



RURAL VILLAGE WATER RESOURCES MANAGEMENT PROJECT, PHASE III

FINAL DRAFT PROJECT DOCUMENT: COMPLETION PHASE



November 2017



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Certification

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PROJECT FACT SHEET

Project Title:	Rural Village Water Resources Management Project, Completion Phase (RVWRMP III – The Project)
Sector:	Natural Resources
Sub-sector:	Water resources management, health and sanitation, rural development
Geographical Coverage:	27 core and at least 21 program Local Levels (Rural Municipalities and Municipalities), which are located in the districts of Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Darchula, Doti, Humla and Kailali of Province number 6 and 7.
Duration:	March 2016 – August 2022
Starting Date:	1 March 2016
Overall Objective (Impact)	Improved health and reduced multidimensional poverty within the project working area
Project Purpose:	Universal access to basic WASH services, and improved livelihoods with establishment of functional planning and implementation frameworks for all water uses and livelihood in the project working area.
Project Financing:	
<i>Contribution From:</i>	
Government of Finland (GoF):	15 MEUR
European Union (EU):	20 MEUR
Government of Nepal (GoN):	15 MEUR
Local Level Governments:	5.2 MEUR
Users contribution:	5 MEUR
Total	60.2 MEUR
Competent Authorities:	
Ministry of Finance, Nepal and Ministry for Foreign Affairs, Finland	
Executing Agencies:	Ministry of Federal Affairs and General Administration/Department of Local Infrastructure Development and Agricultural Roads, Nepal, together with participating Local Level Governments.

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank	INGO	International Non-Governmental Organization
ADS	Agriculture Development Strategy	IWM	Improved Water Mill
APR	Annual Progress Report	JSR	Joint Sector Review
AWP	Annual Work Plan	LAPA	Local Adaptation Plan of Action
BCRWME	Building Climate Resilience of Watersheds in the Mountain Eco-Regions	LFs	Leader Farmers
BMI	Body Mass Index	LIP	Livelihoods Implementation Plan
CAESC	Community Agriculture Extension Service Center	LLG	Local level Governments
CAO	Chief Administration Officer	LMBIS	Line Ministry Budgetary Information System
CBO	Community Based Organization	lpcd	Liters per capita per day
CCA	Climate Change Adaptation	LPG	Liquid Petroleum Gas
CSIDB	Cottages & Small Industries Dev Board	LRP	Local Resource Person
DADO	District Agricultural Development Office	LSGA	Local Self Governance Act
DCC	District Coordination Committee	MDG	Millennium Development Goal
DDC	District Development Committee	ME	Micro Enterprise
DOA	Department of Agriculture	MEUR	Million Euro
DoF	Department of Forestry	MFA	Ministry for Foreign Affairs of Finland
DOI	Department of Irrigation	MHP	Micro-Hydro Power
DOL	Department of Livestock	MIP	Multi-Annual Indicative Programme
DoLIDAR	Department of Local Infrastructure Development and Agricultural Roads	MIS	Management Information System
DP	Development Partners	MIYC	Maternal Infant and Young Child
DRR	Disaster Risk Reduction	MoAD	Ministry of Agricultural Development
DSCWM	Department of Soil Conservation and Watershed Management	MOF	Ministry of Finance
DTL	Deputy Team Leader	MoFAGA	Ministry of Federal Affairs and General Administration (Previous Ministry of Federal Affairs and Local Development)
DTO	District Technical Office	MoUD	Ministry of Urban Development
DWRDF	District Water Resources Development Fund	MOWSS	Ministry of Water Supply and Sanitation
DWSS	Department of Water Supply and Sewerage	MSNP	Multi Sector Nutrition Plan
EU	European Union	MTE	Mid Term Evaluation
FAO	Food and Agriculture Organization	MUS	Multiple Use Water System
FCG	Finnish Consulting Group	NACCF	National Agricultural Cooperative Central Federation
FEDWASUN	Federation of Drinking Water and Sanitation Users Nepal	NAPA	National Adaptation Plan of Action
FY	Fiscal Year	NGO	Non-Governmental Organization
GESI	Gender Equity and Social Inclusion	NMIP	National Management of Information Project
GIS	Geographic Information System	NPC	National Planning Commission
GNI	Gross National Income	NPC	National Project Coordinator
GoF	Government of Finland	NPD	National Project Director
GoN	Government of Nepal	NPR	Nepalese Rupees
HDI	Human Development Index	NTFP	Non-Timber Forest Product
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome	O&M	Operation and Maintenance
HPI	Human Poverty Index	ODF	Open Defecation Free
HRBA	Human Rights Based Approach	PCO	Project Coordination Office
ICS	Improved Cooking Stove	PIG	Project Implementation Guidelines
ICT	Information and communication technology	PMT	Project Management Team
IEC	Information, Education & Communication	PSU	Project Support Unit
		QARQ	Quantity, Access, Reliability and Quality

RAS	Rural Advisory Services
RM	Rural Municipality. <i>NOTE: This abbreviation is used for both municipalities and rural municipalities</i>
RM-PMC	Rural Municipality Project Management Committee
RM-WASH-CC	Rural Municipality Water Supply, Sanitation and Hygiene Coordination Committee
RM-WRDF	Rural Municipality Water Resources Development Fund
RVWRMP	Rural Village Water Resources Management Project
RWSSFDB	Rural Water Supply and Sanitation Fund Development Board
RWSSP	Rural Water Supply and Sanitation Project
RWSSP-WN	Rural Water Supply and Sanitation Project in Western Nepal
SDG	UN Sustainable Development Goals
SDP	Sector Development Plan
SEIU	Sector Efficiency Improvement Unit
SO	Support Organization
SSG	Sector Stakeholder Group
SvB	Supervisory Board
TA	Technical Assistance
TBC	Total Behaviour Change
TBE	To be elaborated
TL	Team Leader
ToR	Terms of Reference
ToT	Training of Trainers
UC	Users' Committee
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
US\$/USD	The United States Dollars
VDC	Village Development Committee
VMW	Village Maintenance Worker
WASH	Water Supply, Sanitation and Hygiene
WASH-CC	Water Supply, Sanitation and Hygiene Coordination Committee
WRA	Water Resource Adviser
WRE	Water Resources Engineer
WS	Water Supply
WSSDO	Water Supply and Sewerage Divisional Office
WUA	Water User Association
WUMP	Water Use Master Plan
WUSC	Water Users and Sanitation Committee

1. Executive Summary

Rural Village Water Resources Management Project was started in 2006, with joint funding from the Governments of Finland and Nepal. Phase II of the Project was completed in February 2016.

Rural Village Water Resources Management Project, Phase III implementation period was started in March 2016 and will continue until 2022. The project area covers 10 districts in Provinces 6 and 7. The total population of the project working area is approximately 1.67 million.

The Overall Objective, to which RVWRMP III contributes, is improved health and reduced multidimensional poverty within the project working area. The Purpose of the Project is to achieve universal access to basic WASH services, and improved livelihoods with establishment of functional planning and implementation frameworks for all water users and livelihoods promotion in the project area.

The interventions are grouped under four result areas: 1. Drinking water, sanitation and hygiene, 2. Livelihoods development, 3. Renewable energy and climate change and 4. Governance.

The Project will continue the implementation modality, where the beneficiaries, through forming users committees, cooperatives and other local organizations will achieve full ownership of the outputs. The beneficiaries will be in charge of implementation and operating of all the infrastructure supported by the project. They will also contribute towards the interventions' costs in both cash and kind.

The local level governments will have the financing responsibility of the project interventions. The implementation funds from the donors and the Government of Nepal will be channelled to the local level. The local level will also be co-financing the various interventions.

Apart from financial support, the RVWRMP III will be supporting the local level with intensive capacity development. Enhancing the local level governments' capacity to implement, maintain and further advance the objectives of the RVWRMP will be the main thrust of Phase III of the Project. The Project will closely work with the newly elected representatives and executive officers.

The core interventions of RVWRMP III will provide the population of Province 6 and 7 access to water supply, energy, improve the food security and the improve the management of their water resources.

In terms of the main targets, the Project will support Government's SDG target of open defecation free status of Nepal latest by 2030. It is further estimated that 351,000 people will have basic water supply services with improved system, 50,000 people will benefit from irrigation systems and 30,000 people will be connected to household electricity from micro-hydropower. Over 170,000 people will benefit from changing their cooking stoves to an improved smokeless and energy saving model. 275,000 people will benefit from home gardens, hence providing their families with better nutrition. Some 12,000 families will participate in trainings on income generation, improving their opportunities in commercial agriculture, agribusiness and small business ventures.

Project is assisting Nepal in achievement of the SDGs

Sustainable Development Goals (SDG) were formulated in 2015 to express a universal call to action to end poverty and hunger, protect the planet and ensure that all people enjoy peace and prosperity. Nepal as a member state of the UN is a part of this global initiative.

RVWRMP III is assisting Nepal in achieving the following SDGs:

- Goal no 1: Zero poverty
- Goal no 2: Zero hunger
- Goal no 5: Gender equality
- Goal no 6: Clean water and sanitation
- Goal no 7: Affordable and clean energy

New local administration in Nepal

In 2015 Nepal promulgated a new Constitution, creating a new local government structure, devolving resources, powers and mandates for service provision to the local level municipalities. Local level governments were elected in 2017.

The Project has a role in assisting the evolving local level governments to become effective service provision entities and strengthen their capacity to govern.

Enhancing the local level governments' capacity to implement, maintain and further advance the objectives of the RVWRMP will be the main thrust of the Phase III. The project will work closely with the newly elected representatives and executive officers.

Development partners' policies

The RVWRMP III is jointly funded by the Government of Nepal, European Union and Government of Finland. Policy compliance with the development partners' policies is presented below.

The Finnish development policy (2016) has defined four priority areas

1. The rights and status of women and girls;
2. The growth of developing countries' economies to generate more jobs, livelihoods and well-being;
3. Democratic and better-functioning societies;
4. Food security, access to water and energy, and sustainable use of natural resources.

Rural Village Water Resources Management Project Phase III will contribute to each of the priority areas.

Status of women and girls, in terms of better availability of services and improvement in quality of life as well as empowerment of women by supporting their leadership in local organizations is a major focus area of the Project. The livelihood component of the Project contributes to job creation and improvement of the economic opportunities in the remote and mountainous regions of Provinces 6 and 7. Support to local level governments contributes to Nepal's strive to strengthen local democracy.

Multiannual Indicative Program (MIP) 2014-2020 Nepal, European Commission (2014) puts forward three sectors for EU support until 2020. These sectors are:

1. Sustainable Rural Development
2. Education
3. Strengthening Democracy and Decentralisation

The result areas of RVWRMP III are aligned with the EU support in the Sustainable Rural Development sector which includes assisting the rural areas to achieve profitable agricultural commercialization and food security, improve

preparedness of the communities against recurrent and predictable disasters.

RVWRMP III is in line with the EU objective of strengthening democracy and decentralization. The Project will directly support the local level governments in improving the services in their area as well as strengthen their capacities to govern.

Project financing

The total Budget of RVWRMP III is to be 60.2 million Euros. Combined European Union and Government of Finland's contribution will be 35 MEUR. The Government of Nepal contributes 15 million to the Project and local level governments are expected to contribute in the region of 5.2 MEUR. The local government's contribution includes contribution from livelihood partners and other stakeholders. The beneficiaries' contribution in cash and in kind is estimated at 5 MEUR.

2. Project financing

The project document is prepared to plan the implementation using joint financing of Ministry for Foreign Affairs of Finland and Government of Nepal, agreed in the Country Agreement and updated in September 2017 by a task force formed by Ministry of Federal Affairs and Local Development (Now it's structured as Ministry of Federal Affairs and General Administration). Additional funding has been agreed between the European Union and the Government of Nepal.

The European Union and Government of Nepal have signed the financing agreement regarding additional funding to Nepal from its "support to the rural development sector" to the RVWRMP Phase III.

The bilateral agreement between the European Union and the Government of Finland channels the support to RVWRMP through MFA as delegated cooperation. This constitutes an implementation modality where the entrusted entity (MFA) will carry out the following budget implementation tasks: conducting procurement and grant award procedures and managing the resulting contracts, as well as supervising expenditure of funds channelled through project working local level governments.

Government of Finland will contribute to the Project 15 million Euro (MEUR). The delegated EU funding is 20 million Euro whereby the total donor funding has increased to 35 MEUR.

The Government of Nepal contributes 15 MEUR to RVWRMP Phase III. This consists of 9.1 MEUR previously agreed in the bilateral agreement between the GoN and GoF and additional contribution of 5.9 MEUR as committed in financial agreement with EU.

Additionally, project working local level government will contribute in the range of 5 MEUR consisting of contribution for water related infrastructure and livelihood promotion activities.

Users will contribute directly to the scheme construction costs in cash and kind.

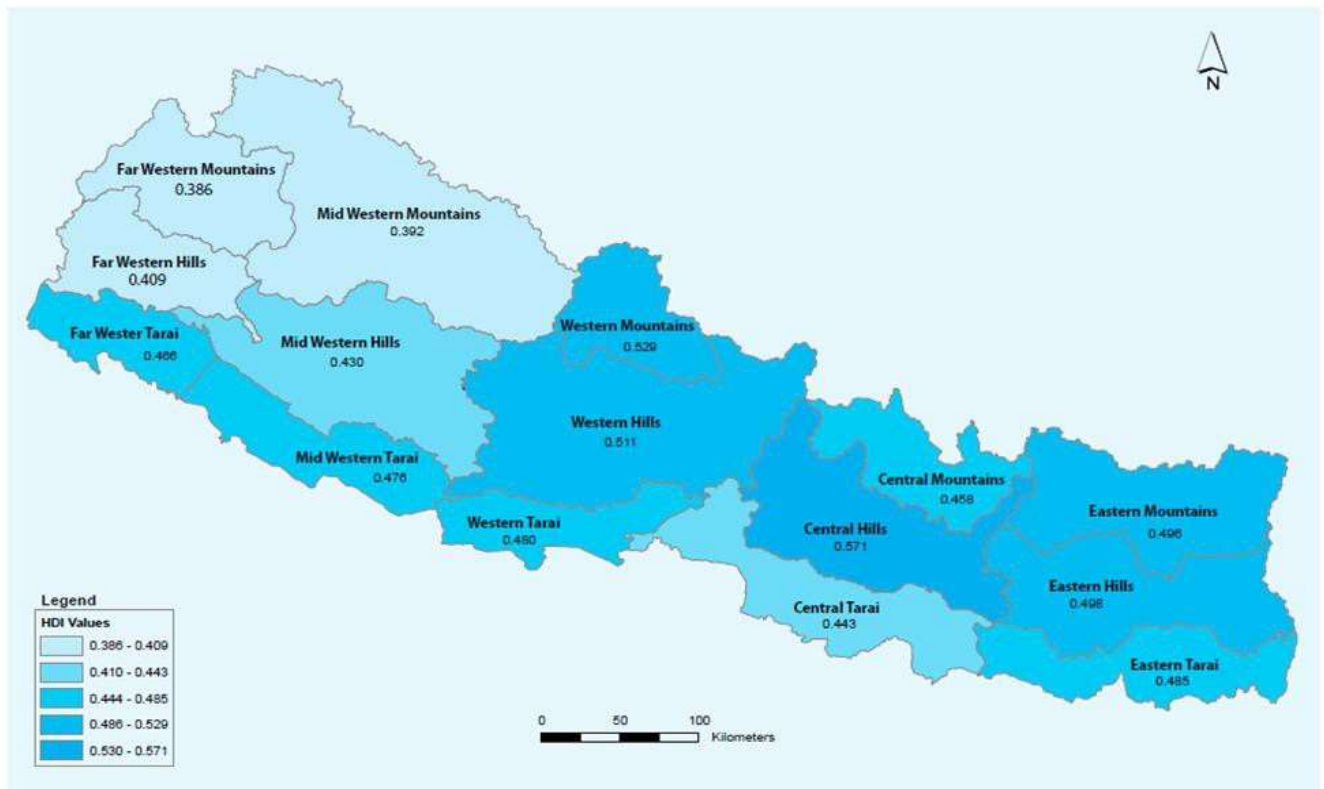
Therefore total RVWRMP III Phase budget will amount to 55.2 MEUR, excluding the users' contributions.

3. Background

3.1 Social & Economic Situation

The Far- and Mid-Western regions of Nepal are economically the least developed regions in the country. The UNDP’s Human Development Index (2011) ranks Nepal 157th among 187 countries with an index on 0.436. The HDI of the Far and Mid-West regions is below the national average. The similar is visible in the Human Poverty Index as shown in the Figure 1 below. The National Human Poverty Index (HPI) is 31.12 but it is considerably higher in the project areas.¹ The table below shows the number of households, population, HDI and HPI in each of the Project Districts for 2011.

HDI values across the 15 eco-development regions, 2011



District	HHs	Population	Male	Female	HDI 2011	HPI 2011
Accham	48,351	257,477	120,008	137,469	0.378	46.7
Baitadi	45,191	250,898	117,407	133,491	0.416	39.6
Darchula	24,618	133,274	63,605	69,669	0.436	33.1
Dadeldhura	27,045	142,094	66,556	75,538	0.436	35.8
Kailali	142,48	775,709	378,417	397,292	0.460	29.5
Doti	41,44	211,746	97,252	114,494	0.407	
Bajhang	33,786	195,159	92,794	102,365	0.365	45.3
Bajura	24,908	134,912	65,806	69,106	0.364	43.3
Humla	9,479	50,858	25,833	25,025	0.376	49.3
Dailekh	48,919	261,77	126,99	134,78	0.422	41.4
Total	446,217	2,413,897	1,154,668	1,259,229		
MW & FW Hills					0.423	39.7
W & MW & FW Mountains					0.398	43.0
MW & FW Terai					0.472	30.5
Nepal					0.490	31.5

Figure 1 Human Development Index and Human Poverty Index Data for Nepal and Far and Mid-Western Regions

¹ Nepal Human Development Report 2014: Beyond Geography. Unlocking the Human Potential. UNDP & GoN National Planning Commission 2014

3.2 Living Conditions and Livelihoods

The main sources of livelihoods are subsistence farming combined with livestock rearing and non-timber forest products collection. Food insufficiency is chronic. Household size is relatively large and landholdings are small or none at all. The average household farmland size is less than 0.5 ha.

These areas are ecologically fragile. In some of the areas, unsustainable use of natural resources has led to deforestation. Poverty is less severe and living conditions slightly better in the Terai compared to the mountain districts.

Most villages are physically isolated, with poor communication facilities and road infrastructure. In the Mid-West only 45% and in the Far West 55% of the total households have access to electricity.

Social discrimination based on ethnicity and caste plays a significant role in keeping people poor and marginalized. Most of the landless households are *Dalits*, *Janajatis* and other marginalised groups. Many rural women live in extreme poverty, without any means of improving conditions for themselves and their households. At the same time, women are increasingly heading households and taking on the burden of sustaining livelihoods and the rural economy.

Due to limited livelihood opportunities and the open-border provision between Nepal and India, men work as seasonal labourers in India. This is a major survival strategy in most of the Project area communities where 50-80% of the households have at least one family member working in India or abroad.

3.3 Nutrition and Public Health

National Health Status indicators are generally based on life expectancy, infant mortality, maternal mortality and under five mortality. During the past decade, Nepal has made great progress in improving the health of the population. In national terms, the prevalence of underweight children has dropped from 43% in 2005 to 29% in 2013. Although the percentage of stunted children has been reduced to 41% (2011) it is still far above the 2015 target of 30%. The nutritional status of children varies geographically with poorest rates reported in the Mid-Western Hill region (37.1% underweight and 51.7% stunted) and Far Western Hill region (39,7% underweight and 57,5% stunted).

Poor nutritional status of women, lack of skilled attendants during delivery, infections, birth injuries, low birth weight and general lack of access to health services contribute to the high maternal and infant death rates in the Far and Mid-Western regions. Women's low educational level has a major impact on health and nutritional status and mortality.

Health care and access to services is poorer in the hill and mountain areas than in the Terai zones due to deficient infrastructure development. The number of medical facilities per capita is lower than the national average. Quality of service suffers due to chronic lack of medical personnel, equipment and medicines. Common health problems are related to respiratory tract infections, fever, gastritis, diarrhoea, intestinal worms and amoebic dysentery. Poor sanitation and access to clean water, poor nutritional standard and low awareness level contribute to ill health and high infant mortality.

