

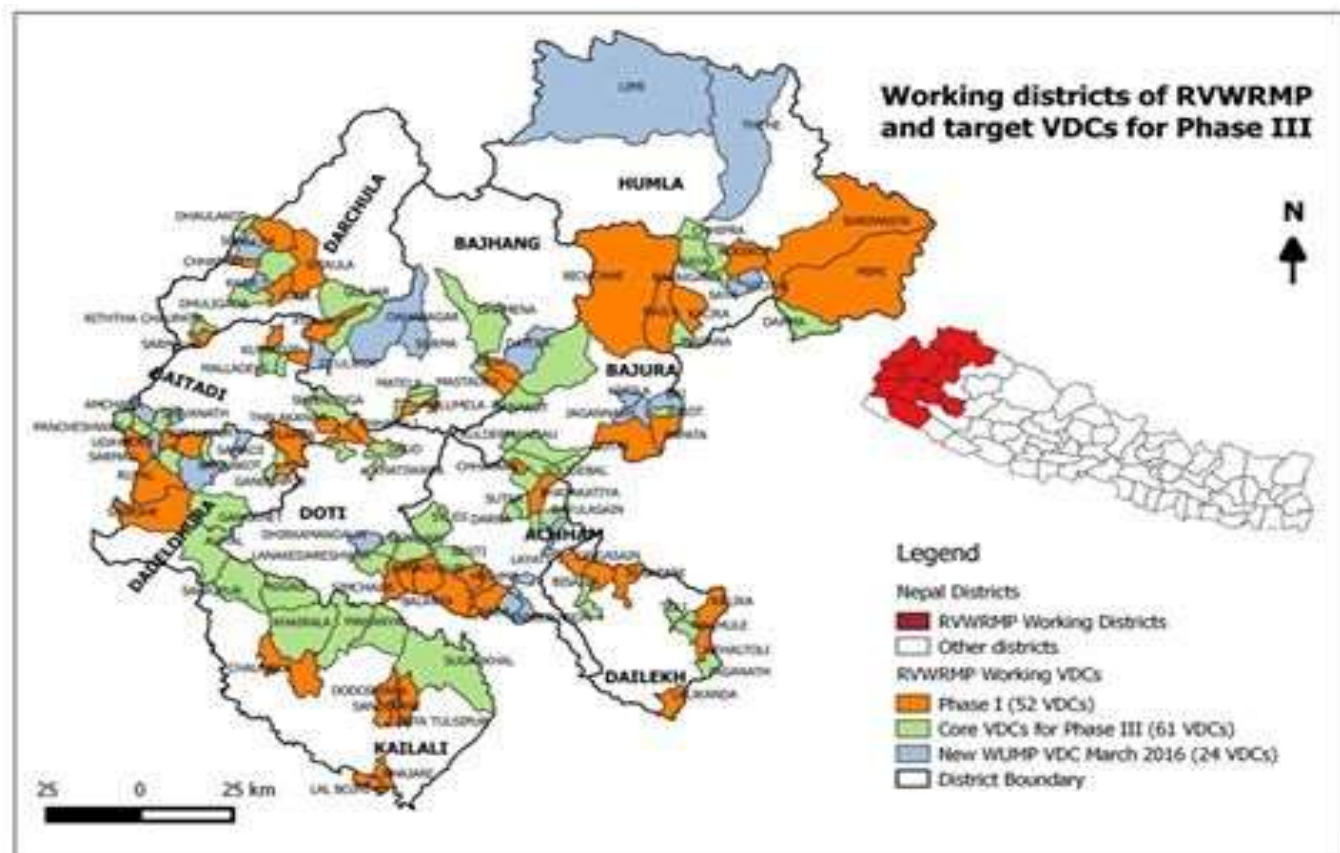


Government of Nepal
Ministry of Federal Affairs and Local Development



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RURAL VILLAGE WATER RESOURCES MANAGEMENT PROJECT PHASE III



FINAL INCEPTION REPORT

(Approved by Second Supervisory Board on 29.06.2016)

June 2016



RVWRMP
Nepal-Finland Cooperation

FCG
INTERNATIONAL

INCEPTION REPORT FOR RVWRMP III

Name of the project:	Rural Village Water Resources Management Project Phase III (RVWRMP III) 03/2016-02/2021
Date and location:	June 2016, Dhangadhi, Nepal
	Endorsed by Second Supervisory Board meeting 29.06.2016
Report prepared by:	Project Support Unit, Dhangadhi

EXECUTIVE SUMMARY

The Rural Village Water Resources Management Project (RVWRMP), in its third and completion phase, is supported by the Government of Nepal (GON) and the Government of Finland (GOF). Additional inputs are expected from the European Union (EU), but this is not confirmed yet. The Finnish support is a continuation of financial and technical support that has been provided to the water sector in Nepal since 1989. RVWRMP started in October 2006 and its Phase I ran until the end of August 2010, followed by the Phase II until February 2016.

