

**THE GOVERNMENT OF NEPAL
MINISTRY OF LOCAL DEVELOPMENT**

**THE REPUBLIC OF FINLAND
MINISTRY FOR FOREIGN AFFAIRS**

PROJECT DOCUMENT

FINAL DRAFT

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

**March
2008**

FACT SHEET

PROJECT NAME:

RURAL WATER SUPPLY AND SANITATION PROJECT, WESTERN NEPAL

SECTOR:

RURAL WATER SUPPLY AND SANITATION; MICRO-INFRASTRUCTURE

TYPE OF PROJECT:

NEW PROGRAMME

COMPETENT AUTHORITIES:

THE GOVERNMENT OF NEPAL, MINISTRY OF FINANCE

THE REPUBLIC OF FINLAND, MINISTRY FOR FOREIGN AFFAIRS

PROJECT AGREEMENT SIGNING DATE:

PROJECT BUDGET CODE NUMBER:

STARTING BUDGET YEAR:

JULY 2008

TERMINATION BUDGET YEAR:

JULY 2012

PROJECT STATUS:

IMPLEMENTATION

PROJECT AREA:

DHAWALAGIRI ZONE: DISTRICTS OF BAGLUNG, MYAGDI AND PARBAT

GANDAKI ZONE: DISTRICTS OF SYANGJA AND TANAHU

RAPTI ZONE: DISTRICT OF PYUTHAN

LUMBINI ZONE: DISTRICTS OF KAPILVASTU, RUPANDEHI, NAWALPARASI

PROJECT IMPLEMENTATION ORGANISATION:

GOVERNMENT OF NEPAL, MINISTRY OF LOCAL DEVELOPMENT

DISTRICT DEVELOPMENT COMMITTEES OF PARTICIPATING DISTRICTS

REPUBLIC OF FINLAND, CONSULTANT

PROJECT BUDGET:

THE GOVERNMENT OF NEPAL: 292.7 MILLION NRs (25%)

DDCs: TO BE DECIDED DURING INCEPTION PHASE

THE REPUBLIC OF FINLAND: 9.703 MILLION EUR (75%)

TOTAL: 12.937 MILLION EUR/ 1170.799 MILLION NRs

(EXCHANGE RATE EUR = 90,5 NRs)

(IN ADDITION, LOCAL CONTRIBUTION FROM VDCs, COVERING AT LEAST 50% OF THE SCHEME COSTS)

FOREIGN CURRENCY SOURCE:

GRANT

STRATEGY AND APPROACH: SUPPORT TO DECENTRALISATION OF LOCAL GOVERNMENT. INSTITUTIONAL CAPACITY DEVELOPMENT, HUMAN RESOURCES DEVELOPMENT, LOCAL RESOURCES MOBILISATION, SERVICE COVERAGE AND O&M

COORDINATION AND SUPERVISION ARRANGEMENTS:
SUPERVISORY BOARD - PROJECT SUPERVISION, PROJECT STEERING COMMITTEE - PROJECT MANAGEMENT, DISTRICT DEVELOPMENT COMMITTEES - PROJECT MANAGEMENT AND EXECUTION

TABLE OF CONTENTS

FACT SHEET	
TABLE OF CONTENTS	
LIST OF ANNEXES	
LIST OF ABBREVIATIONS	
EXECUTIVE SUMMARY	8
Project Development and Project Districts	8
Coordination with Other Projects	9
Sector Policy Developments	10
Problems to be Addressed	10
Project Design.....	11
Project Funding	13
1.1 Government and Sectoral Policies	15
1.2 Background Studies	19
1.3 Problems to be addressed.....	23
1.4 Stakeholders and Beneficiaries	25
2.1 Overall Objective	32
2.2 Project Purpose	33
2.3 Results.....	34
2.4 Activities	36
3.1 Assumptions.....	40
3.2 Risks.....	41
4 COMPATIBILITY AND SUSTAINABILITY	42
4.1 Compatibility with the strategic goals for Finnish development cooperation	42
4.2 Policy environment	43
4.3 Economic and financial viability	43
4.4 Institutional capacity	44
4.5 Socio-cultural aspects	45
4.6 Participation and ownership.....	46
4.7 Gender and Social Inclusion	46
4.8 Environment.....	47
4.9 Appropriate technology	48
5 IMPLEMENTATION	
5.1 Organisation	49
5.2 Tentative timetable.....	55
5.3 Tentative contributions	57
6. MONITORING AND REPORTING.....	61
7 EVALUATION	62
7.1 Internal evaluation	62
7.2 External evaluation	62

ANNEXES

- A. List of Reference Documents
- B. Draft RWSS Sector Strategy (January 23, 2003) – Principal Objectives and Key Principles
- C. Profiles of Six Project Hill Districts
- D. Problem Tree
- E. Location Map of Project Districts
- F. Diagram of Objectives
- G. Logical Framework Matrix
- H. Outline TOR for Operation and Maintenance Study
- I. Organisational Framework and Analysis of Funds Flow
- J. Project Staffing and Job Descriptions
- K. Tentative Budget
- L. Inception Phase Roadmap

LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ADDC	Association of District development Committees of Nepal
AEPC	Alternate Energy Promotion Center
CAP	Community Action Plan
CBO	Community Based Organisation
CTA	Chief Technical Advisor (International Project Coordinator)
DAG	Disadvantaged Groups – poor women, ethnic groups and low caste groups
DDC	District Development Committees
DOI	Department of Irrigation
DoLIDAR	Department of Local Infrastructure Development and Agricultural Roads
DSU	District Support Unit
DTO	District Technical Office
DWSO	District Water Supply Office
DWSS	Department of Water Supply and Sewerage
DWSSDF	District Water Supply and Sanitation Development Fund (includes also self reliant account)
DWSSF	District Water Supply and Sanitation Fund (the "current" fund; part of DWSSDF)
DRWSS	draft Rural Water Supply & sanitation Sector Strategy (Jan 2003)
EUR	Euro
FCHV	Female Community Health Volunteer
GARDP	Gulmi Arghakanchi Rural Development Project
GOF	Government of Finland
Helvetas	Swiss Association for International Development
GON	His Majesty's Government of Nepal
HRD	Human Resource Development
IDA	International Development Association (of WB)
LDO	Local Development Officer
LSG Act	Local Self-Governance Act (1999)
ISAP	Institutional Strengthening Action Plan
MLD	Ministry of Local Development
M&E	Monitoring and Evaluation
MG	Mothers' Group
MOE	Ministry of Education
MOHP	Ministry of Health and Population
MOWR	Ministry of Water Resources
MPPW	Ministry of Physical Planning and Works
NEWAH	Nepal Water for Health
NGO	Non-Governmental Organisation
NPD	National Project Director
NRs	Nepalese Rupees
NRCS	Nepal Red Cross Society
O&M	Operation and Maintenance
OMR	Operation, Maintenance and Repairs
PC	Project Coordinator
PDDP	Participatory District Development Plan
PSU	Project Support Unit
REDP	Rural Energy Development Programme
RWSSP	Rural Water Supply and Sanitation Project (Phases I and II)
RWSSSP	Rural Water Supply and Sanitation Support Programme (Phase III)

RWSSP-NW	Rural water Supply & Sanitation Project – West Nepal
SO	Support Organisation
TA	Technical Assistance
UNDP	United Nations Development Programme
USD	United States Dollar
VDC	Village Development Committee
VMW	Village Maintenance Worker
VMSW	Village Maintenance and Sanitation Worker
WDO	Women Development Office
WSS	Water Supply and Sanitation sector
WSUC	Water & Sanitation User Committee
WARM-P	Water Resources Management Programme
WB	World Bank
WUMP	Water User Master Plan

EXECUTIVE SUMMARY

Project Development and Project Districts

The Ministry of Local Development (MLD) of Nepal (GON) has made a proposal to the Government of Finland (GOF) for the financing of a new rural water supply and sanitation project in Western Nepal. Following the request by the MLD, a Project Identification Mission was carried out in Nepal in November 2003 and an Appraisal Mission was completed in May 2004.

Governments of Nepal and Finland have supported Rural Water Supply and Sanitation Sector since 1989, first two phases as Rural Water Supply and Sanitation Project (RWSSP) in Lumbini Zone and third phase as Rural Water Supply and Sanitation Support Programme (RWSSSP).

Phases I and II have covered all six districts of Lumbini Zone: Palpa, Gulmi, Kapilbastu, Rupandehi, Nawalparasi and Arghakanchi. The Third phase has also included since 2002 in addition to previous ones Parbat district in Dhawalagiri Zone and Tanahun district in Gandaki Zone. These latter Districts were two of eight identified by an independent study in November 2000 to identify new Districts for possible incorporation in the Programme.

The RWSSSP Programme in the Lumbini Zone finished at the end of 2005. Therefore GON has proposed to replicate the existing Programme in the adjacent zones to Lumbini Zone in order to transfer the experience to the new districts. New proposed Project will cover six Hill Districts: **Baglung, Myagdi and Parbat in Dhawalagiri Zone; Syangja and Tanahun in Gandaki Zone; and Pyuthan in Rapti Zone.**

In addition the Project has continued work on the ongoing arsenic mitigation and sanitation Programme that has been established by the RWSSSP and which was scheduled for completion by end-2006. The proposed Project will include the existing Districts of **Kapilvastu, Rupandehi and Nawalparasai in Lumbini Zone.**

Following the Appraisal Mission in May 2004 the MLD requested that the Project should include other sectors including village-level irrigation, hydroelectricity, and solid waste disposal and the design of these components should be based on the experience of the RVWRMP in Far West Nepal which was scheduled to commence during the third quarter of 2004. However, as this project was not started until in October 2006, there is hardly enough experience for conclusions at the commencement of this project (RWSSP-WN). Because of this, to begin with, the strategy of the RWSSSP Programme in the Lumbini Zone shall be followed with an updating of strengthened coordination with other actors in the project area and investment decisions being based on Water User Master Plans. However, activities in adjacent sectors which are relevant to support the focus sector, WSS, are considered based on the experience of the RVWRMP and recommendations of the RWSSP- WN Mid-Term Review.

Implementation of the RWSSP-WN was supposed to begin in 2005. Due to King Gyanendra's takeover in February 2005, Finland amongst many other cooperation partners of Nepal froze her new development projects in Nepal. After the democratic transition started in April 2006, also Finland decided to cancel this decision and restart the frozen projects.

Situation in March 2008

The Peace Agreement signed in December 2006 has ended the organized military struggle between the CPN (Maoist) Party and the GoN. The human rights situation has improved in general. The cantonment of the PLA army and the confinement of Nepal Army to barracks has been achieved and the arms registration for the cantoned troops under UN supervision was completed mid of February 2007.

After several rounds of attempts, the election date for the Constituent Assembly has been fixed for April 10, 2008. This is the third time that the date for the election has been finally agreed. There was an agreement between the government and the United Madhesi Democratic Front in February 2008 and the agreement has created a conducive political environment in the country to carry out the election as agreed. However, there are still some groups that have not come to an agreement with the government. The situation in the Tarai is still fragile and if not resolved, may affect the implementation of the project in the Tarai and the logistics of the project in the Hill districts, as it may constrain fuel supply, transport, procurement and recruitment.

The Project in Support of the Peace Process

The Project will take into consideration the changes in the political situation since April 2006 and the context in which the project will be implemented. It will support and respect inclusive, broad-based national priorities of the Interim Government and link the peace with the development process in order to prevent future conflicts. It will strive to ensure that it works in the interest of the peace process, respects “Do No Harm” principles and complies with values and norms expressed in the Basic Operating Guidelines (BOGs). It will strive to ensure that poor and discriminated groups benefits from basic services and public investments in a non-discriminatory way and to promote inclusion and actual power sharing in community based organisations as well as in the NGOs;

Coordination with Other Projects

The new proposed project is called Rural Water Supply and Sanitation Project in Western Nepal (RWSSP-WN) and will be facilitated by the Ministry of Local Development/DoLIDAR and will be executed by the District Development Committees of the participating districts. The actual implementers are villages and communities. The Project period is from July 2008 to June 2012.

A close cooperation and harmonizing of principles and actions with the newly commenced Rural Village Water Resources Management Project in the Far West and Mid West Regions of Nepal, supported by the Government of Finland, will be adhered to, and coordination meetings between the RVWRMP and RWSSP-WN will be held.. Implementation procedures and guidelines established for other completed and ongoing water sector projects (such as Rural Water Supply and Sanitation Program in Lumbini Zone and Rural Village Water Resources Management Project) will be applied with adequate modification as required to suit the current prevailing situation, Government policies, rules and regulations. The guidelines may also be amended as deemed necessary following the changes occurred in future in Government policies, rules and regulations.

The RWSSP-WN implementation will be oriented towards supporting the sector wide institutional memory and harmonization and unifying sector wide approaches by facilitating DoLIDAR/DDC/DTO in replication of the best practices and lessons learnt from previous RWSSSP projects in preparation of guidelines, manuals, design standards etc. of water and sanitation sector.

In the area in concern there are two other water sector projects currently ongoing, namely the UNDP financed Rural Energy Development Programme (REDP) since 1996, and Water Resources Management Programme (WARM-P) financed by Helvetas. The REDP is supporting micro hydro-energy development, while the WARM-P project is concentrating on improving water supply and sanitation services. Three districts (Tanahu, Parbat and Syangja) are the same as those proposed for the RWSSP-WN. Cooperation will be needed with the mentioned two projects as well as with the Community-Based Water Supply and Sanitation Sector Project (CBWSSSP) which was started in the same area by Asian Development Bank (ADB) financing (2004-2010). CBWSSSP will concentrate on water supply and sanitation and health improvements in 21 districts in mountainous western regions including Puythan District proposed for the RWSSP-WN. The Project must cooperate closely with the REDP, CBWSSSP and WARM-P projects.

Sector Policy Developments

A number of new policy developments have taken place recently in the rural water supply and sanitation (RWSS) sector. The most important of these has been the introduction of RWSS Sector Strategy and its Action Plan in November 2003 which was based on extensive discussion within all stakeholders in the sector. The purpose of the Strategy is to improve RWSS facilities and service delivery in Nepal, as well as to guide GON, donor agencies, NGOs (both national and international) and the private sector to prioritise investment decisions according to a commonly agreed approach. While complete harmonisation of service delivery mechanisms may not be achievable because of the numerous sectoral support organisations, it is still helpful to take a more rationalised approach to sector development.

The elements in the RWSS Sector Strategy, many of which are articulated in the section of GON's Three Year Interim Plan on Drinking Water and Sanitation, are intended to help to achieve that vision. MPPW has produced concrete sector proposals in its Rural WSS National Policy, Strategy and Action Plan (January 2004). The RWSSP-WN shall comply with the new RWSS Sector Strategy in its project planning and implementation.

The strategies are designed to facilitate the implementation of broad GON decentralisation policies as given in the Local Self-Governance Act and Regulations of 1999 (LSGA). The Act has far-reaching implications for both national policy and local level implementation arrangements in the sector. The MLD has implemented since 2001 a pilot project for the decentralised implementation of micro-infrastructure and the lessons from this are very relevant to the Project.

Problems to be Addressed

The problems related to rural water supply and sanitation in the six new Districts has been analyzed through a consultative process involving the key stakeholders, such as users of water supply and sanitation facilities, village development committees (VDC), District Development Committees (DDC) and various officials and representatives at the district level such as Local Development Officer (LDO), *Division* Water Supply Office (DWSO), Women Development Office (WDO), Support Organisations (SO), and Ministry of Local Development (MLD)/DoLIDAR, District Health Offices (DHO), District Education Offices (DEOs), NGOs/CBOs, and Helvetas/NEWAH/Unicef officials.

The generic problem for sustainable rural water supply and sanitation in Nepal has led to inadequate coverage and low service level. According to the report, Identification of New Districts, the coverage of rural water supply in the project area was reported to be 70.25 %

(1999) and the sanitation coverage, in terms of access to latrines, was about 27 % (1999). More recent data is not available due to the political unrest the country has suffered of during the last years. In the Hills the principal problem is inadequate access to water supplies, whereas in the Terai the principal problem is the lack of safe and good quality water due to arsenic contamination and the inadequate care of environmental sanitation.