In the hill areas of province no 6 and 7, HIV/AIDS prevalence is high as a consequence of seasonal male labour

migration to India. More than 40% of the migrants work in Maharashtra State and Delhi where HIV prevalence among sex workers is the highest in the country. One study shows that 8% of migrant male workers from Doti District, who have been working as migrant workers in Mumbai in the state of Maharashtra, were positive for HIV infection.

In general, a wide gap between women and men in terms of access to health care, nutrition, education and participation in decision-making exists. Infant mortality is higher for girls than boys. Illiteracy is far more prevalent among women than men.

3.4 Effects and Impacts of Climate Change, Natural Disasters

The greatest impact of climate change is either severe rainfall or droughts. Excessive rainfall has caused flash floods and landslides in the Project area. Some landslides are triggered by riverbank erosion and some flash floods are aggravated by landslides in areas adjoining riverbanks. Both these phenomena occur during the monsoon season. Significant landslides are estimated at over 12,000 each year, which are caused by both natural and man-made conditions. Natural factors include steep slopes, undercutting of riverbanks by rivers, weathered, fractured and weak rocks in the mountains, high rainfall and seismic activities.

Landslides are likely to affect pipelines and system structures threatening the sustainability of water supply, micro-hydro and irrigation systems in the mountain districts. The other most important effect of climate change is water source depletion, which has caused scarcity of water supply and has also made some water supply systems defunct.

The project area was not affected by the major earthquakes of April-May 2015. The destruction caused by the earthquake elsewhere in Nepal has however emphasized the need for earthquake proofing the structures, especially sanitation housing. The preliminary results from the other bilateral project in Nepal, the RWSSP-WN, indicate that the project supported water supply systems were relatively resilient and could sustain even a high impact earthquake without collapsing. Sanitation facilities naturally sustained more extensive damage. It is important to sustain high quality design, supervision, quality of construction materials and construction standards in all implementation and especially in school sanitation. The main structural designs of toilets recommended to the households should be revised to be more earthquake-resilient. The prevailing main structural designs of water supply, including the ferro-cement reservoir tanks sunk in earth, seem to be well suitable for the conditions.

3.5 Political Situation

The decade-long conflict with the Maoist Movement between 1996 and 2006 most heavily affected the Western parts of Nepal as result of their remoteness from Kathmandu and their relative poverty. The conflict has changed the social, economic and political landscape of Nepal in ways that are still unfolding. Particularly in the Far West, the normal structure of local government and administration, together with the provision of basic government services through line agencies had been severely disrupted.

The Constituent Assembly elected in 2008 declared Nepal as the Federal Democratic Republic nation and endeavoured to frame new constitution of the country which ultimately succeeded in September 2015 through the second Constituent Assembly elected in 2013. After the promulgation of the Constitution of Nepal, 2015 the country has entered into federal structures with seven provinces. The geographical area of the project that are in far Western region and Mid-western region fall under province no 7 and 6 respectively. The Federal System of governance is being deployed.

Local level elections were held in 2017 and local level governments were established and political leaders were elected.

3.6 Water Supply and Sanitation

The Census 2011 reports that 85% of the population in Nepal have physical access to basic drinking water supply and 62% to basic sanitation. Yet, in the Mid and Far Western Regions the coverage is below the national average. Access to water supply in the Mid-West is 75% and the Far West less than 82%. Similarly, sanitation coverage is 51% in Mid-West and 47% in the Far Western Region. The WASH coverage in these two regions ranks the lowest among the five development regions.

Furthermore, the coverage data does not reflect the actual situation on the ground as many of the water supply schemes are partly functional or not in use. The functionality of the schemes is estimated at 57% (NMIP 2011). To reach universal coverage in providing safe drinking water, basic sanitation and hygiene, the Government set a goal to provide these services to all citizens by 2017.

Since the implementation of Phases I & II, the RVWRMP has focused on improving water supply and sanitation coverage. The same focus will continue in Phase III. Due to the pressing deadline for the universal coverage for water supply and sanitation, Phase III will extend coverage and ensure the functionality and sustainability of these investments.

Nepal achieved excellent progress in sanitation after launch of National Sanitation and Hygiene Master Plan in 2011. 37 districts out of 75 districts were declared Open Defecation Free (ODF) at the beginning of the project phase III (March 2016). Out of 10 RVWRMP working districts, 5 districts were declared ODF (Achham, Dadeldhura, Dailekh, Bajura and Bajhang) by February 2016.

3.7 Previous and ongoing development cooperation with Finland and EU

Government of Finland has supported Rural Water Supply and Sanitation in Nepal since 1989. The first project supported was the Rural Water Supply and Sanitation Project (RWSSP) in Lumbini Zone, which was implemented in three phases in 1990-2005. The main Finnish supported programmes presently are:

1. Rural Village Water Resources Management Project (RVWRMP, Phase I finalized in 2010, and Phase II, 2010-2016) working in ten districts of the Far- and Mid-Western Nepal.
2. Rural Water Supply and Sanitation Project in Western Nepal (RWSSP-WN, phase I finalized in September 2013 and Completion Phase under way, (2013-2019) works in twelve programme “core districts”, and two “sanitation only” districts in province no 4 and 5 of Nepal.
3. UNICEF implemented “WASH Recovery and Reconstruction Program” (2016-2018).

EU support to Multi Sector Nutrition Plan (MSNP) through UNICEF (2016-2020) having total budget of 22.6 MEUR.

3.7.1 Rural Village Water Resources Management Project (RVWRMP), Phase I and Phase II

Supported by the GoN and the GoF, Phase I of the RVWRMP started in October 2006 and continued until the end of August 2010. Phase II continued from September 2010 and was completed February 2016. The ten districts included in Phase II were: Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Darchula, Doti,

Humla and Kailali. Dailekh and Humla are located in the Mid-Western Region. By the end of Phase II, a total of 113 VDCs were covered in these ten districts of which investments were fully completed in 53 VDCs (including 6 Kailali terai area VDCs, where WUMP was not prepared). Water Use Master Plans (WUMP) were prepared in 62 hilly VDCs in phase II but Kuntibandali VDC of Achham merged to a municipality, leaving 61 WUMPs for implementation in RVWRMP III. The project area of the RVWRMP I & II is presented in Figure 1.

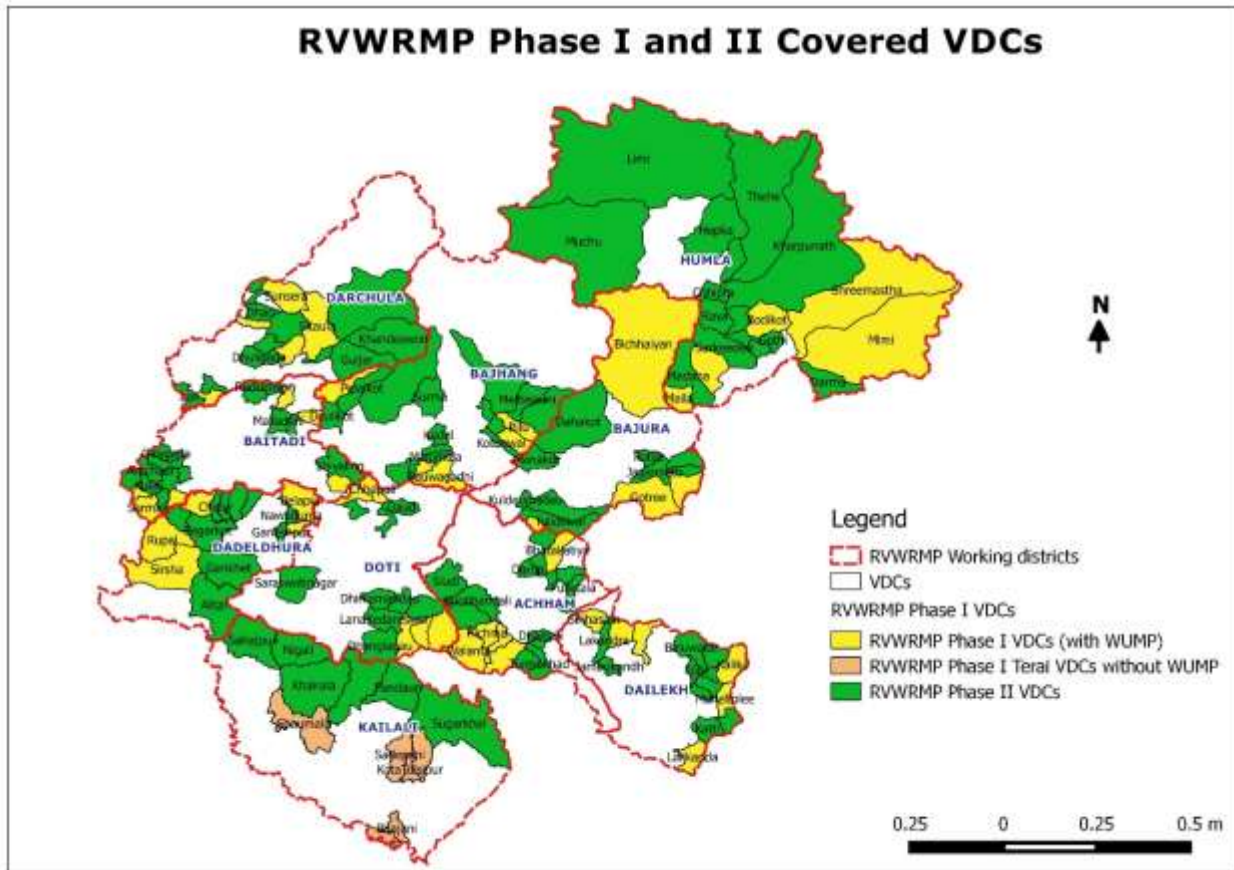


Figure 1 RVWRMP Phase I & II geographical coverage (old administrative boundaries)

Phase II has implemented the various schemes to improve access to water supply and sanitation. Table 1 shows the type, number and status of schemes of Phase II.

Table 1: Type, Number and Status of Phase II Schemes

Type of project	Total number of schemes	Completed	Transferred from Phase II to Phase III
Improved Water Mill	8	8	0
Irrigation	51	51	0
Micro-Hydro	12	9	3
Sanitation	302	302	0
Water Supply	421	421	0
MUS	45	45	0
Total	839	836	3
Progress	100%	99.52%	0.36%

Water supply and sanitation comprise the main investments of the Project. As per the above figures, the RVWRMP II was primarily a Water Supply and Sanitation Project with some additional schemes to support the livelihoods

component. Table 2 shows the budgetary allocations of Phase II. Total expenditure made in second phase through the District Water Resources Development Fund (DWRDF) was 1,305 Million Nepalese Rupees (11.35 MEUR).

Table 2 Projected Phase II Budgetary Allocations (GoF grant only) per type of project

Type of Project	Percentage of funding
Improved Water Mill	0.25%
Irrigation	3.79%
Micro-Hydro	3.82%
MUSA	11.02%
Sanitation	18.29%
Water supply systems	62.84%
	100%

With the VDC selection criteria used during the Phase I & II, RVWRMP III is expected to reach the most disadvantaged beneficiaries. The most recent monitoring report shows that women account for 49.8% of the beneficiaries. Meanwhile, the *Janajatis* (7%) and Dalit (18%) are among the socially excluded groups that receive benefits (Phase II Completion Report, 2016).

3.8 National and Sectoral Policies

3.8.1 Sustainable Development Goals (SDG)

The Sustainable Development Goals (SDG) have been formulated and agreed by the United Nations General Assembly in 2015.

RVWRMP III will directly contribute to 5 of the 17 SDGs, related to ending poverty, ending hunger, achieve gender equality, ensure availability of water and sanitation for all and access to affordable and clean energy for all.

Specifically these 5 SDGs for Nepal are as following:

SDG 1 proposes ending poverty in all its forms everywhere. Using the international benchmark for extreme poverty of an income of US\$ 1.25 per day, less than 25 percent of the population are living below this line. The poverty gap ratio has narrowed to 5.6 percent, while per capita GNI stands at US\$ 772 in 2015. Poverty has fallen not just nationally but across all of its major dimensions.

Poverty (as defined nationally) is targeted to decline from 23.8 percent to 5 percent by 2030.

SDG 2 proposes ending hunger, achieving food security, improving nutrition and promoting sustainable agriculture. In Nepal, still 30 percent of children aged 6–59 months are underweight; while stunting persists in 37.4 percent of under five year old children and wasting in 11.3 percent of the same age group. The proposed target is to reduce the prevalence of stunting in children under five years, of underweight children (aged 6-59 months), and anaemia among women of reproductive age and children to less than one percent.

SDG 5 is about achieving gender equality and empowering all women and girls. Nepal has made substantial progress in ensuring equal access to education, with gender parity in primary and secondary level school enrolment. But discrimination and violence against women and girls remains despite significant improvements. The proposed targets for 2030 include eliminating gender disparity in all levels of education, wage discrimination at similar work, physical and sexual violence, and all harmful practices, and raising the presence of women in the national parliament and public service decision-making positions.

SDG 6 is about ensuring the availability and sustainable management of water and sanitation for all. Basic water supply coverage in Nepal was 83.6 percent in 2014, while sanitation had reached 70.3 percent of the population. Two-thirds of the Nepali population now use latrines and 30 percent of urban households are connected to sewerage systems. The proposed targets for 2030 include 95 percent of households having access to piped water supplies and improved sanitation, all communities being free of open defecation, and all urban households being connected to a sewerage system.

SDG 7 aspires to access to affordable, reliable, sustainable and modern energy for all. Currently, nearly three-quarters of households use solid fuels as their primary energy source for cooking while more than a quarter use liquid petroleum gas (LPG). Nearly three-quarters of households have access to electricity in their dwellings. The proposed targets for 2030 include 99 percent of households with access to electricity, only 10 percent of households using to firewood for cooking, the generation of at least 10 thousand megawatts of electricity, and decreasing energy intensity by 0.8 percent per annum.

3.8.2 Water, Livelihoods, Environmental and GESI Policies and Strategies

Water Sector Policies and Strategies

The Water Resources Act 2049 (1992) is an organic law and declares that ownership of water is vested in the state. The Act gives first priority to drinking water and domestic water use in the allocation of water resources. In accordance with the Water Resources Regulation 2050 (1993) and Drinking Water Regulation 2055 (1998), it stipulates the establishment of Water Users' Associations as the local bodies responsible for water use.

The Water Resources Strategy (2002) and the National Water Plan (2005) are the instruments to implement the Water Resources Act and include procedures for Integrated Water Resources Management with short-, medium- and long-term planning targets. Many of the targets are already outdated and have been replaced by more recent policies and guidelines. The GoN is currently preparing a WASH Act and a draft is been made available to the public through the Sector Efficiency Improvement Unit (SEIU) webpage.

The three main WASH sector policy documents which guide the Project are as follows:

Rural Water Supply and Sanitation National Policy, Strategy and Action Plan (2004); aims to provide water supply and sanitation services to 100% of the population by 2017. The Policy vests service development and scheme ownership to the local community, with the leadership of local bodies, and partnership with NGOs and development stakeholders. It minimises the direct involvement of the GoN in the implementation of water supply and sanitation schemes as set out in the LSGA (1999). The Ministry of Urban Development / Department of Water Supply and Sewerage (MoUD/DWSS) is responsible for providing sector leadership at the national level. Instructions are made to avoid duplication and differences between the District Technical Office (DTO) and the Water Supply and Sewerage Divisional Office (WSSDO) at the district level. The VDCs are to take the lead for community-managed projects at the village level with the active participation of NGOs/CBOs and user committees.

National Sanitation and Hygiene Master Plan (2011); was formulated to speed up the achievement of the Rural Water and Sanitation Strategy and Policy (2004) target of reaching universal sanitation coverage in Nepal by 2017 through the Open Defecation Free (ODF) and Total Sanitation methodologies. The Master Plan aims to bring all sector actors together under a harmonised approach to sanitation and hygiene and to develop an enabling environment for operationalisation. The Plan enabled the creation of new coordination mechanisms at national, regional and local levels with specific terms of references (WASH Coordination Committees, WASH-CC). Local bodies are responsible for planning, implementation, follow up, monitoring and evaluation in coordination with concerned stakeholders. The Sanitation and Hygiene Master Plan has provided a coordination framework for extending sanitation coverage rapidly. It is limited to sanitation only and is not formally linked with the LSG Act 1999 in programming and budgetary aspects.

Nepal MDGs Acceleration Framework: Improving Access to Sanitation (2012). The MDG's Acceleration Framework: *Improving Access to Sanitation (2012)* identified further bottlenecks in reaching universal access to sanitation in Nepal and suggests solutions for addressing issues regarding policy and planning, budgeting, service delivery and service utilisation.

Additionally a Sector Development Plan (SDP) has been under development by the Sector Efficiency Improvement Unit (SEIU) of the Ministry of Water and Sanitation in cooperation with the sector stakeholders.

The formulation of SDP stems from the need to improve sector capacity, responsiveness and accountability through the development of a comprehensive national WASH framework to guide and align WASH sector stakeholders for improved performance in the sector. SEIU and sector partners have been working on this activity since mid 2014. A Draft Sector Development Plan has been published, but is likely to go through some revision, due to the restructuring of the local government. RVWRMP III will participate in the discussions on the SDP, through the Joint Sector review Process.

Policies and Strategies guiding the livelihoods sector

Agriculture Development Strategy (ADS), Ministry of Agricultural Development (MOAD) (2014); presents the overall strategy for agriculture development in Nepal including a 10-year action plan and roadmap and a rationale based on the assessment of the current and past performance of the agricultural sector.

In order to achieve its vision the ADS will accelerate agricultural sector growth through four strategic components related to governance, productivity, profitable commercialization, and competitiveness while promoting inclusiveness (both social and geographic), sustainability (both natural resources and economic), development of the private sector and cooperative sector, and connectivity to market infrastructure (e.g. agricultural roads, collection centres, packing houses, market centres), information infrastructure and ICT, and power infrastructure (e.g. rural electrification, renewable and alternative energy sources).

The acceleration of inclusive, sustainable, multi-sector, and connectivity-based growth is expected to result in increased food and nutrition security, poverty reduction, agricultural trade competitiveness, higher and more equitable income of rural households, and strengthened farmers' rights.

The ADS is to be implemented by MOAD with related agencies supporting the implementation such as the Department of Irrigation (DOI), DoLIDAR, Department of Forestry (DOF), Department of Soil Conservation and Watershed Management (DSCWM), Department of Agriculture (DOA), Department of Livestock (DOL) and Nepal Agricultural Research Council (NARC).

Besides MOAD, the leading stakeholders at local level are Farmer Organizations, Cooperative Organizations and Private Sector Entities.

Multi-Sector Nutrition Plan (MSNP) for accelerating the reduction of maternal and child under-nutrition in Nepal, National Planning Commission (2012); the longer-term vision of the multi-sector nutrition plan, over the next ten years, is to embark the country towards significantly reducing chronic malnutrition so that it no longer becomes an impeding factor towards enhancement of human capital and for overall socio-economic development. The goal, over the next five years, is to improve maternal and child nutrition, which will result in the reduction of Maternal Infant and Young Child (MIYC) under-nutrition, in terms of maternal Body-Mass-Index (BMI) and child stunting, by one third. The main purpose is to strengthen capacity of the NPC and the key Ministries to promote and steer the multi-sector nutrition program for improved maternal and child nutrition at all the key levels of society.

The key outcomes and outputs (results) of the MSNP will contribute towards attaining its long-term vision and mid-term goal by achieving three major Outcomes:

- Outcome 1: Policies, plans and multi-sector coordination improved at national and local levels
- Outcome 2: Practices that promote optimal use of nutrition 'specific' and nutrition 'sensitive' services improved, ultimately leading to enhanced maternal and child nutritional status
- Outcome 3: Strengthened capacity of central and local governments on nutrition to provide basic services in an inclusive and equitable manner.

The MSNP focuses on the narrow window of growth of a child, the first 1,000 days of life, with an urgent set of essential interventions. It will complement other relevant sector policies and strategies, such as the health sector's National Nutrition Policy and Strategy and agriculture sector's Food and Nutrition Security Plan (FNSP) as part of the Agriculture Development Strategy (ADS).