The overall objective of RVWRMP III is 'improved health and reduced poverty within the project working area', which consists of nine hilly and mountainous districts of Far and Mid-Western Nepal (Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Darchula, Doti and Humla). In addition the project covers six hilly Village Development Committees (VDCs) in Kailali district. The total population of the project area is approximately 1.67 million.

RVWRMP is a water resources management project, which in addition to water supply and sanitation, supports community-based irrigation, micro-hydro power, improved cooking stoves and water mills, a number of environmental improvements, as well as food security, nutrition, sustainable livelihoods and institutional capacity building activities. The broad range of activities address poverty and as such, provide ample opportunities to develop different approaches, promote good practices and trigger a range of ideas for improved well-being in these very remote villages.

This Inception Report describes the specific achievements of the Completion Phase's Inception Period (March – June 2016). It also proposes both thematic and operational approaches for the whole Phase.

The implementation of the Annual Work Plan (AWP) of FY 2072/2073 has continued through the inception period. The target populations for this period include 45,000 beneficiaries of water supply, 4,300 beneficiaries of Multiple Use Water Systems (MUS) and 3,100 beneficiaries of irrigation. The achievement of these targets will be reported in the Annual Report of FY2072/2073. In addition to the regular project work, the specific tasks assigned to project for inception have been completed (except the controversial transfer of Project office to Dadeldhura) and all the documents requested were submitted for the approval of the 2nd Supervisory Board Meeting (SvB) together with this Inception Report.

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LIST OF ABBREVIATIONS

AEPC	Alternative Energy Promotion Centre
AWP	Annual Work Plan
CBO	Community Based Organization
CCA	Climate Change Adaptation
DADO	District Agriculture Development Office
DDC	District Development Committee
DMC	District Management Committee
DoLIDAR	Department of Local Infrastructure Development and Agricultural Roads
DRR	Disaster Risk Reduction
DTO	District Technical Office
DWASHCC	District WASH Coordination Committee
DWRDF	District Water Resource Development Fund
ESAP	Energy Sector Assistance Programme
EU	European Union
EUR	Euro
FY	Fiscal Year
GESI	Gender and Social Inclusion
GOF	Government of Finland
GON	Government of Nepal
HDI	Human Development Index
HPI	Human Poverty Index
HRBA	Human Rights Based Approach
HRD	Human Resource Development
LAPA	Local plan of Action for Adaptation
MIS	Management Information System
MoFALD	Ministry of Federal Affairs and Local Development
MOU	Memorandum of Understanding
MUS	Multiple Use Water System
NPD	National Project Director
NPR	Nepalese rupee
ODF	Open Defaecation Free
O&M	Operation and Maintenance
PoCo	Post-Construction Phase in RVWRMP
PSU	Project Support Unit
REDP	Rural Energy Development Programme
REFEL	Renewable Energy Technologies for Enhancing Rural Livelihoods
RVWRMP	Rural Village Water Resources Management Project
RWSSP-WN	Rural Water Supply and Sanitation Project – West Nepal
SC	Steering Committee
SDG	Sustainable Development Goal
SO	Support Organisation
SP	Support Person
SvB	Supervisory Board
TA	Technical Assistance
TOR	Terms of Reference
UC	User Committee (water, sanitation, micro-hydro, irrigation, etc)
VDC	Village Development Committee
VWASHCC	VDC WASH Coordination Committee
WASH	Water supply, sanitation and hygiene
WFP	World Food Programme
WRA	Water Resources Adviser
WSP	Water Safety Plan
WUSC	Water and Sanitation Users Committee
WUMP	Water Use Master Plan

1. INTRODUCTION AND PROJECT DESCRIPTION

1.1 Project Background

The Rural Village Water Resources Management Project (RVWRMP), in its third and completion phase, is supported by the Government of Nepal (GON) and the Government of Finland (GOF). Additional inputs are expected from the European Union (EU), but this is not confirmed yet. The Finnish support is a continuation of financial and technical support that has been provided to the water sector in Nepal since 1989. RVWRMP started in October 2006 and its Phase I ran until the end of August 2010, followed by the Phase II until February 2016.

The overall objective of RVWRMP III is 'improved health and reduced poverty within the project working area', which consists of nine hilly and mountainous districts of Far and Mid Western Nepal (Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Darchula, Doti and Humla). In addition the project covers six hilly Village Development Committees (VDCs) in Kailali district. The total population of the project area is approximately 1.67 million.

