

RVWRMP
Nepal-Finland Cooperation

2073-2074

Annual Report

Rural Village Water Resources Management Project, Phase III
2073-2074 (16.7.2016 – 15.7.2017)



Project duration:

03/2016-2/2022

Competent Authorities:

- Government of Finland (GoF)/Ministry for Foreign Affairs
- Government of Nepal (GoN)/Ministry of Finance

Implementation:

- Ministry of Federal Affairs and Local Development (MoFALD)/ Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR)
- District Coordination Committees (DCC) of Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Darchula, Doti, Humla and Kailali
- TA consultant: FCG International Ltd.

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List of Abbreviations

AEPC Alternative Energy Promotion Centre
AWP Annual Work Plan
CCA Climate Change Adaptation
CSIDB Cottage and Small Industry Development Board
DADO District Agriculture Development Office
DAG Disadvantaged Group
DCC District Coordination Committee
DDC District Development Committee
DDF District Development Fund
DoLIDAR Department of Local Infrastructure Development and Agricultural Roads
DRR Disaster Risk Reduction
DWRDF District Water Resource Development Fund
EU European Union
EUR Euro
FCHV Female Community Health Volunteer
FY Fiscal Year
GESI Gender and Social Inclusion
GoF Government of Finland
GoN Government of Nepal
HH Household
HPI Human Poverty Index
HRBA Human Rights Based Approach
ICS Improved Cooking Stove
LRP Local Resource Person
IWM Improved Water Mill
M Million
MFA Ministry for Foreign Affairs (of Finland)
MH Micro-hydro
MHM Menstrual Hygiene Management

MHP Micro-hydro Power
MIS Management Information System
MoFALD Ministry of Federal Affairs and Local Development
MoU Memorandum of Understanding
MUS Multiple Use Water System
NPR Nepalese Rupee
O&M Operation and Maintenance
ODF Open Defecation Free
PCO Project Coordination Office
PSU Project Support Unit
RM Rural Municipality (Includes RVWRMP working Municipalities also (nagarpalika))
RVWRMP Rural Village Water Resources Management Project
SO Support Organisation
SP Support Person (individual hired by DDC)
SvB Supervisory Board Meeting
TA Technical Assistance
UC User Committee (water, sanitation, micro-hydro, irrigation, etc)
VDC Village Development Committee
WASH Water, sanitation and hygiene
VWASHCC- Village – Water, sanitation and hygiene - Committee
WS Water Supply
WSP Water Safety Plan
WSS Water Supply Scheme
WUMP Water Use Master Plan

Summary

One of the major factor for project progress this fiscal year was the administrative restructuring of the government of Nepal. As RVWMP is a project fully embedded in the local government structure and adopting a decentralized working modality, the restructuring had a significant impact on the project progress.

The entire project working modality - especially the working area, fund flow mechanism and institutional operational management - needed to be revised to ensure uninterrupted and smooth implementation of the project. At the same time, the capacity building approach was re-designed in line to support the recently developed rural municipalities, instead of District Coordination Committees (DCCs).

The most awaited achievement for the reporting period was the Open Defecation Free status for the entire RVWRMP III working area. RVWRMP III has maintained the goal of achieving ODF within 2017 as per the original GoN goal and it was achieved on 8.4.2017 when Shreenagar VDC of Humla was declared ODF as the last VDC in the project area. Doti celebrated its ODF ceremony on in July 2017.

Despite slight interruptions in implementation and fund flows, RVWRMP managed to deliver most of the planned outputs.

By the end of 2073/4 a total of 90 756 cumulative water supply beneficiaries was reached with ongoing WS schemes, out of which 50 576 people were beneficiaries of completed schemes (including MUS beneficiaries). Due to the disruptions mentioned above, some schemes could not be completed according to plan, therefore the carryover of WS beneficiaries to 2074/5 is 41 394.

Other cumulative reached results are:

- | | |
|----------------------------|----------------------|
| • Irrigation for | 2 285 beneficiaries |
| • Multi-use water services | 2084 beneficiaries |
| • Improved water mills for | 3 641 beneficiaries |
| • Improved cooking stoves | 30 682 beneficiaries |
| • Home Garden | 71 677 beneficiaries |
| • Cooperative members | 8789 beneficiaries |

All RVWRMP III supported activities fall under the powers of the rural municipalities. Whilst the rural municipalities started their operation immediately after the elections in June 2017, their capacity to undertake many of the activities mandated to them will be limited. The Project is well placed to support the rural municipalities in these tasks. This requires that the Project modalities will be modified to assist the rural municipalities to maintain and further develop the achievements of the Project.

Result Framework

The expected **Impact** of the Project is improved health and reduced multidimensional poverty within the project working area.

The **project purpose** is to have universal access to basic WASH services, and establishment of functional planning and implementation frameworks for all water uses and livelihoods promotion in the project area.

Result area 1: Institutionalized community capacity to construct and maintain community managed water supply and adopt appropriate technologies and sanitation and hygiene behavior

Result area 2: Improved and sustainable nutrition, food security and sustainable income at community level through water resources based livelihoods development

Result area 3: Increased resilience to disasters and climate change and climate change mitigation and adaptation.

Result area 4: GON institutional capacity to continue integrated water resources planning and support communities in implementing and maintaining WASH and livelihood activities

1. Project Description

RVWRMP III is a water resources management project supported by the Government of Finland and the Government of Nepal. RVWRMP III intends to make the best use of water for human development in the poorest and driest area of Nepal: the Far and Mid-Western hills and mountains. The expected Impact of the Project is improved health and reduced multidimensional poverty within the project working area.

The priority of water is for drinking water purposes, with linked improvements in sanitation and hygiene but whenever the resource allows, water is also used for irrigation, drinking water for livestock and generation of energy. In addition to water supply and sanitation, RVWRMP supports community-based irrigation, micro-hydro power, improved cooking stoves and water mills, a number of environmental improvements, as well as food security, nutrition, sustainable livelihoods and institutional capacity building activities.