At the sub-national level, it is envisaged that the DCCs and (Rural) Municipalities will incorporate nutrition into their periodic and annual plans and monitoring frameworks.

Environmental and climate change policies and strategies

The Environment Protection Act and Environment Protection Regulations were established in 1997; however, until now enforcement has been weak. These documents include provisions for conducting environmental assessments for various infrastructure projects.

Climate Change Policy (2011) for Nepal was formulated with the goal of mitigating and adapting the adverse impacts of climate change, adopting a low-carbon emissions socioeconomic development path and supporting the country's commitments to national and international agreements related to climate change. National Adaptation Plan of Action (NAPA) for climate change, with similar plans at the local level Local Adaptation Plan of Action (LAPA) were formulated based on the Climate Change Policy.

Gender Equity & Social Inclusion Policies (GESI)

The Ministry of Water Supply and Sanitation, Gender Equality and Social Inclusion (GESI) Operational Guideline 2013 requires all organizations/institutions to mainstream and institutionalise GESI in the Water, Sanitation and

Hygiene (WASH) Sector. The GESI Operational Guideline ensures GESI mainstreaming at all levels and project stages:

Project Preparation and Development Phase:

- Priority given to areas with high population of poor and excluded groups;
- Assessments and surveys;
- Mainstreaming of GESI in all aspects of project cycle;
- Ensure budget for social activities.

Implementation Phase:

- GESI conditions specified in contracts;
- Affirmative action to use women groups and cooperatives of excluded groups as suppliers of local materials;
- Collaboration with MoWSS and Ministry of Women, Children and Social Welfare for Female Health Volunteers' training on WASH;
- Recruitment of local residents as project staff;
- Project completion report to incorporate GESI issues.

Operation and Maintenance Phase:

- Inclusive O&M committee;
- Joint monitoring in coordination with forums formed by local bodies;
- Provision of reward for GESI integration in projects.

The operationalization of the GESI guideline has been mandated to the Department of Water Supply and Sewerage, which is responsible for monitoring and evaluation of GESI issues and activities. The guideline addresses gender and social inclusion by ensuring 33% (preferably 50%) representation of women and minority groups in water user and sanitation committee.

3.8.3 Compatibility with Finnish and European Union Development Cooperation

Multiannual Indicative Program (MIP) 2014-2020 Nepal, European Commission (2014) puts forward three sectors for EU support until 2020. These sectors are:

- 1: Sustainable Rural Development
- 2: Education
- 3: Strengthening Democracy and Decentralisation

The result areas of RVWRMP III are mostly aligned with the EU support in the Sustainable Rural Development sector which includes the objectives of profitable agricultural commercialization with improved connectivity and market infrastructure, efficient and sustainable agriculture sector guaranteeing food security in rural areas, improve maternal, infant and child nutrition in rural areas, strengthen response, preparedness and recovery capacities of communities exposed and vulnerable to recurrent and predictable disasters and maximise the development impact of migration and to minimise its negative consequences in rural areas.

The expected results under these objectives are defined in the Agriculture Development Strategy (ADS) and Multi-Sector Nutrition Plan (MSNP) and the expected EU support for this sector is MEUR 146 until 2020.

Some of the activities of RVWRMP III will also support the EU's Strengthening Democracy and Decentralisation sector, specifically the support which RVWRMP III will provide to ensure quality service delivery to citizens at the local level in the project area Rural Municipalities by working closely with and through the local level structures.

Finland's Development Policy 2016 The Project objectives are highly compatible with many of the goals stated in Development Policy. The Policy is divided into four priority areas of which the fourth one is especially relevant for the project. The fourth priority area focuses on food security and access to water and energy, and the sustainable use of natural resources. The sub goal for this priority area is to increase the number of people with access to high-quality water supply and increase the access to and use of decent toilets, which is the objective of the Project as well. The Project is also in line with the policy's aim to improve people's possibilities to produce or buy food. The construction of micro hydro, water mills and improved cooking stoves supports the policy's goal on increasing developing countries' investments to sustainable energy solutions.

Another priority area focuses on enhancing the rights and status of women and girls. The project ensures that GESI aspects are considered and monitored in all sanitation, hygiene and health related plans. Promoting female inclusion also supports the goal of more women and girls enjoying the right to make decisions which affects their lives. By encouraging women to participate in the cooperatives, the goal of women being more active in decision making and economic activities is supported.

The Project's livelihoods and cooperative activities support the priority area that focuses on the developing countries' own economies to generate more jobs, livelihood opportunities and well-being. The goal aims at women, young people and the poorest having better access to decent work, livelihoods and income.

Country Strategy for Finnish Development Cooperation with Nepal (2016-2019). Finland remains committed to supporting the development of Nepal, which is classified as a fragile state and grouped among the least developed countries (LDCs). Nepal has made significant progress in poverty reduction in recent years, and it took a great step forward in its democratic transition by promulgating a new and progressive Constitution in 2015.

However, Nepal's democratic and economic development remains undermined by unequal access to decision-making, basic services and economic opportunities. Finland supports Nepal in this critical stage of transition into a stable, equitable and economically viable democracy.

Finland's Country Strategy 2016–2019 contributes to this goal by promoting the most marginalised groups' rights to education, water and sanitation, and access to decision-making and service delivery.

The Country Strategy builds on previously achieved results, focusing on sectors in which Nepal has strong ownership and where Finland has experience, expertise and value to add.

- IMPACT 1 Finland continues to support improved water supply and sanitation.
- IMPACT 2 Providing high-quality education for all students is crucial for the social and economic development of Nepal
- IMPACT 3 Nepal has in recent years made strides to improve the rights and status of women and vulnerable groups. Finland has supported these advancements through targeted interventions and policy dialogue. Enhancing the rights of women and marginalised groups contributes to economic development and reduces the risk of conflict. All Finnish activities in Nepal therefore seek to address women's and vulnerable groups' rights, livelihoods and access to basic services and decision-making.

HRBA is at the root of all of Finland's interventions in Nepal. Disaster risk reduction (DRR) will be mainstreamed to all programmes to improve resiliency. Throughout the strategy period, Finland will engage in active policy

dialogue with the Government of Nepal. Questions with particular relevance to Finland's support – education, water and sanitation, human rights and gender equality – will be regularly raised with the Government of Nepal. In addition, Finland will actively promote synergies between development cooperation and commercial relations in order to support economic growth and development in Nepal.

The RVWRMP III will specifically contribute towards the IMPACT areas 1 and 3 of Finland's Country Strategy for Development Cooperation NEPAL 2016–2019.

3.9. Government Structures

3.9.1. The Constitution of Nepal 2015

The constitution of Nepal secures healthcare as a fundamental right. Water and sanitation are highlighted as a critical factor towards better health. The Constitution article 35 (4) explicitly states that every citizen shall have the right to access clean drinking water and sanitation.

The Constitution also recognizes food sovereignty and food security as the right of every citizen. Article 36 (1) ensures right to food for every citizen, (2) ensures that every citizen has the right to be protected against food scarcity that may cause threat to life, (3) ensures that every citizen has the right to food sovereignty as provided by law.

Women's right are also specifically included in the Constitution. The article 38 declares that women cannot be oppressed based on religious, social and cultural tradition, and other practices. Moreover, the constitution also emphasizes equity—which helps close gender and ethnic inequality gaps, and will have a significant impact on access to clean drinking water, sanitation and nutrition.

The Constitution defines the composition and legislative powers of local government structures. In Schedule – 8 the Constitution presents a List of Local Level Power. These are the devolved functions, which are entirely in the decision-making domain and responsibility of the local government. Importantly, from the point of view of the implementation of RVWRMP III, the following functions are devolved to the local government:

- 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 local government.

3.9.2 Public Administration Institutions and Status

Structures of Local Administration

As provisioned in the Constitution of Nepal 2015, Government of Nepal decided to establish local level (rural municipalities and municipalities) comprising of 2 to 8 existing VDCs. There are 753 (744 decided on March and 9 additional added in August 2017). There are altogether 86 Rural Municipalities and Municipalities in the project working area. Constitution has limited the role of DDC from executing body to coordinating and monitoring body and it has been renamed as District Coordination Committee (DCC).

The Local Governance Act, 2017 proposes a number of roles and responsibilities regarding local level development initiatives including planning, implementation, monitoring and evaluation. The RMs will have an executive officer, accountant and other support staff. Government of Nepal has started to depute staff from agriculture, cottage and small industries and other development line agencies. The RM are expected to have a number of technical sections consisting of RM employed staff and staff deputed from line agency departments. RVWRMP's working modality is fully embedded in the local level government structures and the annual work plan of the fiscal year 2074/75 of the project is approved by respective RM councils.

3.10 Sector coordination mechanisms

The Nepalese water sector is often described as being fragmented, having many government organizations – several ministries, departments and parastatals – with overlapping mandates and responsibilities at all levels. There are two major ministries operating in the WASH sector i.e. the Ministry of Water Supply and Sanitation (MoWSS) and the Ministry of Federal Affairs and Local Development (MoFALD). Rural Water Supply and Sanitation Fund Development Board (RWSSFDB) represents an independent parastatal, charged with the responsibility to finance small scale rural water supply schemes. Urban water supply sector has several actors.

3.10.1 National level coordination mechanisms

With the leadership of MoWSS, (previously Ministry of Urban Development (MoUD) and Ministry of Physical Planning and Works (MoPPW)), the sector has established coordination mechanisms supported and subscribed to by all the stakeholders.

- Sector Stakeholder Group (SSG) was formed under the leadership of the MoWSS.
- SSG is supported by Sector Efficiency Improvement Unit (SEIU), a technical assistance unit under the MoWSS.
- A mechanism of Joint Sector Review (JSR) has been agreed and first joint review took place in May 2011. Second JSR was organized in March 2014 and these two days functions will continue to be organized every other year. Additionally regional reviews of sector activities have been organized in the intermediate years.
- The stakeholders have further formed eight thematic working groups to discuss and work on the most urgent and important issues identified by the Joint Sector Review. The SSG, SEIU and the thematic working groups are to follow the progress on the issues and recommendations agreed during the JSRs.
- Additionally, the development partners (DP) active in the sector have a coordination mechanism, WASH DP Working Group.
- The Agriculture and Food Security Donor Group is chaired by the FAO and meets on a monthly basis
- Donor coordination also takes place in the Nepal Nutrition Group, which has been set up to support the

ADS and includes UNICEF and INGOs

3.10.2 Local level coordination mechanisms

The promulgation of the Constitution of Nepal 2015 and establishment of strong local government has changed the local level coordination structures. The elected RM councils are entirely responsible for water, sanitation, livelihood promotion and all other types of local level development activities. Hence all decision-making and executive powers lie with the RMs. The RMs will be coordinating the development activities in their area, including donor support and NGO interventions.

District Coordination Committee (DCC) established at district level is mandated to ensure coordination among RMs, provincial departments and federal government. Ward committees will play a vital role in ward level planning and monitoring of all development activities implemented at respective ward level.

3.11 Relevant Interventions and Actors

The region has several initiatives relevant to the RVWRMP. Only two main initiatives are mentioned here:

ADB – Building Climate Resilience of Watersheds in the Mountain Eco-Regions (BCRWME) is a five-year project working in six districts of the RVWRMP in the Far West (Achham, Baitadi, Bajhang, Bajura, Dadeldhura and Doti). The project provides access to reliable water resources for domestic purposes and irrigation. It is a 5-year project with total financial support of 23.5 MEUR including parallel Nordic Development Fund (NDF, 3.6 MEUR grant) for technical assistance. At the district level, the project is implemented by the district Soil Conservation Offices. The project provides opportunities for mutual learning and further development of modalities and cooperation in climate change mitigation and soil conservation aspects. **BCRWME** will be very important partner and RVWRMP should actively keep in contact with this project and seek synergies in terms of WUMPs, trainings and other capacity building activities at the local level.

It is important that RVWRMP continues its close partnership with **UNICEF** that is working e.g. on ODF and school-led total sanitation in the Project districts of Dailekh and Humla in province number 6 and Achham, Bajhang, Bajura and Dadeldhura in province number 7. Baitadi and Doti also have recently started to receive support from UNICEF and the resources available for sanitation in these districts is quite extensive. UNICEF has also developed IEC materials that are used by the RVWRMP. EU also supports UNICEF for nutrition activities related with the Multi Sector Nutrition Plan.

4. Direct beneficiaries

The Project working area will remain in the same districts of province no 6 and 7 and the stakeholders will come from all levels: (i) community and the Local Level Governments (LLG); (ii) district and provincial; and (iii) national.

At the community, wards and local level, the Project will primarily work with the same social groups targeted in Phase II with extended working area. The Project will support preparing Water Use Master Plans at Local Level starting from 27 core-program Rural Municipalities and will continue supporting WUMP and other plans in demand basis followed by implementation support in the most needy areas where demand for services is highest. The new project beneficiaries will be defined as those residing in the project working districts. The beneficiaries

of the extended working area may demand support in drinking water supply, home garden management and other project interventions.

They will be empowered to (a) plan and manage infrastructure activities, including operation and maintenance; (b) identify and improve livelihood options; and (c) strengthen group organization and financial management. Children will benefit from improved nutrition and hygiene. Since women are largely responsible for tasks related to water and livelihoods, it is expected that they will derive special benefit from improved water supply and sanitation, livelihood development and improved infrastructure. Improved livelihoods will also benefit the rural poor by providing them with possibilities to diversify income sources locally and reduce seasonal migration.

The project will be following the beneficiaries by producing disaggregated data reflecting numbers of women and members of disadvantaged groups.

The number of direct beneficiaries depends on the investment level. Table 3 below presents estimated beneficiary numbers.

Table 3 Estimated beneficiary numbers for major project activities

Type of intervention	Tentative Budget in MEUR	Number of beneficiaries
Beneficiaries of water supply	19.5	351 000
Institutional toilets in schools/health posts/public places (200 toilets)	0.75	40 000
Beneficiaries of household sanitation	4.1	110 000
Beneficiaries of home gardens	1.6	275 000
Beneficiaries trained in income generating activities (12 000 families)	2.1	60 000
Number of people receiving rural advisory services	1.3	500 000
People receiving renewable energy through micro-hydro plants (700 kW)	3.5	30 000
Number of beneficiaries provided with access to sustainable energy services (other than micro-hydro)	1.6	170 000
Beneficiaries of irrigation systems	2.1	50 000
Shareholders of the cooperatives	0.7	20 000

Detailed budget is given in chapter 13.1 and the project result framework is presented in Annex 1.

4.1 Partner Institutions and institutional arrangements

Participating organisations also comprise the Project's key stakeholders and will be expected to benefit from their involvement in the planning, implementation and management of various activities, including diverse capacity building events. At the local level the stakeholders include the Users Committees (UCs), Rural Municipalities/Municipalities, RM line sections, District Coordination Committees (DCCs), District Technical Office (DTO). At the province level, line departments play a key role in livelihoods and agricultural sectors. At the central level, the key stakeholders and beneficiaries include the Ministry of Federal Affairs and General Administration (MoFAGA) and the Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR). Both have the possibility to replicate and upscale models developed, piloted and implemented by the Project. Support is to be provided increasingly from the Government of Nepal (GoN), as well as local and other external

sources.

Other stakeholders are private small-scale service providers, private businesses and NGOs.

The Rural Municipalities will be the central partner institutions of the Project. Rural Municipality executive bodies and councils are key implementers of the project.

4.2 Measures to ensure the full involvement of the key beneficiary groups

The Project will use participatory approaches to secure the genuine involvement of the beneficiaries and stakeholders. Beneficiaries will be engaged in identifying their needs at the ward-level. The Project will support the RM's planning process to develop Water Use Master Plan (WUMP), Livelihood Implementation Plans (LIP) and prioritise investments.

Local Level WUMPs will be formulated initially for 27 core program rural municipalities consolidating existing WUMPs (prepared by the Project and Helvetas) and formulating WUMPs in new wards of rural municipalities. Ward committees, local level executives and councils will lead the WUMP preparation process. WUMP in other local levels will be supported in cost sharing and demand driven basis. Selection criteria shall be developed and get approved by the Supervisory Board. An additional local levels will be added to the project based on defined and approved criteria by the end of Nepali fiscal year 2075/076 (July 2019).

Appropriate targeting techniques may be applied to identify beneficiaries, including marginalised groups and work with local structures to facilitate the formation of Users' Committees, represented by the different castes, ethnicities, economic groups and age groups.

The women beneficiaries will be closely involved through the cooperatives, farmers' groups and other local level organizations to improve livelihood opportunities. Awareness raising activities will be conducted for the children's clubs. The Project will also make an effort to involve out-of-school youths.

Participatory training activities and workshops will be organized to ensure that beneficiary groups participate meaningfully and effectively. The project will also place emphasis on building capacities on applying the human rights based approach, gender and social inclusion.

5. Geographical scope of the Project

The RVWRMP Phase III - that is foreseen as a Completion Phase - will continue in 27 core-programme local levels and other local levels in the districts of Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Darchula, Doti, Humla and Kailali (two hill RMs). The project will continue working with number of local level governments based on the demand and commitment demonstrated by the local level governments. No new local levels will be added in to the project after FY 2075/076 (July 2019). The total population of the project working area is 1.67 Million. This constitutes the Project working area population, all potential beneficiaries.

Due to the restructuring of the local government in 2016/17, the project aligns it to the new local government structures. At the start of Phase III the project initiated or carried over activities in 61 core VDCs. The project will be supporting full menu of RVWRMP options in 27 core-program local levels whereas, it will support mainly water supply schemes and home garden management and other basic livelihood activities in other potential working areas. The duration of working period with other potential working local levels depends upon the contribution and commitment by local level governments and annual performance of local governments. Figure 2 below shows the Project working area in terms of the new administrative boundaries.

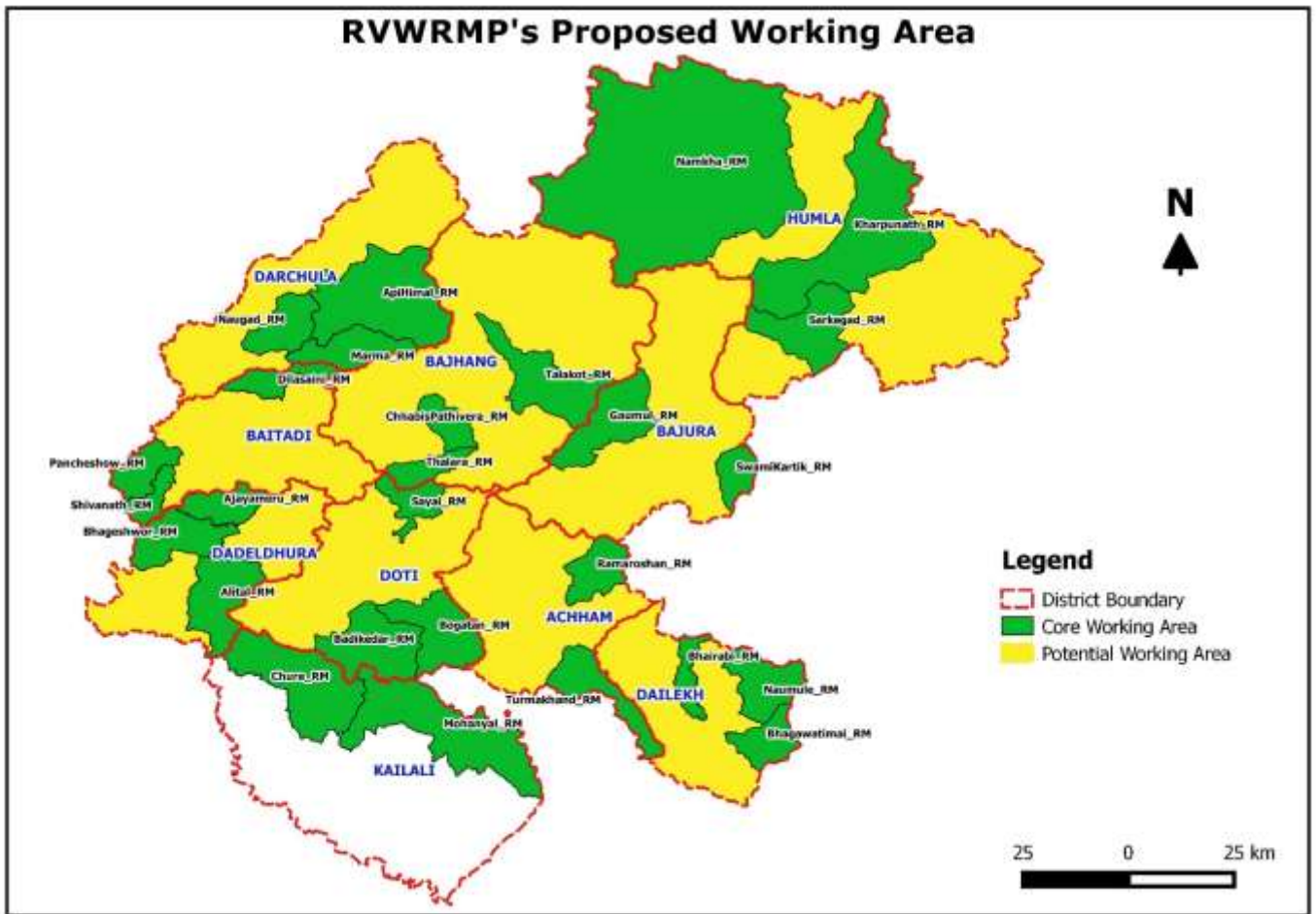


Figure 2. Project working area with local government administrative boundaries.