The fundamental reasons for the situation are:

- inadequate institutional capacity at village and district levels;
- inadequate human resource capacity; and
- inadequate financial and physical resources
- inadequate methodologies and technologies

The stakeholders and beneficiaries of the Project comprise of the District Development Committees, district and village level administrative institutions charged with responsibility of water supply and sanitation sector activities, the private organisations, community based organisations and individuals providing support services to communities as well as the users of the services of the water supply and sanitation sector in the participating districts. There is considerable diversity among the beneficiaries regarding their socio-cultural contexts as well as their relationship with the water supply and sanitation sector, and the resulting expectations of services in this sector.

Project Design

The **overall objective** of Rural Water Supply and Sanitation Project in Western Nepal is: ‘Adequate coverage of appropriate service levels and sustainable water supplies and sanitation’. The objective is in line with the development objectives stated in the Three Year Interim Plan of GON (2007-2010). It also supports the development objective of the National WSS Plan (2004).

The **purpose** of RWSSP-WN will contribute to the attainment of the overall objective through: ‘Strengthened institutional capacity of Districts to enable decentralisation from Districts to users for sustainable self-management of rural water supply and sanitation’. The purpose of RWSSP-WN is to contribute towards the achievement of the overall objective.

The four **results** with their different sets of interventions to accomplish the Project purpose will be:

- **Institutional Capacity-Building** : ‘Strengthened institutional capacity of Districts to enable decentralisation from Districts to users for sustainable self-management of rural water supply and sanitation’
 - A.1 Local Governance Institutions involved with rural WSS Strengthened
 - A.2 Local Government planning systems strengthened
 - A.3 Policies and plans on rural WSS updated and prepared
 - A.4 Water Use Plans prepared
- **Human Resources Development**: ‘Human resources capable of implementing decentralised water supply and sanitation strategies’
 - B.1 Local governance capacity developed
 - B.2 Local Government staff trained
 - B.3 Rural WSS stakeholders trained (users & service providers)
 - B.4 Participatory Monitoring and Evaluation systems established

- **Resource Mobilisation** : *‘Financial and other resources are obtained for the implementation of rural water and sanitation facilities on a demand-led participatory basis’*
 - C.1 Financial management systems established
 - C.2 Community resources mobilised, including WSS committees

- **Service Coverage and O&M** : *‘Community-based projects are implemented and improved methods adopted by users for operating and maintaining rural WSS facilities’*
 - D.1 Improved rural Water supply systems operating
 - D.2 Improved rural sanitation systems operating
 - D.3 Arsenic mitigation systems operating
 - D.4 Support to water supply and sanitation: Improved community-based irrigation
 - D.5 Energy and solid waste systems operating
 - D.6 Community-based O&M systems operating
 - D.7 Accountable support organizations operational at District level

It is estimated that with the available investment budget of the Project, it should be possible to serve an additional population of 150,000 (10%) by water supply facilities with emphasis on the Hills, an additional population of 150,000 (6%) by sanitation facilities with emphasis on the Terai and low hills area, and 100,000 served with arsenic mitigation systems. An essential part of WSS service provision is protection of sources to safeguard water quality. Village irrigation, energy and solid waste management systems can be included in the Project as additional components on a pilot scale (to the extent they serve the WSS investments).

The approach in RWSSP-WN includes a strong commitment from participating districts as a monetary contribution to their district projects. It also includes a Focus District idea, which means that those districts that are willing to contribute 20 % of their income revenue for water supply and sanitation get **more** support from the Project. Other districts will contribute 8 % of their revenue. If no commitment is there by the district, the Project will withdraw. Another major new approach is to support self-reliant activities in those communities where they are ready to contribute more and the Project would give technical assistance mainly; if support to investments is given, the Finnish part shall never exceed 25%. Support to investments and to starting of the schemes will be prioritised to the areas where economically weak, disadvantaged and deprived groups inhabit.

The Project will incorporate a poverty-focus throughout all steps of the Programme and will allocate 20% of funds to the Disadvantaged Groups. The poverty focus generally coincides with the goals of the gender and inclusion approach and can be considered together.

All the concerned parties in the Project will abide by the privilege GON bylaws, rules, regulations, norms, standards, circulars, directives and any such amendments made by the GON in future. For financial administration a District Water Supply and Sanitation Development Fund (DWSSDF) will be set up in each of the project district. Also all the cooperating partners to the Project will follow in their activities the strategies, guidelines, plans and working methods developed by the Project.

The main **assumptions** related to project implementation are:

- Local government decentralisation will be vigorously pursued.
- Project activities not be unduly hampered by the security issues.
- Available technical data from other central and external agencies are reasonably reliable.

- Partners to help implement WUMPs are available.
- WUMPs will strike an optimal balance between sub-sectoral scheme priority and their selection for implementation.
- Policies, strategies and procedures of all relevant organisations (GON, Government of Finland, ADB & Helvetas, UNDP/REDP) can be reasonably coordinated.
- Local bodies will be in place

Risks related to the project implementation are derived from the above-mentioned assumptions as follows:

- The political will for the decentralisation process may diminish because of the tremendous institutional restructuring needed.
- Possible political instabilities in the project area may cause delays and other problems to the Project during its implementation.
- Additional external funding and technical assistance may not be available to complete the preparation of the WUMP.
- Existing technical data on water and land resources may be out of date or too expensive to update.
- Insufficient institutional capacity, particularly at the local level, poses a risk to the implementation of the Project. Weak local NGO capacity and capability in remote and poorer districts could make it difficult to mobilise qualified NGOs there.
- Failure to harmonize policies, strategies, working procedures and guidelines of various organisations involved in the project may hamper its successful implementation.
- Local bodies if not in place, may affect decision making process at district level.

Project Funding

Capital investments in schemes will be financed mainly by the RWSSP-WN while a major part of contributions by the benefiting communities are provided in kind (labour and materials). RWSSP-WN will be financed jointly by the governments of Nepal and Finland and through sharing of costs by District Development Committees, Village Development Committees, communities and individual households. Moreover, the district level projects will seek to diversify the funding of project activities. Phasing out of external support will be established as one of the indicators for successful Project implementation.

The overall tentative budget (Annex K) of the project is NRs 1170.799 million, equivalent of EUR 12.937 million¹. It is proposed that Finnish contribution will be 75 % (EUR 9.703 million) and Nepal contribution 25 % (EUR 3.234 million) equal to 291.738 million NRs. Detailed percentage distribution for DDC's funding through DWSSDF and local contribution from VDCs and User Committees will be decided during the Inception Phase depending on the funding modality for each of the projects.

In total the RWSSP-WN will result in a capital investment of some NRs 566.2 million, or equal to EUR 6.256 million.

Economic and financial sustainability of the project schemes will be ensured by the establishment of revolving **Operation and Maintenance (O&M)** funds² for each scheme, and contributions are expected from the participating families before construction starts. An initial amount of seed money will also be contributed to this Fund from the project. Also a water

¹ 1 EUR = 90.5 NRs (November 6, 2006, Nepal Rastra Bank)

² O&M Fund is the proposed form for managing the necessary collection and use of means for the O&M of the schemes. Alternative solutions can be considered as appropriate.

charge tariff will be set up and it will be collected regularly on a monthly basis to the O&M Fund from the users after the construction has been completed.

Various types of income generating activities are also planned and supported by the project during the mobilization period for enhancing rural livelihoods and, thereby, making it possible for the poorest of the poor to participate in the schemes, and at the same time reducing poverty

Socio-cultural , gender and inclusion aspects as well as sustainable environmental development and application of appropriate technology are also essential elements of the RWSSP-WN implementation.

Cost Efficiency

The project will pay special attention to cost efficiency by minimizing the operating costs whenever possible.

Project Rationale

By reducing poverty, promoting social equality and addressing local level environmental threats the RWSSP-WN is **fully compatible** with the strategic goals for the Finnish development cooperation.

While emphasising institutionalised management and implementation of water and sanitation facilities through decentralisation, the RWSSP-WN is highly relevant to the current policies and trends in GON, and would contribute to the materialisation of the Local Self-Governance Act and the National Strategy for Rural Infrastructure Development. The Tenth Development Plan emphasises the effective utilisation of local resources, objective-oriented analytical planning process, institutional strengthening of local government agencies, establishment of appropriate organisational structures, use of local skills and technologies and proper coordination between the local and central levels. All these considerations are essential strategies of the RWSSP-WN. Moreover, the project is highly consistent with GON's development policies and strategies related to water resources use and water supply and sanitation. The key sector strategies and policies are related to poverty alleviation, achieving full water supply coverage, recognising water as a limited resource, prioritising various types of water use etc.

1

PRESENT SITUATION

1.1

Government and Sectoral Policies³

Nepal's 10th Plan: 2002-7

National Planning Commission (NPC) has formulated a series of medium term strategic planning documents in Nepal. The **10th Five Year Plan (2002-7)** focused on Poverty Reduction Strategy Paper (PRSP) with a thrust to reduce poverty and improve social status of people through broad-based growth and social sector development. The Plan emphasised on human development, social and political inclusion, good governance and poverty reduction. Poverty in Nepal is a complex phenomenon and is manifested in wide variations between urban/rural communities, different ecological zones, different development regions, different caste, ethnic and gender groups. Further, the problem of poverty is exacerbated by Nepal's geographic isolation and limited resources. The Tenth Plan document indicated that 44% of the rural peoples live below the poverty line, with a poverty rate of 72% in the Far-Western Hills and 53% in the rural Mid-Western Terai. As 86% of Nepal's population are rural dwellers the degree of poverty in some regions reaches 90%. The Plan also stated that remedying poor social services delivery is the key to reducing poverty. The rural poor have limited access to basic public social services, few education opportunities, inadequate water supplies, and low energy use. This failure of service provision is a consequence of ineffective prioritisation, inadequate project screening, weak monitoring and supervision, lack of results-oriented planning, and inadequate budgetary transfers to rural areas in comparison with urban social expenditures.

However, inspite of these problems, the PRSP has achieved some noteworthy successes: the absolute level of poverty fell from 42% in 1996 to 31 % in 2004 and Nepal made significant progress towards attaining its MDG targets, except for primary education and HIV-AIDS. The MDG targets are likely to be met by 2015, if the recent rate of progress continued. The progress in social sectors, notably education, health and drinking water has been commendable and the indicators in social and human development show considerable improvements. Despite the reduction in absolute poverty, inequalities increased as the poverty reduction programmes concentrated in urban areas rather than rural areas where nearly 80 percent of people live. Moreover, the conditions in rural and remote areas remain poor, with inadequate social and economic infrastructure and extensive under and unemployment. The targeted GDP growth, averaged only about 2.5 % per annum during 2002 and 2006 even below the low case projection of 4.3% per annum envisaged in the Tenth Plan.

The Three Year Interim Plan (TYIP) 2007-2010

The Three Year Interim Plan (2007 - 2010) is a continuation of the planned development process of the country. The TYIP is formulated with a view that the next five year development plan would be formulated by the elected government under the new constitution to be inscribed by the constituent assembly. The Plan has envisaged to build a prosperous, modern and just Nepal with the stated objective to realize change in the lives of people with the establishment of peace and reduction in existing unemployment, poverty and inequality. The overall thrust of the TYIP is to focus on poverty reduction and employment generation opportunities, post conflict reconstruction, rehabilitation and management, inclusive development and reorienting all development efforts in achieving MDGs and other commitments. Improvement in accessibility and quality of drinking water and sanitation remains the major sectoral thrust of the Plan. Special priority has been given to the development of Karnali Region and other remote areas including the border areas of the country.

³ see Annex A for a list of Laws, Policies and Reference Documents

Local Self-Government Act and Regulation (1999)

The **LSG Act and Regulation** were enacted in 1999 with the intention of institutionalising the process of decentralisation of governance and the democratic and participative development of all the people, including ethnic communities, indigenous and down-trodden peoples. The Act defines the responsibilities, authorities and functions of the constituted local development bodies through which local democratic self-governance and development are to take place. The Act is the end-result of a long process of institutional and legal reform that was triggered off by the Democracy Movement and the new Constitution of 1990. The Regulation provides the rules governing the procedures and behaviour of local government, the councils, citizens, and other stakeholders.

The Act contains detailed provisions relating to Village, Municipality and District development and is based on the clear principles of subsidiarity. It represents the principles of Nepalese public legislation that provide a comprehensive legal enabling framework for local government. In addition to responsibilities and functions the legislation sets out arrangements for meetings, working procedures, relationships to citizens, powers of councils and committees, formulation of development plans, and penalties. The Law prescribes wide areas of competence for local government covering sectors presently administered by central line agencies. Although local government has powers of coordinating the planning of these centrally-managed competencies legislation to transfer authorities over them is still being drafted in the form of a *Local Services Act*. Until this legislation is completed the central line agencies will operate under their existing legislation and regulations.

Under the present security situation the representative form of government set out in the Constitution has been suspended and the LSG Act and Regulations (1999) are not therefore fully in force regarding elected District and Village Councils. Nevertheless the Act provides a clear regulatory framework for the future evolution of decentralised governance in Nepal.

Presently many local governments lack the skills, management experience and resources to achieve the competencies required of them. The present ‘transitional arrangements’, whereby NGOs and INGOs complement local government with respect to service provision, are likely to continue beyond the lifetime of the Project. Local government can either execute or *cause to be executed* through NGOs a wide range of Projects, including water and sanitation services. Significant Articles in the LSG Act (1999) concerning the Project are presented below:

Significant Articles from the LSG Act (1999)

Article	Title	Description
28	Functions, Duties & Powers of VDCs	Execute <i>or cause to be executed</i> decisions and directions of Village Council
46	Selection of projects	Criteria include employment and income generation projects
47	Coordination among VDC and Governmental/non-Governmental Agencies	How projects are to be coordinated at VC level between agencies, NGOs and INGOs
51	NGOs to be encouraged	NGOs encouraged to set up projects after LGU approvals.
54	OMR of Projects	Service charges to be levied for new projects
189	Functions, Duties and Powers of LDCs	Implement or cause to be implemented decisions and directions of the District Council. Includes Water supplies , micro-hydro; poverty alleviation, support to minorities, wage levels, social programmes, health
195	Formulation of Plans of DDC	Physical and developmental planning in the DDCs

The Act stipulates that the Village Development Council's members shall include, among others, ward chairperson of each ward committee, a female ward member, social workers of the village development area, and a representative of socially and economically backward classes. Similarly, VDC and DDC members shall include, inter alia, a female member.

According to the Act, GON may develop VDCs that are backward and undeveloped by equipping them with the appropriate means and resources. The VDC is allowed to levy a range of taxes and service charges - including tariffs on water and sanitation.

The delegation of responsibilities for water supply and sanitation are defined in the Act and detailed in its Regulation. The duties of Ward Committees include, e.g. taking care of wells, water taps, sewers, etc., and assisting VDC in keeping records of ponds, lakes, wells, canals and water taps in the ward. The operation of the village level projects shall be carried out through the Water & Sanitation Users' Committee. The Committee may collect service charges as fixed from the users who receive services from the projects. The service charge received must be spent on the repair, maintenance and protection of projects. The Regulation (1999) includes sample Agreements, proformas, local tax scales, allowances etc. that provide a common procedural framework.

Local Infrastructure Development Policy (2004) formulated by the GON is "to contribute to poverty alleviation by improving the social and economic conditions of the local people at their own initiation and participation". Similarly, the objective of the policy is "to improve the access of local people including women, disabled, backwarded, oppressed, neglected and Dalits to social services, economic opportunities and resources by means of physical and social infrastructures". To meet these goals and objectives, the Policy states four strategies :devolution of infrastructure to the local bodies; development of appropriate institutional structure and enhancement of technical capacity for local infrastructure development; adoption of appropriate working approach so as to mobilize local resources through people's participation; and effective utilization of available resources by harmonizing policies and procedures of different donor agencies.

Under the new decentralisation concept, all technical works of various line ministries implemented at the local level are carried out by the organization established at the DDCs as District Technical Office (DTO). The DDCs/DTOs are solely responsible for the overall development activities in the district. The strategy paper emphasises the need to:

- follow a single approach for planning and implementation process;
- adopt one-door system for resource mobilisation; and
- introduce a suitable technical organisation within the MLD

In line with the strategy, a Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR) within MLD has already been instituted. In the district level DTOs under DDCs have been established in 2002.