During the reporting period, the local level the stakeholders included the Users' Committees, Village Development Committees and District Development Committees and other relevant line agencies at the district level. At the regional level, the Regional Agricultural Directorates played a key role.

Towards the end of the reporting period Nepal had an election resulting in a major overhaul of the local government structures. The old local government organizations were replaced by Rural Municipalities.

2. Progress towards the Achievement of the Expected Results

2.1 Background

While the average precipitation in Nepal is quite adequate, there is wide geographic difference in the rainfall patterns and the Far Western part of country receives far less rainfall. The whole country is suffering of the seasonality of rains and the disadvantage of its geography: Due to the steep gradients from the mountains to plain lands, only 200-300 meters above the sea level the water resources are rapidly lost to India, often causing extensive flooding. As a result especially the western parts of Nepal are suffering from shortage of water to satisfy the basic needs.

Policy compliance

The Water Resources Act of 1992 declares that the ownership of water is vested in the state. According to the Act, the priority given to the different uses of water is: 1 drinking water and domestic use; 2 irrigation; 3 agricultural use such as animal husbandry, fisheries; 4 hydroelectricity; 5 cottage industry, industrial enterprises and mining; 6 navigation; 7 recreational use; and other uses.

RVWRMP III has been loyal to the water use priorities set up in the Water Resources Act: In the reporting period drinking water has reached 90 756 people (including ongoing schemes). The RVWRMP III also has an innovative approach to irrigation. In the case of abundance of water, the overflow will be used to irrigate home gardens and is also supplied as drinking water for domestic animals through construction

of animal troughs. In addition specific irrigation systems have been built to benefit 4 369 people (2285 irrigation only and 2084 from MUS with irrigation).

RVWRMP III has also addressed the 4th priority by constructing micro-hydro power plants, which will benefit a population of 30 000 people. Likewise RVWRMP III has established cottage industry pilots, which are making use of water resources and/or electricity generated (the 5th priority).

RVWRMP is well in line with the GoN Development Cooperation Policy, which was approved in June 2014. Rural infrastructure development and social sector development, including health, education, drinking water, sanitation, human development and agriculture sector are the priority fields for mobilizing foreign grant assistance in Nepal.

2.2 Major Achievements

A complete presentation on the progress with each of the 30 indicators defined in the RVWRMP III Results Matrix is given in Annex 1. Please note that one entire Result Area (Result Area 3) with seven indicators and several indicators under other result areas were added to RVWRMP III only as late as in February 2017 and approved only in the middle of the fiscal year (3rd SvB – 07.02.2017). Nevertheless, some progress can be reported also in relation to some of these indicators.

The number of beneficiaries estimated in the Annual Work Plan for FY 2073/4 and approved by the 2nd Supervisory Board (29.06.2016) are presented in the tables below. In the Annual Work Plan it was estimated that 70% of the schemes will be completed by 15.7.2018.

Project Purpose	Target	Achievement
Project area declared Open defecation free (ODF) and follow the post-ODF strategy as per total sanitation guidelines	10 districts	All project VDCs

The most awaited achievement for the reporting period was the Open Defecation Free (ODF) status for the entire RVWRMP III working area. RVWRMP III has maintained the goal of achieving ODF within 2017 as per the original GON goal and it was achieved on 8.4.2017 when Shreenagar and Dadafaya VDCs of Humla were declared ODF as the last VDC in the project area. Doti celebrated its ODF ceremony on in July 2017.

The formal District ODF declarations at Darchula and Humla were not celebrated due to the proximity of local elections and risks of using the celebrations for electioneering.

As phase III is not supporting household toilet construction, other household sanitation activities have been promoted in the form of hand washing and utensil drying rack promotion, and in 2073/4 ODF support for Humla.

Household sanitation schemes of phases of RVWRMP have benefited a total of **584 200 people** (117,962 in RVWRMP I + 358,417 in RVWRMP II + 107 886* in RVWRMP III). Some 80% of these beneficiaries didn't receive any subsidies for the construction of their household toilets.

Results Area 1: Institutionalized community capacity to construct and maintain community managed water supply and adopt appropriate technologies and sanitation and hygiene behavior

Main indicators for Results Area 1	Annual target	Achievement of annual target	%	Cumulative achievement	End of Project target	%
Number of water supply beneficiaries	92 000 (completed and ongoing)	92 517 (completed 48 755 and ongoing 43 762)	100.5%	50 576 (completed only)	351 000	14,4 %
Number of institutions/schools / public places supported by the project fund with disabled and gender-friendly toilets and access to hand washing	9	0	0%	11	220	5%

At the end of the reporting period, there are 258 stand-alone water supply schemes (cumulative result), out of which 236 are gravity schemes, one scheme is with solar lifting, one with source improvement and one is with a rain water harvesting system. Out of these schemes 147 are completed, (21 are not financially cleared.)

- Completed water supply schemes benefitted **48 755 people**
- **43 762** beneficiaries will be carried over to the next fiscal year.

The Results matrix indicator 1.1 of WS schemes fulfilling the Quality, Accessibility, Reliability and Quality (QUARQ) criteria was formulated only in February 2017. Initial indicative data shows that the current schemes 100% will be fulfilling the criteria.

Some 52% of water supply User Committees are active and able to maintain good service level. As most of the schemes were constructed in FY 2073/4 and post construction activities are still ongoing. The capabilities of the users committees to maintain good service **level is expected to rise after the trainings are completed.**

The target of constructing institutional toilets **was not met**. Some 25 Institutional toilets, out of which 8 school toilets, have been planned for 2074/5.

The modality of school/institutional sanitation is that they are constructed by the schools, institutions and their management committees. These institutions lack experience in construction work and are **slow to mobilize.**

Problems in the school sanitation

In general, toilet coverage in schools is found to be good, but still some schools are suffering from poor water supply facilities. Without sufficient water supply facilities and without proper operation and maintenance mechanism, the functionality and sustainability of school toilets is poor.

The field observation visits have raised questions regarding the cleanliness and proper functionality of the school toilets. Although all project working areas have already been declared ODF, the following situation was observed:

- 40% of schools do not have sufficient number of toilets (1 toilet for 50 students);
- 14% schools do not have gender friendly toilets;
- 33% schools have poor water supply facilities.
- 52% of schools do not have proper hand washing facilities.