6. Objectives and Results

6.1 Definition of the Intervention

The design of Phase III of the RVWRM Project is presented in Annex A: *Results Framework* and is outlined below.

6.2 Overall Objective

RVWRMP is designed to advance the Nepalese Government's development policies regarding the establishment of broad-based inclusive sustainable economic growth. The focus of the Project is water resources- related initiatives in the 6th and 7th Province of Nepal

The Overall Objective is: ***improved health and reduced multidimensional poverty within the project working area.***

The Overall Objective for Phase III concerns the overall well-being of the local populations, and is measured by improvements such as the Human Development Index (HDI) and Human Poverty Index (HPI). More specifically, it concerns measures of reducing poverty, improved health, especially through reduced excreta-related and water borne diseases and improved HDI, decrease in proportion of people falls under poverty line and reduced prevalence of stunting in children under five years old.

6.3 Project Purpose

The Purpose of the Project is to achieve universal access to basic WASH services, and improved livelihoods with establishment of functional planning and implementation frameworks for all water users and livelihoods promotion in the project area.

The Project is designed to improve health and enhance the local economy through four result areas of intervention. The targets in the Results Framework are indicative only because the selection and prioritisation of project investments for various interventions decided within the local levels themselves and their prioritisation both within and between different investment areas is the subject of local consensual agreements.

6.4 Results to be achieved

The results to be achieved by the RVWRMP III are as follows:

- **Result Area #1:** Institutionalised community capacity to construct and maintain community managed water supply and adopt appropriate WASH technologies and sanitation and hygiene behaviour
- **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 as well as promotion of climate change mitigation and adaptation
- **Result Area #4:** GoN institutionalised capacity to continue integrated water resources planning and support to communities in implementing and maintaining WASH and livelihood activities

Results Framework, outlining the results indicators and assumptions is presented in Annex A.

7. Approach and Strategy

7.1 Planning and Implementation through local government structures

The main legislative basis for the RVWRMP is the Constitution 2015, and consequent changes in the local government structures and mandates. The Local Government Operation Act (2074) is the important legislation for the reform of local governance.

The Project is supporting rural WASH and livelihood schemes within the domain of local government. The overall approach of the project is to support the planning and implementation cycle of the local government at different levels, by providing technical assistance, capacity building and investment funds to the result areas described in the Project's result framework. The project will incorporate the modalities and practices, proven to be successful, in the capacity building activities directed to the local government actors and communities.

The operating framework will be comprised of the standard medium term planning and annual programming and budgeting systems. The planning cycle and implementation cycle of WASH and livelihoods initiatives of the local government, which is supported by the RVWRMP is presented in Figures 3 and 4.

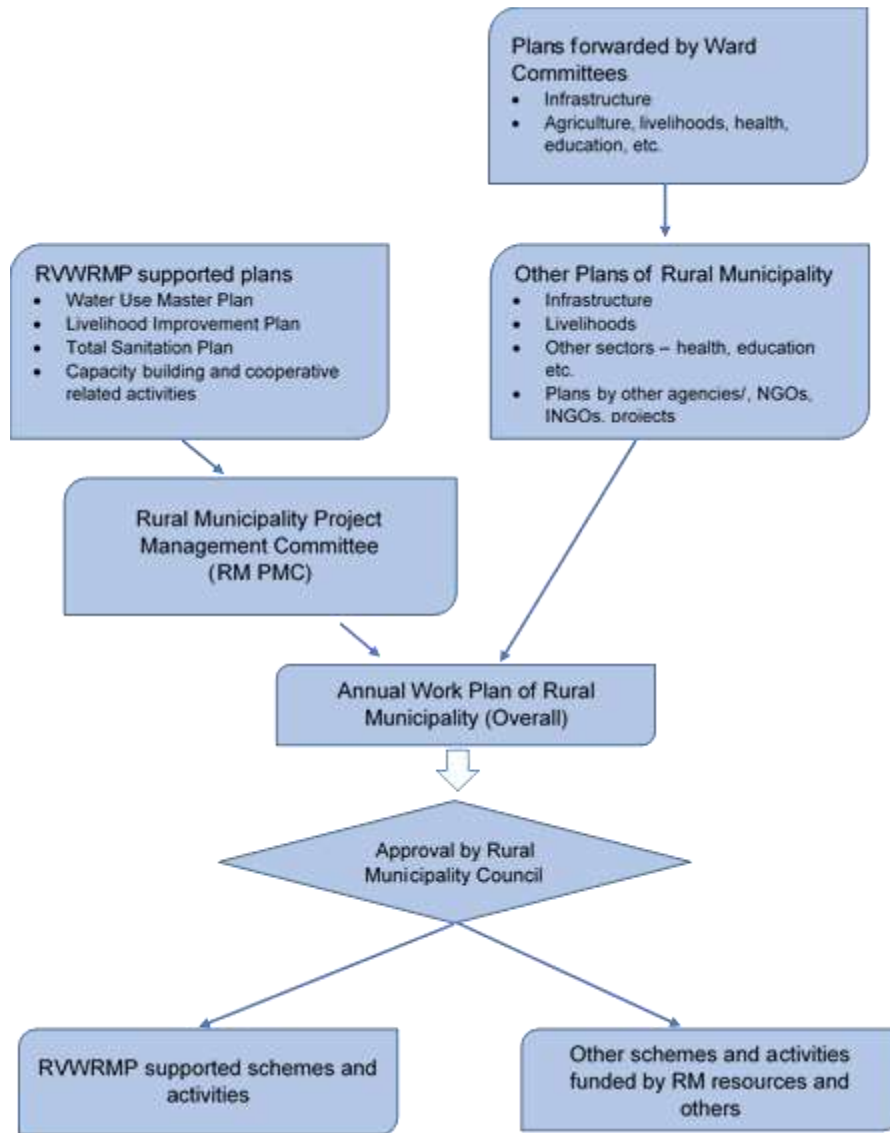


Figure 3 RVWRMP support to the Local Level government planning cycle

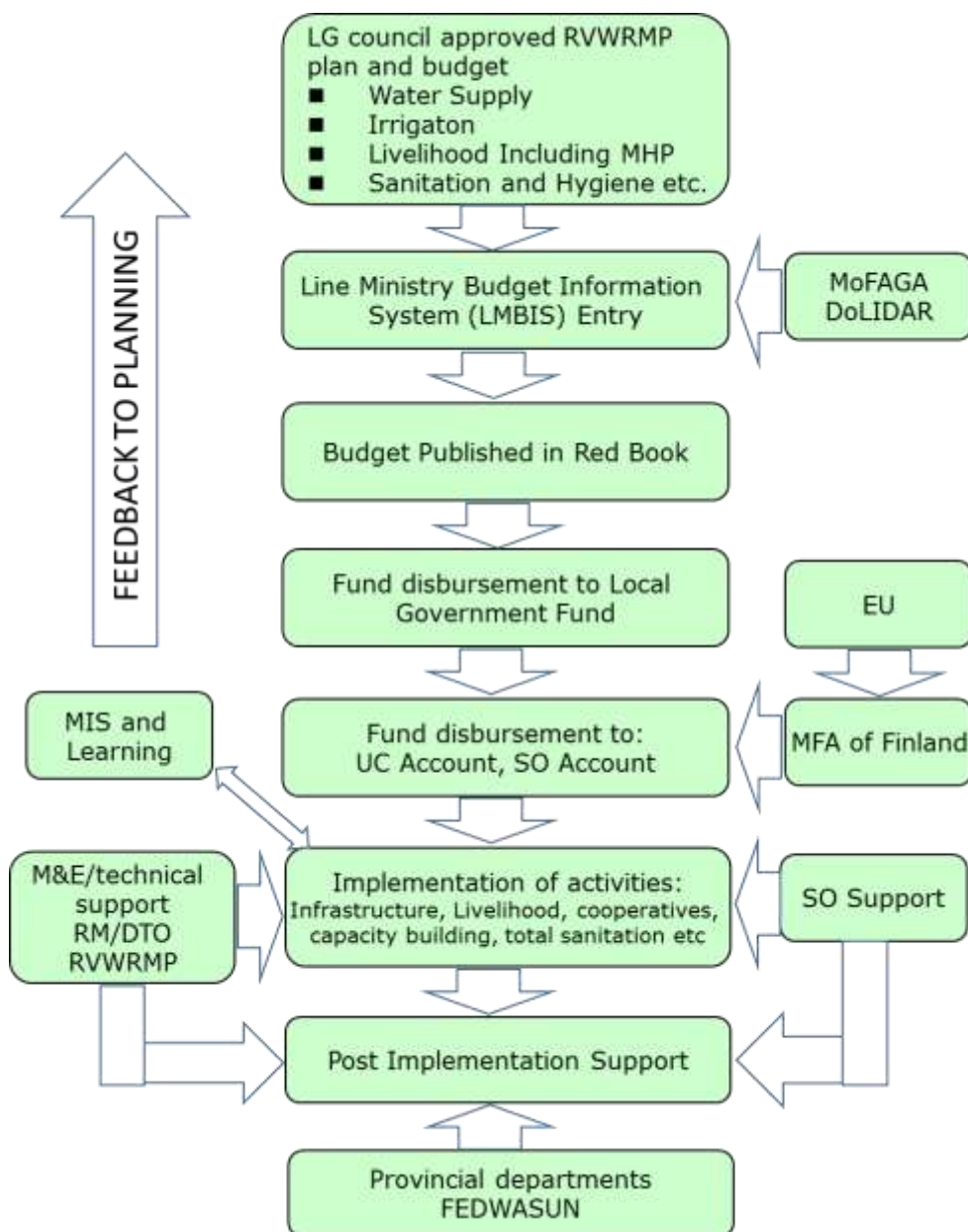


Figure 4 Implementation project cycle

Phase III will use the reviewed and revised modalities, formats and guidelines developed during the previous Phases. The approach will be, where appropriate, to institutionalize the project modalities to the local level operations, through cooperation and capacity building. The project will closely work with future provincial departments for policy level activities and project LLGs will receive support on policy and strategy formulation and its implementation process.

Reports, manuals, issue papers, etc. are posted on the Project website (rvwrmp.org)

The Local Level processes are supported by the project to develop annual plans and prioritize investments within RVWRMP provided support.

Additionally, the project will promote the use of WUMPs and LIPs for soliciting financing for all the investment needs (not financed by the project) from other sources. Use of local government’s own resources will be emphasised.

In this respect Phase III will function as a contributor to RM’s investment programmes and to conduct oversight

on expenditures. Additionally the local governments will be given capacity development support in the competence areas of the Project.

7.1.1 Livelihoods activities in the planning process

To reach the Project Purpose the WUMPs need to incorporate other water uses apart from WASH activities. As most of the WUMP process has been completed and the new RM-WUMPs are in the process of compilation, the project will develop a separate planning tool specifically to address the livelihood activities.

This proposed **Livelihood Implementation Plan (LIP)** will identify all livelihoods related aspects of the RM, including land-use-pattern, soil fertility, water availability, existing commercial agriculture coverage, established MEs, government institutions, cooperatives, irrigation facilities, market facilities, existing collection centres, distance to local markets, transport possibilities etc. Some of this information can be taken directly from the exiting WUMPs or is available with government line agencies such as the District Agriculture Development Office.

Based upon this existing situation a detailed livelihoods sector analysis will take place with all relevant stakeholders to identify potential and feasible activities based upon the available resources, skills and market potential. The final LIP will prioritize activities and ensure that investments made will be sustainable, inclusive and have a maximum impact on the livelihood situation in the RM.

The LIP process will be as much as possible led by the RM with project support and after completion it will be used to implement activities of the project but also activities of government line agencies, NGOs and other projects. It will give the RMs full control over their planning and livelihood implementation roadmap.

Larger livelihoods projects, such as hydropower and irrigation, may be promoted to other agencies and programmes for financing. The Project will assist the RM to market these interventions for specific agencies.

7.1.2 Water Use Master Plan as a planning tool

Water Use Master Plan is a holistic plan for the long-term management, utilization and protection of the water resources in the Rural Municipality area. The plan is prepared following a participatory and inclusive planning process. There are a few guiding principles in the WUMP preparation process:

- Equitable water use between different stakeholder groups
- Sustainable utilization of water resources
- Prioritization of different water uses in situation of scarcity (e.g. community water supply over irrigation)
- Inclusive and participatory planning process, empowering the marginalized groups. The WUMP process is led by the local level and local level also adopts the WUMP after its completion.

The WUMP will be promoted as a main tool for the Local Government Councils as a framework for annual planning and resources mobilization. The Rural Municipal annually identify the activities to be forwarded to the Local Governments annual plan and further to the Council for approval. The planned interventions will be:

- Implemented by Local Governments own resources.
- Forwarded to Rural Municipality Project Management Committee (RM-PMC) for inclusion in the

RVWRMP annual program

- Implemented by another agency/project/NGO/INGO

Local Level Government is the leading agency to coordinate and implement the schemes planned in the WUMP. Therefore following responsibilities are expected by the local government to implement the WUMP:

- Coordinate the activities planned in the WUMP among line agencies.
- Take WUMP as a basic entry point for any development line agencies willing to work in the RM.
- Allocate resources for the activities planned in the WUMP.

7.2 Approach to different result areas

7.2.1 Result Area 1

Result Area 1: Institutionalized community capacity to construct and maintain community managed water supply and adopt appropriate technologies and sanitation and hygiene behaviour.

This result area will improve WASH services in the Project area through:

- (i) investment support in infrastructure for new water supply systems;
- (ii) facilitating the rehabilitation of water supply schemes, assisting in sourcing the investment by the rural municipalities from national/local sources including commercial finance;
- (iii) improved sanitation at community level by supporting infrastructure for institutional sanitation (health facilities, schools, etc.) and community education; and
- (iv) improving the situation of women and girls in hygiene and sanitation.

Water Supply

The Project will support the construction of new water supply schemes to benefit some 351,000 people living in the 27 core program and other potential rural municipalities of the project area.

Despite RVWRMP III being the major actor in these rural municipalities, it is clear that RVWRMP III alone cannot cover the entire population with basic water supply and additional investment is also needed. The rural municipalities will be advised to invest their own and pool other local resources in community water supply for the remaining area.

The water supply service level will be defined by using the QARQ (Quantity, Accessibility, Reliability and Quality) criteria of GoN. Basic service level will be supported by the project. If the users' committees aspire to improve the service level, they will be required to contribute more towards the investment budget.

The main implementation principles are:

- Rural municipalities are planning and budgeting all WASH interventions in their annual budget and manage the fund flows to Users' Committees and Support Organizations.
- Users' committees supported by the SOs will be implementing the infrastructure works. Funds will be channelled to the Users' Committees accounts, and they will undertake procurement of materials and

equipment, collection of local materials, supervision of construction activities etc.

- Support Organizations will assist the Users' Committees in technical design, supervision or works and quality control.

Towards the end of 2018, all the 27 project core Program RMs will be covered with WUMPs. This will enable the Project to make an up-to-date analysis of the service level gaps. It is assumed, that there are very few so-called "green field" sites with no previous water supply interventions. The Project will make a detailed analysis of beneficiaries in terms of different categories of water supply coverage and service levels. Based on this, the Project will be able to make an informed water supply strategy.

The water supply beneficiary targets will be reviewed, with budget implications.

Different subsidy levels may be suggested for different categories of water supply coverage and service levels. Pilot projects of different water supply interventions, with higher user contributions, will be undertaken.

Long-term sustainability of investments requires:

- **Financial sustainability.** Users Committees will be supported to have mechanisms of user fee collection for operation and maintenance costs, as well as mechanisms for ensuring re-investments in acute cases (insurance) and replacement of aged installations and structures (credit or lending schemes). Affiliation with local cooperatives will be assisted to help them to proliferate their capital and avoid devaluation of O&M funds.
- **Resilience towards disasters and climate change adaptation.** Designs and technical solutions are modified to endure major natural disasters (earthquakes and floods). Hydrology of the sources is carefully assessed to endure droughts. Measures to protect watersheds of sources are incorporated in schemes plans. Water safety plan made for each water supply scheme.
- **Institutional sustainability.** The local governments are able to give technical support to the individual water supply schemes. Overall monitoring responsibility will be with the local governments. Ethnic and gender diversity in the users' committees will be encouraged.
- **Networks and NGOs.** In addition, the Project will work in partnership with local NGOs and FEDWASUN central and local chapters for post- construction support to ensure the support to the users' committees.

Sanitation

The approach to sanitation will be designed to be in line with GoN's Hygiene and Sanitation Master Plan to achieve 100% ODF status.

Main principles of the sanitation and hygiene programmes in rural municipalities are:

- Rural municipalities are in charge for upholding the ODF status and promote and achieve total sanitation status.
- No cash or hardware subsidies for household toilets.
- Infrastructure support to institutional sanitation. 200 Child and gender friendly toilets to be constructed in schools/institutions, the toilets will also be modified for disabled use where necessary.
- Total sanitation concept (ODF, hygienic environment, solid waste management, household water hygiene, etc.) to be promoted in the project rural municipalities.

Menstrual hygiene management campaigns is organized in all project working RMS to reduce stigma and remove harmful cultural practices. Schools supported specifically to improve sanitation facilities for girls.

Watersheds and Environmental Conservation

The rural municipalities will be supported to undertake a water master planning process for their entire area. Water Use Master Plans will identify the major conservation and watershed management intervention areas and the rural municipalities will be supported to enact bylaws, define conservation areas and undertake campaigns relating to watershed conservation.

Recharge ponds, flood protection structures and soil conservation measures will be included in the infrastructure program.

The provincial administration will, after its formulation, have technical capabilities for supporting forestry and conservation efforts. Cooperation between the provincial and rural municipality administrations will be facilitated.

7.2.2 Result area 2

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

Livelihoods are supported based on the following principles:

- Supported activities are identified in WUMP and/or Livelihood Implementation Plan and are based on the local potential and productive use of water.
- For each core-RM a comprehensive Livelihood Implementation Plan (LIP) will be developed in close coordination and cooperation with the RM and related RM based government agencies such as the Agriculture Development Service Centres.
- Activities are prioritized in the RM annual planning and budgeting cycle or funded/implemented by the RM directly.
- The Project will support the RMs during planning and implementation of all livelihood related activities and assist in procuring additional technical and financial support from related government agencies, relevant NGOs and other projects.

The Project will support infrastructure investments in irrigation, MUS construction and agro-marketing related structures such as collection centres, physical market improvements and gravity or mechanical goods ropeways in accordance with the prioritisation and potential in each RM in its WUMP and LIP. The agro-marketing related infrastructure investments are preliminary budgeted under the budget line "Livelihood Infrastructure"

In RMs with very limited water-related livelihoods opportunities but with good potential for NTFPs production and processing (for example in Humla), the Project may consider supporting livelihoods based on natural resources utilisation for improving income generation.