RWS&S Action Plan (January 2004)

Activities	Programme cycle
Link the function of rural water supply and sanitation service delivery with the decentralisation strategy of government (LSG Act:1999)	Long term objective
Reduce difficulties caused by duplication and overlapping at implementation level; Make optimum utilisation of all available trained people Rationalise site selection criteria	DDC/VDC coordination role in programme preparation and implementation
Ensure demand registration through full community participation and joint financial contributions	Community-based approach
Select cost effective technologies Rehabilitate disused systems	Implementation and planning
Ensure effective O&M Maximise health benefits Control corruption and misuse of funds	Operations

Water Resources Act (1992)

According to the Water Resources Act (1992) the ownership of all water resources belongs to the State, and private ownership is abrogated. It also states that water resources cannot be utilised by any person for commercial use without first obtaining a license. This, however, does not apply for domestic (small-scale) uses, such as for one's own drinking, irrigation, running a water-mill etc. Licensing of hydropower development is regulated by the Electricity Act, 1992.

The Water Resources Act mentions that Water Users Associations have to be formed and registered to make use of water resources for collective benefits on an institutional basis. One of the intentions of registration of the Users Associations is to verify the applicant's right for the use under consideration. The Act also provides a priority of order on utilisation of water resources: (a) drinking water, (b) irrigation, (c) agricultural uses such as animal husbandry and fisheries, (d) hydroelectricity, (e) cottage industry, industrial enterprises and mining uses, (f) navigation, (g) recreational uses and (h) other uses.

The Water Resources Regulation (1999) sets procedures for formation of consumers. Associations, licensing and resolving disputes regarding use of water resources, fixation of service charges and compensation related to the acquisition of houses and land. The relevant authority at district level is the District Water Resources Committee established in each district.

Water Supply

The Three Year Interim Plan (2007 - 2010) aims at achieving 85% water supply coverage by the end of the Plan period in 2010. The Plan aims to contribute towards raising the living standard and the status of public health by making sustainable and equitable water supply and sanitation services available. The policy emphasizes on simple technology based water schemes that is within the operational and management capacity of the consumer's groups and by optimally employing local technology and resources, complete the on-going drinking water schemes under construction through active participation of the user's groups, mandatory provisions will be made to ensure that all government and non-government agencies execute only those schemes that are in priority list under the District Master Plan. Priority will be given to those schemes that assure people's high participation and ensure regional balance along with the inclusion of socially and economically disadvantaged groups. Proportional representation of women will be duly emphasized to ensure their powerful and effective role. Investigation pertaining to arsenic will be made effective and measures for minimizing and mitigation of the arsenic problem will be adopted and the sanitation program will be implemented as an integral part of the drinking water supply projects

The Plan aims to target the backward classes, Dalits, Adibasi Janajatis, Madhesis and conflict affected communities and other poor communities and intends development initiatives to be implemented with their active participation. Mobilisation of NGOs, CBOs and the private sector as the partners in the development of water supply and sanitation sector, and the role of Users' Committees in planning and O&M is emphasised.

The water supply policy approved by the GON in 1998 reflects modern approaches adopted in a number of countries and by the international community. The policy states that the provision of convenient, safe and adequate water services is the declared commitment of GON, which recognises that the development of water supply and sanitation sector bring in enhanced socio-economic benefits and public health improvements. A recent approach has been a shift from traditional role of GON as a provider or implementer to that of a supporter or facilitator by making users more accountable and involved with initiation, implementation and O&M of water supply and sanitation projects with active support of NGOs, donor agencies, community-based organisations and communities themselves.

The national objectives for water supply are:

- increasing water supply coverage to 85% by 2010 in commensurate with the philosophy “Some for all rather than more for some”;
- accelerating decentralised administration of the sector services through effective devolution of authorities and responsibilities to local authorities and community based organisations;
- mobilising adequate community participation in terms of local resources, initiatives and skills;
- enhancing capability of local organisations through appropriate human resource development programme and establishment of adequate institutional framework;
- recognising fresh water as limited resource and priority to be given to demand management and reduction of unaccounted-for-water in preference to the traditional “new source” approach; and
- attaining financial viability through proper administrative and financial management, appropriate tariff structure, efficient debt collection and quality service to consumers.

Sanitation

The sanitation policy of GON has been published in a document called “Nepal National Sanitation Policy & Guidelines for Planning & Implementation of Sanitation Programme” by the Ministry of Housing and Physical Planning, Department of Water Supply and Sewerage (DWSS), July 1994. The policy seems to have essentially adopted the key elements of guiding principles of international initiatives, statements and declarations relevant to the sanitation sub-sector. The policy directives state that effort will be directed towards improving and sustaining the quality of life and health of the 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 organisations and volunteers as partners in development.

The policy objectives emphasise the links between sanitation and public health, the integration of investments in sanitation into wider awareness and behavioural change programmes, and the need to ensure that all water supply programmes include sanitation as an integral component and vice versa.

The strategies comprise general elements as well as specific topics. The specific topics include: involvement of women, appropriate technology, knowledge and awareness creation, community participation, resource mobilisation, legislation, coordination and integration and institutional arrangements.

At district level, the District Technical Office (DTO) will coordinate with field staff from the health and education sectors and will be called District Water Supply and Sanitation Committee (DWSSC) under supervision guidance of the National Water Supply and Sanitation Committee (NWSSC).

1.2 Background Studies

The Project benefits from an extensive range of studies and reports which are listed in Annex A and these provide a valuable database for the RWSSP-WN Project. The publications list from the RWSSSP Phase III is also included. The most significant are summarised below:

Draft Rural Water Supply and Sanitation Sector Strategy (ADB: January 2003)

The Strategy is intended to improve services and facilities throughout the rural sector in Nepal, and provide a commonly agreed approach to all stakeholders on the prioritisation of investment decisions and a more complete harmonisation of service delivery modalities. The draft recognised that the rural WSS sector contains diverse communities with very different conditions and that local variations should be accepted. The strategies set out in the draft document were developed through consensus-building workshops that engaged a broad range of sector stakeholders – including representatives from potential beneficiary communities, government agencies at all levels, INGOs, multilaterals and bilateral donors, and the private sector. These addressed in detail the main issues that were considered to be crucial to the development of the RWSS sector. The initial Working Paper was based on the existing national sector policies and the draft document was built upon these and the outcomes of the many stakeholder workshops. The draft Rural WSS Strategy (2003) is comprised of the following elements:

- Policy Context and Principal Objectives
- Key Principles
- Institutional Framework
- Policy Formulation
- Planning and Budgeting
- Implementation Arrangements
- Operation and Maintenance
- Monitoring and Evaluation
- Site Selection and Coverage
- Appropriate and Affordable Technology Options
- Gender, Caste and Disadvantaged Ethnic Group Participation
- Health, Hygiene and Sanitation
- Financial Aspects
- Legal Aspects
- Environmental Aspects

The objectives and key principles of the draft are presented in Annex B. The objectives are taken from GON's published and extant legislation and sector policies. The key principles are the result of the workshops and are intended to ensure sustainability of sector investments, provide equitable services to targeted groups such as the poor and those with the greatest need for rural WSS services, and other disadvantaged groups. Most of these objectives and principles will be included in the RWSSP-WN.

Review of Government Rules and Regulations for the Implementation of Micro-Infrastructure Projects: MLD (February 2003)

The UNDP Decentralised Financing and Development Programme (DFDP) is a pilot fiscal decentralisation programme which aims to reduce poverty through funding for rural micro-infrastructure projects and works through local government bodies and community groups. Sectors include highways, schools, and other public facilities. The Programme is designed to pilot methods of decentralised planning and financing, and local-level implementation. The Programme makes a USD 93,750 block-grant available to each participating District to meet locally-identified needs. Participating communities, VDCs and the DDCs each make a

contribution. The DDCs are the main implementers and their institutional and management capacities are the main focus of the Programme.

The overall objective of the DFDP is to reduce poverty by constructing small scale infrastructure that supports economic activities. Skills and abilities of participating communities are enhanced in order to ensure effective O&M on a collective basis. Project funds are spent locally and this contributes to local economic activity. Construction of the wide variety of infrastructure projects, including water, roads, school buildings, irrigation, bridge building, etc. may also be carried out by local contractors.

Local micro-projects are initiated by Community Organisations who prepare and submit proposals to the DDCs for scrutiny and prioritisation. A field overseer conducts a field survey under the guidance of a District Development Adviser who then prepares the project design and cost estimates. A cost-sharing approach is built into the design so that the users can contribute part of the costs. The DDC in its annual planning session makes the decision on projects to be implemented in the following year through a Users Committee set up by the VDC. VDCs act as facilitators during implementation using funds disbursed to the account of the Users Committee. VDCs and DDCs contribute up to 10% of project costs and the participating community contributes cash, materials and unskilled labour to the extent of its ability – around 20-25% is normal.

The study has shown that the VDCs are generally lacking in skilled personnel for planning and designing village projects, a situation which is made worse by the present lack of elected representatives at local level. The desired allocation of 20% of funds for Disadvantaged Groups has not been met. The lessons of the DFDP are very relevant to the RWSSP-WN.

Draft Appraisal Mission Report (HCG-May 2004)

An Outline Project Document (OPD) for a Rural Water Supply and Sanitation Project – West Nepal (the 'Project') was prepared in November 2003 to replicate the RWSSSP in Lumbini Region and assist in the provision of rural WSS community-based projects in eight adjacent Districts. An Appraisal Mission visited Nepal in May 2004 and, following a field visit and a series of discussions with key sector stakeholders in local and central government, NGOs, and user groups, prepared a draft Appraisal Report. The Report reviewed the major issues for the proposed programme that have been raised by other sector programmes and recommended that the Project should take an approach that supports the LSG Act (1999). The modalities of the Lumbini RWSSSP were considered to be very appropriate and closely in tune with the agreed sector strategies of stakeholders. The Mission understood that the Lumbini RWSSSP is well regarded in the sector and that it has performed a role as a policy leader during its commencement since 1990.

RWSSSP Phase III : Programme Document for July 1999 – July 2003

The Programme Document was prepared in 1999 to support Phase III of the MoFA-supported Lumbini RWSSSP which used the community-based and local government focused implementation modalities developed over the previous decade. The Programme has been implemented through the MLD by the participating DDCs under the management of the Project's PIU based in Butwal. The Document and the strategy underlying the LFM prepared for the Programme provides the basis of the RWSSP-WN replication Project - which is the subject of this present Project Document.

The Document gives a detailed description of the Programme Approach and Cycle which works through the District Development Committees, adopts a participatory methodology, strongly involves women and encourages self-reliance to enhance sustainability. The 'Focus District' concept is described in which Districts that show budgetary prioritisation for the

sector by contributing 20% of costs will receive assistance to gain full coverage. Financial subsidies are targeted towards the poorest communities. The intention of the Programme is to promote 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 proposed: self reliance where User Committees are able to mobilise most of the resources for construction and where the GOF contribution does not exceed 25%; and the more conventional schemes where 50% of funds come from *GON* and GOF. Ultimately the Programme intends to phase out external support in order to replace the system of subsidies. This user-pays principle is considered necessary in order to ensure sustainability of investments. This procedure has worked quite well except for generating the large funds needed for repair of damage or replacement of large assets.

A list of the documentation, guidelines, manuals, proformas, procedures, working arrangements etc prepared during Phase III of the RWSSSP is given in Annex A. These reports will provide, after the necessary updates and amendments, the technical guides and implementation procedures for the RWSSP-WN.

During 2000 the RWSSSP carried out an identification study on 8 new Districts which combined field surveys of WSS availability, users willingness-to-pay, potential implementing partners etc. This study has provided the District Profiles for the Project and these are presented in Annex C.

Mid-Term Review of RWSSSP Phase III (IRC: 2001)

A midterm review of the RWSSSP was carried out in November 2001 to review progress from the start of Phase III and to evaluate the earlier Phases of the programme. This evaluation is part of the MoFA's project cycle management. Phase III implemented new modalities resulting from GON's decentralisation policy, which are primarily concerned with financial sustainability and the introduction of the self-reliant fund. The Review conducted workshops with senior DDC staff, Chairmen and engineers and, based on the lessons of practical experience, made a series of recommendations on how to improve the performance of the Programme covering the institutional, technical, social, financial and environmental aspects.

The Review found that the processes adopted and the results achieved were good and that the Programme is highly relevant and corresponds to the present need for support at the various government levels and with the beneficiaries at village level. The approach is in line with national sector policies, skills are being transferred through the training programme to the Support Organisations, and the water and sanitation investments are bringing real benefits to the lives of the rural populations.

The review concluded that the RWSSSP follows an effective process of participative decision-making at all levels, starting with the village communities and up to the local governance institutions at District level. The skills being developed are mostly concerned with operational planning and management and these may be extended to cover the actual systems and processes of decision making within local government. There is a need to focus on the main issues of sustainability and this will require more emphasis on O&M organisation, re-focus community participation towards gender awareness aspects, and maintain public health (sanitation and drainage) improvements as key indicators of programme achievement. In general the Review argued that monitoring and evaluation at all levels should be built more firmly into the programme design in order that the impacts of the diverse programme components meet the higher level policy objectives.

1.3 Problems to be addressed

The status of rural water supply and sanitation in the six additional Hill Districts to be covered by the RWSSP-WN were analyzed in 2000 through a consultative process involving the key stakeholders, including the users of water supply and sanitation facilities, Village Development Committees (VDC) and District Development Committees (DDC). Various officials and representatives at the District level were also interviewed - such as Local Development Officer (LDO), District Water Supply Office (DWSO), Women Development Office (WDO), etc., Ministry of Local Development (MLD) / Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR) and management and staff of RWSSP of Lumbini Zone in District Support Units (DSU), Project Support Unit (PSU) and the liaison office in Kathmandu.

The Project will also continue the arsenic mitigation and sanitation coverage programmes of the RWSSSP Phase II in Kapilvastu, Rupandehi, and Nawalparasi on the plains of the Terai.

The data on the six additional Hill Districts is presented in Annex C, and a summary of the data for all of the Districts to be covered by the RWSSP-WN is given below, including the three RWSSSP-Phase III Districts which will be continued:

Summary of data on Six Hill Districts

Districts	Population (1998) ^{1/} thousand	Per capita income (1996) ^{1/}	Water supply coverage ^{1/}	Sanitation coverage ^{1/}	Incidence of H ₂ O borne diseases (OPD)	HDI Ranking (1996) ^{2/}
Baglung	245	Rs 8,290	67%	15%	Increasing	29 th
Myagdi	109	Rs 4,022	80.1% (1999)	21% (1999)	Increasing	43 rd
Parbat	188	Rs 7,245	66% (1999)	30% (1999)	Increasing	20 th
Syangja	372	Rs 10,064	77%	28%	Decreasing	13 th
Tanahu	307	Rs 8,828	68%	29%	Decreasing	9 th
Pyuthan	189	Rs 8,141	64%	19%	Increasing	37 th
<i>Total</i>	<i>1,410</i>					

^{1/} Nepal Development Institute, Nepal District Profile, 2002

^{2/} Nepal South Asia Centre Human Development Report 1998.

Summary of data on three Terai Districts

District	Population (2001 Projection) (thousand)*	Per capita income (1996)	Water supply coverage % *	Sanitation coverage *** %	Arsenic mitigation coverage ** No. wells	HDI Ranking (1996)
Kapilvastu	509		82%	30%	3917	56 th
Rupandehi	715		87%	19%	1134	19 th
Nawalparasi	612		75%	19%	2175	51 st
<i>Total</i>	<i>1836</i>				<i>7226</i>	

* Nepal District Profile 2002. National Development Institute, Kathmandu.

** Target coverage by RWSSSP-Phase III.

UNDP HUMAN DEVELOPMENT INDEX -NEPAL 2004

District	% of population <u>without</u> access to safe water	Human Poverty Index	HDI rank (1-75)
Nepal	20,48	39,6	
West Nepal Hills		35,7	
Baglung	12,81	35,7	19
Myagdi	16,03	40,3	17
Parbat	15,89	35,5	14
Syangja	23,59	35,3	7
Tanahu	37,31	42,0	9
Pyuthan	32,55	47,9	53
Kapilvastu	19,21	48,5	47
Rupandehi	3,71	29,2	5
Nawalparasi	17,97	40,2	25

The generic problem for sustainable rural water supply and sanitation in Nepal is inadequate coverage and low service level. According to the RWSSSP Report (2000): Identification of New Districts, the coverage of adequate rural water supply in the project area Hill Districts is reported to be 70.25 % (1999) and the sanitation coverage, in terms of access to latrines, is about 27 %. These figures are below the targets given in the 10th Plan. In addition, field surveys have shown that many systems are in need of rehabilitation and therefore the present coverage percentages are likely to be an over-estimate. In the Hill Districts accessibility to safe water is the main problem whereas on the Terai it is quality rather than accessibility. In the Nepal rural water sector context 95% coverage is considered to represent ‘fully served’.