Under these conditions, students may still be defecating in the open, which is a huge risk for ODF sustainability and for contamination of water. Lack of proper facilities also affects the school attendance of girls. A survey conducted in Bajhang shows that 14% of girls are not attending school during their menstruating period due to non-availability of MHM facilities, due to taboos related to menstruation, or due to menstruation cramps.

The Project has given an important priority for promotion of WASH issues at schools through organizing awareness campaigns, capacity building and trainings on school WASH self-monitoring to teachers, child club members and to school management committee members.

Results Area 2: Improved and sustainable nutrition, food security and sustainable income at community level through water resources based livelihoods development

Main indicators for Results Area 2	Annual target	Achievement of annual target	%	Cumulative achievement	End of Project target	%
Number of Home Garden Beneficiaries	30,000	34,100	114 %	71,677	275,000	26.1 %
Families trained in income generating activities	2,000	1,752	88%	2,308	12,000	19,2 %
% of MUS among the supported schemes	10%	9.7%	97%		10%	

The targets in Results area 2 have mostly been achieved according to plan, with the exception of a few targets that are not feasible to achieve yet. The target for home garden activities has been achieved 114%. The target is closely related to the drinking water infrastructure and the targets are on track for number of home garden beneficiaries. **The inclusion of women disadvantaged groups is also given a high priority.**

The following groups received training in income generating activities:

- **2004 families** were trained in starting **commercial farms and agribusiness** activities;
- **221 village maintenance workers** were trained. This is an opportunity for the village plumbers to earn an income.
- **37 cooperative leaders** had a **paid position**.
- **46 improved cooking stove promotors** also have an income earning opportunity.

Other beneficiaries of the result area 2 were:

- 13 multiple uses water systems benefitting **7500 people** (irrigation and water supply)
- Irrigation systems have **4 100 beneficiaries**.
- Some **1700 families** were trained in income generating activities

Cooperative development

This fiscal year the project started activities with 27 cooperatives in 27 VDCs. **Two new cooperatives were established.**

This year's activities mainly focused on:

- strengthening the accounting and bookkeeping skills,
- increasing the transparency,
- increasing membership and capital.

By the end of this fiscal year, 19 cooperatives had completed their annual closing and the data presented in the table below is from these 19 cooperatives.

Cooperative Indicator	Baseline	Cumulative achievement	Progress in percentage
Shareholders	6,382	8,789	38%
Share capital amount ('000) NPR	3,145	7,256	131%
Deposits ('000) NPR	17,887	31,710	77%
Association with Users Committees	0	33	NA
Cooperatives having achieved an Operational Self Sufficiency higher than 110%	NA	67%	74%

Fruitful cooperation with District Agricultural Development Office

RVWRMP initiated two successful cooperation projects with DDO and VDCs. In Alital Rural Municipality, Dadeldhura, the local authorities, DADO and RVWRMP III cooperated in the distribution of 2,572 fruit tree saplings to 143 project HHs and organized a technical training on fruit production. Together with planned trainings on grafting, the vision is to transform the area to a fruit growing community with local and regional markets close-by.

Similarly, in Naumule Rural Municipality, Dailekh, the project worked with local authorities and DADO to start activities strengthening the local Cardamom production. Besides technical trainings, a total of 45,000 improved Cardamom plants were delivered to local farmers. Preliminary markets were identified in Nepalgunj and

further activities on processing, grading and collective marketing will take place in the coming years, together with an expected increase in cultivation area.

Some of the targets of Result area 3 could not yet be measured during 2073/4 such as the Rural Advisory Services (RAS) indicator, which will be tracked from this FY onwards and will be reported in next year's progress report.

Result area 3: Increased resilience to disasters and climate change and climate change mitigation and adaptation.

Main Indicators for Results Area 3	Annual target	Achievement of annual target	%	Cumulative achievement	End of Project target	%
No of households provided with access to sustainable energy services (Micro Hydro, Improved Water Mills, Improved Cooking Stoves)	5 942	2499	42%	4128	40,000	10.3 %
Project investments meet DRR standards and criteria		100%		100%		

The Results Area 3 was added in February 2017 and therefore most of the results have not been measured yet.

No new Micro-hydro power plants were constructed during the FY **due to the ongoing uncertainties at Alternative Energy Promotion Centre (AEPC)**. There are three MHP schemes from RVWRMP phase II which are not yet completely functional.

Out of the targeted 2,118 HHs, a total of 350 HHs are presently receiving electricity, with the remainder to be added in the next quarter. All funding from RVWRMP II to these schemes has been utilized and accounted for.

Other beneficiaries include:

- **2,228 HHs provided with Improved Cooking Stoves** and
- **271 HHs provided with access to Improved Water Mills.**

The installation progress of ICS is slowly increasing as more ICS promoters are being trained and the project is **involving cooperatives for distribution**. Jagnath VDC of Dailekh (Bhagawatimai RM # 4) declared in-house smoke free in June 2017.

All the water supply schemes have disaster risk reduction adaptation activities embedded in the scheme design and implementation.

The research data of sister project RWSSP-WN resilience of WS schemes has been used to update and disaster proof the RVWMP-guidelines. The RWSSP-WN made an extensive study about the resilience (and survival) of the water supply and sanitation structures after the recent earthquake.

Result area 4: GON institutional capacity to continue integrated water resources planning and support communities in implementing and maintaining WASH and livelihood activities

Main Indicators for Results Area 4	Annual target	Achievement of annual target	%	Cumulative achievement	End of Project target	%
Mobilization of resources of CSIDB & DADO for joint activities in Project VDCs	80%	19%	24%	59%	80%	74%
DDC's contribution to the DWRDF	1%	0,9%	90%		Minimum of 1% contribution	
DWRDF funds are expended against the annual budget	85%	104%	122%		At least 85% of the budgeted funds are expended.	
Village Development Committees ownership demonstrated through their contribution to scheme costs	6%	6%	100%			

For the reported fiscal year the total DWRDF expenditure against the **AWP budget was 104%**.