The following general approaches and possible activities are described to implement the livelihood related

areas.

Household based Livelihoods Support

In all project geographic areas the Project will support the establishment of home-gardens (kitchen gardens) to improve household food security and nutrition. Every household involved in Project-supported WASH schemes will be provided an opportunity for home gardening and the aim is that at the end of Phase III at least 275,000 people will have benefitted from this activity. The Project will support training in setting up and managing home gardens aiming to have four types of crops: seasonal vegetables, spices, fodder and fruits.

Households participating in home garden trainings will be organized in home garden groups where all are encouraged to participate. Every group will choose Leader Farmers who will maintain a model home garden, participate in special trainings and disseminate their knowledge and skills to other farmers in the area. A home garden group can function as a first-step savings and credit group and be further linked (graduated) to a cooperative for other commercial production and marketing related activities.

Home garden trainings will include utilising low cost and tested agriculture technologies such as the use of manure, compost and urine for producing organic fertilisers. Leader farmers may be trained in local seed production and seed saving. At least 50% of all the home garden training participants as well as ToTs and leader farmers will be women. *Dalit, Janajati* and other socially excluded groups will comprise at least 24% of the home garden training participants.

Home garden groups, which mainly consist of women, will be used as an entry point for nutrition and hygiene activities which will focus on maternal and child nutrition (1000 days). Developing gender, agriculture and nutrition linked programs and activities will be important.

Income Generating Activities

The Project will focus on commercial farming and income generating activities in those RMs that have a market potential due to their proximity to road-head or local markets and availability of sufficient water resources for irrigation. The project will develop marketing channels and promote agricultural products collection centres to be established as selling points for farmers and linked with traders.

Strategic training of trainers and the quality of trainings will be especially important in Phase III. The Project will focus on developing regular refresher and more advanced trainings in various agriculture technologies, methods and services activities, in savings, small business development, and other knowledge and skills required for sustaining continuing livelihoods improvement. The mobilization and training of LRPs working under the RM structure will be promoted on a need basis.

Crops supported for commercial farming will be identified in the LIP based upon criteria such as market demand, irrigation demand, processing possibilities, transport costs, market linkages, commercial value and available government support through existing pocket area approach.

Simple poly-houses will be an option for off-season vegetable production and in climatically challenging areas. Mushroom cultivation requiring minimal space is also an option for improving income generation for poorer and landless households.

The development of a sustainable commercial agriculture system will need the full integration of Cooperatives as leading stakeholders in the process. It is envisaged that towards the second half of the Project, cooperatives will take the lead in organizing farmers and farmer groups for commercial production, collection and grading of produce, management of agriculture inputs and marketing.

The Project will support existing and new agro-based Micro-Enterprises (ME) such as Agriculture Input Suppliers (Agro-Vets), agro-processors, and other agriculture related private enterprises. The Project will work both with group based enterprises, Cooperative based enterprises and individual private enterprises. The establishment of a small grants program with a minimum matching contribution of 50% from the grant recipient may be explored to support start-up activities or help to diversify existing MEs.

By the end of the Project a total of 12,000 families will have been trained in income generating activities.

Cooperative Development

Cooperative development is closely linked to services provision to its members and shareholders such as financial services (savings and credit), extension services, input supply services and collective marketing related services. The cooperative model developed in Phase II will be reviewed and strengthened in Phase III to include strengthening of these service provisions. Linking of community-based organisations such as home garden groups, women's groups, livelihoods/farmers groups and users' committees to cooperatives will be greatly encouraged.

Building on the lessons learned from Phase II, proper initial preparation, capacity building of key persons and financial sustainability of the cooperatives will be given emphasis. The Project will promote continuous capacity building of cooperative managers beyond the basic establishment level in financial and business planning and management. This will support the establishment of stable cooperatives that will be able to process loans and develop other services to their members and link with district and regional level micro-funding institutions and other support sources.

The Project will work as much as possible with existing cooperatives and only in areas where no viable cooperatives exist it will support the establishment and development of new cooperatives. It will also explore collaboration with other competent organisations with activities in the same geographic areas.

The Project will ensure that 50% of the leadership posts in the supported cooperatives are held by women and that 40% of the water supply scheme UCs in core RMs are affiliated with a reliable cooperative.

90 % of the cooperatives will have reached operational self-sufficiency by project end.

Irrigation

RVWRMP II has successfully implemented different types of irrigation facilities with the aim of using available water resources for agriculture production in a more economic and efficient manner.

For household use, micro-irrigation systems such as low-cost drip-irrigation and sprinkler systems are widely available. Waste water from taps can be easily collected for home garden purposes.

Rehabilitation or construction of surface irrigation canals to supply water to larger areas for both cereals production and commercial horticulture will continue and will also include the support to Water User Associations (WUA) to maintain the functionality of the systems.

Other small structures that will be supported by the Project are animal drinking troughs and rain water collection ponds.

In Phase III more attention will be paid to the construction of Multiple-Use Water Systems. Utilisation of water

coming from the same source can be a combination of drinking water and conventional irrigation, conventional irrigation and improved water mills, or conventional irrigation and micro-hydro power. The Project will assist local government and communities in utilising further opportunities in agricultural production and services development enhanced by MUS schemes. The Project will ensure that by the end of the Project minimum 10% of supported schemes are MUS.

Parallel with irrigation development, various types of trainings will be implemented in agriculture production techniques and methods for farmers.

Rural Advisory Services (RAS)

“Rural advisory services are all the different activities that provide the information and services needed and demanded by farmers and other actors in rural settings to assist them in developing their own technical, organisational, and management skills and practices so as to improve their livelihoods and well-being.”

The Project will develop a comprehensive plan to reach the target indicator of 500,000 people receiving rural advisory services which will include strengthening of existing private and government extension services.

Possible activities are:

- Farmer-to-farmer extension through farmer groups, LFs and LRPs
- Embedded extension services with Agro-Vets and Cooperatives
- Support and strengthen government extension services at RM level through trainings and other focused activities
- Explore possibilities of ICT supported technologies such as roll-out of existing mobile based extension apps and SMS services
- Facilitate and provide support to the establishment of Community Agriculture Extension Service Centers (CAESC) as described in the ADS

7.2.3. Result Area 3

Result area 3: Increased resilience to disasters and climate change as well as promotion of climate change mitigation and adaptation

The resilience of the local communities towards disasters as well as the local authorities’ capabilities to respond in the disaster situations will be addressed by training measures.

Specific measures will be taken to ensure the resilience of the constructed infrastructure towards disasters and climate change adaptation. Designs and technical solutions of all infrastructure are modified to endure major natural disasters (earthquakes, landslides and floods). In case of water supply and irrigation, the hydrology of the sources is carefully assessed to endure droughts.

Measures to protect watersheds of sources are incorporated in schemes plans. This may include afforestation and conservation plans. Water safety plan made for each water supply scheme.

Support to renewable energy may include initiatives in small-scale hydro power, solar energy, improved water mills and improved cooking stoves.

The existing WUMPs indicate, that there are already adequate identified construction sites for micro-hydro plants and the demand for the electrical power has been expressed by the residents. The fast development of solar energy applications requires that the feasibility of micro-hydro plants will be thoroughly assessed before the investment decisions are made.

In Phase III, 14 MHP schemes in 6 districts have been initially identified and are scheduled to be constructed with a capacity of 30 to 100 kW each and a total capacity of 700 kW. The average costs for MHP construction during Phase II was around EUR 4,500 per kW. With an 10% expected increase in costs over Phase II, the budget-line for MHP construction has been projected at MEUR 3,47, with a 62% contribution through GOF and EU funds. As accessing co-funding through AEPC may result in delays in implementation, sufficient budget has been reserved to construct the MHP schemes without AEPC contributions. Depending on the RM, other local stakeholders may also contribute, as was the case in Phase II.

However, the technical expertise of AEPC will as much be possible accessed through their to-be established provincial offices. In case co-financing from AEPC will be requested, AEPC agree to strictly follow RVWRMP Project implementation guidelines.

The proposed time-line for MHP development will be such that in 2018/19, pre-feasibility and feasibility studies will be carried out for all schemes. During this time the project will also focus on matching Cooperative Development activities. Construction of the MHP schemes will start as soon as possible after completion of the feasibility studies and will be concentrated during the second half of 2019 and the whole of 2020, with a possible extension into 2021 to finish the larger and/or more problematic schemes if needed.

The detailed Step-by-Step guidelines reflecting the changed modality under the Local Government have been developed and are included in the PIG. It includes an increased responsibility for Local Government and Cooperatives in the process of carrying out feasibility studies, contracting for construction and assuring ownership, maintenance and utility fee collection through private or cooperative systems.

In Phase III sustainability and efficiency of the schemes will be in focus through improved O&M and user committee functionality and through increasing the productive use of electricity. The Project will directly assist development of emerging livelihoods opportunities based on electricity created by local micro-hydro schemes, such as processing of agricultural products, carpentry and furniture making, milling, computer services, etc. These can be private small business enterprises or developed under the Project supported cooperatives. Attention will be paid to assisting local people in developing emerging business ideas with sustainable business planning and management training and with access to micro credit.

End use promotion will target a minimum of 700 kW, priority will be given to remote parts of the core-RMs. By the end of the Project, 90% of the developed MHP schemes will be able to maintain service level as verified by the presence of a paid maintenance worker, organize a public audit once a year and have an affiliation with a cooperative.

Improved cooking stoves (ICS) and improved water mills are high-in-demand especially by women as these low-cost investments have a significant impact on women's lives. In terms of ICS, GoN is committed to very high target of "Clean Cooking Solutions for All by 2017". Considering this, RVWRMP III will assess collaboration with other agencies/projects to fully cover all core RMs. The project will continue to provide support to install Improved Water Mills (IWM) as prioritized in WUMPs and may link this to Pico-Hydro Power systems for livelihood support possibilities.

By project end a total of 40,000 households will have been provided with access to sustainable energy services.

7.2.4 Result Area 4

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

The projects sees its role as strengthening the nascent local administration to become effective service provision entity and assisting the local administration in strengthening their capacity to govern.

National and Provincial Level

The Project will have a budget line for capacity building at the national and provincial level that can be used organizing trainings as needs arise as well as to participate in capacity building measures within the sector development efforts, such as Sector Development Plan (SDP).

The RVWMP will support, by participating in national policy forums and sharing lessons learned about working in a remote mountainous area, contribute towards preparing a roadmap for multi-sectoral regional cohesion policy. Special focus will be contribution to policies designed for poverty reduction in remote and mountainous areas either under Agriculture Development Strategy or at Provincial level.

RVWRMP will actively participate the national and provincial policy forums, as well as organize 6 national forums, in order to inform national and provincial authorities in WASH, agriculture and small industries sectors about RVWRMP experiences.

RVWRMP III needs, in its Inception Report and Annual Work Plans, commit to concrete targets in national and provincial level. Examples of these could be the national WUMP Guideline that was completed by RVWRMP II and Handbook on Recharge Ponds that RWSSP-WN prepared and which was adopted as a national document by DoLIDAR/GoN. To enhance the capacity of relevant government agencies (MoFAGA, DoLIDAR, future provincial administration and others), international learning sharing visits and participation in international forums will be organised.

Local Government Level

Enhancing the rural municipalities' capacity to implement, maintain and further advance the objectives of the RVWRMP project will be the main thrust of the Phase III. The project will closely work with the newly elected representatives and executive officers to facilitate and train them in the intervention areas of the Project.

The commitment of the rural municipalities will be demonstrated by their financial contribution towards the project objectives, by contributing minimum 7 % of the investment funding to RM-WRDF.

All rural municipalities will be trained to promote effective access to energy, markets, irrigation and WASH services. A comprehensive capacity development plan will be prepared by RVWRMP. The rural municipalities elected representatives and staff will be trained to undertake:

- Rural Municipality Profile
- Rural municipality wide planning exercises, building up from WUMPs and LIPs;
- Budgeting procedures for livelihoods and WASH sectors;
- Support services to users' committees, farmers' groups and cooperatives;
- Use of private sector as support agents and solicit support from federal and provincial departments;
- Monitoring and evaluation systems;
- Technical support systems for water supply scheme sustainability;
- Support systems to communities to upkeep ODF and reach total sanitation status.

In terms of budgeting the Project will facilitate the rural municipalities to plan their annual budget for project supported activities, in order of it to be included in the Line Ministry Budget Information System (LMBIS).

The project target is that the fund disbursed to local level are expended minimum 85 % annually. Higher level of expenditure are encouraged.

The Project will support the training of focal points for management of LRP and gender issues, sustainability of ODF, water sustainability etc.

The rural municipalities' technical capacity to undertake the WASH and livelihoods activities will be supported and facilitated through capacity development training. The rural municipalities' technical sections will be able to give necessary technical and administrative support to the beneficiaries in their area. The RMs will be encouraged to use outsourced support of the private sector, already developed in the area by RVWRMP interventions.

Beneficiaries will demonstrate their commitment to implementing the project activities by contribution in cash and kind towards water and irrigation systems, power plants etc. The level of contribution will be minimum on average 20 % as approved by the Project Supervisory Board.

The Rural Water Supply and Sanitation National Strategy, 2004 states that a WUSC Federation should be established for "independent monitoring and social auditing" of WSS systems, and that district federations should facilitate knowledge sharing and cooperation among user groups. The project is expected to strengthen the FEDWASUN through training of trainers and involvement of FEDWASUN in social accountability, public auditing, WASH network support, refresher training and horizontal learning activities. FEDWASUN should be strengthened and mobilized for post construction related software support to the UCs and communities.

Community level

Community-level capacity development will be based on building awareness of the value of community ownership of the investments, combined with training in running and managing community organizations and in sustainable operation and maintenance of the schemes constructed with the Project support.

The Project will provide two types of capacity-building to enhance community ownership and related institutional development:

1. Awareness raising and capacity enhancement through participation, information, education and communication through public meetings, focus group meetings and door-to-door information dissemination, which is undertaken by the SOs.

2. The Project will support the users' committee establishment and capacity training in technical, financial, institutional and organizational management. For technical O&M, a minimum of two village maintenance workers for scheme will be trained; at least one of them female. Women tend to stay at local community while many men seasonally migrate to India for work. As such they will be priority in the selection of community members to be trained in technical and other skills for running the WUSC. The Project will use lessons from Phase II on women's participation in UCs and strategies to actively engage them.

A serious problem for the proper functioning of WUSCs and water supply schemes is that people comprehend water as a free service rather than an economic good that needs funding for regular operation and maintenance. Users regularly lack understanding of the scheme functioning mechanisms and the meaning and importance of water tariffs, thus are reluctant to pay their monthly water fee.¹ In RVWRMP II over 80% of the WUSCs are collecting O&M fee and this is encouraging. The Project will enhance community awareness as a key method for sustainability through initial and repeated user meetings and household door-to-door outreach information. The Project will also provide WUSCs capacity building in how to motivate users and collect water fees.

In Phase III the positive experiences of local cooperative build-up during Phase II will be strengthened and the cooperative model institutionalized. The Project will provide capacity building in cooperative organization build-up, leadership, organizational and financial planning and management, recruitment of members, savings and credit groups, etc. Special attention will be paid to strengthening the capacity of cooperatives to coordinate and link with available external support organizations for mobilization of different resources.

Community-level institutional capacity building will be based on strong partnerships with rural municipalities and other competent organizations, such Cottages and Small Industries Development Board (CSIDB), National Agricultural Co-operative Central Federation (NACCF), and FEDWASUN. The Project will work together with partner organizations for community awareness raising and for providing community-level and community-based organizations with adequate training and capacity development.

7.3 Mainstreaming Cross-cutting objectives (HRBA, GESI, Climate Change, DRR)

The RVWRMP Phase III will mainstream the Human Rights Based Approach to ensure that all people in the project RMs, including the poorest, are aware and able to access their rights to water and sanitation and livelihood. This will support the universal (100%) sanitation and hygiene coverage at basic level. The Project will continue using a participatory approach to facilitate the communities' active involvement in the schemes' identification and prioritization and ensure that the poorest of the poor have access to all Project benefits and achievements.

The human rights approach will also be reflected to empowering and improving the capacities of duty-bearers, especially the newly formulated rural municipalities to provide services to their constituencies. This will be a major task of the Project in Phase III.

Phase II has successfully mainstreamed gender in all of its activities (Mid Term Report 2013). In Phase III, the existing HRBA and GESI Strategy and Action Plan, which is a joint document between two bilateral programmers funded by GoF, will be implemented to sustain and achieve gender equality and social inclusion to address

¹ Modalities of Service Delivery, their Features and Options to Efficiently Increase Access and Sustainability (FCG, 2013) reveals that only 6% of the respondents opined that "The percentage of consumers not paying tariff is below 20%".

findings from the gap analysis. Considering that women and socially excluded groups have limited options to participate and benefit from the Project resources and opportunities due to existing traditional socio-cultural practices, the Project HRBA & GESI implementation will focus on strengthening the capacity of women and socially excluded groups to participate in decision-making processes. This includes preparing them to undertake leadership positions. The Project will provide gender-focused training that will enhance women's leadership skills, make their voices heard, improve their position in the society and mentor other women. GESI/HRBA is in-built as cross cutting theme and the approach is incorporated in all project result areas. The budget to achieve GESI targets is included in all the result area budgets and most of the expenses are incurred from RM-WRDF.

The Project will address Climate Change Adaptation and Disaster Risk Reduction to minimize water-induced disasters while working with a water use programme. In Phase II the Project adopted appropriate technologies, such as sustainable solar-powered pumps that have no adverse environmental impact. This will be continued in Phase III.

7.4 Measures to ensure sustainability and functionality

Attaining sustainability of rural water supplies, livelihood related activities and other interventions is unlikely to be achieved unless there is an effective community-level organizational arrangement to coordinate participation and management efforts of all stakeholders within the community.

In essence sustainability means that the Project will take into account the needs and priorities of the community during planning activities, and assure that ownership of the activities is with the beneficiaries' communities, the local government and other stakeholders. Beneficiaries' and local government contribution in cash and/or kind such as labour and local materials, will strengthen this ownership as does the formation and/or strengthening of User Committees, Farmer Groups, Cooperative structures, Nutrition Groups etc.

The relatively slow process of group formation and sensitization to gain trust and encourage inclusive participation needs to take priority over creating quick outputs and the Project has excellent experiences in this process from phase I and II.

The WUMPs and, once developed, the LIPs are the basic first step in engaging in sustainable project activities, endorsed, supported and owned by both local government and beneficiaries. It is essential that these planning documents are used by the Rural Municipalities as the core planning tool for both the RVWRMP project activities as well as for activities supported by other stakeholders in the WASH and Livelihood sectors.

During implementation of all activities the Project will fully support any activities to ensure and further strengthen the process of sustainability, below table 4 gives a summary of possible activities and interventions that may be addressed during project-life.

Sustainability and functionality of water related infrastructure is a specific issue as it involves significant investments from project and community side for construction. Infrastructures should be designed taking into account their resilience to climate change. As these structures are prone and sensitive to regular damage due to daily use and natural influences such as rain, floods and landslides, it is especially important to ensure a strong management in the form of User Committees and ensure that enough funds and trained human resources is available for regular and emergency repairs. Women are the most affected members of households on issues of water and are, therefore, likely to be the most active mobilisers for O&M contribution for sustainable functioning of water facilities, especially as many of the men in the families migrate seasonally for

employment opportunities. Evidence confirms that in communities where water users contribute highly to capital and O&M cost, functionality is higher than those with low levels of contribution.

Cooperatives are known for their role in creating social cohesion in rural communities and RVWRMP will scale-up the cooperative development activities from phase I and II. Sustainable cooperatives are transparent, are actively taking deposits and giving out micro-loans, have a strong financial management system and through other income generating activities, such as collective buying and marketing, they play a large role in the development of the community as a whole. UCs are encouraged to affiliate with cooperatives to stabilize and actively use their O&M funds in the further development of the community.

The Project has a range of indicators that measure the sustainability and functionality of the project interventions over the life of the project. In the end, strong communities which are able to participate and take ownership of their own development activities have the greatest capacity to keep growing in a sustainable manner. True sustainability can only be measured after time has passed and it is important that the Project keeps on applying and improving the appropriate strategies that lead to achieving such sustainability as it has done in phase I and II.