An analysis of the complex of reasons why rural water and sanitation is still an issue in Nepal is given in Annex D : Problem Tree. The reasons for the low coverage and service levels are:

- inadequate institutional capacity at village and district levels,
- inadequate human resource capacity,
- inadequate financial and physical resources, and

- inadequate methodologies and technologies.

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 inadequately defined roles and responsibilities at various levels, tendency to create new or parallel institutions, inadequate support capacity (from central and regional levels to Districts and from Districts to Villages, especially in O&M), weak participatory planning processes, lack of sectoral coordination in Districts, overly rigid processes and bureaucracy, inadequate monitoring and evaluation at all levels, and inappropriate incentive policies and mechanisms. These problems are further compounded by inadequate facilities and logistics constraints caused by difficult communications (transportation and telecommunication) and weak management (hardware and software), office equipment, etc. The problems are more acute at the District level in Nepal compared with the municipalities.

The second major problem is related to weak management and implementation capacity. Human resource constraints are a result of the inadequate involvement of women (for example in O&M), inadequate skills (e.g., due to high turnover of Village Maintenance Workers at village level and officials at District level) and skill development, inadequate technical resources within DDCs, and inadequate availability of competent resources to be hired. The human resource constraints are often made worse by inefficient use of existing resources due to lack of coordination and poor cooperation between agencies.

The third fundamental problem, inadequate financial and physical resources and financial management issues comprises limited or insufficiently mobilised resources at village level, and inadequate budgetary resources at District level. The factors contributing to the problems at the District level include: almost non-existent revenue generation specially in the Hills, insufficient allocations from the central budget to the water supply and sanitation sector activities in districts, inefficiency in targeting the subsidies and lack of coordination and cooperation between the line offices and DDC, inadequate financial planning and management mechanisms and practices, reliance on financing from external sources, and lack of political determination specially 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.

The fourth problem comprises difficulties with technologies and methods that are inappropriate for the poor. There are a variety of reasons for the problems at the village level including idle O&M funds, extreme poverty (of the poorest social groups), inadequate access of most marginalized groups to improvements and services, lack of safety nets and cross-subsidization mechanisms at the village level and below, reliance on government financing, partly unaffordable technologies, and inadequate access to formal credit mechanisms.

The above problems may be partly addressed by developing an implementation structure for water supply and sanitation schemes through the DDCs, and focusing capacity development activities towards the Water and Sanitation User Committees and identified Support Organisations (mainly NGOs and private sector consulting companies). These strategies need to be institutionalised and integrated within local government in order to ensure the sustainability of the proposed RWSSP-WN intervention.

1.4 Stakeholders and Beneficiaries

Several Government line agencies are involved in the use and development of water resources of Nepal, such as:

- Ministry of Local Development (MLD) and its Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR)
- Ministry of Physical Planning and Works (MPPW) and its Department of Water Supply and Sewerage (DWSS)
- Ministry of Health and Population (MOHP)
- Ministry of Water Resources (MOWR) and its Department of Irrigation of (DOI)
- Ministry of Environment Science and Technology (MOEST) and Alternate Energy Promotion Center (AEPC) under MOEST
- Ministry of Forest and Soil Conservation (MOFSC)
- Ministry of Education (MOE)
- Ministry of Agriculture and Cooperatives (MOAC)
- Agricultural Development Bank (ADB/N)

Based on the Local Self-Governance Act, 1999, the Ministry of Local Development is the agency in charge of community based development projects, while the other ministries deal with major development projects and activities throughout the country.

The stakeholders and beneficiaries of the Project include the District Development Committees, District and village level administrative institutions charged with responsibility for water supply and sanitation sector activities, the users of the services of the water supply and sanitation sector in the participating Districts and the private organisations and individuals providing support services to communities. The RWSSP-WN will act as one of the Project's Support Agencies to facilitate the interventions.

Executing Agency for the Project

District Development Committees (DDCs)

The District Development Committees are responsible, under the LSG Act (1999) for developing drinking water supply and sanitation systems that benefit the population of each district. As the executing agencies of participating District projects each DDC, with support from DWSO and other line agencies and MLD, is expected to develop a District Plan for water supply and sanitation. This Plan is based on community level participatory and gender sensitive planning, and will maintain a special focus on the Disadvantaged Groups. The Plan will be implemented through collaboration of relevant implementing agencies emphasising cross-sectoral cooperation.

The Local Development Officers (LDO) are the main representatives of the MLD at the District level. The LDO, together with other MLD staff, serve as the secretariat for the DDC. LDO, on behalf of DDC, has to coordinate between MLD and other sectoral district offices. However, coordination with sectoral district offices is weak due to vertical accountability with their parent organisations. The Local Self-Governance Act (1999) bestows the authority of planning and prioritisation of all the sectoral activities at the District level on DDC. The Act has made a provision of an Integrated Plan Formulation Committee chaired by DDC Chairperson and District Plans are required to be endorsed by District Council before implementation.

Implementation of the different sector activities is carried out by the functionaries of respective sectoral agencies based at the District level and is coordinated by LDO on behalf of DDC. The same process is followed in case of the activities to be implemented by DDC itself and the management of funds and accountability rests on LDOs. Since RWSSP-WN will be funded jointly by the GoF, GoN, and by user contributions and will be a DDC Project, the management of funds will be the responsibility of the LDOs and accountability for proper expenditure will be on them. The RWSSP-WN will have the right to inspect and audit project accounts which contain GoF funding.

-DDC: DTO is in charge of the technical matters and responsible for looking after the entire infrastructural development works under DDC funding. It is also responsible for monitoring of the technical matters and providing support to the communities.

Support Agencies

The support agencies will offer technical assistance for planning and management of rural water supply and sanitation systems.

MLD/DoLIDAR is responsible for the provision of all necessary technical and managerial support to local government institutions, as well as for the coordination of all infrastructure development activities undertaken at present within the framework of the MLD which are gradually being transferred to the DDCs under the LSG Act (1999). MLD/DoLIDAR will support the RWSSP-WN in liaising with other central government agencies, discharging various government policies, rules and regulations to the Districts as well as to the RWSSP-WN. Budget programming, and releasing the GON funds to the respective Districts, advising RWSSP-WN on appointing local project staff, conducting Steering Committee meetings, and various administrative aspects of the Project, are also the functions of DoLIDAR. In addition, processing of approval and required visas for expatriates engaged in the project and their families will be executed by DoLIDAR. A National Project Director (Technical), who will be stationed in DoLIDAR, will be nominated by GON with responsibility for planning, budgeting, progress review and monitoring at the central level.

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

RWSSP-WN Support Unit (PSU) coordinates the project activities in the districts. It oversees the application of various government rules and regulations in the implementation of the project. It monitors and reviews the progress of the schemes and advises on remedial measures, as and when deemed necessary. PSU supports Districts to improve their institutional capacity to decentralise the implementation and management of water use and sanitation development activities at the village level. The Unit will assist in planning and executing RWSSP-WN activities with necessary back-up services to the Investment Programmes to achieve the stipulated objectives of RWSSP-WN. A senior officer of under secretary level (Technical) of DoLIDAR will be the national project coordinator. The National Project Coordinator (NPC) will conduct the steering committee meetings. The NPC will be located in the RWSSP-WN project office. The project office is proposed to be located in Pokhara.

The District Development Committees (DDCs) are the executing agencies of RWSSP-WN sub-projects in the respective districts. The DDC: DTOs discharge the responsibility of RWSSP-WN sub-projects. The DDCs are responsible for developing the use of water resources that benefit the population of each district. The DDCs will update existing district plans for water use (drinking water, irrigation, and micro hydro) and sanitation. These plans will be based on community level participatory, social and gender sensitive planning. The

plan will be implemented by relevant user groups (Community Organisations and Functional Groups).

The plans are required to be endorsed by the District Development Council.

The DDC:DTOs will be responsible for the daily operation and execution of all RWSSP-WN sub-projects activities. DTO Chief will manage the project implementation in the district on behalf of the DDC. The LDO will coordinate the project activities in the District.

RWSSP-WN will be represented in each District by a District Support Adviser (DSA) who will support the DDCs, VDCs and act as an intermediary between the Project, local government and the Beneficiaries. Additional support to the DSAs will be available through the technical services unit of a Project Support Unit (PSU) located in Pokhara.

Village Development Committees (VDCs)

The Village Development Committees, as an integral part of the local government structure, comprise representation from the wards, and is the executing body of the Village Council. Every ward elects five representatives, including at least one woman and representatives from DAGs, to the Council. Each village is made of nine wards, and thus making 53 members of the Village Council. The District Council consists of all the Village Council representatives and the number of representatives varies according to the number of VDCs in a District. The VDC is one of the main stakeholders in water use and sanitation development and has an important role in the implementation of the schemes at village level. VDCs have the following roles and responsibilities:

- Prepare a Water Use Master Plan, with focus on water use and sanitation development, reflecting the existing (and potential) water sources and the resources available for implementation of schemes.
- Collect and assess the requests for schemes, including willingness-to-contribute to planning, implementation and O&M, from the communities and recommend them to the DDC in the order of priority.
- Coordinate with DDC and other sector agencies for water use development in its area.
- Contribute cash for schemes.

Support Organisations(SOs)

Support Organisations, which act as specialist community mobilisers responsible for social preparation activities with the rural communities, are required to form and register the Water & Sanitation User Committees and User Groups and to facilitate the management and implementation of the schemes. Public agencies, private organisations, local NGOs, clubs, firms etc can be engaged by the Project. Selection will be through pre-qualification and competitive bidding. Community mobilisers/their organisations (NGOs) which shall be based in the district they work in and the personnel come from that particular district, and have their homes therein.

UNDP / REDP

UNDP's Rural Energy Development Programme (REDP) has been ongoing since 1996. The REDP is currently operating in 15 districts in the country, and the number has been increased by 10 through the World Bank-financed Power Development Project. REDP is active in the five districts of RWSSP-WN and will be the one of the main partners for RWSSP-WN for

community mobilization process and project preparation stage for micro hydro projects. REDP has established a Rural Energy Development section DDC/REDS in all districts.

However, in the present context DDC: District Technical office (DTO) has been established in all districts to carry out all technical matters in the district. District Support Advisors (DSA) assist in the planning, implementation and monitoring of the schemes. The Project Coordinator (PC) will coordinate with REDP to launch a coordinated approach for use of water resources (water supply, irrigation and micro hydro) and sanitation.

Project implementation will be carried out using a community-based approach whereby the users of the systems either carry out the work themselves or are responsible for the procurement of technically complex components through the private sector.

District Divisional/Sub-Divisional Water Supply Office (DWSO)

The DWSO under MPPW is the prime government agency responsible for implementing the larger water supply schemes and supporting their operation and maintenance at the District level. DWSO can also provides technical assistance, and in some cases, direct support to WUCs.

Inclusion and Gender Development Section

This links all the development activities with special focus on inclusion and gender issues. WDO is the key to be considered the focal point for both gender and inclusion mainstreaming for the project at the district level.

Inclusion

To ensure inclusiveness in the project implementation the vulnerable groups/deprived sections of the communities such as ultra poor, dalits, Adhibasi Janajatis, Madhesis, women and conflict affected communities will get first opportunities during a) scheme selection, b) recruiting of Community Mobilizers, and c) use of local human resources.

The project should make clear provisions for employment of local people for skilled and unskilled labour. The project should also promote inclusion of women, Dalits and Adhibasi Janajatis, Madhesis and other deprived communities in its staff, the staff of partner NGOs and other partner stakeholders.

Promoting local language

The use of local language in project training activities at community level should be considered in communities where the majority of the beneficiaries speak other than Nepali as their native language.

District Health Office

Responsible for District Health Services. RWSSP-WN will collaborate with the District level offices of the Ministry, the Health Posts, Village Health Workers, Female Community Health Volunteers, Traditional Birth Attendants and the Mothers' Groups that are maintained under its supervision. These institutions have been identified as key actors for activities in the sanitation sector. An example of such groups is the Mothers Groups established with focus on women's welfare. Their activities include credit funds, literacy, and sanitation education. There are already examples of Mothers' Groups having acted as the initiators of the application to RWSSSP in Lumbini Zone for water supply, although this has guaranteed them no further role in the development of the water schemes. An example of human resources engaged in community development activities are the Female Community Health Volunteer

trained by the Ministry of Health and Village Sanitation and Maintenance Workers trained by the DWSO.

District Education Office (DEO)

Responsible for developing curriculum for both formal and for informal education. Health education messages are incorporated in both the regular school curriculum as well as in the materials used for adult literacy classes.

Non-Governmental Organisations and Community Based Organisations

RWSSP-WN through the DSAs will facilitate the collaboration of the DDCs and VDCs with NGOs/CBOs and the private sector. In order to avoid confusion RWSSP-WN will, together with the DDCs/VDCs, identify the appropriate roles of all types of organisations. Distinctions will be made between Community Based Organisations (CBOs), which are based in the community they work in, i.e. the personnel come from that particular community, and have their homes therein, and Non-Governmental Organisations (NGOs), who work in multiple communities. Additionally, the inclusion principle should be applied also in the selection criteria of the NGOs/CBOs.

Private sector

RWSSP-WN will find ways of fully mobilizing local resources through private sector collaboration. Private sector focus will be small consulting firms and business, which utilise their involvement in the project to expand their activities and depend largely on paid personnel.

Water & Sanitation Users' Committees (WSUCs)

The Water & Sanitation Users' Committees are established as the main managerial body for rural water and sanitation schemes. They are responsible for the involvement of their communities at all stages of preparation and construction, and are responsible for the continued operation and maintenance after completion. In addition, they manage the O&M fund to which all users contribute. A minimum of seven members comprise of WSUC, and of these a minimum of one third of women. The WSUCs follow guidelines, and a manual, prepared for WSUCs by the National Planning Commission. Inclusion principle should be integrated into the selection of the members. In communities where women form the majority of the water users, or heads of households the number of women on the committee should be increased. Equally, where the beneficiaries are predominantly of a traditionally discriminated group, their presence on the committee should reflect this.

Community and User Groups responsible for organising community activities

User Groups (UG)/ User Committees (UC)/ Community Organisations (CO) are the actual implementing agencies of this project. The Local Self-Governance Act requires institutionalisation of these groups before legal rights and responsibilities can be established.

Water/Irrigation/Energy User Committees (WUCs / SUCs / IUCs / EUCs)

The Sector User's Committees (Functional Groups) are established as the main managerial bodies for the schemes. They are responsible for community involvement at all stages of preparation and construction, and are responsible for the continued operation and maintenance after completion. In addition, they manage the O&M Funds to which all users contribute. They are registered as per the prevailing GoN rules and regulations.

The Functional Group (FG) has the responsibility of scheme implementation, operation and maintenance. Funds for implementation of schemes should be directly provided to the FG. The FG is responsible for managing the implementation funds (purchase of construction materials, transportation and payment for labour). The FG should purchase only construction materials and equipment which meet the detailed technical specification established by RWSSP-WN and from pre-qualified suppliers / manufacturers and quality certified by the DTO. The pre-qualification process for the suppliers / manufacturers of construction materials will be made by the DDC:DTOs. Competitive bidding will be followed, as per GoN financial rules and regulations. The DTO in liaison with PCO may assist in the procurement of construction materials. The DTO will follow the Public Works Directives (PWD) in the implementation of the schemes.

User Groups (UG)

User Groups are established for the implementation of the schemes. REDP has developed a very gender sensitive method for the formation of these groups. Each participating household will have to nominate one man and one woman to participate in a user group, but not in the same group. Such smaller groups will then be combined to form “functional groups”. The method ensures equal representation of male and female members. Similar approach can be applied for RWSSP-WN as well. Separate groups of Dalit and indigenous communities will be formed, if necessary. Similar arrangements shall be made for formation of Users’ Committee and at least one female and Dalit member shall be in key position. NGOs having women and Dalit (and indigenous where relevant) as their executive members and also for female and Dalit staffs will receive preferential treatment in the selection criteria of support organizations. Integration between various groups will be promoted.