RVWRMP is a water resources management project, which in addition to water supply and sanitation, supports community-based irrigation, micro-hydro power, improved cooking stoves and water mills, a number of environmental improvements, as well as food security, nutrition, sustainable livelihoods and institutional capacity building activities. The broad range of activities address poverty and as such, provide ample opportunities to develop different approaches, promote good practices and trigger a range of ideas for improved well-being in these very remote villages.

As the project preparation mission of RVWRMP III took place in May-July 2014, the Phase III Draft Final Project Document (dated October 2015) is quite outdated. Many of its facts relate to July 2014 after which many important political changes have taken place and hundreds of earthquakes have hit Nepal. Also the sanitation movement (ODF declarations at VDC level) has advanced greatly.

The final project document presented for the approval of Supervisory Board assumes a contribution of 20 MEUR from the EU, whereby the contributions of different parties are expected to be EU - 20 MEUR, GOF - 15 MEUR, GON (including GON livelihood partners, DDCs and VDCs) - 20 MEUR, and the beneficiaries in cash and in kind - 14 MEUR, totalling 69 MEUR.

As a result of the work in Phase I and II of RVWRMP there are only 34 open defaecation VDCs in the project working area. Achham, Bajhang, Bajura, Dadeldhura and Dailekh have already been declared as Open Defaecation Free (ODF) districts. Doti and Baitadi will also be declared ODF during 2016, and Darchula and Humla in 2017, all in time to contribute to the national target. All six VDCs in Kailali are ODF, the last of them (Sugarkhal) was declared ODF during the Inception Period on 1.4.2016.

The achievements in water supply, irrigation and micro-hydro construction have been remarkable. Moreover, the promising activities in livelihoods through Community Based Organizations (CBO) and cooperatives are very encouraging and support will be continued and expanded in the Completion Phase. RVWRMP applies a community-based approach to rural water service delivery, operating through district-based projects (through the local governments), each district representing a project of its own right with its own management committee (DMC) and District Water Resources Development Fund (DWRDF) in each district.

The following figures summarize the number of beneficiaries of some services provided in Phase I and II.

Table 1: Number of Beneficiaries in RVWRMP Phase I and II

	PHASE I	PHASE II	TOTAL
Drinking water supply	98,962	143,942	242,904
Basic sanitation (household toilets)	104,335	358,417	462,752
Irrigation	9,176	27,980	37,156
Energy through micro-hydro	9,329	41,084	50,413
Improved Cooking Stoves		66,696	66,696
Home gardens		64,546	164,546

This Inception Report describes the specific achievements of the Completion Phase's Inception Period (March – June 2016). It also proposes both thematic and operational approaches for the whole Phase. As the Annual Work Plan for FY 2073/074 starting on 16 of July 2016 is presented to the same Supervisory Board (SvB) meeting for approval, no issues of work planning are dealt in this report. This report does not either provide information on technical progress during the inception period, which will be reported in regular project reporting (Annual Report of FY 2072/073), but rather takes a comprehensive look on the whole Completion Phase period and proposes some adjustments that are needed for the successful implementation

1.2 Overall Objective and Purpose

The Overall Objective (or Goal) of RVWRMP III is: Improved health and reduced multidimensional poverty within the project working area.

The Overall Objective concerns the well-being of the population, and is measured by improvements through indicators such as the Human Development Index (HDI) and Human Poverty Index (HPI). More specifically, it concerns measures of improved health, especially through reduced excreta-related and water borne diseases and improved dietary nutrition through enhanced food security and the ability of citizens to earn an income to pay for basic household goods.

The Project is designed to improve health and enhance the local economy through three result areas of intervention. The Purpose of the Project is to **achieve universal coverage of water supply and sanitation, and establishment of functional planning and implementation frameworks for all water uses and livelihoods promotion in the project area.**

The Indicators of Achievement in Logical Framework are indicative only because the selection and prioritisation of project investments for *Result Area 1: WASH* and *Result Area 2: Livelihoods* is decided within the VDCs and their prioritisation both within and between different investments is the subject of local consensual agreements. For *Result Area 3: Institutionalised Capacity of GoN*, the improvements to local government performance depends on the adequate resources and staff being available.

The evidence from Phase II shows that local meetings have prioritised WASH project investments over and above livelihoods investments. This demonstrates the high value that citizen groups in the region place on access to drinking water.