Table 4 Activities to Ensure Sustainability

Parameters	Key activities
Institutional	<ul style="list-style-type: none"> • Use and ownership of WUMPs and LIPs by local government • Formation, reformation, registration, regular meeting, general assembly and renewal of Users’ Committees, Farmer Groups, Cooperatives etc. • Clear division of roles and responsibilities of members • Membership of RM-WASH-CC and other coordination bodies on RM level
Technical/functionality	<ul style="list-style-type: none"> • Availability of water safety plan and its implementation by the users • Training of local service providers such as VMW and LRP in close coordination with local authorities, this also includes coaching and mentoring types of trainings • Mechanism for monitoring sustainability and functionality in place
Integration with sanitation and hygiene	<ul style="list-style-type: none"> • Post ODF plans prepared • Toilets upgraded and regularly used and cleaned • Promotion of hand washing with soap at critical times • Construction of institutional toilets • Availability of facilities for Point Of Use
Social	<ul style="list-style-type: none"> • Participation of women, the disadvantaged in all stages of Project activities • Water source dispute management
Environmental/climate change/Disaster risk reduction	<ul style="list-style-type: none"> • Climate change resilient designs for all infrastructure works • Water source protection works • Drainage systems improved • Ground water recharging

Financial	<ul style="list-style-type: none"> • O&M funds regularly maintained, water tariffs collected • Strengthening of strong and viable cooperatives • Ensure a payment system for local service providers • Mobilization of part of O&M fund in livelihood activities • Regular audit and financial transparency maintained • Insurance of schemes • Access to commercial finance from cooperatives or micro-finance
Training	<ul style="list-style-type: none"> • Training to Local Government on project objectives, modalities, planning cycle and financial transparency • Training to users committees and other involved CBOs on project management, procurement, account keeping, business plan, sustainability, public audit/hearing, water safety plan, DRR, etc. • Intensive training and coaching to VMWs, LRPs and other local service providers. • Training to RM-WASH-CCs on developing strategy and action for total sanitation and water supply components, sustainable management of existing water supply schemes/projects
Linkage, Oversight and support	<ul style="list-style-type: none"> • Regular monitoring and technical support by DCC, DTO, DADO and other relevant district line agencies • Budgetary support in case of activity beyond the capacity of UC by concerned agencies

7.5 Anti-Corruption Measures

Phase III will implement measures of the MFA to address corruption, putting into practice MFA's Anti-corruption Handbook for Development Practitioners and having zero-tolerance against corruption. This has two implications: (i) procedures and modalities are designed to eliminate corruption to the extent possible and (ii) prompt action is taken in alleged corruption cases.

Procurement will be carried out in a transparent manner at the lowest appropriate level (predominantly by UCs), accountable to water user groups. Public audits at the community level are among the key instruments. Financial flows will be as direct as possible. In Phase III, funds for all types of investments will flow from RMs to UCs' account directly as practiced in earlier phases of the Project. All the scheme related procurements will be carried out by user committees only. The community procurement model mentioned in the Project Implementation Guidelines (approved by SVB on 29.06.2016) will be updated and used.

Monitoring of the use of RM Level Water Resources Development Fund (RM-WRDF) at local level will be in compliance with GoN's mechanisms and subject to systematic and special audits. RVWRMP III will apply reward system for the local levels that secure highest score in annual performance evaluation.

8. Project Period

The Phase III will be executed over a period of 6.5 years.

A four-month Inception Phase will be carried out after start-up and the work plan for the fiscal year 2073/2074 (2016-2017) will be produced.

Based on the exit strategy TA staff will be reduced in parallel with the phasing out in Project activities. The reduction of the TA staff is indicated in the budget.

Conditions for a smooth start and implementation of the project is already in place due to Phases I and II. Most of the facilities, means of transport, equipment and majority of support staff can continue under Phase III. Furthermore, most guidelines, manuals, implementation arrangements and procedures are in place.

By the end of the Inception period:

- PSU office is fully functional
- The contracts of Phase III PSU support staff have been done.
- The recruitment process for the Project's professional staff working at PSU and at districts has been completed, contracts issued to all staff members and all staff started working.
- The annual work plan and budget for the Fiscal Year 2073/2074 (ending July 2017) have been prepared and approved by the Supervisory Board (SvB).
- Together with Competent Authorities and other relevant stakeholders the proposed Results framework has been reviewed and baseline information amended (situation at the end of Phase II). A framework for monitoring system that complies with the national rural water supply related monitoring frameworks has been finalized.
- A detailed and phased plan for "contribution pattern" principles has been prepared and approved by SvB. Project Implementation Guideline (PIG) is revised and approved by SvB.
- Concise Inception Report has been prepared and Inception Workshop organized in June 2016.

8.1 Definition of Exit Strategy

The RVWRMP will, at the end of Phase III, have supported interventions in the water resources management, sanitation and livelihood sectors. Phase III is a Completion Phase and 2022 will mark the end of the Project.

Phase III will adapt working procedures based on GoN's sector policies and from the lessons-on-the-ground of Phase I & II and other donor and NGO support agencies. Phase III will include measures so that the factors influencing success or failure of rural infrastructure schemes are integrated into the design and implementation procedures.

In practical terms the exit and phasing out of Phase III should ensure that local capacity exists to manage the WASH investments and livelihood interventions at community and local government level as set out in the Constitution 2015, subsequent legislation and water resources and agricultural sector policies. The Livelihood related work at basic household and income earning levels are fundamentally line agency concern and their continued expansion will rely largely on NGO and private sector initiative

Technical Assistance and financial responsibility needs therefore to be taken over by GoN at rural municipality level stakeholders step by step before the end of Phase III. Phasing out and exit is addressed in Phase III by transferring responsibilities for project planning, management and implementation to the existing Province, Rural Municipality and community level structures, users' committees, cooperatives and others. Furthermore, attention will be placed on guaranteeing Rural Municipality village and community level ownership on the activities by highlighting their central role in the implementation and the supporting role of the Project.

The communities-of-interest as represented by the WUSC's should have adequate management capacity and resources to operate and maintain their water supply and sanitation schemes.

The phase out and exit strategy will focus on the Rural Municipalities to plan and coordinate the WASH and livelihood programme. At the Rural Municipality level the situation is visualized as follows:

- 1) The Rural Municipality has an overall WASH and livelihoods Plan, reflecting the baseline situation of water supply and sanitation coverage as well as poverty and food security situation.
- 2) The RVWRMP supported interventions are integral part of the RMs planning and budgeting system
- 3) The RM has adequate staff with capabilities to offer services to the users’ committees, cooperatives, agribusiness operators and households.

An exit strategy will be developed to a detailed strategy by the end of the 2018. It will present a detailed Phase out Action Plan for phasing out the Project on a geographical and functional (component) basis at Rural Municipalities.

The exit strategy will comprise an Action Plan for Phase Out. It would also provide recommendations for consideration at the national level. It’s preparation should also consider the lessons learned in preparation of exit strategy in other similar projects.

Phasing out of the RVWRMP employed support staff will be planned gradually, in response to the growing capabilities of the rural municipalities to take over the WASH and livelihood interventions.

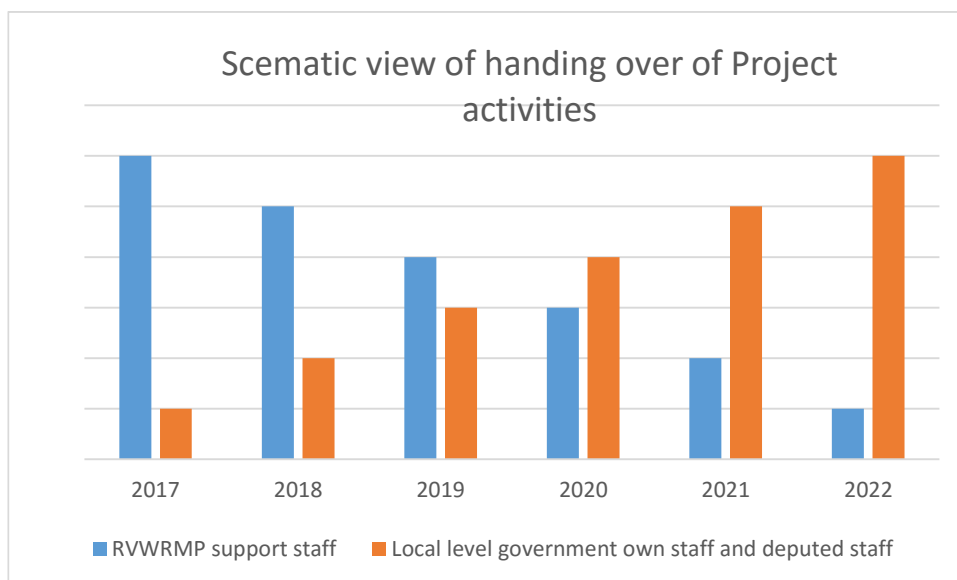


Figure 5. Schematic presentation of the staffing with phasing out strategy

9. Institutional Framework and Project Management

9.1 Project Organizational Structure, Roles and Responsibilities

The **Overall Organization** of the Phase III project management is shown in Figure 6.

The competent authorities of the two governments for the RVWRMP Phase III are the Ministry of Finance (MOF) of Nepal and the Ministry for Foreign Affairs (MFA) of Finland, represented in Nepal by the Embassy of Finland.

The EU contribution will be managed by the Ministry for Foreign Affairs by indirect management arrangement agreed in a bilateral agreement between the EU and MFA.

The executing agency is MoFAGA/DoLIDAR together with participating Local Levels. DCCs will play the role of monitoring and coordination among stakeholders.

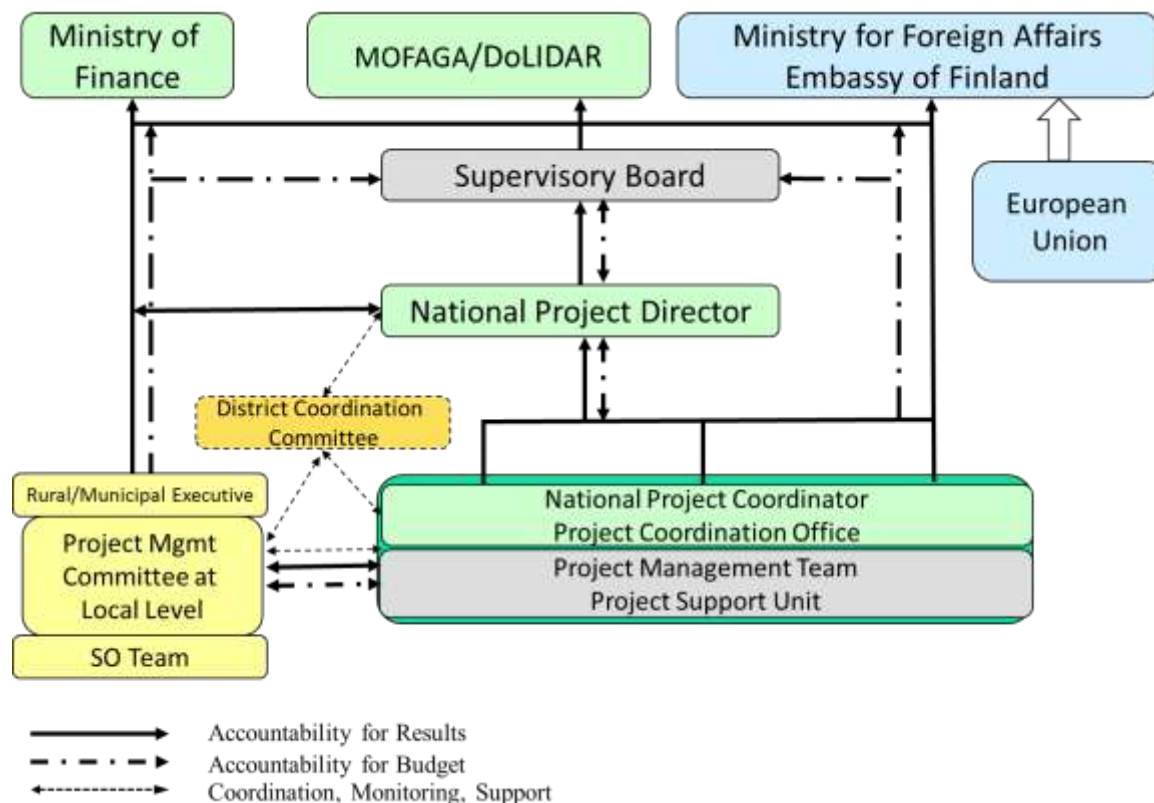


Figure 6 Organization Chart for the Phase III Project

9.2 Roles of GoN Agencies

9.2.1 Role of DoLIDAR

DoLIDAR is the Executing Agency of the Project. Its main function is to maintain overall coordination with the MFA and Embassy of Finland as regards to project execution. It will assign a National Project Coordinator (NPC) and a part-time National Project Director (NPD) to execute and provide leadership to the Project. The Supervisory Board approves the annual work plans (AWP) and reports (APR), project implementation guidelines (PIG), provides directives to RMs and monitors the progress in overall.

The specific roles of DoLIDAR are:

- Coordination with other departments and ministries for central level project interventions especially capacity building.
- Coordination with Supervisory Board and provincial departments.
- Preparation of directives to the Project Support Unit (PSU) to comply with the national policies and project operational guidelines.

- Preparation of directives to line ministry subsidiaries to provide technical support to the RM for survey, design, estimation, supervision of NGO partners, monitoring of project activities for payment, etc.

9.2.2 Roles of Local Government Agencies

The overall tasks of the Rural Municipalities are approval of the projects, financing and monitoring. The RMs will be operating the Rural Municipality Water Resources Development Fund, RM-WRDF, complying with the government financial regulations. The specific roles of the RM are:

- Project planning and budgeting;
- Approval of annual work plans and budgets;
- Operation of the water resources development fund;
- Contribution to the water resources development fund;
- Approval of the schemes based on prioritization from the WUMP;
- Approval of the livelihoods activities as identified in the Livelihoods Implementation Plans;
- Periodic monitoring of the project activities;
- Reporting to Project Coordination Office
- Provision of technical support to local level actors either by engaging the private sector operators or GoN staff;

MoFAGA/DoLIDAR is responsible for the provision of all necessary technical and managerial support to rural municipalities as well as coordination of all infrastructure development activities presently undertaken within the framework of MoFAGA and gradual transfer of the co-ordination responsibility to local institutions.

9.3 Project Coordination Office

The planning and execution of RVWRMP activities will be the responsibility of each local level, supported by the DoLIDAR and the Project. A part-time National Project Director will be nominated by the DoLIDAR. The NPD will be stationed in DoLIDAR and will facilitate planning, budgeting, progress review and monitoring at the central level.

At the project level, a Project Coordination Office (PCO) is based in Dadeldhura. A National Project Coordinator along with the following staff will be stationed at the PCO on behalf of the GoN/DoLIDAR:

- Three Engineers
- One Accountant
- One Computer Operator
- One Office Assistant

The Consultant's TA team will be headed by the Team Leader (TL) who will jointly work with the National Project Coordinator (NPC) for the project management. The PSU is comprised of multidisciplinary specialists and its purpose is to support and facilitate Project activities in the Districts. The TL and NPC jointly report to the National Project Director and Embassy of Finland. Embassy of Finland will further report to EU.

The staffing of PSU will be adjusted to a minimum. Its composition will be flexible to meet with the demand for support from the local level governments. Services of existing training institutions, national NGOs and private sector firms will be used to the extent possible. Local NGOs and companies will continue to play an important role as SOs, supporting the implementation of Project activities at local level, community and scheme levels.

9.4 Decision-making and coordination structures

The **Supervisory Board (SvB)** is the highest decision making body of the Project. The main duties of RVWRMP Supervisory Board are to:

- approve major strategic and policy issues directly relevant to the Project;
- approve any changes in the Project Document including the scope and objectives, organizational structure and management and other modifications that will have major financial implications;
- approve the annual work plans, reports and budgets; and
- decide on matters which have implications on the Project's budget.

The decision of the Supervisory Board will be clearly recorded in the meeting minutes.

The Supervisory Board will consist of seven voting members:

- Secretary, Ministry for Federal Affairs and General Administration: Chairperson
- Joint Secretary, Planning and Foreign Aid Coordination Division of MoFAGA: Vice-Chair
- Joint Secretary, Ministry of Finance: Member
- Joint Secretary, National Planning Commission: Member
- Ministry for Foreign Affairs Finland: Member
- Delegation of EU: Member
- Director General, DoLIDAR: Member Secretary

The Supervisory Board will aim to reach a consensus in decision-making. For possible issues that could have considerable implications, especially financial, the competent authorities will have a veto-right.

Possible invitees will be;

- Joint Secretary, Infrastructure Development Division, MoFAGA
- Deputy Director General of DoLIDAR
- Planning Section Chief, MoFAGA
- Foreign Aid Coordination Section Chief, MoFAGA
- Planning and Foreign Aid Coordination Section of DoLIDAR
- National Project Director,
- National Project Coordinator
- Embassy of Finland
- An additional representative from European Union
- Team Leader
- Deputy Team Leader

It will meet at least once a year to approve the annual budget and related work plan or more often as needed.

To ensure proper coordination among Local Level, DCC, Project, DoLIDAR and other stakeholders and also to share the learning and experiences and also to provide policy feedback to the Project Supervisory Board meeting, learning and sharing workshops among project working local levels will be organized at least once a year. Representatives from relevant provincial level departments and DCCs will also participate the workshop.

9.5 Management structures

The **Project Management Team (PMT)** was established for Phase I & II to ensure that the Project can be smoothly implemented, outputs achieved and funds managed efficiently and effectively in accordance with the Project Document and approved work plans and budgets. The same structure is continued in Phase III as well. The SvB can delegate powers to the PMT as necessary and appropriate. The SvB shall, however, retain the authorities in regard to approval of annual work plans and budgets. PMT will be authorised to:

- initiate and draft TORs for short-term consultants (both national and international);
- select and approve short-term national consultants
- approve tender documents, assess quotations, and authorize the Team Leader to proceed with TA related procurement, as planned in AWP
- review and approve TORs, manuals and bidding documents for studies and subcontracts to be outsourced and participate in the selection process of service provider(s);
- ensure that the Project is implemented with appropriate coordination and co-operation between the different agencies and stakeholders involved;
- review technical documents of the Project before submission to SvB, and provide guidance to the efficient, effective and participatory implementation of the Project; and
- keep the concerned authorities in the Project area informed by reporting on decisions taken.
- Any other tasks delegated by Supervisory Board.

The members of the PMT are:

- National Project Co-ordinator: Chairperson
- Deputy Team Leader: Member
- Chief Livelihoods Adviser: Member
- A Senior Specialist of PSU: Member
- Technical Assistance Team Leader/Chief Technical Adviser: Member Secretary
- Chief Administration Officer: Non-voting member
- Field Specialist: Non-voting member

The PMT decisions are communicated to NPD and Embassy of Finland through NPC. PMT recommendations are forwarded to NPD and the Embassy of Finland for SvB decision.

Rural Municipality Project Management Committee (RM-PMC) is responsible for planning, coordination, administration and management of all the Project activities in Rural Municipality. RM-PMC will meet at least once a month to review progress of Project activities in the Rural Municipality and discuss other relevant matters. The composition of the RM-PMC shall be as follows;

- Rural Municipality Chairperson, Chairperson;
- Rural Municipality Vice-Chairperson or a woman member as nominated by Rural Municipality, Member
- Executive Officer of Rural Municipality, Member Secretary
- Rural Municipality Infrastructure Section Chief, Member
- Water Resources Advisor of the Project, Member
- Rural Municipality Section Chiefs of Agriculture section and other section chiefs relevant to the project.

Quorum of RM-PMC shall include Chairperson, Woman Member, Member Secretary, RM Infrastructure Section Chief, and WRA. The RM-PMC decisions are communicated to PCO/PSU through WRA.

There will be a Water Resources Advisor (WRA) attached to the DCC or appropriate cluster to assist RMs to plan, co-ordinate and monitor Project activities. To the extent possible, they will also support other sector partners

and coordinate relevant activities.

Registered UCs of different types have the responsibility for scheme implementation and O&M. The UCs include WUSCs for drinking water and sanitation, Water User Associations (WUAs) for irrigation, etc. Funds for the implementation of schemes will be directly provided to the UCs.