The expenditure of Government of Finland (108.9%) and Government of Nepal's (98.8%) funding was good, but the expenditure of the **DDC funding (68.1%), was low**. The District Development Committee's contribution of the total budget was 0,9%, whereas the **VDC contribution of 17 million NPR** reached the 6% target. This was due to the ongoing restructuring of the local administration in the course of the FY.

The mobilization of leveraged funds through Cottage and Small Industries Development Board and District Agriculture Development Office was disturbed due to the restructuring of VDCs into Rural Municipalities and the associated **temporary budget freezes at these departments**.

RVWRMP produced *Brief Guideline for Formulation of WUMP* was published on Ministry of Water Supply and Sanitation website. Additionally, RVWRMP supported **two regional level WASH Conferences** in Mid- and Far West, where the project gave financial and technical support and contributed in the action plan. Department of Water Supply was represented in both meetings.

Some of the indicators, such as the indicator 4.1 about Roadmap for multi-sector regional cohesion policy, have been developed according to the EU. The monitoring of these indicators will be started in the fiscal year 2074/5.

2.3 Outputs and Activities Contributing to the Outcome

The **project purpose** is to have universal access to basic WASH services, and establishment of functional planning and implementation frameworks for all water uses and livelihoods promotion in the project area.

Significant achievement was witnessed in the reporting period **as all people in the project districts have now access to basic sanitation services** at their homes and most critical public places. Also the access to drinking water was improved as a population of 50 576 has now access to safe drinking water.

The project activities under result 2 contributed to parts of the project purpose to improve livelihoods, both through the **increase of nutritious food** from the home gardens as well as **increased incomes** from commercial (vegetable) farming and agribusiness operation.

Supported cooperatives increased their members and capital, thereby **opening up more possibilities for lending and saving**.

With the distribution of Improved Cooking Stoves, **fuel wood consumption is estimated to be decreased by 40-50%**, thereby saving not only money and time that was spent for collection fuel wood, but also **decreasing smoke related eye and respiratory problems** and contributing to a reduction in Green House Gas emissions.

2.4 Successes and Constraints Encountered during the Fiscal Year

As the Government of Nepal continued the implementation of the changes defined in the Constitution 2015, the local administration was restructured. 395 VDCs/municipalities were merged to form 94 Rural municipalities/municipalities.

The work of the RVWRMP III with the newly elected bodies was not started in the reporting period but foundations for such work were established by formulating new working procedures as detailed in the Changing Modalities document approved by the 4th Supervisory Board meeting.

The local elections held in two parts delayed project implementation. The Project published its own code of conduct prohibiting the start of any new schemes, programs or trainings outside of AWP. It also prohibited all official ceremonies, such as the District level ODF ceremonies.

The fund flows were also interrupted by related local government restructuring as the District Development Committees (DDCs) had to close their accounts and new accounts were opened in the name of District Coordination Committee (DCCs).

At national level the target for the Project was to promote the National WUMP guidelines, including development of its internet application and the translation of its central documents to Nepalese language. Final report of 24 VDC WUMPs will be produced and field work of additional WUMPs will be completed by the end of the fiscal year, RVWRMP will develop step by step guidelines for micro hydro schemes to endure participation of the community in planning and implementation and aims to introduce these as national guidelines through cooperation with GON/AEPC.

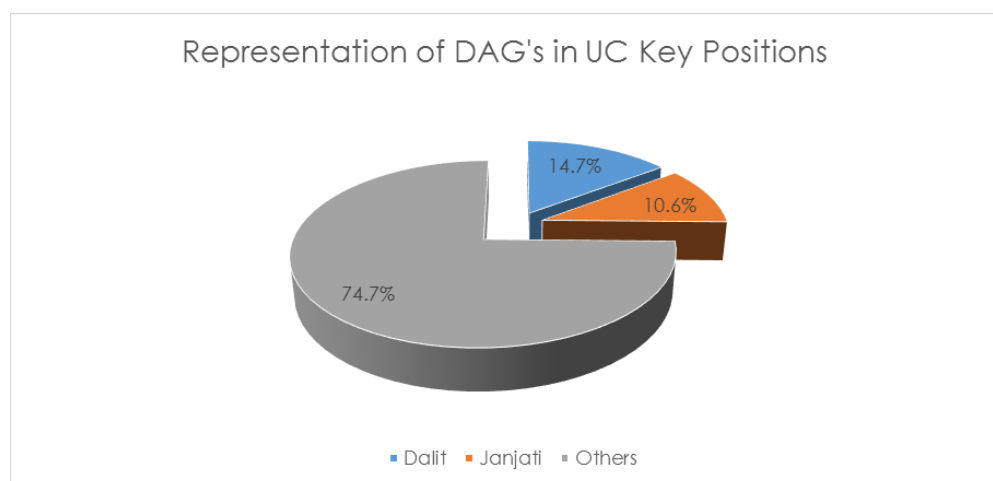
The delayed start of construction of new MHP schemes will be offset by the extended project life of RVWRMP into 2022.

2.5 Priority areas of Finland's Development Cooperation

Gender and social inclusion issues are mainstreamed in all project activities and participation of women and Disadvantaged Groups (DAGs) is measured in the Result Framework.

Important indicator is the representation of women and disadvantaged groups overall and specifically in key positions in the Users' Committees, cooperatives, home garden groups and other.

DAGs' representation in UC key positions of Water Supply Schemes is presented in the figure below.



Women's representation is slightly smaller than men's, with some 45 % representation of women (target 50%), **which can be considered a very good result.**

The general composition of the users' committees is more encouraging, as **51% of members are women**, whereas the ethnic compositions remains similar as in the key positions.

In the case of women's representation in leadership posts in cooperatives is good with **49% of leaders being women** (target 50%).

The percentage of women among **home garden training recipients**, trainers of trainers and **Lead Farmers** far exceeds the 50% target, **with 77 % being women**. The target of 24% of Dalits and Janajatis in Home Garden trainings has also been surpassed (27%).