Project implementation will be carried out using a community-based approach whereby the users of the systems either carry out the work themselves or are responsible for the procurement of technically complex components through the private sector. Further elaboration of the definition of technically complex components shall be made during the inception phase.

2

DEFINITION OF INTERVENTION

The **Project area** covers nine Districts in the Hills and Terai of Western Nepal, namely.

Zone	District
Dhawalagiri	Baglung, Myagdi and Parbat
Gandaki	Syangja and Tanahu
Rapti	Pyuthan
Lumbini	Kapilvastu, Rupandehi, Nawalparasi

The six Hill Districts have a total population of 1.41 million people and the three Terai Districts have a population of 1.84 million people. The elevation varies between 300 to 8.000 metres above mean sea level; much of the terrain is located in the mid-Hills at elevations below 3.000 metres. Access is difficult to many of the villages in the higher elevations.

Of these, two Districts in the Hills – i.e. Pyuthan and Tanahu, and three Districts in the Terai – i.e. Pyuthan, Kapilvastu and Nawalparasi, have already received assistance from the Lumbini Project. The location of the Districts is shown in the map in Annex E.

2.1

Overall Objective

The definition of this Project is based on the Diagram of Objectives (Annex F) which shows the strategy adopted in preparing the design. The logical framework matrix of the RWSSP-WN, which summarises the Project' design is presented in Annex G.

The overall objective towards which the Rural Water Supply and Sanitation Project – Western Nepal will contribute, and the Indicators of Achievement, are as follows:

Overall Objective	Indicators of Achievement
<i>'Adequate coverage, appropriate service levels and sustainable management of rural water supplies and sanitation'</i>	<ul style="list-style-type: none"> - All people have access to sufficient and satisfactory water supply and sanitation facilities on a priority basis targeting ethnic and other disadvantaged groups including poor women - Rural water supply and sanitation facilities are managed by users without external contribution to operating costs.

The Overall Objective is in line with the development objectives stated in the Three Year Interim Plan (2007-10) of GON which aims to achieve 85% water supply and 60% sanitation coverage by 2017. It also supports the National WSS Policy, Strategy and Action Plan (2004) and the National Water Plan 2005. The National Plan 2005 has set the target of achieving total population coverage of basic level drinking water supply and sanitation services by the year 2017.

The Three Year Interim Plan 2007-2010, has an aim to contribute towards raising standards and public health by making sustainable and equitable water supply and sanitation services available. The Plan has focused on poverty alleviation, gender and social inclusion, pro-poor activities, agriculture, infrastructure including water and sanitation and employment generation.

The Project is designed to replicate the proven strengths of the present Lumbini RWSSSP for the water and sanitation sector whose community-based modalities have evolved through a process of 'trying and testing' since 1989. It will take a primarily single sector approach in

order to maximise the District-wide impact of the programme. However, adjacent sectors will be addressed to the extent they serve the focus one, the WSS.

Other programmes involved with local government decentralisation include additional infrastructure sectors, such as the Finnish funded RVWRMP in the Far-Western Region which comprises WSS, irrigation and hydro-electricity, and the UNDP-supported DFDP in pilot Districts which includes a wide range of non-toll public investments. The former Project focuses on improving water resources management in order to reduce conflicts between users, whereas the latter is more concerned with the requirements for decentralised local governance. The RWSSP-WN includes a small provision for irrigation, micro-energy and solid waste management improvements as small-scale programmes to demonstrate the potential of improvements under the LSG Act (1999). These will be reviewed and, if considered appropriate, be further prepared and carried out with the consolidation of Project Funds after Year 2 when the Lumbini Arsenic Mitigation activities are completed.

The Project will engage constructively with local government to implement the intention of the LSG Act (1999) which prescribes Provisioning Powers over planning, prioritising, programming, budgeting and monitoring of development activities to the Districts and Village Councils. However the elected political bodies (DDCs, VDCs), the main authorities under the Act who must ensure due process in all cycles of the development activities, are currently suspended and cannot play their role in the participatory and decision-making processes. Local government is presently, therefore, not in a position to play a full role in facilitating WSS sector programs. The Project will work with local government staff and the other forms of representation that prevail and assist in the setting up of a flexible regulatory regime to implement the intention of the LSG Act (1999) within the constraints that exist in the different Districts.

The institutional models adopted by other rural water and sanitation programmes working in the Project Districts mostly share a common project approach. However, these may have adopted different criteria for project prioritisation and selection, they may include a variety of different sectors, and they may already have engaged with local government. The Project will coordinate closely in order to complement existing programmes in the new programme Districts. The Project will work closely with the RVWRMP and coordinate efforts on the preparation of arsenic mitigation.

2.2 Project Purpose

The Purpose of the Project, and the design of the different components to support this Purpose, is to intervene in the different thematic areas shown in the Diagram of Objectives (Annex F). This approach will prioritise the implementation of decentralised local governance and the active participation of user groups within the Project design. It conforms with the policies adopted for the WSS sector by GON.

The Project Purpose (or strategic direction) is: *‘Strengthened institutional capacity of Districts to enable decentralisation from Districts to users for sustainable self-management of rural water supply and sanitation’*

The Project is designed with four (4) Results, comprised of the different sets of intervention activities, which have the following objectives and Indicators of Achievement:

Project Results

Results	Indicators of Achievement
<p>A. Institutional Capacity-Building <i>‘Strengthened institutional capacity of Districts to enable decentralisation from Districts to users for sustainable self-management of rural water supply and sanitation’</i></p>	<p>Districts have increased capacity to plan and administer decentralised water supply and sanitation projects on a priority basis targeting ethnic and other disadvantaged groups including women, including providing support to the user groups in operation and maintenance, and to facilitate the full use of available financial and other resources</p>
<p>B. Human Resources Development <i>‘Human resources capable of implementing decentralised water supply and sanitation strategies’</i></p>	<p>DDC, VDC members and staff competent to implement community-based WSS projects; construction skills of local artisans appropriate; gender, inclusion and poverty issues fully addressed.</p>
<p>C. Resource Mobilisation <i>‘Financial and other resources are obtained for the implementation of rural water and sanitation facilities on a demand-led participatory basis’</i></p>	<p>Districts have obtained funds and other resources for community-based projects from GoF, GON; user groups have accepted cost recovery principles</p>
<p>D. Service Coverage and O&M <i>‘Community-based projects are procured and improved methods adopted by users for operating and maintaining rural WSS facilities’</i></p>	<p>Cost-effective, locally constructed projects are implemented by WSUCs which can be operated and maintained by the user groups; 20% of Project investments made in quick impact projects for DAGs.</p>

2.3

Results

The Project is designed to have four Results which are comprised of groups of interventions whose implementation is intended to bring about the Results given above. The Indicators of Achievement for each groups are listed below:

A. Institutional Capacity-Building

Objective: ‘Strengthened institutional capacity of Districts to enable decentralisation from Districts to users for sustainable self-management of rural water supply and sanitation’

Results and Indicators of Achievement

A.1 Local Governance Institutions Involved in Rural WSS Strengthened

- Current legal, institutional and financial frameworks reviewed with special reference to the LSG Act (1999)
- Management capacity-building and training needs identified
- Improved management systems implemented
- Monitoring procedures in place and effective
- Coordination networks with other agencies established

A.2 Local Government planning systems strengthened

- DDC & VDC District Plans updated
- District Profiles updated
- VDCs prioritised based on poverty levels etc for inclusion in Project

A.3 Policies and plans on rural WSS updated and prepared

- WSS policies and plans updated in context of DDC and VDC Plans
- Poverty, gender and inclusion, and DAG policies prepared
- Inventory of other WSS programmes in Project Districts completed
- Participatory evaluation of sector established

A.4 Water User Master Plans Prepared

- Water Use Management Plans prepared for 60 prioritised VDCs using the participatory approach involving all relevant stakeholders
-

B. Human Resources Development

Objective: ‘Human resources capable of implementing decentralised water supply and sanitation strategies’

Results and Indicators of Achievement

B.1 Local governance capacity for Rural WSS developed

- HRD programme prepared for local government in Project Districts
- Public awareness campaign implemented

B.2 Local Government staff trained

- Training programme for local government completed

B.3 Rural WSS stakeholders trained

- Training in participatory social preparation methods completed
- Exchange programme established
- Artisans trained (including women)

B.4 Participatory Monitoring and Evaluation systems established

- M&E systems established
 - User groups trained in participatory monitoring processes
-

C. Resource Mobilisation

Objective: ‘Financial and other resources are obtained for the implementation of rural water and sanitation facilities on a demand-driven participatory basis’

Results and Indicators of Achievement

C.1 Financial management systems established

- Financial management procedures and manual prepared
- Funding modalities approved
- DWSSF operating effectively

C.2 Community resources mobilized

- Community resources generated for Projects
 - Mechanisms to support poor communities implemented
-

D. Service Coverage and O&M

Objective: 'Community-based projects are procured and improved methods adopted by users for operating and maintaining WSS facilities'

Results and Indicators of Achievement

D.1 Improved rural water supply systems operating

- 150,000 additional people have access to safe water supplies

D.2 Improved rural sanitation systems operating

- 150,000 additional people have access to safe sanitation

D.3 Arsenic mitigation systems operating

- 100,000 people have access to arsenic-free water supplies

D.4 In support to water supply and sanitation: Improved community-based irrigation, energy and solid waste systems operating

- [Programme to be designed at the end of Year 2]

D.5 Community-based O&M systems operating

- Improved O&M systems operating

D.6 Accountable support organizations operational at District level

- WSUC's able to purchase services at District level
-

2.4

Activities

The Project is comprised of tasks whose implementation brings about the Results given above. The detailed activities for each task will be prepared and integrated into the Annual Work Plans at the start of each Project Year. The activities listed below are indicative and their implementation schedule will also be revised during the preparation of the Annual Plans.

A. Institutional Capacity-Building

Result and Activities	Schedule
A.1 Local governance institutions involved in rural WSS strengthened	
- Review legal, institutional and financial framework for local government decentralisation and identify key issues for DDCs, VDCs and Project	December 2007
- Review current legislation on local government rural WSS sector policy	December 2007
- Assess organisational policies and practices	December 2007
- Assess financial framework at central and local levels	December 2007
- Assess local government management systems, guidelines and manuals and implement improvements	January 2008
- Implement effective Project monitoring and public accountability procedures	June 2008
- Prepare an Action Plan for local government capacity-building in each District	June 2008
A.2 Local Government planning systems strengthened	
- Review and assist the updating of DDC and VDC Physical and Development Plans and rural WSS sector plans	June 2008
- Update District profiles for all Districts with a special emphasis on data on poor women, ethnic and low caste groups	December 2007
- Prepare prioritisation criteria for selecting VDCs prepared with DDCs and select Project VDCs in a participatory and transparent process	December 2007
A.3 Policies and plans on rural WSS updated	
- Assist in the participatory review of WSS sector priorities by DDC, VDCs, civil society and identify priorities and action plan	December 2007
- Prepare and incorporate poverty-reduction policies and criteria into Project cycle so that 20% of Project Funds are allocated to the Disadvantaged Groups (DAG) and poorest communities to achieve a quick impact	December 2007
- Inventory and review other WSS programmes in Districts and assessment of 'best practices' completed including selection criteria	December 2007
- Review multi-sectoral practices & adjust Project programme allocations after year 2 when Lumbini arsenic and sanitation programmes are completed	June 2008
A.4 Water Use Master Plans (WUMP) Prepared	
- Review current water resource management plans and best practice in Project Districts	January 2008
- Train key technical staff on the participatory preparation of WUMPs	March 2008
- Assist DDCs and VDCs in the preparation of Water Use Master Plans for 60 VDCs and implement	June 2008

B. Human Resources Development

Result and Activities	Schedule
B.1 Local governance capacity developed	
- Assess MLD and line Ministry local government capacity- building programmes	January 2008
- Establish public awareness campaign on Project purposes and the responsibilities of all stakeholders in rural WSS	June 2008
- Prepare HRD programme for local government in each District in context of Action Plan (see above)	March 2008
B.2 Local Government staff trained	
- Prepare and implement training programmes for LDOs and senior staff in VDCs and DDCs on better rural WSS planning and management practices	January 2009
- Train District Technical Officer in community-based rural WSS planning, implementation, operations	January 2008
- Prepare monitoring processes for DDCs, VDCs and train user groups in their use	January 2008
B.3 Rural WSS stakeholders trained	
- Train VDCs, Water & sanitation User Committees, Support Organisations, etc in inclusive, participatory and social preparation methods in rural WSS	Continuous
- Train WSUCs in the procurement, management, operation and auditing of community-based projects	Continuous
- Establish exchange programmes and visits for DDC, VDC and user groups with successful Projects to learn the lessons of experience	Continuous
- Train local artisans in construction techniques	Continuous
B.4 Participatory Monitoring & Evaluation systems established	
- Review and improve Project M&E system by strengthening participatory monitoring and evaluation processes	June 2008
- Train sector partners in poverty, gender and DAG sensitive M&E practices	Continuous

C. Resource Mobilisation

Results and Activities	Schedule Month Nr.
C.1 Financial management systems established	
- Review financial administration regulations and procedures and incorporate cost ceilings into project design manual	January 2008
- Develop Eligibility criteria for funding modalities for approval within DDCs	December 2007
- Facilitate effective management and operation of DWSSFs within DDCs and VDCs and timely funds disbursement	Continuous
C.2 Community Resources mobilised	
- Promote increased use of social or community-based organisation to generate resources and funds in higher income villages	Continuous
- Develop appropriate mechanisms at DDC and VDC levels to support the most needy.	January 2008
- Disseminate Project strategy for resource mobilisation to other rural WSS agencies/programmes	Continuous

D. Service Coverage and Operation & Maintenance Systems

Results and Activities	Schedule Month Nr.
D.1 Improved rural Water supply systems operating	
- Implement Project preparation process in selected villages	Continuous
- Implement community-based procurement process	Continuous
- Facilitate funds flow process	Continuous
- Facilitate construction supervision and establish O&M system	Continuous
- Audit system results and finances	Continuous
D.2 Improved rural sanitation systems operating	
- Implement Project preparation process in selected villages	Continuous
- Implement community-based procurement process	Continuous
- Facilitate funds flow process	Continuous
- Facilitate construction supervision and establish O&M system	Continuous
- Audit system results and finances	Continuous
D.3 Arsenic mitigation systems operating	
- Review technologies and select the most effective arsenic mitigation techniques in coordination with the RVWRMP	December 2007
- Implement Project preparation process in selected villages	January 2009
- Implement community-based procurement process	June 2010
- Facilitate funds flow process	June 2010
- Facilitate construction supervision and establish O&M system	June 2010
- Audit system results and finances	June 2010
D.4 Improved community-based irrigation, hydro-electric and solid waste systems operating	
- Consolidate Project programme and re-allocate unspent funds after completion of Lumbini arsenic mitigation programme to other micro-infrastructure sectors	July 2010
- Review experience of RVWRMP and assess potential for other sector investments in Project Districts	July 2010
- Assess sector experience in Districts and prioritise sector investments	July 2010
- Facilitate agreement within the DDCs on investment plan	July 2010
- Implement Project preparation process in selected villages	Continuous
- Implement community-based procurement process	Continuous
- Facilitate funds flow process	Continuous
- Facilitate construction supervision and establish O&M system	Continuous
- Audit system results and finances	Continuous
D.5 Community-based O&M systems operating	
- Review existing community infrastructure and WSS schemes and assess sustainability and effectiveness of present O&M systems.	January 2008
- Evaluate potential role of women as scheme caretakers	January 2008
- Prepare 'best practice' improved community-based O&M system and facilitate technical support from line agencies	January 2008
- Prepare guidelines on funding arrangements for larger repairs	January 2008
- Identify District level support organizations	June 2008

Please, note that all the above results and activities have to be properly reported, records kept and transparent procedures applied.

3 ASSUMPTIONS AND RISKS

3.1 Assumptions

The decentralisation process is underway upon the enactment of the Local Self-Governance Act (1999). The By-laws, Rules and Regulations to implement the Act are yet to be fully implemented – although steps in this direction have been initiated. There are still many uncertainties about the full implementation of the Act. Opinions differ on the meaning, the speed and the extent of decentralisation and there is still some resistance particularly from the line agencies and institutions whose responsibilities and authority may diminish as a result. Decentralisation is thus expected to be a long process. This Project will be implemented in the midst of this transition process and may encounter unclear procedures and policies on how to proceed. Elected local government councils are presently suspended and citizen representation is in abeyance. Only selected representatives of various groups may be in positions.