1.3 Contribution to National Goals

RVWRMP III is designed to advance the support of GOF and EU to the GON's development policies regarding the establishment of broad-based, inclusive sustainable economic growth. GON has set specific goals of universal coverage to be reached in many of the sub-sectors where RVWRMP III work; drinking water supply, sanitation (household toilets), energy supply, supply of clean household cooking solutions. All these goals have originally 2017 as their target year. The project area will reach the target of universal coverage of sanitation (household toilets) by 2017 though the whole country won't. This is a remarkable achievement as the project area is the remotest and poorest in the country. Other three goals remain challenging, but the project does its best to achieve them in its lifetime.

In Nepal the vision of the GOF is to harmonise its support and cooperation with the GON and other water sector stakeholders over the coming years. Until 2018, the GOF is supporting two water projects with similar scope and objectives but also with their own distinct characteristics. It is expected that continuing close coordination and active effort in harmonizing approaches and policies between these projects can play an important role in the Nepal rural water sector development at large – and not only in WASH. These projects should be present in the national discussions and policy dialogues as one group, and work together to contribute to the future visions. Therefore, a directly operational proposal is presented in this document to bring these projects formally together.

1.4 Results

Phase III will use the same three result areas with their clusters of activities as in Phase II. These are:

- **Result #1:** Institutionalised community capacity to construct and maintain community managed water supply and adopt appropriate WASH technologies and sanitation and hygiene behaviour
- **Result #2:** Improved and sustainable nutrition, food security and sustainable income at community level through livelihoods development
- **Result #3:** GoN institutionalised capacity to continue integrated water resources planning and support to communities in implementing and maintaining WASH and livelihood activities

The numbers of beneficiaries expected from RVWRMP III are very high compared with those achieved in Phase I and Phase II. This is illustrated in the Table below.

Table 2: Comparison of Physical Targets among the Different Phases of RVWRMP

	PHASE I	PHASE II	PHASE III (planned)	TOTAL
Drinking water supply	98,962	143,942	351,000	593,904
Sanitation (household toilets)	104,335	358,417	110,000	572,752
Basic total sanitation			450,000	450,000
Institutional toilets		27,249	50,000	77,249
Irrigation	9,329	27,980	50,000	87,309
Energy through micro-hydro	9,176	41,084	40,000	90,260
Improved Cooking Stoves		66,696	480,000	546,696
Improved Water Mills		14,685	30,000	44,685
Home gardens		164,546	275,000	439,546
Cooperative shareholders		10,935	40,000	50,935

Applying the beneficiary equivalent calculation, which was the practice in the Phase II; the target of RVWRMP III is about 3.5 Million Beneficiary Equivalents, as compared to the achievement of RVWRMP II 1.77 Million Beneficiary Equivalents, i.e. the number beneficiaries of RVWRMP III is expected to be double that of RVWRMP II.

In addition RVWRMP III is expected to contribute substantial efforts in watershed management and construction of gravity ropeways, which will require major inputs but the number of beneficiaries is not easy to estimate in advance. Therefore, these activities have been left out from the beneficiary calculations.

1.5 Indicators

The entire logical framework table was changed to match with the table used by EU. The draft project document used the logical framework table of MFA Manual on Bilateral Cooperation (2011), whereas EU used a different table for RVWRMP III approval process. It was assessed that project reporting will be too much complicated if there are two different tables in use. After careful consideration, it was decided that the table introduced by EU will be used. This table is in use in MFA as well; for example the appraisal of RVWRMP III used it.

During the inception period the indicators have been modified in consultation with the Project staff. The major reason for modifications of an indicator was that it should be more measurable, to meet the EU criteria, and/or to be in line with the Finland–Nepal Country Program log frame.

The major changes are:

- Overall objective indicators:

- The indicator for measuring undernutrition and underweight was made more accurate, since the District Health Offices collect undernutrition related data only for children under the age of five.
- The indicator for disparity between the worst and best served VDCs has been removed since the Project is targeting almost all the VDCs in the third phase, hence such a comparison wouldn't make sense.
- Result # 1:
 - The target percentages in the original result indicator 1.1 have been increased with the intention of making the targets more ambitious. The 20% in cash and kind targeted in the original version is the requirement of the GON. With it the required users' contribution at the project level will not be reached, therefore, the target was set higher.
 - The new indicator 1.11 has been added to include women's use of toilets during menstruation, which is now in line with the Finnish Country Program indicator. The purpose is to address harmful cultural practices regarding women during their periods.
 - The indicator for Water Safety Plans (1.4) was added in order for the log frame to be in line with the EU log frame.
- Result # 2:
 - Some new indicators were added under Result two in order to quantify the income generating activities for livelihoods beneficiaries and the cooperatives' self sufficiency.
 - Also the target to have 50% representation of women in the leadership posts was added with the purpose of mainstreaming the gender issues.
 - Some indicators have been added in order to be aligned with the EU Log frame.
- Result # 3:
 - Result three has been modified and an indicator added in such a way that the imminent federal structure is considered.
 - The indicator 3.2 has been added to focus more on the possible transition to federal structure, where it is important to engage the provincial authorities from the beginning.
 - Two new indicators have been added to measure the commitment and ownership of the DDCs and VDCs respectively