The set target of menstruating women using toilet in the project area is very high. There are significant differences between the districts, as this tradition is tied to caste customs and not followed by ethnic minorities. According to our surveys **65% of women are using toilets**. This has to be said with some precaution, as experience tells that most of the respondents answer positively, but the actual practice differs. This is the major challenge for ODF sustainability.

The Project has initiated several activities in collaboration with local institutions (schools/child clubs, VDC/VWASH-CC, mother groups/FCHVs, youth groups, etc.) to minimize this harmful practice with activities like chhau-hut free and total sanitation campaigns, and capacity building to religious leaders, mother groups, school girls, V-WASHCC, youth groups, UC members, school teachers etc. Also awareness campaigns through national/international day celebrations were one of the main events towards increasing the use toilet.

Adaptation to climate change

Climate uncertainty with source depletion, too much rain, or too little rain, has been the major issues and all water supply design estimates have incorporated activities to tackle this issue.

3 R technologies (recharge, retention and reuse), conservation and protection activities have been undertaken in the watersheds. All the water supply schemes have disaster risk reduction and climate change adaptation activities embedded in the scheme design and implementation for maximizing the use of the available water sources in to different services. A water safety plan has been implemented in completed water supply schemes.

3. Resources and budget

The total GoF contributions through both District Development Funds (DDFs) and TA accounts over the entire FY2073/4 was 4.26 MEUR (101.1% of the planned budget). Of this, 1.88 MEUR was utilized through the TA account not only for TA but also for Capacity Building, Plans and Studies and operative costs of the project.

The expenditure during the FY is presented in the table below.

Expenditure of Government of Finland's contribution during 2073/4 against the original AWP budget in euros:

Description	73/74 Expenditure	73/74 Budget	% of 73/74	Total Expenditure	Phase III Budget	% of Phase III
Technical Assistance	867,028	1,050,000	82.6%	1,103,782	3,135,812	35.2%
Capacity Building	315,885	250,000	126.4%	383,822	1,300,000	29.5%
Plans and Studies	137,654	127,966	107.6%	163,819	400,000	41.0%
Operational Costs	354,554	400,000	88.6%	429,571	1,300,000	33.0%
Reimbursable Costs	214,304	210,000	102.0%	286,475	800,000	35.8%
Sub Total	1,889,425	2,037,966	92.7%	2,367,469	6,935,812	34.1%
Investments	2,377,861	2,183,959	108.9%	3,228,532	7,800,000	41.4%
Grand Total	4,267,286	4,221,925	101.1%	5,596,001	14,735,812	38.0%

The total contribution of the Finnish investment funding that is used for water supply, agriculture and renewable energy through the DWRFDs was 2 377 861. This is 108.9% of the budgeted 2 183 959 EUR. (Budget in the Annual Work Plan 2, 118, 000 EUR, difference due to AWP using exchange rate of 118.98 and final rate being 115.39).

Exceeding of the budget is due to the carryover of 251 794 euros and the additional funding requested and approved by the 3rd Supervisory Board. Due to the local elections that took place at the end of the fiscal year, the Government of Nepal was not able to release the funds according to the Supervisory Board decision. Therefore the original AWP budget is used as a reference in this report.

DWRDF Contributions in euros	Budget	Expenditure	%
Government of Finland	2,183,959	2,377,861	108.9%
Government of Nepal	1,592,365	1,574,396	98.9%
District Development Committee	52,629	35,835	68.1%
DWRDF Contributions in NPR			
Government of Finland	252,007,000	274,381,331	108.9%
Government of Nepal	183,743,000	181,669,558	98.9%
District Development Committee	6,072,840	4,135,031	68.1%

The additional funds could not be mobilized as the GoN decided on a short notice to organize the local elections in May 2017. Later a decision was taken to postpone the elections to June 2017 in three out of seven Provinces, including Province 7 where the bulk of RVWRMP work takes place. These delayed some field work and the fund flows were also interrupted by related local government restructuring as the District Development Committees (DDCs) had to close their accounts and new accounts were opened in the name of District Coordination Committee (DCCs).

The non-availability of additional GON fund to the project caused problems for some of the districts. The districts owed money to the suppliers. In the context, the 4th Supervisory Board meeting decided that the districts would return back their unused Government of Finland left-over fund to RVWRMP investment account, and some GoF funding was withheld. This was necessary to keep the original implementation targets.

The total GON investments through DWRDFs in FY 2073/4 were 181,6 MNPR, which makes 98.9 % of the budget (183,7 M NPR). In addition to this, the PCO financing was 2.7 M NPR.

The DDC contributions for FY 2073/4 was 4 135 031 NPR. The expenditure targets were not met, as the target set in the AWP was 6 072 840 NPR. The DDC expenditure is 0.9% of the total DWRDF funding. There are some big gaps in the budgeted amounts and the actually released amounts by the DDC.

As the realization of EU finance was secured the upscaling of project activities was started already in the second semester of the FY 2073/4, which increased some costs. The critical budget lines are the Technical Assistance (with 35.2% expended), Plans and Studies with (41% expended) and the Reimbursable Costs (with 35.8% expended). From the Finnish Investment Funds 41.4.% has been expended.

4. Risks

Concerning the political situation RVWRMP in FY 2073/4 faced a change in its working environment. The District Development Committees (DDCs) that have been the main implementing agencies of the project in the past 10 years were dismantled in February 2017 and were replaced with by District Coordination Committees (DCCs) as a temporary measure until the end of FY 2073/4. It had impact on project work: the DDCs accounts were closed and it took several weeks before the corresponding DCC accounts were opened.

Nevertheless this was only a temporary measure before the DCCs will give way to rural municipalities and municipalities to take over the administration in July 2017.

At present the role of rural municipalities as the main implementing agencies is quite clear, though there will be a lot of practical complications to work with 48 rural municipalities instead of 10 Districts.

The security situation in the project working area is expected to be favorable.