The main Purpose of the RWSSP-WN will be to strengthen DDCs and VDCs in the Project Districts to respond to the demand from villages for supporting their initiatives to improve water supply and sanitation. This requires the strengthening of the DDCs and VDCs with funds and technical support to plan and monitor sector investments. Failure in these aspects may result in accumulation of unutilised idle funds in DWSSFs. GON is expected to provide resources as a contribution to the Project programme.

Available national skills and financial resources need to be utilised to the extent possible. Cooperation among the agencies involved in the water supply and sanitation development is necessary. Therefore, it is assumed that working relations among them will be harmonised and a new institutional set-up facilitated by the Local Self-Governance Act. Although the DDCs have the main responsibility for development of effective working conditions and atmosphere, it is expected that all the agencies involved in development of WSS sector will provide their full support to this cooperation.

As the approach and strategies of RWSSP-WN are demand-led, it is important that improved water supply and sanitation services have priority in communities and that the Project can form a basis for encouraging demand, increasing community responsibility, and commitment to cost sharing. However, the Project cannot force people to prioritise water and sanitation improvements and saturation from other programmes or lower-than-expected demand may open possibilities for the Project to move to new areas or into other related micro-infrastructure sectors.

It is assumed that MLD, DDCs and RWSSP-WN will coordinate and harmonize policies, strategies and modalities with other relevant development programmes/projects in the same area (ADB, Helvetas, UNDP/REDP, etc.). Of particular importance are the type of GARDP (European Union/and PDDP (UNDP) programmes. For example, UNDP has through its PDDP Programme established Local Trust Funds in some of the Districts in RWSSSP in Lumbini Zone as well as in many of the RWSSP-WN Districts. The use of a single Trust Fund may be explored for the implementation of water supply and sanitation activities.

The implementation of the Project and, in particular, the District Projects, 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 such as FCHVs, VMWs and SOs cannot be adequately motivated and utilised. It is assumed that the GON, DDCs, VDCs and communities are willing to contribute financially to the project. Estimates of local contributions have been prepared in the budget calculations on the basis of available budgets etc. to these organisations, but it has not been possible to verify this information or confirm the real possibilities or willingness of the parties in concern to provide their contributions.

The main **assumptions** related to the project implementation may be summarized, as follows:

- Local government decentralisation will be vigorously pursued.
- Project activities not be unduly hampered by the security issues.
- Available technical data from other central and external agencies are reasonably reliable.
- Partners to help implement WUMPs are available.
- WUMPs will strike an optimal balance between sub-sectoral scheme priority and their selection for implementation.
- Policies, strategies and procedures of all relevant organisations (GON, Government of Finland, ADB & Helvetas, UNDP/REDP) can be reasonably coordinated.
- Local bodies will be in place.

3.2

Risks

The mobilisation and implementation of the RWSSP-WN is subject to a number of risks. Some of the risks are critical for the successful execution of the project. The risks related to the project implementation are derived from the above-mentioned assumptions as follows:

- The political will for the decentralisation process may diminish because of the tremendous institutional restructuring needed.
- Possible political instabilities in the project area may cause delays and other problems to the Project during its implementation.
- Additional external funding and technical assistance may not be available to complete the preparation of the WUMP.
- Existing technical data on water and land resources may be out of date or too expensive to update.
- Insufficient institutional capacity, particularly at the local level, poses a risk to the implementation of the Project. Weak local NGO capacity and capability in remote and poorer districts could make it difficult to mobilise qualified NGOs there.
- The cost escalation may exceed the estimated one causing lessening of actual number of people becoming served by investments (inflation risk).
- Absence of local bodies may affect the decision making process at district level

4 COMPATIBILITY AND SUSTAINABILITY

4.1 Compatibility with the strategic goals for Finnish development cooperation

The Cabinet of Finland released the Decision-in-Principle on Development Cooperation in September 1996. It reconfirmed the validity of the strategic goals and means defined by the Ministry for Foreign Affairs in 1993, while addressing recent global issues and emphasising and prioritising certain policies and sectors. According to the strategy approved in 1993, the goals of Finnish development cooperation are to:

- i. alleviate widespread poverty in the developing countries;
- ii. combat global environmental threats by assisting developing countries in solving environmental problems; and
- iii. promote social equality, democracy and human rights in the developing countries.

The principles have further been endorsed by the decision in principle of the Government of Finland in 2004.

The Project aims at rational, equitable and sustainable water supply coverage and improved sanitation in the rural areas of six (6) Districts in Western Nepal which are adjacent to the ongoing RWSSSP in Lumbini. The Project will also complete the arsenic mitigation and sanitation programmes in three (3) Terai Districts that are part of the RWSSSP Phase III Project. Provision is made for additional community infrastructure components to be included depending on the experience of the RVWRMP in the Far West Zone.

The strategy of the Project emphasises institutionalisation of sector development through the decentralisation measures of LSG Sact 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; and improve implementation procedures in the Project Districts in order to improve sustainable sector investments.

The Project will contribute to the implementation of the following aims of the Government of Finland described in its Decision-in-Principle on Development Cooperation:

- channel assistance expressly into the development of the human resources and independent capabilities of developing countries. The main role of Finland's support will be to act as a catalyst for development ;
- step up action aimed at strengthening the participation of women in social and economic activity, e.g. by seeking to encourage the provision of more extensive basic education to women and girls;
- promote social equality, democracy and human rights in the developing countries by following a crosscutting inclusion principle in all activities
- emphasise the importance of environmental considerations in all activities with a view to forestalling threats and creating conditions conducive to prosperity based on the sustainable use of natural resources ;
- practice and further develop procedures which emphasise the independent decision-making authority and participation of the partner in cooperation ;
- in all projects supported by it (the Government of Finland), establish and promote decision-making procedures and participation arrangements furthering attainment of the goals, and supporting projects specifically aimed at attaining them ; and

- in all contexts, promote implementation of the Programme of action of the Beijing IV World Conference on Women to improve the status of women and girls, and to encourage equal participation by women in society and production.

4.2 Policy environment

While emphasising institutionalised management and implementation of water supply and sanitation through decentralisation, RWSSP-WN is highly relevant to the current policies and trends of GON, and would contribute to the materialisation of the Local Self-Governance Act (1999) and the National Strategy for Rural Infrastructure Development. Moreover, the Project is highly consistent with the National WSS Strategy, Policy and Action Plan (2004) and National Water Plan 2005.

The Three Year Interim Plan (TYIP) aims to contribute towards raising living standards and the status of public health by making sustainable and equitable water supply and sanitation services. The Plan aims to increase access to drinking water for 85 % of the population at the end of the Plan period. RWSSP-WN will contribute to the achievement of this objective as well.

The TYIP policy emphasises on effective utilisation of simple technologies; rehabilitation and extension of old and damaged water supply schemes; improve the quality of drinking water in accordance to the drinking water standards 2007; promote and extend sanitation facilities through public awareness at rural and urban areas with the participation and contribution of the local government and user's communities; introduce necessary policy, institutional and legal reforms for adopting Sector Wide Approach through effective coordination between the stakeholder agencies. All these considerations are essential strategies of RWSSP-WN.

The Three Year Interim Plan highlights poverty alleviation, gender and inclusion, pro-poor activities and MTEF guidelines. Special priority has been given for the development of Karnali Region and other remote areas including border areas.

4.3 Economic and financial viability

The users and villages should cover 50 % (in cash and kind) of the capital cost while the District WSS Fund (DWSSF), jointly and equally financed by GON and the Government of Finland, should cover the remaining 50 % .Consequently, investments would rely on external foreign financing only through Finland's 25 % share of investment in each scheme. In this way the Project could be relatively close to financial viability. The administration of the Funds will be decided during the inception phase. RWSSP-WN aims to approach the ultimate self financing objective in line with the national sector strategy through support to 'focus Districts' that allocate at least 20% of District revenues to the WSS sector. The projects will generate economic benefits through averted costs resulting from the time-saved in collecting water for the Hills and saved costs of water-related disease on the Terai. In addition there is a possibility of income generation through special measures, which support the WSS sector sustainability.

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

subsidisation instruments at the village level and below, RWSSP-WN will target 20% of Project 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 RWSSP-WN has been limited to evaluating carefully the cost levels of the investment schemes. Cost and output information has been gathered from many sources and has used the costs of the recent RVWRMP Project Document. Only technology that is affordable and appropriate for the conditions of the target region will be used. As far as possible, local labour and materials will be utilised. Training provided by the RWSSP-WN will assist in efficient construction work and reduce costs. Schemes will be designed on a cost-effective basis whereby the same benefits are generated at the least cost.

Life-time costs with respect to O&M and replacement/repairs will be put forward to the WSUCs at the pre-preparation stage in order to ensure that schemes are sustainable financially after the Project is complete. User charges, with special details for DAGs, will follow the procedures of the RWSSSP which have succeeded in collecting operating costs in most projects.

Transparency and auditing of District Water Supply and Sanitation Funds within the DDCs will be regarded as critical for attaining economic and financial viability.

4.4 Institutional capacity

GON is in the process of instituting significant institutional changes in the area of rural development as part of the decentralisation strategy. The new policies and institutions of the decentralisation strategy will establish increased autonomy in the process of decision-making regarding development management and administration at the level of districts.

RWSSP-WN strongly supports this change by focusing on institutional capacity strengthening at DDC and VDC levels. It is fundamental to this Project that its activities will be integrated in the GON institutions to ensure their sustainability and, possibly, replicability. The choice of partners for RWSSP-WN will be based much on the experience from RWSSSP in Lumbini Zone.

In strengthening the capacities of DDCs and VDC the Project will emphasise the utilisation of existing local organisations and resources first before starting to develop new organisations which may be parallel to the existing ones. This is particularly the case with DWSO which will be encouraged in supporting the DDC in sector planning and monitoring and in providing support to O&M of water supply schemes.

The institutional capacity building strategies of the Project will target in particular the following areas where the existing capacity is weak or non-existent:

- capacity for local level planning
- capacity for information collection and management
- capacity for gender sensitive, participatory and inclusive planning, implementation and monitoring
- capacity for transparency in financial management

4.5

Socio-cultural aspects

Terai:

Madhesi is currently used common name for the inhabitants of the Terai. The population consists of different caste, ethnic and religious groups. Several languages are spoken in the Terai (nepali, maithali, bhojpuri, tharu, bazikka, hindi).

The current circumstances in the Terai will need to be taken into account and representation of its inhabitants considered when hiring of Project staff operating in the Terai, in COs/NGOs selection, and in community worker selection.

The Hills:

In the Hills, Magar communities are prevalent. Among the dominant groups, small clusters of the more deprived communities exist. The differences have implications to the community level organisation, 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, standardised approach to be adopted for Project activities. Water supply and sanitation are typical examples of activities that are traditionally almost exclusively carried out by women. The recognition of women's contribution into the Project approach is therefore vital.

RWSSSP in Lumbini Zone has carried out significant studies on the socio-cultural aspects in their Programme. The most thorough of these is the Gender Study which includes important recommendations yet to be implemented. Water supply and sanitation sector is a particularly gender sensitive sector in which most of the decision-making is done by men while women are the key actors both in determining water use in households and in determining sanitation related behaviour. In RWSSSP an adequate basis has been created for effective gender sensitive strategies to be prepared. Additionally inclusion principle will be promoted together with gender.

In addition to gender and inclusion, there are two main socio-cultural aspects that need to be considered. Firstly, the different needs and resources of the Terai and the Hills areas of the Project. It is apparent that in the Terai water supply quality is more of an urgent consideration than coverage. Additionally, there is more need to integrate sanitation issues into all ongoing education and awareness raising work. In the Hills, on the other hand, water coverage remains the priority issue.

Related to the geography-based distinctions in need, are the distinctions in social order. The population of the Hills districts proposed for RWSSP-WN is more homogenous and less hierarchical than the caste based communities in the Terai. Another geography-based factor needing to be considered, is the remoteness of the target VDCs. Special attention is needed to ensure that the poorest and most disenfranchised groups are not excluded from the achievements of the RWSSP-WN on the basis of gender, caste or class.

RWSSSP has developed flexibility in its choice of technical solutions. It is important that the same flexibility, for example allowing for diversity in the processes related to decision-making, maintenance, fund utilisation etc, is extended to the social processes of the Project.

4.6 Participation and ownership

Participatory planning by the community will be a key tool in RWSSP-WN to increase opportunities for full participation of all groups and members of the community and to enhance ownership of water supply and sanitation activities and facilities by users, VDCs and DDCs. Skill training will be directed to these key stakeholders in order to increase their capacity to manage and maintain water supply and sanitation facilities.

The executing agencies of the Project, the respective DDCs, have ultimate ownership of the policy of decentralisation. RWSSP-WN is direct support to the implementation of this policy.

The Project focus will be on District Projects. It is expected that District Projects will use community action planning methods to develop individual profiles according to the expressed needs by the users and determine the resources available for implementation of activities to respond to felt needs. Districts will be encouraged to develop and diversify their funding base for community development activities.

Village level authorities will have an increased role during RWSSP-WN, in particular their role in financial decision making will increase as community level decisions are made concerning the funding modalities and the management of the DWSSF. During the Project the contributions of users will steadily increase, and this will lead to increased resources for activities as a result of credit and saving strategies.

RWSSP-WN will promote a strong sense of ownership of the water supply and sanitation facilities by their users during the implementation of the Project. Experience sharing will be used as strategy to build upon this foundation. Experience sharing, i.e. facilitated meetings among users will decrease the necessity for externally identified solutions for management and maintenance problems.

4.7 Gender and Inclusion

RWSSSP in Lumbini Zone has prepared a Gender Study which is a good basis for effectively addressing gender issues within the RWSSP-WN. Additionally, to ensure that the traditionally excluded groups and the poorest of the poor will be able to benefit from the Project, a Gender and Inclusion strategy and action plan will be developed. Gender and inclusion training as an integrated component of all training, whether perceived to be primarily technical or otherwise, will be an important strategy to do this. Currently, gender quotas are the most common strategy for involving women in rural WSS activities. Quotas for all traditionally excluded groups should be pursued as a strategy for identifying specific obstacles to equality for all traditionally excluded groups. This requires that the success of the quota strategy is monitored and actively used to adjust strategies for increased involvement of both women and men.

For gender empowerment and the inclusion of the vulnerable groups/deprived sections of the communities such as ultra poor, dalit, and women the Project will ensure that they will get first opportunities during a) scheme selection, b) recruiting of Community Mobilizers, and c) in the use of local human resources. The project should make mandatory provisions for employment of local people including women for skilled and unskilled labour. The project should also promote inclusion of women, Dalits and other deprived communities in its staff, the staff of partner NGOs and other partner stakeholders.

Secondly, based on the experience of other agencies working in the WSS, it is suggested that women-only WSUCs are formed and monitored in some schemes. The monitoring of this experience should focus on identifying obstacles to women's and other traditionally excluded groups' participation, and on identification of ways to address these obstacles.

Gender and inclusion should not become a separate sector of activity but it should be fully integrated and indicators developed for gender, caste and ethnic groups to measure the degree of participation by women and men of different groups. In order to reinforce gender and inclusion sensitivity of the community planning, trainings should precede the community action plan (CAP) exercise.

It is to be noted that in many previous projects implemented in the water and sanitation sector, especially the Dalits have been excluded. This is due to the deep seated sociocultural beliefs and practices of the Nepalis and to the non-vigilance of the project policies and project staff ignorance.

4.8 Environment

Assessment of environmental impacts will be integrated in the continuous planning and monitoring practices of the water supply and sanitation sector. Issues to be addressed include 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 of gravity schemes and possible overexploitation resulting in drying-up of these sources in exceptionally dry years or even more frequently. The issue will have to be addressed by integrating the monitoring of water yields in the O&M, and enforcing demand management mechanisms when necessary.

Another issue is contamination, which may risk the low aquifers in Terai, and generally result in unpleasant and unhealthy environment around water points. The responsibility for the monitoring of contamination and maintaining the water point surroundings clean belongs to users but education and motivation is needed from VDCs and DDCs.

Increased water supply will inevitably cause an increased amount of waste water. The Project should address the environmental deterioration resulting from this.

The Project will cooperate for synergy benefits with the Finnish funded environment sector project Support to Environmental Administration (SEAM-N). The project promotes environmental protection and sustainable use of natural resources.