1.6 Major changes introduced to the Draft Project Document

Project districts and the project area: It is appreciated that the project area is now limited to the hilly areas of the participating districts, which makes RVWRMP III more compact in its activities than the previous phases. The Project document, however, was not consistent with the number of project districts, which varied from eight to ten (in some parts Kailali and/or Dailekh were excluded). The present project document establishes that the project area covers districts of Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Darchula, Doti, Humla and the six hilly VDCs of Kailali (Sahajpur, Khairala, Pandaun, Mahaniyal, Sugarkhal and Nigali).

This is the project area referred both in the overall objective and the purpose of the project document. According to the Census 2011, the total population of project area is 1.67 Million.

All ten districts are considered to be project districts. The investment funds to project VDCs cannot be channelled without involvement of the respective DDC. Therefore, Kailali needs to be a project district as long as its VDCs are receiving support from RVWRMP III.

Budget. The project budget estimate reflects the information available at 15.5.2016. The total budget is 69 MEUR, out of which the cash contribution is expected to be 55.7 MEUR.

RVWRMP II Phased out VDCs. By the end of RVWRMP II the project activities in 52 VDCs were formally phased out through implementation of robust exit plans. These VDCs are all ODF and their water supply coverage is on average 99%. RVWRMP III will continue to work in these VDCs only to provide assistance for total sanitation campaigning, functionality monitoring and supporting VDC and community to liaise with funding agencies to support in major repair and maintenance work of existing schemes through WUMP marketing workshops at district level.

Livelihoods. With the engagement of EU to support livelihoods activities, their scope can be wider, i.e. they need not to be strictly water resources based. This is now reflected in the formulation of the Result 2 and in the text of the Project Document.

Future of districts. The role of Districts in the future federal system is still to be defined. Therefore, it is felt that Result 3 should not be limited to the capacity building of districts only but of GoN in general, including capacity building of the emerging provinces. This has now been reflected in the formulation of Result 3 and in appropriate places in the text.

Participation of EU in SvB and SC. The Delegation of EU has been included in the list of participants of both Supervisory Board and Steering Committee.

Project timelines and deadlines. As the project started half a year later than planned and its period will be extended by one and half years due to the EU participation, the timelines and deadlines indicated in the Project Document have been postponed by a year on average.

Solar energy is included in the menu of potential services by RVWRMP III. A recent research by Tampere University of Technology shows that in providing the basic services (lighting, communication, etc.) the smaller micro-hydro plants (less than 40 kW) are not competitive with solar energy systems.

PSU/PCO location: Project Coordination Office to be based in Dhangadhi. The technical staff of Project Support Unit whose work is not directly connected with Project Coordination office, will be moved to Dadeldhura. (SVB decision 29.06.2016).

The project will continue working on the basis of the existing draft Project Document (15.10.2015) until the revised one is approved by the Project Supervisory Board. The Project Document will be approved after receiving final confirmation from EU on final confirmation of funding for RVWRMP.

2. PROPOSED THEMATIC APPROACHES

2.1 Background to Thematic Approaches

This chapter elaborates approaches to *selected thematic areas only*. This Inception Report appreciates the definition of thematic approaches in the Draft Final Project Document and therefore, in this chapter no changes are proposed but rather the following are complementary comments on thematic issues. In May 2016 a number

of thematic issues are still being developed through a participatory process in close interaction with a range of stakeholders. Consequently the chapters below make no attempt to cover it all. Rather, these are entry points, with number of other thematic issues to be presented later on. All thematic approaches will remain 'work in progress' throughout the project, keeping them dynamic and responsive to the real life experience and changing policy environment.

RVWRMP Phase III builds largely on the Phase I and Phase II approaches and processes. At the same time there are a large number of lessons learned from these phases.

It is also acknowledged that DoLIDAR is in the process of aligning WASH approaches to contribute to the implementation of WASH Sector Development Plan, which is in its final stages and will be implemented from 16th July 2016. RVWRMP is contributing to this process. Over the longer term, aligning approaches within the Finnish supported projects and across the other sector stakeholders will remain in the agenda. This is closely related to the long term vision of a more programmatic approach to the sector.