The Project Document presents 12 different risks that may affect project implementation. The most serious risks are analyzed in the table below:

ISSUES AND RISKS	OCCURRENCE & IMPACT	MITIGATION MEASURES APPLIED
Natural calamities and climate change	Likelihood High- Impact Medium. Some landslides and flooding were observed at the beginning of reporting period (monsoon season). Depletion of water sources was recorded throughout the working area.	RVWRMP applies Climate Resilient Water Supply Development Guidelines (CRWSDGL) developed recently by Department of Water Supply. Training in Disaster Risk Reduction will be increased.

Political instabilities and anarchy	Likelihood High- Impact Medium. The FY was quite free from political instability and anarchy until the preparations for elections started in March 2017. As the Elections in Province 7 were postponed with one month the project area suffered a prolonged period of pre-elections uncertainties and disturbances, which extent varied a lot from place to place.	RVWRMP fully supported the local elections and it was fully understood that organizing local elections after 20 years won't be without some undesirable side effects. The Project published its own code of conduct as soon as the elections were announced.
New administrative structure delayed	Likelihood High – Impact High Local body restructuring (especially mergers of VDCs to form Rural municipalities) affects the project working modality, selection of new working areas and preparation of WUMPs. As a result of changing RVWRMP working area from previously selected 61 Core VDCs (where the work had already been started and cannot be abruptly discontinued) to 27 Core Rural municipalities will cause a delay in the completion of project targets. Already the temporal change introduced in February 2017 to replace District Development Committees (DDCs) with District Coordination Committees (DCCs) caused on average a three week delay in fund flows as the DDCs' accounts were closed and new DCCs' accounts opened	The tentative selection of core Rural municipalities was made 19.3. i.e. immediately after the official map of Rural municipalities was made public. Formal decision on core Rural municipalities was taken by the 4 th SvB. The work in ex-Core VDCs located in municipalities or non-Core VDCs will be limited to maximum two years.
Limited political will to decentralize	Likelihood Medium- Impact Medium. The competence and mandates of Provinces have been taken as a political tool especially by the Madhesi population. Significant delays are expected in decisions on mandates and restructuring of Provinces. As the Province will be the major GoN body to receive RVWRMP's legacy, a further delay may hamper the phasing out process.	The delay in organizing the local elections from the original dates (December 2016) to May-June 2017 was less than expected, though the timing of the elections towards the end of construction season was much worse than the original plan and caused some delays for the project. RVWRMP will start working with the Provincial authorities as soon as they are established.
Limited support from local level	Likelihood High – Impact Medium. The elected bodies' tenure is for five years, which gives a continuity of RVWRMP activities until the very end of the project. The District Technical Offices in the Project working areas were thinly staffed. The situation will probably be much worse at Rural municipality level, especially in the beginning of their tenure. There is likely to be problems both in the presence of technically qualified staff and in their motivation (especially the senior staff who have worked previously at District Level).	More technical human resources from TA fund is required to fulfil the gap. It will be analyzed and decided after finalization of EU funding.

Limited capacity of SOs and SPs	Likelihood High - Impact Medium. Lack of qualified technical human resources in the labor market continues to be a problem. The minimum requirement for SOs/SPs a Rural municipality would be 10 persons, which would mean a minimum of 270 in core Rural municipalities only. SOs fail to retain qualified human resources, especially the Sub-Engineers and Technicians.	A batch of 15 young sub-engineers were taken to on-the-job training in RVWRMP. All participants signed a commitment to be available after their intern period. More capacity building activities are planned.
Delayed or missing contributions	Likelihood Medium – Impact Medium. There may be delays in establishment of Rural municipality level administration including opening bank accounts and establishing fund flows. GON couldn't mobilize the additional budget approved by 3 rd SvB on 7.2.2017.	Training on financial management to Rural municipality planned Rural municipality level MIS will be supported by the project GoF DWRDF funds were redistributed between the districts (see chapter 3)
Political pressure on expansion	Likelihood Medium- Impact Low. After a long absence the political pressure for expansion surfaced or rather there was political resistance to abandon the ex-Core VDCs to favor the work in Core-Rural municipalities, which from the Project point of view is a similar case as it is spreading the available human resources thinly in the working area..	The decision of 4th SvB to be followed strictly. The work in ex-Core VDCs located in municipalities or non-Core Rural municipalities will be limited to preferably one year only, in specific cases to two years..
Devaluation of Euro (EUR) against Nepalese Rupee (NPR)	Likelihood High – Impact Medium. The budget in the Project document has been calculated with an exchange rate 1 EUR = 130 NPR, whereas the real value is about 110 NPR. As the planned investments are almost double of the previous year, the impact is growing bigger.	There is nothing RVWRMP can do to exchange rate losses. They can only be recorded to justify corrective actions to be taken in the future.