4.9

Appropriate technology

The issues related to the sustainability of technologies mainly relate to affordability, availability of technical know-how and skills for O&M, availability of spares, and source security.

RWSSSP in Lumbini Zone has been quite innovative and flexible when introducing and applying technology alternatives. There are reasonable options for each type of conditions prevailing in the various parts of the project area. However, there is still room for improving the sustainability especially by providing lower-cost alternatives in sanitation and rainwater harvesting. RWSSP-WN will continue to develop and offer solutions affordable to larger populations and more suitable to direct client-supplier provision of services without intervention by the Project or GON. The technologies are fairly simple and well adjusted to the local capacity to maintain and repair them.

The most critical issue related to source security is the source capacity of gravity schemes and possible overexploitation resulting in drying-up of these sources in exceptionally dry years or even more frequently. The issue will have to be addressed by integrating the monitoring of water yields to the O&M, and enforcing demand management mechanisms when necessary. Another issue is contamination, which may risk the low aquifers in Terai and generally result in unpleasant and unhealthy environment around water points. The responsibility for the control of contamination and maintaining the water point surroundings clean belongs to users but education and motivation is needed from VDCs and DDCs.

The arsenic mitigation project which has been started by the RWSSSP will be continued in three Lumbini Zone Districts, namely Nawalparasi, Rupandehi and Kapilbastu Districts and use the low cost technologies that have been found most effective.

Additional sector components will be added to the Project after Year 2 when the Arsenic mitigation programme is completed when remaining funds available from this component are released. The components shall be of a type which support the sustainability of the WSS schemes through various income generating activities and protection of the sources of water. These sector components will include community-managed solid waste, village level irrigation, and electricity generation and will follow the implementation modalities already by that time formulated and tested by the RVWRMP and other programmes.

The sustainable operation and maintenance of water supplies become a more and more important issue with the coverage increasing and new schemes coming operational. Although users are assumed to take responsibility for the O&M there is a need to address the questions related to major break-downs and rehabilitations and the technical support and the financial facilities required to support the WSUCs to overcome these situations. To address these questions, more reliable information is required for the real O&M requirements of existing schemes in the area. A ToR for an O&M Study is given in Annex H.

5

IMPLEMENTATION

5.1

Organisation

The Project will comprise six (6) Hill District Projects, each of which consists of a number of individual water supply and sanitation or sanitation schemes. Capacity building of sector partners will take place through working for the schemes, enhanced by a training programme. The three (3) Terai Districts will complete the individual arsenic mitigation and sanitation programmes already being implemented by the RWSSSP, whose scope and costs will be determined during the Inception Phase of the RWSSSP-WN.

The competent authorities of the Project are the Ministry of Finance - Nepal, and the Ministry for Foreign Affairs - Finland. The Executing Agency of RWSSSP-WN will be the District Development Committees of the participating Districts.

An organisational framework is presented in Annex I.

DEPARTMENT OF LOCAL INFRASTRUCTURE DEVELOPMENT AND AGRICULTURAL ROADS (MLD/DoLIDAR)

MLD/DoLIDAR is responsible for the provision of all necessary technical and managerial support to local government institutions, as well as for the coordination of all infrastructure development activities undertaken at present within the framework of the MLD which are gradually being transferred to the DDCs under the LSG Act (1999). MLD/DoLIDAR will support the RWSSSP-WN in liaising with other central government agencies, discharging various government policies, rules and regulations to the Districts as well as to the RWSSSP-WN. Budget programming, and releasing the GON' funds to the respective Districts, advising RWSSSP-WN on appointing local project staff, conducting Steering Committee meetings, and various administrative aspects of the Project, are also the functions of DoLIDAR. In addition, processing of approval and required visas for expatriates engaged in the project and their families will be executed by DoLIDAR.

National Project Director (Nepal contribution)

A National Project Director (NPD, Technical), who will be stationed in DoLIDAR, will be nominated by GON with responsibility for supervising at the central level the planning, budgeting, progress review and monitoring prepared by the project organization. It is advisable in view of the current developments of the sector wide approach in the water and sanitation sector and for increased coordination and harmonization, that a single person is the national Project director of the water and sanitation projects funded by Finland.

National Project Coordinator (Nepal contribution)

There will be two Project Coordinators (CTA) (one engaged by GoN and one engaged by an international bidding) A senior officer of under secretary level (Technical) of DoLIDAR will be the National Project Coordinator (NPC). The National Project Coordinator will be jointly with the Chief Technical Advisor responsible of the overall coordination, administration, reporting and finances of the Project. Her/his primary duty is to ensure the smooth release of GON funds for the Districts. S/he will also be responsible for directing the Project in policy issues. A special and important task of the NPC is to coordinate and monitor the technology transfer to and capacity building of the National personnel, and also to other National actors including the DDC's and VDC's.

The NPC will work full time for the Project. It is her/his duty to convey information related to policy issues to the District Projects. S/he will also be in charge jointly with the Chief Technical Advisor (CTA) - of providing support to the DDCs in planning, coordination and

management of the District Projects. The NPC is - jointly with the CTA - in charge of preparing the work plans for the Projects and advising the District Projects in preparation of their work plans. S/he is also responsible of reporting of the Project according to the guidelines of GON. The NPC will follow up the release of the GON funds to the districts and supervise and monitor the use of the funds. S/he is accountable for the use of the GON funds at Project level. The NPC is - jointly with the CTA - responsible for coordination with government agencies, sector donors and NGOs/INGOs, exchanging experience and streamlining working approaches and policies as far as possible. The NPC will be based at the RWSSP-WN project support office (a separate room) in Pokhara. The NPC will be supported by two engineers, an accountant and one office assistant.

PROJECT MANAGEMENT TEAM

The Project Management Team (PMT) consist of Consultant's team , national technical experts and administrative staff. Consultant's team will be headed by CTA, who will ensure efficient project management. The Team will also include a long term Institutional/ HRD/ M&E specialist with an international experience supported and an international Junior Programme Officer (JPO). The Project office will be located in Pokhara. In addition to administrative staff, a strong technical services unit, a Project Support Unit (PSU), will be established in RWSSP-WN office to support District projects. The National personnel in these units will be both subjects of and gents for technology transfer.

The staffing of the technical services unit in the beginning will include national experts. In addition, one engineer, two overseers, ten technicians, eight health promoters will be part of the team. Special attention will be paid to recruit also young technical experts to strengthen the local capacity. The staffing pattern will be flexible to meet with the demand. The staffing in RWSSP-WN will be adjusted to a minimum level to ensure coordination of services and adequate monitoring from the project side. Existing training institutions, NGOs and private firms will be used to provide the services as much as possible.

Chief Technical Advisor (Finnish contribution, long-term position)

The Consultant's team will be headed by the Chief Technical Advisor (CTA). CTA will also act as the project coordinator, as defined in Annex I. CTA will be based in Project Support Office in Pokhara with intensive travelling to Kathmandu and District Headquarters.

The CTA is jointly with the NPC responsible of the overall coordination, administration, reporting and finances of the Project. S/he will support and advise - jointly with the National Project Co-ordinator - the DDCs in planning, coordination and management of the District Projects, including budgeting and management of district funds. S/he is responsible for personnel management, project administration as well as annual and short term budgeting, financial control and accounting. S/he is accountable for the use of the Finnish funds. CTA is -jointly with the NPC - in charge of preparing the work plans for the Project. S/he shall make field visits to Districts and communities involved in Project implementation to monitor planning and implementation and recommend ways to streamline the procedures. S/he is also responsible for reporting of the Project according to the guidelines of the Government of Finland. The CTA will also coordinate and contribute to the institutional capacity building and human resources development activities of the Project (such as orientation workshops, training, possible studies etc.) according to her/his background and competence. S/he will also be in charge of coordinating the professional input of her/his team to the Project. CTA is - jointly with the NPC - responsible for coordination with government agencies, sector donors and NGOs/INGOs, exchanging experience and streamlining working approaches and policies as far as possible. CTA will participate in the Steering Committee meetings.

NPC and CTA are jointly responsible for the reporting of the project to the Steering Committee of the Project via the National Project Director. Sharing of the responsibilities and duties of the NPC and the CTA will be determined more specifically, as appropriate, during the inception phase.

Specialists in project office (Finnish contribution)

HRD/M&E Specialist (long-term position)

As HRD (Human Resources Development) Specialist s/he will review: (i) roles and responsibilities of DoLIDAR and DDC staff, estimate long term staffing requirements; (ii) review provisions of the existing Government Service Act and the local Service Act; (iii) design a plan for the management of human resources in line with Gov. Act.; (iv) plan the actions to ensure that sufficient amount of trained staff are retained in the Project so that GON responsibilities are fulfilled; (v) to plan, conduct and supervise the identified training activities at all levels; (vi) to harmonize the HRD plan of RVWRMP with regard to MLD/DoLIDAR's HRD plan being prepared under ISAP (financed by ADB and World Bank) for increased sector wide approach.

As M&E (Monitoring & Evaluation) Specialist s/he will: (i) meet MLD/DoLIDAR/and other stakeholders and beneficiaries mentioned in clause 1.4. and Fund Board M&E staff to assess their M&E procedures, indicators and reports; (ii) visit DDCs and identify physical, institutional and financial data to be analyzed to monitor sustainability and impact on Project services and gender and poverty improvement targets; (iii) draft conceptual design of the Management Information (MIS) System and M&E program; (iv) after MIS conceptual design is implemented, make periodic visits to all project levels to discuss MIS/Money procedures with project staff; assess quality and completeness of data gathered and its use by communities and project management. HRD/M&E Specialist will be based in Project Support Office in Pokhara with intensive travelling in the districts.

Field Specialist (long-term position, JPO)

The Field Specialist (FS) will coordinate under HRD/M&E Specialist the implementation of a comprehensive monitoring and evaluation system for the WSS sector activities at the levels of DDC, VDC and users (UC). At the DDC level the M&E system concentrates on the water, sanitation and/or irrigation schemes (planning, implementing, funding) and the main actors responsible for monitoring would be the DDC technical unit, VDC and the UC. At the village level M&E also includes the post construction monitoring for proper maintenance (emphasis on preventive measures). At all levels financial monitoring will be emphasized to enter into a transparent practical system which will be utilized for public auditing as much as possible. S/he will participate in field monitoring to provide intensive "on-the-job" training to all parties involved in M&E activities. The Field Specialist will also assist the development and establishment of Programme level M&E system. FS will be based in Project Support Office in Pokhara with intensive travelling in the districts.

Gender and Inclusion Specialist

The Gender and Inclusion Specialist is a facilitator who is responsible for widening and deepening the knowledge and skills of the WSS sector actors (including the programme/projects staff) both in gender and inclusion issues and in participatory working methods and community management. The main duty of the Gender *and Inclusion* Specialist is to prepare the gender and inclusion plan into all working modalities of RWSSP-WN (e.g. the step-by-step approach manual, plans, indicators and reports) and further to all working modalities of the DDC and other sector partners. Development of gender and inclusion sensitive monitoring indicators will be the first task. Training of all concerned staff of sector

agencies and the project is the first step in the process to implement the gender and inclusion plan. Preparation of village level training modules related to schemes and VDC/UC level functionaries and training of sector partners to undertake these training is another key task. Gender and Inclusion Specialist will monitor regularly the implementation of the gender and inclusion plan and suggest further activities and indicators when found necessary.

Health and Sanitation Specialist

Health and Sanitation Specialist is responsible for providing support to district projects in health and sanitation related issues and activities. S/he will assist the programme to develop M&E system (e.g. health impact indicators) and participate in monitoring at the programme level. S/he will in particular develop new modalities and organize/facilitate necessary training under the self reliant activities to respond to villagers' needs and demand in a flexible manner. The Health and Sanitation Specialist will follow-up national policies and development, coordinate and maintain regular dialogue with other governmental and private actors and donors. S/he will further improve the present training modules and develop new ones in cooperation with other specialists.

Technical Specialist

The Technical Specialist is responsible for further development of technical aspects of the gravity water supply systems, rain water harvesting systems and sewerage and drainage systems in the hills. On the Terai s/he will be responsible for the development of the arsenic mitigation systems. This will include improvement of working guidelines and manuals to be user friendly at VDC and UC level concerning all technologies and systems that villagers need to construct and maintain. A special focus in this regard will be in technologies/systems which can be planned, designed, built and maintained by UCs and VDCs with minimum external support.

S/he will organize technical support to self reliant activities whenever needed from the programme side. In this regard the emphasis is to coordinate between the UC/VDC and the private sector service providers and/or government agencies (minimize involvement of the Project staff in the actual services). S/he will follow-up the ongoing rain water harvesting schemes and analyse the lessons learnt both technically and from the working approach point of view (community management, private household approach). The Technical Specialist will participate in development of M&E system in the districts (DDC, VDC and users levels) and in assisting district projects in implementing the M&E in particular at "learning-stage" of the new system.

O&M specialist

The O&M Specialist is responsible for developing post construction activities at the VDC, UC and users level. This includes e.g. collection of water tariffs on regular basis, utilization of the village based O&M fund in various activities as a revolving fund (income generation, health and sanitation, etc). S/he is also responsible for supporting the DDC and DWSO to establish a functioning technical support system at the district level. Furthermore, S/he participates in developing of a O&M funding system at the district level in collaboration with DDCs, the relevant ministries and the RWSSP-WN project. This funding system would, if found eligible, provide loans and possibly partial grant support for larger repair and maintenance, and for rehabilitation of schemes.

Micro-credit/Financial Expert

The Micro-credit/Financial Expert is responsible for developing activities to support local resource mobilization and active use of collected funds for economic development at the village and household levels. In addition to support to O&M fund raising and operations, s/he

will activate saving-credit groups and/or identify existing groups as a part of the post-construction support to the schemes. S/he will study the existing structures providing credit to villagers and assist the users to link with them. These studies will be specifically address the impact of gender, ethnics and caste on access to credit and control over credit mechanisms. S/he will also assist the User Committees in all aspects of financial management, with a special focus on facilitating access to funding institutions. S/he will organize the training and prepare teaching materials etc. in his/her field of specialisation. S/he will work in close collaboration with Gender- and O&M Specialists.

DISTRICT PROJECT MANAGEMENT

District Development Committee

The planning and execution of the Project activities will be the responsibility of each DDC with support from the DoLIDAR and RWSSP-WN. The DDCs are responsible for developing the use of water resources that benefit the population of each district. The DDCs will update existing district plans for water use (drinking water, irrigation, and micro hydro) and sanitation. These plans will be based on community level participatory and gender and inclusion sensitive planning. The plan will be implemented by relevant user groups (Community Organisations and Functional Groups). The plans are required to be endorsed by the District Development Council. DDCs are responsible for project administration and annual and short term budgeting, financial control and accounting of their District Project. They are accountable for the use of the GON funds at the Project level. They are in charge of preparing the work plans for their District Project and also responsible for reporting the Project progress. The DDCs also look after monitoring and evaluation of the Project activities in the district. They will be in charge of quality control of both construction and material control, training activities etc. They will ensure that the step-by-step procedure is properly followed up in all Project schemes in their district.

Local Development Officer

The Local Development Officers (LDO) are main representatives of the MLD at the District level. Implementation of the different sector activities is carried out by the functions of respective sectoral agencies based at the District level and is coordinated by LDO on behalf of DDC. The same process is followed in case of the activities to be implemented by DDC itself and the management of funds and accountability rests on LDOs. The LDOs are responsible for the daily operation, execution and coordination of all the RWSSP-WN project activities in the District.

DDC: District Technical Office

The DDC: DTOs are in charge of the technical matters and responsible for looking after the entire infrastructure development works under DDC funding. DDC:DTOs are also responsible for monitoring of the technical matters and providing support to the communities. DDC:DTO Chair will manage the project implementation in the district on behalf of the DDC and provide technical support to the RWSSP-WN sub-projects.

District Support Advisers (Finnish contribution, national experts)

RWSSP-WN will be represented in each District by a District Support Adviser (DSA) who will support the DDCs, VDCs and act as an intermediary between the Project, local government and the Beneficiaries. District Support Advisers (water supply/sanitation) to be attached to the DDC:DTO of each district (6 nos at a time, 1 in every Hill District; and 3 nos at a time, 1 in every district for the Terai Districts for 2 years). The main function of DSA is to support the DDC in planning, coordinating and funding of the water resources sector activities in the district. DSA will follow-up and facilitate the operation of the DWSSF on

behalf of the RWSSP-WN. In particular the development and establishment of a M&E system of water resources sector activities is an important component of DWSSF operation, where DSA involvement is crucial. DSA is also responsible for following-up the activities and performance of all partners in the sector and identifying needs for further capability building and institutional support. Further, DSAs are responsible for facilitating the Annual Work Plans of the district project, and for preparation of monthly, quarterly and annual progress reports to the DDC and for the purposes of the two governments.