2.2 Climate Change Mitigation and Adaptation

The Nepal Himalaya is considered to be the youngest mountain system in the world. Its upheaval has not completely ceased and small spasmodic rises still occur, making the Nepal Himalaya relatively unstable and susceptible to human activities. The average annual rainfall of the country is about 1,530 millimetres (mm) with sharp spatial and temporal variations in rainfall. Rainfall distribution varies in both north-south and east-west directions. The monsoon rain which accounts for 80% of the total rainfall is more intense in the east and goes on declining westwards, while the winter rain falls heavily in the north-west and goes on declining to the south-east. While Eastern Nepal receives approximately 2,500 mm of rain annually, Far Western Nepal receives 1,000 mm. Generally, it is expected that climatic changes will lead to reductions in both the quality and quantity of natural resources which the poor depend on.

The uncertainties related to climate change and related scenarios make the prediction of long-term climate change effects on the water sector difficult. It can be anticipated that climate change will affect both the quantity and the quality of available water. In addition, the infrastructure itself is at risk: many present structures are already now damaged or made temporarily unusable by extreme weather events including seasonally repeating landslides and floods. At the watershed level, changes in the availability and quality of water are likely to exacerbate existing or latent conflicts between various communities and types of water users: there are already now water source conflicts which may trigger also new conflict situations. The specific impacts include disruption to agricultural production, reduced food security, increased malnutrition through drought, reduced access to clean water, more favourable conditions for the spread of vector-borne diseases, increased heat stress and more diarrhoeal diseases; all directly relevant concerns for a water resources management project. The Draft Final Project Document outlined the thematic areas and issues in highly useful manner.

Extreme weather conditions have already been observed in the Far Western and Mid Western Nepal in past years, for instance the "winter rains" have been virtually absent in the Project area, and atypically heavy rains in early June 2013 resulted in flooding, landslides and loss of lives in the region. This phenomenon has its repercussions on a number of things. Poor or absent winter rains hamper the farmer's chance to harvest the winter crop, which has been traditionally rain fed. This naturally impacts the household's well-being and food security. Anecdotal, interest in rainwater harvesting has reduced, although project staff believe that is based on misconception. On the contrary, the Project needs to look into wider rainwater harvesting applications and possibly revive some indigenous technologies, such as rainwater harvesting ponds ("pokhari") to support crop production or watering livestock during winter.

The project area is highly prone to frequent natural disasters. As various climate change scenarios assume an increased incidence of adverse weather events in the future, it is therefore assumed that natural disasters will also increase. Mid and Far Western regions are already by natural character water scarce, fragile and prone to landslides, the monsoon approaching from the east appearing more weak in the Far West than in the other regions of Nepal. This natural condition is further exacerbated by human activities, such as land use changes, deforestation, over-grazing, haphazard road cutting and other forms of environmental exploitation and unplanned (infrastructure) activities. All these exacerbate poverty and environmental degradation, and undermine numerous development efforts in the region. The project recognizes these linkages, and places disaster risk reduction and response in the context of both adaptation and mitigation of climate change in directly operational, tangible ways.

Disaster Risk Reduction (DRR) is a highly applicable concept for the project area. Disaster risk is a function of the hazard characteristic (intensity/severity) and the extent of community's vulnerability. If the capacity of the society to manage risk is high, then the risk is reduced. Management consists of disaster prevention, mitigation, preparedness, emergency response, disaster relief, disaster recovery and rehabilitation. At this moment the capacity to manage even minor disasters in Mid and Far Western Regions is very low. RVWRMP approaches DRR by increasing people's capacity to manage hazards, both in terms of disaster mitigation and disaster preparedness. At the same time the project has assisted in rehabilitation of damaged infrastructure and in empowering the Water Users Committees and VDC-level Water Resources Management Committees to manage risks. The project has addressed emergency response and disaster relief through district-wise joint efforts, especially in the context of diarrhoea outbreaks which tend to take their toll on both Mid and Far Western regions seasonally.

Climate change is one of the key strategic areas in the Project. The proposed approach to climate change pays attention to both mitigation and adaptation: RVWRMP prioritizes strengthening the resilience and adaptive capacity of communities and local economies to climate risks. Both climate change adaptation and mitigation link to disaster risk management and watershed protection with environmental dimensions (including soil conservation, stabilization and rainwater harvesting applications). As the Project works in a number of sectors, it is in a position to address the challenge from various perspectives through its capacity building, livelihoods development and water resources management (and related infrastructure) work. Disaster risk reduction and considerations related to climate change adaptation and mitigation add a long term future dimension into the present time work.

Whatever is being done must have a direct tangible benefit for the poor remote communities and their livelihoods. It is therefore not recommended to get involved in scientific hydro-meteorological or other studies requiring rigorous academic attention and equipment, but rather leave these for the scientific institutions and research programmes, such as those conducted by IWMI and ICIMOD. The Project should keep its focus in poor remote communities and therefore, any studies should be conducted at the district and community level with the ultimate aim of exploring and innovating new tangible ways of tackling the present and future challenges.