5. Sustainability

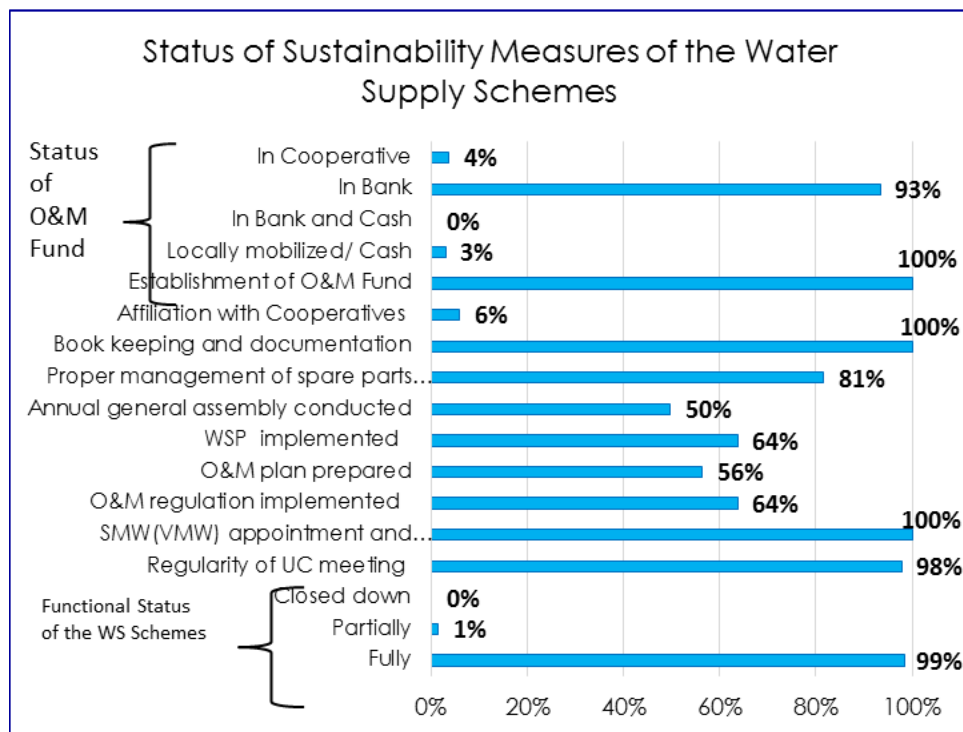
Sustainability of water supply systems

A water supply scheme should fulfill the QARQ criteria (Quantity, Accessibility, Reliability and Quantity) criteria for providing improved water supply services in the long run. All the schemes should have DRR and CCA component along with WSP.

It is experienced that institutional setup of UC is vital and should be governed by influencing policy of local government. If sustainability activities are guided by the institutional system, it will result in ineffectiveness of sustainability measures. Therefore the effort should be focused to set up the institutional system rather than only to seek the results with physical support using external means. The

projects expects an O&M management policy to be formulated and implemented by rural municipalities in the project areas.

An analysis of the 135 completed water supply schemes was undertaken during the reporting period. The figure below summarizes the results.



- **Financial sustainability** As of the end of the fiscal year 6,8 million NPR is collected as O&M fund.
- **Institutional sustainability.** Annual General Assembly is found to be conducted in 50% schemes. Women and disadvantaged groups well represented.
- **Sustainability to climate risks.** Disaster risk minimized by appropriate design and implementation, water safety plans at place.

It is found that 52 % of UCs are able to maintain good service level of water supply in project working areas

Sustainability of livelihood activities

The Project facilitates the development of formal Home Garden Groups (HGG) for training and project implementation purposes. These groups have also been registered with the District Agriculture Development Offices (DADO). A total of 511 HGGs have been established and are in various stages of registration. Once HGGs are registered at DADO they are eligible to receive different types of support from DADO, such as subsidies towards fruit tree saplings, mushroom seed, small machinery and extension services etc. The Project contributes to support the HGGs with refresher trainings and technical advice during their regular meetings.

The Project supports Cooperative Development with the specific objective to develop cohesive and sustainable structures in the RMs, which can not only offer financial services but also diversify in

production and market related activities. Through the cooperative structure commercial farmers can receive financing and be linked with the outside markets and collective input procurement will ensure that farmers can save on the purchase of agriculture inputs. RVWRMP III is linking Income Generating agriculture group activities with cooperatives where feasible and these activities will increase in the next year as the project supported cooperatives get stronger, have more members and receive more capacity building trainings. **Two cooperatives have started agro-vet services and collective input procurement.**

The Cooperatives also play a strong role in **financial services for village based Micro Enterprises** such as mobile phone shops, tea-shops and general household goods shops. With a 131% increase in deposits in this year, the financing possibilities for micro enterprises have increased substantially and the percentage of loans for non-productive activities (health, weddings, education) decreases whereas loans taken out for agriculture investment and micro-enterprise investment increase.

The Project is starting to link the ICS promotion activities through agreements with cooperatives. The cooperatives are in charge to collect the ICS demand and beneficiary contributions and manage and report on the construction of the ICS in the community against a fee.

6. Lessons learnt, conclusions and recommendations

Water Supply Coverage

The project is close to achieving basic water supply status in its area. This leads to a situation, where the users are interested in increased service level, such as yard taps. It is important that the project, in cooperation with Government of Nepal, devises principles of support mechanisms for schemes with service level over basic level. These should only be implemented with a considerably increased consumer contribution.

Local Body restructuring

The newly formed rural municipalities have been in the Constitution 2015 given the devolved functions of the following sectors:

- Cooperative institutions
- Management of local services
- Collection of local statistics and records
- Local level development plans and projects
- Basic health and sanitation
- Local market management, environmental protection and biodiversity
- Irrigation
- Agriculture and animal husbandry, agro-products management, animal health, cooperatives
- Management, operation and control of agricultural extension
- Water supply, small hydropower projects, alternative energy
- Disaster management

- Protection of watershed, wildlife, mines and minerals

This list indicates, that all RVWRMP III supported activities fall under the powers of the rural municipality. Whilst the rural municipalities will start their operation immediately after the elections in June 2017, their capacity to undertake many of the activities mandated to them will be limited. The Project is well placed to support the rural municipalities in these tasks. This requires that the Project modalities will be modified to assist the rural municipalities to maintain and further develop the achievements of the Project.

RVWRMP promotes its lessons learnt for consideration to national level implementation. In the reporting period the following publications were produced and/or disseminated at national level:

- Water Supply User Committee's Scheme Booklet (in Nepali),
- User Committee's Procurement Manual 2073 (incl. Pictorial Book on Pipes, Fittings, Tools and Construction Materials used in Water Supply Schemes) (in Nepali),
- Cooperative Promotion & Development Guidelines 2073 (in Nepali),
- WUMP Preparation Guidelines 2073, MWSS/SEIU & MoFALD/DoLIDAR (in Nepali) (www.seiu.gov.np/index.php/documents)

7. Annexes

- Annual Results reporting matrix (tracking results, indicators and targets)

Annex 1.

