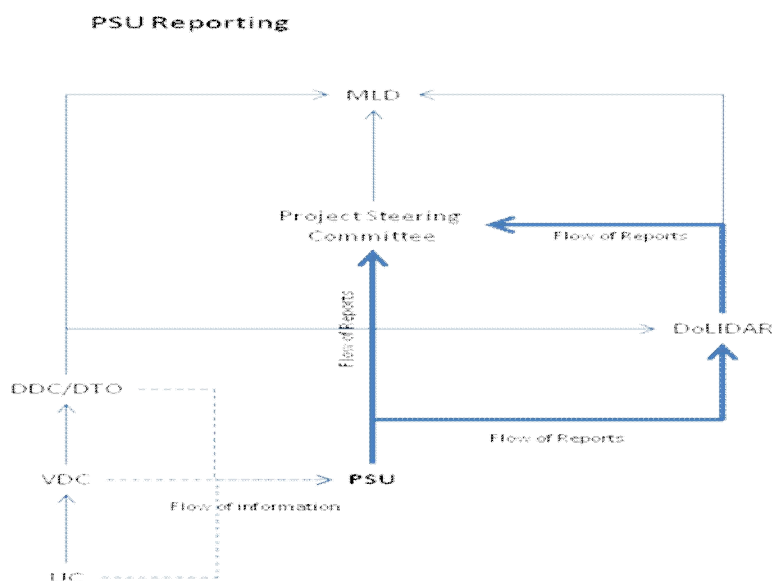
The reporting system is illustrated below:

Reporting & Time Frame



7.3.1 Reporting to the Project Steering Committee

Although the success of PSU depends on how successfully the schemes and other sanitation, hygiene, health and nutrition programs are implemented by DDCs, VDCs and WUSCs; as part of the project's compliance PSU will generate its own reports for the key stakeholders (DoLIDAR, Embassy of Finland/MFA). The contents of the report would be the same as submitted by the DDCs to MLD and the district councils but with some modifications to meet the audience requirements. The reporting flow will be: (MFA + Embassy of Finland are included into the reporting cycle as members of the Steering committee)



RWSSP-WN (Project) organizes annually sector stakeholder review and coordination forum. This Annual Forum is held after closing of the fiscal year. In Annual Forum the achievements and best practices of this project and if possible RVWRMP should be presented and discussed. It is also a forum to appreciate best performances in the Project. Another dimension of the Annual Forum is to make all participating stakeholders aware of the coming fiscal year plans and it will also serve as a platform for sharing the lessons learned for the wider stakeholder group, invited to the Forum. PMC is responsible to organize the Forum. In connection with the Forum Annual Plans will be revised based on the approved GON budget of the starting fiscal year.

8. EVALUATION

8.1 Types of Evaluation

Two types of evaluation will be carried out by the project to assess its development effectiveness; one mid-term evaluation and post project evaluation at the outcome and impact level. Both evaluations will become the regular feature of DDCs with the help of RWSSP-WN project.

Apart of conducting evaluations, an annual progress review will be held at DDCs. Before conducting this, an assessment of the WASH sector program at the district level will be carried out jointly by DDC/DTO, respective sector line agencies' representatives of RWSSP-WN; and this team is led by the Planning and Monitoring Officer of DDC.

An independent and external midterm evaluation will be carried out. An independent and external audit will be carried out simultaneously with the midterm evaluation. After the project period also independent and external final and post project evaluations will be carried out.

The objective of doing this whole exercise is to produce the evidence base results than can be fed into the different levels of the government structure (MLD, MPPW, DoLIDAR, DDC, VDC...) to refine the policy, programs, approach, methodology, tools and resources for better development results in the WASH sector.

8.2 Evaluation Framework

The types of approach to be used to evaluate the results of particular interventions depend on what kind of evidence needs to be produced. No single approach is good enough to give the comprehensive analysis of the results. Hence multi-facet approach will be used for evaluation. The evaluation framework to be adopted by this project will in general encompass the following features.

8.2.1 Baseline

A clear set of baseline values will be assigned to see the case differences between before and after situation in time series. The baseline value of key indicators basically at the outcome level will be compared with the current values. Many baseline values are based on the secondary information but some values are set by the DDC and VDC themselves with the help of RWSSP-WN.

8.2.2 Evaluation approach/instruments

Non-experimental – approach will be used to evaluate project intervention through observation, quality assessment, judgment, interview, FGD, PRA, secondary information etc.

Experimental – the single subject analysis and the controlled randomization trail can also be applied to see the difference between the treatment groups versus controlled groups. However, considering the time requires and cost involves in doing such experimental evaluation, a few vital interventions will be taken into consideration which are really important for policy feedback measures e.g. behavioral change in sanitation and hygiene, media effectiveness, technology appropriateness etc.

8.2.3 Attribution

To arrive at more meaningful results of intervention effectiveness, causal attribution will be assessed by measuring their nature and intensity. This is important when more than one donor is working in the same areas before and after of the RWSSP-WN's intervention and other externalities that influence the outcome of the District WASH Programs.

8.2.4 DDC capacity for Evaluation

It is the prime objective of this project to build the capacity of DDC to carry out such evaluation studies that really becomes the learning outcome and policy feedback. The effort will be made to create such capacity within the DDC management structure by securing certain amount of funds and other resources.