Springshed and watershed issues need even more consideration than in the previous phases, for instance by increasing attention to rainwater recharge and soil conservation structures within WUMPs. CCA/DRR risk analysis is part of the WUMP process and risks are addressed while designing the schemes. WUMPs will be merged with Local Adaptation Plans for Action (LAPAs), if available, to become more climate resilient. The concept of 3R (Recharge, Retention and Reuse) will continue to be utilized to safeguard the quality and quantity of water and the conservation of water sources.

Livelihoods activities play an important role in CCA. Encouraging low-input agriculture and the efficient use of water in home gardening (drip irrigation, using tap stand flow for small irrigation, and other water smart practices) have proven highly effective in Phase II, as have multiple-use water systems, and these will continue in Phase III. Environmental impact will be considered as part of regular scheme preparation process. 'Do no harm' is the minimum criteria.

2.3 Capacity Building Approach

Capacity Building Guidelines have been developed during the Inception Period, to ensure uniformity within RVWRMP while implementing capacity development activities at all levels (community, district and central) of the Project.

Capacity building in its many forms and at many levels is at the core of the approach to all result areas. There are many practices and activities which support and/or have direct impact on different Result Areas. Capacity development is considered as a necessarily endogenous process, strongly led from within a country, with donors playing a supporting role. Therefore, all actions listed below are deeply rooted in close cooperation and collaboration with the ultimate beneficiaries at village and district levels. Approaches and individual activities aiming at the different results and impacts are ultimately built in people's needs, priorities, aspirations and also limitations: low availability of skilled human resources and low educational status and illiteracy are characteristic of Mid and Far Western regions. Hence, capacity building activities can be found in all results areas. At the activity level capacity building can be classified into two broad categories:

- Awareness creation and skill enhancement through sensitisation, mass meetings, orientation and observation and study tours
- Human resources development through various kinds of training (workshops, seminars, on-the-job training, learning by doing, etc.)

The Project contributes to capacity building at four levels: central, province/region, district and community.

At the central level, the Ministry of Federal Affairs and Local Development (MoFALD) and its Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR) co-ordinates with concerned organisations to develop common understanding and develop capacities to undertake integrated water resource management, public health and integrating livelihood improvement into the development of rural infrastructure. Specific activities include regular meetings, national level workshops and exposure visits for the Steering Committee members and others. Furthermore, participation in the annual Joint WASH Sector Review, Sector Stakeholder Group and its thematic groups to the extent possible is seen to be fundamental after experiences gained in implementation of the previous phases of RVWRMP and RWSSP-WN.

As the new administrative structure is still unclear, it is problematic to comment on what capacity building will take place at **provincial and Village/Municipal Council level**, however, the project recognises that this will change over time. This is also reflected in the indicators under Result 3.

At the district level, activities focus on building the capacity of District Technical Office (DTO) of each District Development Committee (DDC) to plan and support both WASH and livelihoods schemes. DDCs and District Management Committees (DMCs) are supported to integrate the maximum use of the expertise of line agencies. For all of them, orientations shall be organised on a regular basis, also taking into account frequent staff transfers at district line agency offices. The capacity of DTOs and DDCs to handle the Project is enhanced through the operational guidelines prepared by RVWRMP. Due to the increased work load and much wider geographical area, along with proportionally less technical assistance, RVWRMP III has to rely more on Support Organizations (SOs) and Support Persons (SPs) at district level. New SOs and SPs need to be hired and they will be oriented (or re-oriented) to the objectives, working approaches and working guidelines of RVWRMP III. Acceptance and adoption of HRBA&GESI and other strategies and knowledge will be ensured. The **Code of Conduct for the SOs and field staff** was developed during the Phase II to further clarify the expectations from the Project side. Orientation will also be given to the VDC Secretary and technician on, for instance, planning, implementation and monitoring of activities. Female Community Health Volunteers and school teachers need to be trained on sanitation and hygiene

awareness and approaches, while livestock and agriculture extension workers need training on multiple-use systems and livelihoods works.

At the community level, RVWRMP supports capacity development in several ways, particularly:

- Skills and capacities to run community organisations and co-operatives (organisational development, leadership, group dynamics, management, book-keeping, savings and credit operations, etc.);
- Skills to implement, operate and manage water and sanitation and other small infrastructure and technologies (small and mini irrigation, agro-processing, essential oil distillation plants, mill operating, improved water mills, improved cooking stove, micro-hydro, etc.);
- Skills and knowledge to carry out income generation activities – entrepreneurship development in agriculture, livestock, forestry, etc.; and
- Skills and knowledge to develop behavioural change for sanitation and hygiene.