Required social and technical staffs will be employed by and be accountable to the Support Organizations (SO) that are contracted by the RMs utilizing the existing guidelines of the Project.

9.6 Key Stakeholders and their roles

Table 5 summarizes the roles of key stakeholders of the project

Table 5 Stakeholders Roles in Phase III

Key stakeholders	Strategic roles	Specific roles
DoLIDAR	Overall coordination and direction at the national levels	Overall coordination with the Embassy of Finland for project management Coordination with other departments and ministries for central level project interventions specially capacity building Coordination with and the Project Supervisory Board Direction to the project authority to comply with the national policies
Rural Municipalities/RM-PMC	Project approval, monitoring and operation of the project fund. Technical support	Project planning and approval Procurement of NGOs/SOs and other service providers Periodic monitoring of project activities Operation of the local level government fund. Contribute to the rural municipality water resources development fund. Supporting UCs in technical matters Progress reporting
DCC/DTO	Monitoring, Coordination and Technical Support	Monitor the performance of Rural Municipalities in terms of project progress and fund utilization Coordinate with local level, provincial departments and federal departments Provide technical support to RMs as per need (DTO) Planning, execution and monitoring of district ODF and post ODF
Ward Committees of RM	Planning and Monitoring	Lead WUMP formulation process at ward level Propose schemes and project activities to be included under RVWRMP function. Monitor the project activities Propose contribution to the Project fund
WUSC/Users Committee	Management of implementation of schemes and responsible for sustainability	Implementation of WUMP Procurement, public audit of the schemes Prepare plans for O&M with fund, VMW, water safety plan, DRR, climate change, etc.

Support Organizations	Support Users' Committee in the implementation and sustainability of schemes	Support to UCs in planning, implementing, monitoring and community mobilization for WUMP implementation. Capacity building of WUSC/users committees through training, monitoring, fund management, public audit, etc. Prepare guidelines to ensure sustainability of schemes including capacity building of Users' Committees, fund raising, business planning for O&M, training for care takers, introducing insurance of schemes, water safety plan, DRR, climate change, etc. Support for ODF and post ODF campaigns
FEDWASUN	Activation of Users' Committees and ensure functionality of schemes	Activation, legalization and institutionalization of WUSCs Regular data management and monitoring of functionality and sustainability of schemes Federate WUSCs to provide O&M services. Liaise with service providers for O&M of schemes Support to raise O&M fund and mobilize it properly Advocate with the local level government, and other relevant agencies for major O&M of defunct schemes
Cooperatives	Planning and implementation of livelihood activities	Develop business plans Provide training to support livelihood activities, enhance entrepreneurial skills and financial management Provide O&M fund, spare parts and technical support to UCs. Develop link entrepreneurs to markets Disburse loans for livelihood activities Remain active in operation and maintenance of infrastructures

10. Visibility Plan

Communication should focus on development with the development partners (EU and Finland) as partner and on the achievements and impact of the action, not on administrative or procedural milestones. The Project will produce a budgeted Communication and Visibility plan. The plan highlights the external communication activities that need to take place at key stages in the life of the action.

The plan will follow the EU communication and visibility guidelines: the overall objectives of communication actions will be defined, as well as the target groups (national and international). It will further define the specific communication objectives for each target group in order to send tailored messages to the respective group. It will explain the used tools and human resources needed for the actions to take place. The communication plan will include indicators, so that monitoring the progress of the communication activities will be feasible.

In order to maximise the impact of communication efforts:

- Activities need to be timely
- Information used must be accurate
- Activities should be coordinated closely with the Commission
- The right audience(s) should be targeted

- Messages should interest the target audience(s)
- Activities should be appropriate in terms of resources spent, timing and expected impact

The communication efforts will be coordinated with the RWSSP-WN Project, so that there is proper communications between the two Projects and their advocacy work at the national and international levels.

Table 6 Objectives & Tools for Effective Communications

Type of communication	Target audience	Objective	Tools	Indicators	Human Resources and Budget
Public communication and advocacy	International and national stakeholders	Policy influence and coordination Sharing of lessons learnt Positive publicity for cooperation between Finland and Nepal in both countries	Information and research publications, websites, newspapers, publicized project visits, social media, digital newsletters	Number of published articles, publications etc.	Allocated budget and human resources defined
Campaigning toward the Project objectives	Community members, public authorities, political leaders and journalists in the Project Districts	Supporting empowerment through understanding of HRBA and GESI Raising awareness on CCA and DRR issues Affecting behaviour change (ODF, TBC) and building support for project activities	Encouraging newspaper articles on issues by sensitizing journalists, producing radio ads/programs, printed materials (posters, comics), community activities in connection of festivals etc.	Number of posters, events, radio programs, visuals etc. produced	Allocated budget and human resources defined
Knowledge Management	Project staff, Rural Municipalities, DCC, Provincial authorities	Avoiding loss of gained knowledge Making information easily available to all stakeholders Transferring knowledge from Project to Rural Municipalities, DCC and Provincial	Developing Project and local Government websites. Making information publicly available at RM/DCC Establishing	Number of established MIS systems	Allocated budget and human resources defined
Visibility	All stakeholders	Increase visibility and give recognition to the funding agencies	Logos added in all produced materials, production of promotion materials	Number of produced promotion materials	Allocated budget and human resources defined

Participation in policy dialogue

RVWRMP will take part in the national level policy discussion, including Sector Stakeholder Group and Joint Sector Review meetings. The Project will use these forums to disseminate information to other sectorial stakeholders, including lessons learned and modalities tested by the project. Additionally RVWRMP III will organize, alone or jointly with other partners, thematic workshops on national level every year of the project period.

The government restructuring opens new windows for opportunities in policy influencing and orientation of the new rural municipality leaders and of provincial authorities. Workshops, seminars and exposure visits among the newly elected government bodies will be conducted on local and provincial level.

Communication of the project results and best practices nationally and internationally

In communicating about the success and lessons learnt, such as, work among ethnic communities and working in challenging situations, the Project will make use of various means of communication, inter alia working through the print and digital media both in Nepal and Finland, taking part in the national and regional level events regarding water, local governance and livelihoods development or organizing events jointly with other sectorial actors or Finnish projects to communicate about these issues to wider audience.

Special emphasis should be placed on communication about the practical implementation of the human rights based approach in the Far Western Nepal, about impacts to people's lives and improved livelihoods.

Communication should be based on evidence and preferably statistically justified data, not only case studies and success stories. Analytical articles about the processes and impacts should be produced.

For the purpose of informing Finnish citizens about the development cooperation in Nepal, the Project will approach the Finnish audiences through social media, newsletters and print media by hosting Finnish journalists visiting the Project. Achieved results in water supply and sanitation, livelihoods, as well as work done in promoting gender equality should be highlighted to the Finnish citizens.

The Project will prepare presentations to relevant national and international conferences.

An important part of the communication plan is to provide information on the demonstration activities of the Project. These include micro-hydro and Multiple Use of Water- schemes as well as the integration of the WUMPs into village level plans. This could be organized through exposure visits from other RMs to the demonstration sites. These demonstration activities should also be part of the issues to be communicated at the provincial and national levels in order to attract other stakeholders' attention to the demonstration and gain larger funding base for the activities in those RMs, which are not covered by the Project.

Increased Visibility

All produced materials, conducted events and constructed schemes will be branded with the three logos of the funding partners (European Union, Government of Nepal, and Government of Finland). Vehicles, supplies and equipment will also feature prominently the donor logos. To increase project visibility, promotion materials like calendars, t-shirts and pens will be produced. All publications, like websites, videos and manuals will be marked with the EU-disclaimer.

11. Means and Budget

11.1 Financial Management

11.1.1 Fund Flow Mechanism and Project Modalities

The Rural Municipality Water Resources Development Fund (RM-WRDF) (also refers to Municipality Water Resources Development Fund (MWRDF) for Program Municipalities) is established in each Rural Municipality/Municipality for investments and recurrent costs.

The Governments of Nepal and Finland as well as EU through the management arrangement with MFA, and the concerned Rural Municipality contribute funds to the RM-WRDF annually as stipulated in the Annual Work Plan (AWP) of respective fiscal year. Funds under the RM-WRDF are for financing of all types of public construction related activities, service fee and related cost of Support Organization and Support Persons, Administrative Cost and all types of capacity development activities in the Rural Municipality (except central level capacity development and inter-district capacity development activities) as previously done through district Fund.

The RM-WRDF has two accounts: Rural Municipality/Municipality Water Resource Development Fund (RM-WRDF) for capital investment and a recurrent account for SO service fee and capacity building activities. The RM-WRDF will be operated by executive officer and accountant of the RM. The investment required for project activities is directly transferred from RM-WRDF account to the bank account of the respective users committee. The matching funds required from rural municipalities will be deposited to RM-WRDF and community contribution and other sources are directly deposited to the bank account of the users committee. The cost for the support organizations and Support Persons (NGOs and consultants) are also directly deposited from RM-WRDF to the account of the respective services providers.

The MFA disburses GoF and EU contributions through two PSU-managed accounts: investment and Technical Assistance. The investment budget is channelled to the development fund of local government through investment account hosted by TA team, whereas the TA budget is retained for PSU expenditures. The GoF and EU contributions not spent within each fiscal year will not be frozen at the end of fiscal year but carried forward to next year. The fund flow diagram is given below:

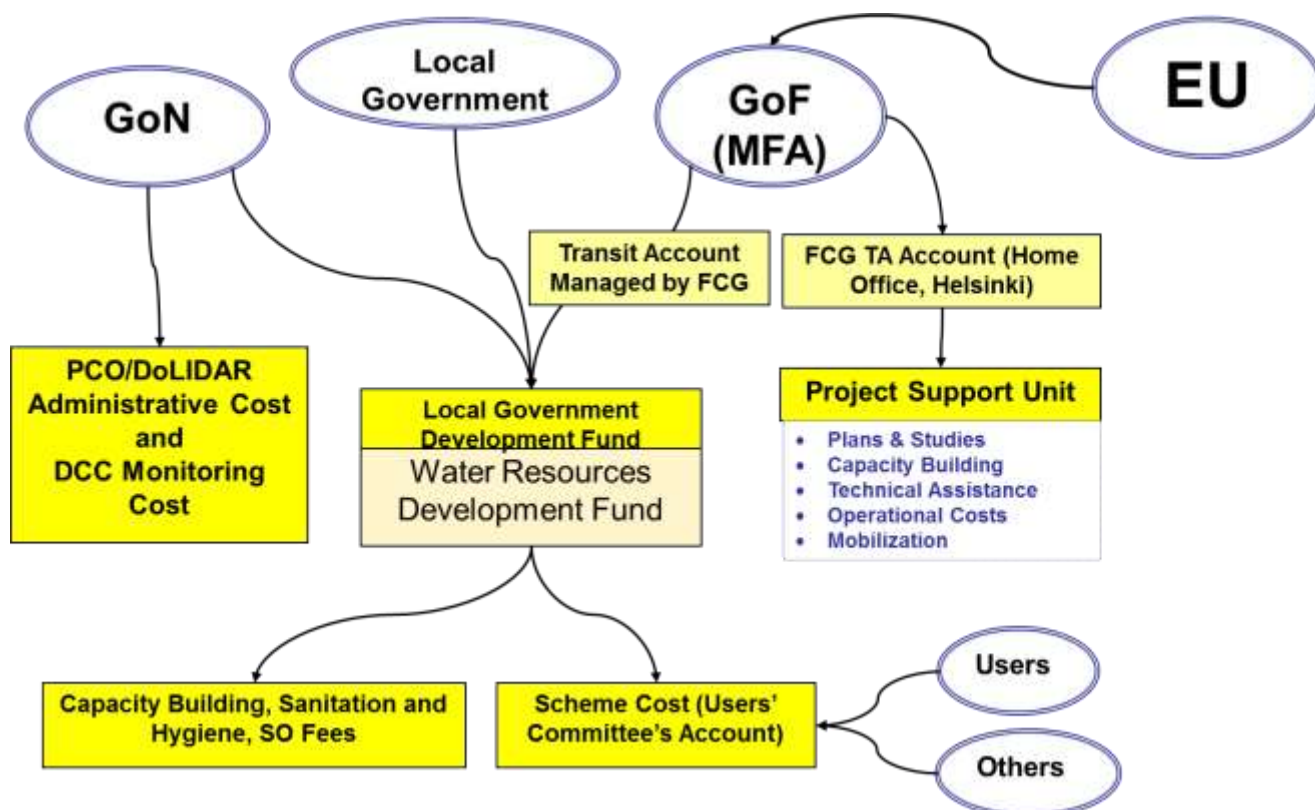


Figure 7 Fund Flow Diagram

11.2 Accounts and funds transfers

The project has three types of account as follows:

RM-WRDF is joint funding from two government, including EU contributions and rural municipalities will be operated by the executive officer of RM. The Governments of Nepal and Finland and the concerned RM contribute funds in the RM-WRDF as stipulated in the Project Document. RM-WRDF is audited as per Local Government Rules and Regulations approved by the GoN. This budget is shown in the Annual Budget of the Government of Nepal (the Red Book) and reflected in the online Line Ministry Budget Information System of the Ministry of Finance.

Project Coordination Office (PCO) Account is funded from the GoN contribution and operated by PCO. The account covers the recurrent expenses (PCO staff salaries and administration). The required budget will be allocated by GoN under appropriate budget headings for smooth running of the project. It is administered and audited as per the GoN Financial Administration Rules and Regulations. The budget will be reflected in approved annual programme/ budget and in the Red Book of the GoN. Similarly, to cover monitoring cost of the project from District Coordination Committee and DoLIDAR, monitoring and administrative cost is provisioned from government of Nepal contribution.

Project Support Unit (PSU) TA account is money contributed by MFA for the Technical Assistance needs, to be directly operated by the PSU. This account covers funding for a range of capacity building activities, pilots, studies and plans, technical assistance and office running costs from the contribution by the Government of Finland and EU. It is administered and audited as per the rules and regulations of the Government of Finland. The Team Leader of the TA team must approve all expenditure under Project Support Account prior procurement. S/he is also the signatory of the Project main bank accounts.

11.3 Audit Arrangements

Regular audits will be undertaken at the various levels of fund utilization, as a part of the annual or project implementation cycle, itemized below. MFA and EU will reserve a right to undertake additional audits.

11.3.1 Auditing of the TA funds

Auditing of the Technical Assistance funds, managed by the selected consulting company, will be done in Finland, as per the auditing arrangements of the company, as a part of their annual audit (calendar year).

11.3.2 Auditing of the RM-WRDF Investment Account

Auditing of the accounts will be done as per the prevailing financial rules and regulations of GoN. Therefore, the records, bookkeeping and accounting of these accounts should strictly adhere to the principles of financial rules and regulations of GoN, as applicable to the local governments (DCC, RM) and the User Committees. Internal audit of these accounts will be done by district treasury and account comptroller office of concerned district and final audit by the Office of the Auditor General. Executive Officer on behalf of RM will be responsible for timely auditing of the fund. The clearance of audit objection of the account will not be carried out to the next fiscal year. It should be cleared as soon as possible.

11.3.3 Auditing User Committee Account

Since Local Governments have to get their RM-WRDF audited by the Office of the Auditor General a separate audit at UC level is not required. However, RMs should ensure that the users' committees are following the suggested bookkeeping and accounting system and also see that the funds are used as intended. In case the RM/project feels it necessary to get UC account audited, management of the audit will be done by RM-PMC. The funds required for the task should be covered from the management cost of UCs, which is a part of cost estimate. Public audit of the funds released to the UC is mandatory before getting final instalment from RM-WRDF as provisioned in Step-by-step manual.

11.3.4 Public audit/hearing

There will be at least three public audits and hearings during the construction of each scheme as per the Step-by-step implementation guideline of the Project. The first public audit will be organized immediately after the contract with the users' committee, the second will be conducted during the construction activities and third audit after completion of the scheme.

12. Project Budget Estimates

12.1 Cost Estimates of Project Components and Contribution of different stakeholders

A summary budget is presented in table 7.

Table 7 Proposed Budget Estimate for Phase III

	Tentative number of beneficiaries	GON	GOF+EU	Rural Municipalities/ others	Users	Totals by Result areas
Result 1 WASH						Total Result 1
Drinking Water Supply Schemes	351,000	7.69	7.58	1.95	2.50	
Institutional toilets in schools/health posts/public places	40,000	0.20	0.15	0.15	0.15	
Total Sanitation / ODF	110,000	1.67	2.06	0.35		
Payments from RM WRDF (total from above)		9.56	9.80	2.45	2.65	
Payments from Plan and Capacity Development Fund			0.50			24.96
TOTAL RESULT 1 (42%)						
Result 2 Livelihoods						Total Result 2
Home Gardens	275,000	0.64	0.78	0.20		
Irrigation Support	50,000	0.30	1.15	0.15	0.45	
Livelihood Infrastructures		0.10	0.43	0.15		
Micro-Entrepreneurs grant program	2,500		0.38		0.25	
Income Generating training activities	60,000	0.20	1.60	0.30		
Cooperative training activities	20,000	0.10	0.55	0.05		
Rural Advisory Services	500,000	0.10	1.05	0.15		
Payments from RM WRDF (total from above)		1.44	5.94	1.00	0.70	
Payments from Plans and Capacity Development Fund			0.50			9.58
TOTAL RESULT 2 (16%)						
Result 3 Renewable Energy and Climate Change						Total Result 3
ICS and IWM activities	170,000	0.50	0.60	0.20	0.30	
Watershed and recharge activities		1.50	1.20	0.25	0.75	
Micro-hydro power construction	30,000		2.17	0.70	0.60	
DRR and Climate Change activities	TBE	0.30	0.30	0.10		
Payments from RM WRDF (total from above)		2.30	4.27	1.25	1.65	
Payments from Plans and Capacity Development Fund						9.47
TOTAL RESULT 3 (16%)						
Result 4 Governance						Total Result 4
Support to RMs for planning (WUMP, LIP, TSSAP)	All program RMs	0.25	0.50	0.50		
Training of female RM leaders, female cooperative and UC leaders	All program RMs	0.10	0.30			
Support to RMs for implementation oversight	All program RMs	0.15	0.50			
Support to RMs for M&E, O&M	All program RMs	0.10	0.50			
Payments from RM WRDF (total from above)		0.60	1.80	0.50		
Payments from Plans and Capacity Development Fund		0.50	2.70			6.10
TOTAL RESULT 4 (10%)						
					TA %	TA and admin
Technical Assistance			4.60		13.0%	
TA reimbursable			1.00			7.20
Running costs			1.60			
						GON admin
GON admin		0.60				0.60
						Other
Management Cost for MFA			1.31			2.30
Contingencies			0.99			
Totals		15	35	5.2	5	60.2

It should be noted that the division between different categories of investment (water supply, sanitation, irrigation, livelihood support, micro-hydro and other renewable energy, MUS etc.) is indicative and based on assessment during the project preparation. Justified changes on allocations can and will be accepted by the Supervisory Board in connection to annual work planning and reporting.

Phase III will be financed jointly by the governments of Nepal and Finland and EU, through cost sharing, with RMs, communities and individual households. Moreover, the Sectoral Line Agencies are expected to contribute their available resources. The contribution of the Government of Finland is 15 MEUR (25%), of EU

20 MEUR (34%) and the contribution of the Government of Nepal is 15 MEUR (25%). Additional contributions are expected from local governments 5.2 MEUR (8%) and users/beneficiaries (cash and kind) – 5 MEUR (8%). The Finnish and EU contributions will be grants.

The budget figures for GoN, RM and users are in the above budget shown in MEUR.

The estimated percentage of total TA costs of 7.6 MEUR over total GoN/GoF/EU contribution of 55.2 MEUR is 13.0 % which is significantly lower than the 20% ceiling set by GoN policy.

12.2 Technical Assistance TA (as per the Draft Project Document of October 2015)

TA will comprise the following international staff:

- Team Leader/Chief Technical Adviser
- Livelihoods Expert
- Rural monitoring and reporting specialist (international)

Field Specialist (Finnish junior). One full time during whole phase and one additional tentatively 9/2016 – 8/2018.

In addition there will be home office backup (12 p-m/year as defined in the “Standard terms for Payment of Fees and Reimbursement of Costs”).