Additional support to the DSAs will be available through the technical services unit of a Project Support Unit (PSU) located in Pokhara.

PROJECT SUPERVISION

The standard structure of the Project monitoring will include a Supervisory Board (SB) and a Steering Committee (SC) as instructed in the guidelines of the Ministry for Foreign Affairs, Finland. The Government of Nepal is moving towards a sector wide approach (SWAP), and planning to develop joint sector wide steering committees in all infrastructure sub-sectors to harmonize the approaches and coordinate various projects. Joint steering committee exists already in the transport sector. The project Supervisory Board would eventually join the water and sanitation sector Joint Steering Committee.

Supervisory Board

The Supervisory Board is the governing body of the Project. It will meet once a year. The Supervisory Board is responsible for ensuring the overall progress of the Project and resolving any major policy issues.

The members of the Supervisory Board will comprise:

- Secretary of the MLD (Chair person)
- Representative from the MLD, MOF, MPPW, MOHP, MOWR, MOEST (Members)
- Director General (DoLIDAR) (Member)
- Representative from the NPC (Member)
- Representative from the Ministry for Foreign Affairs of Finland (Member)
- National Project Director, Chief Technical Advisor, National Project Co-ordinator.
- National project Coordinator (member Secretary)

The competent authorities may also invite other essential stakeholders in case it is deemed appropriate.

The National Project Coordinator's office (PCO) and Chief Technical Advisor's office (PSU) will serve as the secretariat to the Supervisory Board and the Steering Committee.

Steering Committee

The Steering Committee is responsible for the effective operation of the Project. One of the tasks of the SC will be to review and amend the Project Document as and when deemed necessary. The SC will meet at least twice a year. The meeting place should rotate in the districts to familiarize the members with the local conditions and the activities in the field..

The members of the Steering Committee will comprise (at least):

- Secretary, Ministry of Local Development (Chairperson)

- Director General, DoLIDAR (Member)
- National Project Director, DoLIDAR (Member)
- Representative, DWSS (Member)
- Representative, Ministry of Finance (Member)
- Representative, Ministry of Water Resources (Member)
- Representative, National Planning Commission (Member)
- Representative, AEPC (Member)
- Representative, DoI (Member)
- Representative, Ministry of Health (Member)
- Representative, Embassy of Finland (Member)
- Representatives of the District Projects (Member)
- Chief Technical Advisor (Member)
- National Project Co-ordinator (Member secretary)

The National Project Coordinator's office (PCO) and Chief Technical Advisor's office (PSU) will serve as the secretariat to the Supervisory Board and the Steering Committee.

The District project 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 WSS development will be carried out by the DDC. Special mention of this role is also underlined in Local Self-Governance Act.

Financial performance of the DWSSDF will be audited as per the prevailing rules and regulations of GON. Regarding the expenditures incurred from the Finnish Government contribution (except the fund in DWSSDF), 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.

PROJECT SUPPORT SERVICES

The Finnish supporting services will be provided by a consulting company to be assigned once the agreement between the governments of Nepal and Finland has been signed.

5.2 Tentative timetable

The RWSSP-WN will cover a period of four years from July 2008 to June 2012. A tentative target schedule for the most important achievements has been included in chapter 2.4 where the four main results of the RWSSP-WN are broken down into activities. An eight (8) month Inception Phase will allow the Project to mobilise in the new Districts and complete the immediate tasks.

Operational Guidelines for reviewing the security issues will be prepared during the Inception Phase in close collaboration with the RVWRMP with reference also to the relevant guidelines prepared by other donors.



5.3 Tentative Contributions

RWSSP-WN will be financed jointly by the governments of Nepal and Finland and through sharing of costs by Village Development Committees, communities and individual households. Moreover, the DDCs are expected to contribute as per their available resources.

The overall tentative budget (Annex K) of the project is NRs **1170,799** million, equivalent of EUR 12.937 million⁴. It is proposed that Finnish contribution will be 75 % (EUR 9,703 million) and Nepal contribution 25 % (EUR 3,234 million) equal to 292.677 million NRs. Detailed percentage distribution for DDC's funding through DWSSDF and local contribution from VDCs and User Committees will be decided during the Inception Phase.

Tentative contributions

	EURO		NRs
GON	3.234 m	25.0%	292.677 38 m
GOF	9.703 m	75.0%	9878.121 099 m
GRAND TOTAL	12.937 million		1170.799 million

Finnish Contribution

The budget items of the Finnish contribution include investment, WUMP preparation, conservation of environment, community mobilization, technical assistance, human resources development, running costs and contingencies and project administration and monitoring and evaluation.

Investment through DWSSFs will be managed under the rules and regulations of GON by the concerned authorities at DDC level and at central level. The condition for additional funds is that either GON will match the money on 50:50 basis or that local resources are mobilised so that the Finnish contribution will not exceed of the 25 % total.

The Finnish contribution (for investment) will be channeled to DWSSFs through the RWSSP-WN as direct funding to the DDCs. The direct funding will be reflected in the GON annual budget books (Red Book).

Water Use Master Plans (WUMP) will be prepared for all 80 target VDCs. WUMPs will be the essential basis and starting point for implementation plans. Local consultants will be hired to prepare the WUMPs in cooperation with the PSU staff. During the WUMPs preparation, small investments will be made to protect water sources and to build demonstration latrines. This will motivate the villagers to take interest and initiative already in the preparation phase of the project.

Community Mobilisation component includes salaries and allowances of the Community Mobilisers and related running costs and stationary etc. Majority of training activities as well as community mobilisation will be directly funded through DWSSFs.

⁴ 1 EUR = 90,5 NRs (November 6, Nepal Rastra Bank)

Conservation of environment component includes training and training materials related to awareness building on nurseries, plantations, bioengineering etc.

Investment in Human Resources Development includes mainly training and experience sharing activities (local and external), capacity enhancement of the DTOs at District level and MLD/DoLIDAR staff at central level, and provision for training materials. Under this heading various trainings will be organized for central, DDC and VDC level partners, and for village level technical manpower and social mobilisers. A lot of training activities will directly be funded through DWSSFs as a part of the project cost of community WSS schemes (e.g. WUG, VMW). Training related to income generation is also included into this component.

Technical assistance heading covers the expatriate staff and nine District Support Advisers employed by the Consultant. Expatriate staff will include three long-term advisers: Chief Technical Advisor specialising in water supply and sanitation (44 person-months), Senior Advisor specialising in Institutional and HRD and participatory planning (44 p-m), and a Field Specialist specialized in monitoring and evaluation (44 p-m). In addition a provision is made for short-term consultancies and home office back-up services.

Running costs consist of local staff, office expenditures and operational costs of RWSSP-WN/PSU/PCO. It also includes procurement of new vehicles (4 nos) and the computers and other office equipment.

Contingency is estimated at 8 % of the total Finnish contribution excluding project administration costs.

GON contribution

GON will subscribe towards investment in construction through DWSSFs, on a 50:50 basis. In addition, certain amount of NRs will be provided as salaries, travelling costs, office costs etc.

GON will also provide personnel at central, project and district levels, including the National Project Director and the National Project Coordinator, as required.

Sufficient administrative budget for the execution of the work will be allocated for central level, project level and district levels.

For RWSSP-WN purpose, office space will be provided in each district by the concerned DDCs. MLD/DoLIDAR, upon the recommendation of the NPC and CTA, will decide on the distribution of the implementation funds among the nine districts. In this regard, they may consider various factors such as poverty levels, current water supply coverage, other available funding sources in the district etc. So the distribution of funds will not be a pre-fixed share of 1/9 to each district.

DDCs contribution

DDCs are expected to contribute to DWSSDFs. The level of required contributions from different districts (8-20%) will be decided during the inception phase according to a criteria based on the wealth of the districts.

RWSSP-WN will phase out the activities if DDC is not interested.

Local resources mobilisation

VDCs are expected to allocate funds for the schemes NRs 9.158 m (EUR 101,189) However, users may cover a part of VDC cash contribution, or VDC and WUC may find other local sources for that.

In the Self Reliant Schemes the villagers, VDC and DDC plan and finance the activities. RWSSP-WN will consider financial support in a range of 0% to 40 % of the total costs. RWSSP-WN contribution depends on the type of technology, the capability of the community etc. The detailed norms will be developed in the beginning of the Project. As a general guideline, on average the Finnish contribution in Self Reliant Schemes shall not exceed 25 % of the total cost.

Total resource mobilisation

As a whole, the RWSSP-WN intervention will result in an investment of around NRs 581.4 million equal to EUR 6.256 million

Contributions of other foreign aid programmes working in the Project area

UNDP/REDP/IDA⁵

GON, UNDP and the World Bank (WB) have agreed to implement the Rural Energy Development Programme (REDP) III Phase (2007-2010) as a joint initiative in 40 districts of Nepal following the same approach and implementation modalities as established by the earlier REDP. The WB had provided a grant assistance of USD 5.5 million to GON as the Micro-Hydro Village Electrification component of the Power Development Project for implementing the district level programme activities during 2002-2006. UNDP has allocated USD 1,904,500 to fund the technical assistance component, including the costs of the REDP head office in Kathmandu and the costs of the expert staff attached to each district (DDC: DEES (District Energy and Environment Section), subsequently DDC:DTO). REDP III will be implemented in 25 districts and around 200 VDCs.

The REDP III budget will be appropriated in the name of the AEPC / MoEST as a government grant, and will be released directly to AEPC. The AEPC will be responsible for the management of this grant, and for onwards release of the grants to the District Energy Funds. REDP III has been operative since March 2007.

ADB : Community Based WSS Sector Project⁶

ADB's CBWSSSP project provides rural water supply and sanitation facilities and services to improve community health and provide opportunities for income generation to about 1,200 communities in 21 districts. The project has covered two of RWSSP-WN Districts (Puythan and Kapilvastu). The CBWSSSP also facilitates the capacity building of local authority institutions (DDCs, VDCs), reflecting GON's commitment to decentralised decision making.

The estimated project cost is USD 35.7 million, of which 67% is financed by the ADB, 22% by GON, 1% by DDCs and VDCs, and 10% by beneficiaries. ADB has provided a loan equivalent of USD 24 million to GON for 32 years, including a grace period of 8 years. The interest rate charge is 1% during the grace period and 1.5% thereafter. Likewise, the ADB supported Rural Reconstruction, Rehabilitation Sector Development Project initiated recently

⁵ Source: Rural Energy Development Programme, Nepal, Annual Report 2002.

⁶ Source: Asian Development Bank, loan proposal to the Board of Directors, 9 September 2003.

through DoLIDAR for four years will be launched in 38 districts, including Parbat that will be covered by RWSSP - WN. This project also provide support to drinking water component.

Project management unit has been established in Kathmandu and is headed by a Project Director appointed by the Ministry of Physical Planning and Works (MPPW). MPPW will delegate implementation responsibilities to Department of Water Supply and Sewerage (DWSS).

The project will be implemented over 6 years, starting in the first quarter of 2004 with the institutional component. Hence, both the implementation timetable and geographical coverage coincide with RWSSP-WN, close cooperation between the two projects will be necessary to avoid duplication of efforts and waste of resources.

*Helvetas*⁷

The Swiss NGO Helvetas has supported drinking water supply and sanitation schemes in Nepal since 1976. Based on long experience, Helvetas shifted focus to Mid- and Far Western regions in 2000 under the Water Resources Management Programme (WARM-P). WARM-P covered three same districts (Tanahu, Parbat and Syangja) as in RWSSP-WN, but the program has phased out in 2007 owing to financial resource limitation. Nevertheless, Helvetas has expressed strong willingness to cooperate with Finnish Government supported projects in West Nepal through their on-going natural resources management and sustainable soil management programs that could enhance multiple uses of water (for drinking, irrigation and agricultural production) by using the scarce resources efficiently.

The WARM-P facilitated VDCs and communities have prepared Water Use Master Plans (WUMP), incorporating all possible use of the existing water sources. So far, Helvetas has participated in 22 WUMPs, each taking in total about seven months to prepare. Based on WUMP, WARM-P has supported communities to prioritise drinking water and sanitation projects.

⁷ Source: Helvetas, Nepal. Discussions during mission in November 2003.

6

MONITORING AND REPORTING

Monitoring and Evaluation (M&E) of the Project will emphasise two-way dialogue and experience sharing by all partners. Preparation of community plans will enable M&E to be undertaken by communities. In the community plans, communities prepare their vision of their development for an agreed period. During the planning process indicators are developed, including gender indicators, for ongoing monitoring of the process. Monitoring is a management tool. In RWSSP-WN the users of water supply and sanitation services are expected to manage these services and related facilities. Monitoring of the project needs to be based on sets of indicators identified by the various stakeholders to review Project progress from the perspective of their involvement.

The achievement of results and changes in the Project environment that may have an impact on assumptions related to these results should be continuously monitored utilising mutually agreed upon indicators. The representatives of the District Development Committee (DDC) need to be involved in this process. Project activity monitoring needs to involve VDCs and users.

District Projects will report to the District Council.

While the Project will prepare quarterly progress reports, quarterly financial reports, an annual report (for a Gregorian year) and semi-annual report (for Nepalese fiscal year), written reports should be minimised at Project and Scheme levels. The collection and management of written information at Project and Scheme levels should be integrated in the local level planning process. Instead, RWSSP-WN will facilitate the organisation of regularly recorded Project meetings by the DDO:DTO and attended by representatives (women and men) of VDCs and DWSO to monitor progress, changes and activities.

A combined team of representatives from MLD and DoLIDAR will independently monitor and evaluate the project activities at least twice a year by field visits to the project area. The team will then report to the Steering Committee through DoLIDAR.

7

EVALUATION

7.1

Internal evaluation

Users' Group Level: Evaluation by users will be institutionalised as a part of the community level participatory planning process. Evaluation of achievements in the water supply and sanitation sector will help to model the planning process for other sectors. Evaluation by users will be an important contributor to monitoring the sustainability of RWSSP-WN.

VDC Level: Participating VDCs evaluate the performance of the WUCs and their own role in scheme implementation. Two evaluations can be done a mid-term one during the implementation, and an other after the completion of the scheme. The purpose of the evaluation will be to provide feed-back to the implementers (WUC and other agencies involved) and identify learning points useful to the VDCs in terms of project management. A VDC may decide to use the experience of the WUCs of a completed scheme to educate other WUCs to be organized in the VDC area. VDCs need external assistance in evaluation skills in the beginning. The DDC needs to monitor, participate and assist the VDCs in properly exercising their duties and functions as an evaluator.

DDC Level : DDCs will review Project performance on an annual basis. The ultimate purpose of the review will be to provide feed-back to all stakeholders of the project and identify learning points useful to the DDC in terms of project management. The most appropriate unit within the DDC to undertake the evaluation function is the respective sub-committee of the DDC with responsibility for water and sanitation sector. The DDC will have to be trained and closely guided by external facilitators (independent or PSU/DSA) for a couple of years. In any case, the PSU/DSA must participate in the reviews.

RWSSP-WN Team Level: Internal project evaluations by RWSSP-WN team will take place semi-annually led by a member of RWSSP-WN team, and participated by DDC officials and LDO, the ultimate purpose of the review will be to provide feed-back to the responsible implementers of the Project and identify learning points useful to the Project and sub-project management. Ideally, this should precede internal evaluation by the DDC.

Steering Committee: Just before the mid-term and final evaluation, review of each of the district projects' performance should be carried out and presented. The purpose is to provide relevant information to the mid-term evaluator, and at the same time identify issues for better project management.

7.2

External evaluation

Mid-Term Review of the Project will take place by an external evaluation after two years. Approval will be contingent on RWSSP-WN being able to demonstrate achievement measurable by indicators established in this Project Document for Project purpose and results. The mid-term assessment will consider the possible extension of the Project activities into village irrigation, hydroelectric and solid waste management and make recommendations on the re-allocation of funds.

Final evaluation will be carried out at the end of the Project period.