Results Matrix

	Results chain	Indicators	Baselines	Annual targets FY2073/074	Achievement of Annual Target	Cumulative Achievement	End of Project target
Outputs	Result Area #1 Institutionalized community capacity to construct and maintain community managed water supply and adopt appropriate technologies and sanitation and hygiene behavior	1.1 Number of water supply schemes supported by the Project fund in Phase III provide improved water supply services defined as improved and functional fulfils the QARQ criteria.	(update baseline)	97 %	New Indicator since Feb 2017. Not reported in this fiscal year		97% (2021)
		1.2 Number of water supply (WS) beneficiaries	0	92 053 (Including ongoing schemes)	92 517 beneficiaries for ongoing schemes, out of which 48 755 are completed scheme beneficiaries.	50 576	351 000 (2021)
		1.3 Number of water supply schemes supported by the Project fund in phase III apply a Water Safety Plan with CCA/DRR component.	0	90%	New Indicator since Feb 2017. Not reported in this fiscal year		90% (2021)
		1.4 Percentage of User Committees (UCs) of water supply schemes in the project core VDCs are active and able to maintain service level	0%	85%	52%		85% UCs (2022)

1.5 Key positions (chair, vice chair, secretary, joint secretary and treasurer) in UCs of improved water supply schemes in the Project core VDCs are held by women and by minority populations		50% women 24% Dalits and Janajati (2021)	45.1% Women 14.7% Dalits 10.6 % Janjatis =25,3% Dalit & Janjati		50% women 24% Dalits and Janajati (2021)
1.6 Number of institutions/schools/public places supported by the project fund with disabled and gender-friendly toilets and access to hand washing		9 institutional toilets	0 (2 ongoing)	11	200 Child and Gender friendly school toilets, of which 20 are Disabled friendly. And 20 public Disabled and Gender friendly toilets(2022)
1.7 Drinking water supply schemes in project core VDCs have affiliation with cooperative to proliferate their capital	0		5.9%		40% of schemes are affiliated with cooperatives (2022)
1.8 Menstruating women able to use the toilet in project core VDCs	59% in Dadeldhura & Baitadi	60%	65%	65%	80% (2022)

	<p>Result Area # 2</p> <p>Improved and sustainable nutrition, food security and sustainable income at community level through water resources based livelihoods development</p>	2.1 Number of Home Garden Beneficiaries		30,000	34 100	71 677	275 000 (2021)
		2.2 Percentage of women among home garden training recipients, trainers of trainers and Lead Farmers		50%	77.3%	74.2%	50% (2021)
		2.3 Percentage of Dalit and other socially excluded groups in home garden training.		24%	Dalit 22% Janjati 4.5% = 26,5%	26,2%	24% Dalit and Janajati (WUMP and project coverage HH) (2021)
		2.4. Number of people receiving rural advisory services	0 (2017)	NA			500 000 (2022)
		2.5 Families trained in income generating activities	0	2,000	2006	2562	12 000 (2022)
		2.6 Percentage of leadership posts of project supported cooperatives held by women		50%	48.7%		50% (2021)
		2.7 Percentage of Multiple Use Systems (MUS) among the RVWRMP supported schemes	5.4%		9.7%	9.7%	10% (2021)
	<p>Result Area #3</p> <p>Increased resilience to disasters and climate change as well as</p>	3.1 Renewable Energy generated through micro-hydro power plants	0	NA	New Indicator since Feb 2017. Not reported in this fiscal year		700 kW (2022)

	promotion of climate change mitigation and adaptation	3.2 Number of households provided with access to sustainable energy services	0	5942	2499	4128	40 000 (2022)
		3.3 User Committees (UCs) of micro-hydro schemes are active and able to maintain service level as verified by presence of a paid maintenance worker, public audit at least once a year and affiliation with cooperative.		NA	New Indicator since Feb 2017. Not reported in this fiscal year		90% of constructed micro-hydro UCs user committees (2022)
		3.4 Greenhouse gas emissions mitigated by the use of sustainable technologies, e.g. cooking stoves, improved water mills	TBE	NA	NA New Indicator since Feb 2017. Not reported in this fiscal year		TBE
		3.5 Number of trained beneficiaries on disaster risk reduction and climate change adaptation(DRR)	0	NA	New Indicator since Feb 2017. Not reported in this fiscal year		TBE
		3.6 Project investments meet DRR standards and criteria	0	NA	New Indicator since Feb 2017. Not reported in this fiscal year		DRR standards applied in all project investments
	Result Area #4 GoN institutional capacity to continue integrated water resources planning and support communities in implementing and maintaining WASH and livelihood activities	4.1 Roadmap for multi-sector regional cohesion policy: Contribution to policies designed for poverty reductions in remote and mountainous areas either under Agriculture Development Strategy or at provincial level		NA	New Indicator since Feb 2017. Not reported in this fiscal year		Draft roadmap by 2019

	4.2 National and Provincial authorities in WASH, agriculture and small industries sectors informed on RVWRMP experiences		2 documents	1 Document: "Brief Guideline for Formulation of WUMP", published on MoWSS website. 2. Conferences: Regional WASH Conference in Mid- and in Far West		Six documents produced and six national level conferences organized (2021)
	4.3 District ownership demonstrated by DDC's contribution to the District Water Resources Development Fund (DWRDF)		Minimum 1% contribution	0,9%		Minimum 1% contribution (2021)
	4.4 Number of trained local bodies to promote effective access to energy, markets, irrigation and WASH services.		NA			All local bodies trained (2022)
	4.5 Mobilization of resources of Cottage and Small Industries Development Board (CSIDB) and District Agriculture Development Office (DADO) for joint activities in the Project VDCs		At least 80% of the annual budget expended	19%	59%	At least 80% of the annual budget expended (2021)
	4.6 DWRDF funds are expended against the annual budget		At least 85% of the budgeted funds expended	104%		At least 85% of the budgeted funds expended (2021)
	4.7 Necessary technical and administrative support is		At least 10 District			At least 10 annual District

		provided without delays by District Technical Office (DTO), DADO and other relevant offices.		Management Committee (DMC) meetings in each Project District	119 DMC meetings held in 10 districts, all districts reaching or surpassing the target.		Management Committee (DMC) meetings in each Project District (2021)
		4.8 Village Development Committees' (VDCs) ownership demonstrated through their contribution to scheme costs		6%	6%		6% (2021)
		4.9 Percentage of community contribution in cash and kind towards construction water and irrigation systems, power plants, etc.		20%	25.1%		20% (2021)