TA will comprise the following national staff:

- Chief Administration Officer (CAO, full time)
- Deputy Team Leader (DTL, full time)
- Sanitation and Hygiene Specialist
- Social and Institutional Development Specialist
- Technical Specialist
- MIS Specialist
- Livelihoods and Cooperative Specialist
- Two Officer level positions

The national staff will be recruited by the selected consulting company at the beginning of the project or later based on the Annual Work Plans.

Considering the remoteness, the basic salaries of national TA will need to be adjusted to a level that is competitive when compared to RWSSP-WN and other relevant programmes.

CAO and DTL will work full phase. In terms of other specialists, the time will be reduced as per TA consultant's proposal and agreements to be made in Supervisory Board.

There will be nine District Water Resources Advisers (WRA) and five Water Resources Engineers (WRE). The WRAs and WREs will tentatively work for the first four years of Phase III. There will be 10 national experts with agriculture/rural development experience in district each team.

The actual number of the District level TA will however, be modified based on the Exit Strategy.

Phasing out plan for the WRAs and WREs will be prepared during the Inception Phase and reviewed in connection

to Annual Work Plans.

The rationale for the Team Leader and Deputy Team Leader is that the TL will be in charge of the overall management of the Project, including the financial management and reports as well as spend some limited time in Kathmandu to liaising with other stakeholders and government officials. Meanwhile, the Deputy Team Leader would be in charge of the field management, including capacity building at districts levels.

TA team will continue to follow GoN regulations in terms of 6 days working week. The TA consultant will need to provide necessary consideration for the remoteness and in full consultation with BCRWME provide for environment that considered well-being of the staff.

The project will formulate and submit Human Resources Strategy including national and international staff reflecting the new working area and TA support to local level government to the Supervisory Board also considering increased requirement of local governance expertise in TA team. The strategy will be submitted to the Supervisory Board members by the end of November 2017.

The number of project staff will not be increased until the HR strategy has been approved by the Supervisory Board.

12.3 Contributions of the Government of Finland and EU

The contributions of Government of Finland and EU will cover:

- Investment towards water supply, irrigation, renewable energy, livelihoods, etc.
- Plans and studies
- Technical Assistance cost, including fees, housing, airfares and other staff costs. Technical Assistance will be procured by the Ministry for Foreign Affairs of Finland
- Operating costs related to the PSU, including computers and office equipment
- Support to capacity building

12.4 Contribution of the Government of Nepal

The contribution of the Government of Nepal will cover:

- Investment towards water supply, irrigation, renewable energy, livelihoods, etc.
- Plans and studies
- Salaries of DoLIDAR staff involved in the project implementation and PCO Staff.
- Salaries of local government staff (executive officer, infrastructure section and other relevant section staffs, accountants and supporting staff).
- Administrative budgets for the execution of the work will be allocated for central level, project level and local levels. The cost will cover running cost (including driver) for NPD's office.

As per the MoU between DoLIDAR, DCC and local level government, the DCC and local level government will provide office space for the Project office at respective level upon the recommendation of the NPC and the Team Leader. The Supervisory Board will decide on the distribution of the implementation funds among the local governments. In this regard, they may consider various factors such as poverty levels, current WASH coverage, annual performance of local level government and other available funding sources in the RM etc.

The approval for the distribution will take place in SvB as part of Annual Work Plan approval.

12.5 Local Resources Mobilisation

RMs are expected to contribute 7 % or more of scheme investment costs following the contribution pattern approved by the Project Supervisory Board..

13. Monitoring and Evaluation

13.1 Reporting Requirements

The planning, monitoring and reporting system that was developed for Phase II will be reviewed, revised and carried over to Phase III. It is described in detail in the Project Implementation Guidelines (PIG). The system was designed to satisfy the requirements of both main funders of the Project: GoN and GoF. During Phase I & II, RVWRMP has enjoyed the status of a priority project (so called P1 project) in the GoN system. This status implies regular planning and reporting annually, by trimester and by month. Special reports may be requested from time to time.

The European fiscal year is a Gregorian year, forming the basis for planning and reporting. As MFA allows and encourages development projects to integrate into the national and local governments' planning and reporting systems, the Nepali Fiscal year cycle (discussed in detail in approach chapter above) will be followed in the Project.

The regular Project progress reports will consist of:

- One Biannual Progress Reports covering period July 16th – January 15th the following year.
- One Annual Progress Report (APR) covering a Nepalese Fiscal Year July 16th – July 15th the following year.

The Inception Report, which is to be ready four months after the start of the project, does not need to cover similar elements that will be handled in the Annual Progress Report.

MFA requires biannual financial reports that should only cover tables of expenditures (result based budgeting and monitoring) and very short description of the progress and important decisions.

13.2 Monitoring, evaluation and Management Information System

The project will assist in the development the RM monitoring systems and concentrate on giving capacity building on M & E. The project will transfer the focus of monitoring from the PSU to supporting the RMs to strengthen and improve the WASH and livelihoods monitoring and project progress monitoring systems.

The Project has during previous phases established a Management Information System (MIS), which is integrated at the PSU level, to satisfy the needs of all data collection, analysis and reporting with GIS. This MIS shall be reviewed and revised, and distributed in an appropriate form to RMs to support their information systems, in order to help them to manage and update relevant data and to share the data with others. The monitoring functions of the Project are carried out at least at the following levels:

- National Planning Commission (NPC);
- MoFAGA/DoLIDAR;
- Local Level Governments

- Users' Committees;
- Cooperatives
- MFA; and
- the Project (PSU).

The information is mainly "born" at the various interventions and collected at RM level. It flows in the form of various reports to RM for assessment, verification and further reporting forward. PSU assesses and analyses the information and forwards it in a form of different regular and ad hoc reports to MoFAGA/DoLIDAR, MFA and Supervisory Board.

Government of Nepal, European Union and Ministry for Foreign Affairs/Embassy of Finland will undertake joint monitoring visits to the project.

Supervisory Board is the focal point of the monitoring system; it approves the regular plans and (monitoring) reports, discusses them and steers the Project to the right direction also in the changing working environment. This mechanism also serves the NPC, MoFAGA and MFA in their long term development planning.

RM level monitoring

The project will support the RMs to strengthen the monitoring systems of WASH and livelihood status.

The monitoring will concentrate on follow up of increasing coverage of sanitation and WASH activities as well as improvement of the overall livelihood status, reduction of poverty and improvement of the food security in the project RMs.

Compliance monitoring

The implementing agents need to follow the implementation, financial accountability and quality of works. The monitoring will be undertaken by relevant RM section in charge of the particular project/intervention.

The main thrust of the monitoring is:

- process follow-up (step-by-step procedure, implementation guideline, fund flows);
- verification of data (reports) provided by SOs and UCs;
- quality assurance of construction works; and
- assessment of impacts of the activities against set indicators.

The details and responsibilities of the monitoring system of RVWRMP are provided in existing Project Implementation Guideline (PIG), which will be carried on during Phase III.

14. Reviews, evaluations and external audits

An independent external mid-term evaluation will be conducted by MFA in 2019. It shall assess the impacts of the changes in the operating environment of the Project, particularly in terms of the administrative structure and the Project's integration into the new structure. MTE will also assess the need to redirect the Project and adopt new modalities and/or approaches, based on the Project's prepared Concept Paper for the remaining period of Phase III, lessons learned from other projects, e.g. RWSSP-WN, programmes and initiatives, etc. The Concept Paper should be ready before MTE and it should have clear recommendations. It should be a stand-alone document so that there is no need to refer to several other documents, and still be brief.

In the course of Phase III, GoN and GoF may assign an auditor or auditors to assess the conformity of the Project to the established procedures, norms and criteria. The audit(s) shall focus on the use and management

of the financial resources allocated to the Project. The scope and timing of the audits will be decided jointly or independently by the Supervisory Board.

As early as possible after receiving the recommendations of MTE, the Project will prepare details of the phase out up to 2022.

Since the Project aims at supporting the capacity of central and local administration to continue the implementation of integrated water resources management in WASH and livelihood development on its own and to achieve sustainable results in the long term, the impacts of the Project and the sustainability of the impacts are not possible to be assessed until after the completion of the entire Project. In this respect, it is proposed that there will be post evaluation of RVWRMP to be completed after the Project ends that will provide further information in terms of sustainability aspects.

15. Risks Assumptions and mitigation measures

Governance risks

The local government entities, Rural Municipalities and Municipalities have only been formulated and the elections of the representatives held in June 2017. Local government remains under-resourced in terms of staff and physical facilities and is therefore ineffective and unable to deliver services and provide support for local initiatives:

- The poorer groups are exposed to deep-rooted inequality and are unable to claim their rights to services, or prevent local elites capturing public resources.
- Public service staff is drawn mostly from the male elites and are somewhat less than responsive to the needs of women and the poor and excluded.
- Poor local services and a weak economic base leads to migration and the temporary and permanent loss of the young and able.

The issues are complex and the traditional tools for implementation and management of interventions do not work well to reach pre-determined ends because of the multiplicity of actors, lack of flexibility, and the traditional use of linear—rather than process-based— approaches in many development projects.

Table 8: Rating of RVWRMP Phase III Risks

Issues and Risk	Likelihood of Occurrence	Impact on Phase III achievements	Mitigation measures to apply
Natural calamities, climate change	High	Significant	The project applies climate change infrastructure development guidelines developed by DWSS. Training in DRR given to stakeholders
Political instabilities	Medium	Medium	Training to local governments. Proper planning of project activities.

New administrative structures	Medium	Medium	Proper functioning of local structures may take time. Project should focus on capacity building
Limited political will to decentralize	Medium	Medium	The project will promote the decentralization by engaging local governments for the project implementation.
Limited capacity at local level	Medium	Medium	The project will implement an extensive capacity building plan
Limited capacity of SOs	Medium	Medium	Trainings and internship opportunities
Remoteness and access to market	Medium	Medium	Measures to assist producers to access markets locally. Collective marketing
Delayed or missing contributions	Medium	Low	Upfront cash deposition from users; RM's contribution decided by RM councils
Political pressure on expansion	Medium	Low	Clear criteria and justified project area selection
Inadequate O&M and revenue collection	High	High	Intensive Post Construction support and training during the project
Possible devaluation of EUR against USD/NPR	High	Medium	The project cannot control the fluctuation of the exchange rate. The exchange rate losses will be recorded.

ANNEX 1

Rural Village Water resources Management Project, Phase III

Version 21.02.2017

UPDATED RESULT FRAMEWORK

Indicators	Baselines	Targets	Sources and means of verification	Assumptions and Remarks
	(1.3.2016 if not indicated otherwise)	(incl. reference year)		
IMPACT : IMPROVED HEALTH AND REDUCED MULTIDIMENSIONAL POVERTY WITHIN THE PROJECT WORKING AREA				
1. Improvement in the Human Development Index (HDI) in the project RMs;	HDIs in 2011: Achham: 0.378, Baitadi: 0.416, Bahjang:0.365, Bajura: 0.364, Dadeldhura: 0.436, Dailekh: 0.422, Darchula: 0.436, Doti: 0.407, Humla: 0.376	HDI improvement by an average of 0.05 by 2021	Nepal Human Development Report	Issues assumed not to seriously hamper achieving the overall objective: -Security issues -Disasters -Absence of local elected officials -GoN Policy changes -Establishment of Provincial mandates and bodies;
2. Proportion of population living below national poverty line at RM/district or region/province level	Achham: 47.2% Baitadi: 45.7% Bahjang: 56.8% Bajura: 64.1% Dadeldhura: 43.3% Dailekh:35.8% Darchula:53% Doti: 48.9% Humla: 56%	TBE	Small Area Estimation, Central Bureau of Statistics:	Many ODF-areas are at risk to regress to pre-ODF status, if movement towards total sanitation not continued. Local governments have strong leadership and committed members thriving both towards ODF and post-ODF.
3. Prevalence of stunting in children under 5 years old has reduced in the Project RM/districts	Far Western hill areas 57.5% (2011) Dailekh : Stunting >50% (2011) Humla : 60% (2011)	Reduction by 30%	Nepal Demographic and Health Survey, Population Division, Ministry of Health and Population	

Indicators	Baselines	Targets	Sources and means of verification	Assumptions and Remarks
	(1.3.2016 if not indicated otherwise)	(incl. reference year)		
PROJECT PURPOSE: UNIVERSAL ACCESS TO BASIC WASH SERVICES, AND IMPROVED LIVELIHOODS WITH ESTABLISHMENT OF FUNCTIONAL PLANNING AND IMPLEMENTATION FRAMEWORKS FOR ALL WATER USES AND LIVELIHOOD IN THE PROJECT WORKING AREA				
Percentage of population using safely managed drinking water services (SDG 6.1)	<82%	90% (2022)	MoFAGA annual reports	<p>The concept 'safely managed' doesn't imply private water connections/taps, but rather safely managed basic level water services.</p> <p>Establishment and elections of local bodies don't have a negative impact on project implementation</p> <p>Issues assumed not to seriously hamper achieving the immediate objectives</p> <ul style="list-style-type: none"> • Capacity and willingness of RMs • Communities' willingness to participate • Timely and adequate availability of funding from all parties
Project area declared Open defecation free (ODF) and follow the post-ODF strategy as per total sanitation guidelines	5 districts	10 districts (2017)	DWSS/NMIS	
Increased household income measured by the proxy indicator of vegetable production in project areas (district)	Production 93 740 metric tons in nine districts (2014)	Increase by 20% (2021)	DADO/RM statistics for agricultural production	
Water Use Master Plans (WUMPS) prepared	0	27 RM level WUMPS (2019)	RM annual progress reports DAO annual progress reports RM WASH MIS Project bi-annual and annual progress reports	
Amount of renewable energy produced from Project interventions	TBE (end of phase II level)	TBE		
Percentage of developed cooperatives, which achieve an operational self-sufficiency of 110% or more.		90% (2021)		

Indicators	Baselines	Targets	Sources and means of verification	Assumptions and Remarks
	(1.3.2016 if not indicated otherwise)	(incl. reference year)		
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% (2021)	MIS/ RVWRMP and District MIS	QUARQ Criteria: a) Quantity (preferably 45 lpcd or more lpcd) b) Accessibility within 15 minutes return trip c) Reliability (12 months) d) Quality (verified as free from bacteriological contamination)
1.2 Number of water supply (WS) beneficiaries	0	351 000 (2021)	Scheme Monitoring Report	Percentage of community members in the Project working RMs, who have improved water supply systems.
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% (2021)	MIS/RVWRMP and District MIS Annual and biannual reports of the Project	Conducive socio-political environment prevails through-out the country
1.4 Percentage of User Committees (UCs) of water supply schemes in the project core-program RMs are active and able to maintain service level.	0%	85% UCs (2022)	MIS	Community willingness and interest to participate in activities continues
1.5 Key positions (chair, vice chair, secretary, joint secretary and treasurer) in UCs of improved water supply schemes in the Project core-program RMs are held by women and by minority populations		50% women 24% Dalits and Janajati (2021)	Scheme Cards Scheme Monitoring Report	Schools have strong leadership and committed management committee to ensure gender- friendliness and accessibility also when the facilities are operational.
1.6 Number of institutions/schools/public places supported by the project fund with disabled and gender-friendly toilets and access to hand washing		200 Child and Gender friendly school toilets, with access to disabled where necessary, and 20 public Disabled and Gender friendly toilets(2022)	MIS/ RVWRMP and RM MIS	

1.7 Drinking water supply schemes in existing core VDCs and core-program RMs have affiliation with cooperative to proliferate their capital	0	40% of schemes are affiliated with cooperatives (2022)		
1.8 Menstruating women able to use the toilet in project core-RMs	59% in Dadeldhura & Baitadi	80% (2022)		

Indicators	Baselines	Targets	Sources and means of verification	Assumptions and Remarks
	(1.3.2016 if not indicated otherwise)	(incl. reference year)		
OUTPUTS RESULT AREA # 2: IMPROVED AND SUSTAINABLE NUTRITION, FOOD SECURITY AND SUSTAINABLE INCOME AT COMMUNITY LEVEL THROUGH WATER RESOURCES BASED LIVELIHOODS DEVELOPMENT.				
2.1 Number of Home Garden Beneficiaries		275 000 (2021)	Scheme Monitoring Report	Households have adequate wastewater and technical support. Local communities are able to have consensus and ownership of the irrigation schemes. O&M capacity building provided by the Project will be adequate for the RMs to manage the schemes in a sustainable way
2.2 Percentage of women among home garden training recipients, trainers of trainers and Lead Farmers		50% (2021)	MIS/ RVWRMP and RM MIS	
2.3 Percentage of Dalit and other socially excluded groups in home garden training.		24% Dalit and Janajati (WUMP and project coverage HH) (2021)		
2.4. Number of people receiving rural advisory services	0 (2017)	500 000 (2022)	Sample surveys among beneficiaries (mobile application)	
2.5 Families trained in income generating activities	0	12 000 (2022)	MIS report/ Training report	
2.6 Percentage of leadership posts of project supported cooperatives held by women		50% (2021)	MIS report	
2.7 Percentage of Multiple Use Systems (MUS) among the RVWRMP supported schemes	5.4%	10% (2021)	Bimonthly report	

Indicators	Baselines	Targets	Sources and means of verification	Assumptions and Remarks
	(1.3.2016 if not indicated otherwise)	(incl. reference year)		
OUTPUTS RESULT AREA #3: INCREASED RECILIENCE TO DISASTERS AND CLIMATE CHANGE AS WELL AS PROMOTION OF CLIMATE CHANGE MITIGATION AND ADAPTATION				
3.1 Renewable Energy generated through micro-hydro power plants	0	700 kW (2022)	Annual Progress reports	
3.2 Number of households provided with access to sustainable energy services	0	40 000 (2022)	Annual Progress reports	
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.		90% of constructed micro-hydro UCs user committees (2022)	MIS/APR	
3.4 Greenhouse gas emissions mitigated by the use of sustainable technologies, e.g. cooking stoves, improved water mills.	TBE	TBE	MIS	
3.5 Number of trained beneficiaries on disaster risk reduction and climate change adaptation (DRR).	0	TBE	Annual Progress Reports	
3.6 Project investments meet DRR standards and criteria	0	DRR standards applied in all project investments	MIS/APR	

Indicators	Baselines	Targets	Sources and means of verification	Assumptions and Remarks
	(1.3.2016 if not indicated otherwise)	(incl. reference year)		
OUTPURS : RESULT AREA #4: GoN INSTITUTIONAL CAPACITY TO CONTINUE INTEGRATED WATER RESOURCES PLANNING AND SUPPORT COMMUNITIES IN IMPLEMENTING AND MAINTAINING AND 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		Draft roadmap by 2019	Draft road map	RM-PMC takes prompt action on the meeting decisions/minutes Agriculture and Cottage and small industries sections of RM established and enough budget provided by Government of Nepal The possible performance based reallocation of funds between RMs aims to the maximal utilization of the budget
4.2 National and Provincial authorities in WASH, agriculture and small industries sectors informed on RVWRMP experiences		Six documents produced and six national level conferences organized (2021)	Annual Progress Reports	
4.3 RM ownership demonstrated by Rural Municipality contribution to the RM Water Resources Development Fund (RM-WRDF)		Minimum 7% contribution (2021)	Annual Progress Reports	
4.4 Number of trained local bodies to promote effective access to energy, markets, irrigation and WASH services.		All local bodies trained (2022)	Annual Progress Report	
4.5 Mobilization of RM own resources under Agriculture and Cottage and Small Industries section for joint activities in the core-program RMs.		At least 80% of the annual budget expended (2021)	Annual Progress Reports/Financial report of RM	
4.6 RM-WRDF funds are expended against the annual budget		At least 85% of the budgeted funds expended (2021)	Annual Progress Reports/Financial report of RM	
4.7 Necessary technical and administrative support is provided without delays by RM Offices		At least 10 annual Rural Municipality Project Management Committee (RM-PMC) meetings in each core-program RMs (2021)	APR/Meeting minutes	
4.8. Refer to 4.3 and 4.5			MIS/Scheme Cards	
4.9 Percentage of community contribution in cash and kind towards construction water and irrigation systems, power plants, etc.		Minimum 20% (2021)	Annual Progress Report	