Capabilities are also enhanced as a result of the Project processes, which involve the community at every stage, revolving around participation, transparency, consensus decision-making, benefit sharing, empowerment and good governance. Additionally, the Project will to the extent possible strive to strengthen the community based organisations and strengthen their ownership by making them signatories to various contractual arrangements within the Project - for example in contracts between the community and manufacturer, contracts between the community and RVWRMP.

2.4 Human Rights Based Approach (HRBA)

Nepal ratified the Right to Water and Sanitation in 2010. In addition, the right to live in a hygienic place, and the right to water and sanitation are among many rights referred to in the Constitution of 2015.

The right to water can be defined as the right of everyone to *sufficient, safe, acceptable and physically accessible and affordable water for personal and domestic uses*. RVWRMP is applying the Nepali national standards for water supply wherever possible (though recognising that some aspects may be aspirational, when there is, for instance, simply not enough water available in a geographic area).

With regard to sanitation the right is defined as *access to sanitation which is safe, hygienic, secure, socially and culturally acceptable, provides privacy & ensures dignity*. This has a clear link, for instance, to the Logframe indicator regarding the use of toilets by menstruating women.

The Right to Water and Sanitation also considers cross-cutting criteria of *non-discrimination, participation, accountability, impact, sustainability*. These are critical for the functionality of the water schemes, and the successful achievement of the project objectives.

The Constitution refers extensively to human rights, including the Right to Food. According to the United Nations, the right requires a *quantity and quality of food sufficient to satisfy the dietary needs of individuals, free from adverse substances, and acceptable within a given culture; and the accessibility of such food in ways that are sustainable*.

A central dynamic is identifying root causes of poverty, empowering rights-holders to claim their rights, training them on their responsibilities, and enabling duty-bearers (public institutions, including VDC/V-WASH-CC and DDC/DTO/D-WASH-CC) to meet their obligations. The project is applying a HRBA, with capacity building, mainstreaming throughout all project guidelines and activities, and targeted actions for particular issues (eg.

menstruation-related issues, or access of people with disabilities to toilets). For example, we will apply some of the following steps:

- The Human Rights Based Approach and Gender Equality & Social Inclusion (GESI) Strategy and Action Plan has been developed with both RWSSP-WN and RVWRMP. This will continue to be mainstreamed across all project policies, practices and activities in Phase III.
- We will continue to ensure that the principles of HRBA are well known and applied by the TA team & associated staff, including issues such as participation, empowerment, non-discrimination and inclusion.
- The WUMP process is already a HRBA in action, reaching the most remote clusters and ensuring consultation of all. There are steps to empower the disadvantaged groups and women to make their voices heard when the plans are prioritized at the VDC level, including confidence building workshops. We will continue to work through Ward Citizen Forums and within LGCDP to ensure that the principles get institutionalized into permanent structures in VDC level planning systems.
- Link as much as possible to Nepali national strategies on pro-poor initiatives.
- Maintain a transparent & accountable approach to all activities, sharing information with all. In practice this means that MIS and baseline are established as soon as possible, the field monitoring at VDC level is begun, and activities such as periodical joint monitoring of the district funds are practiced, similarly to RVWRMP II and RWSSP-WN II.
- Empower communities to take direct responsibility for themselves so that they resort to state assistance only where necessary - building capacity of home garden groups, cooperatives, V-WASH-CCs/VDCs and WUSCs to act.

2.5 Gender and Social Inclusion (GESI)

Gender and social inclusion principles, similarly to the call for participation, transparency, accountability and other characteristics of good governance, ***continue to be non-negotiable cross-cutting principles*** and something that are often not addressed automatically without specific, targeted external effort and insistence, follow up and even enforcement. The potential for positive change does exist but in Mid and Far West the process appears to be very slow in this regard. Overall, water and sanitation sector has developed excellent practices and tools to address gender. Yet, social inclusion is yet to be seriously addressed: many tools can be shared but something has to be added to address the political and religious dimension. RVWRMP GESI Strategy and related tools & indicators have a lot of potential but need to be improved now that there are real life, first hand experiences on what works and what does not, considering the highly challenging socio-cultural environment in Mid and Far Western Nepal.

In previous phases specific GESI events and campaigns operated within the domain of health, hygiene and sanitation, but there is unused potential under other thematic sectors as well. This is also recognized by the Phase III Draft Final Project Document, which introduces the log frame for three results areas and many of the indicators have a GESI-related dimension

2.6 Sanitation, Hygiene and Health

Sanitation and hygiene are considered intrinsically linked and have various layers of complex challenges: political, institutional, financial, social, cultural, technical, environmental, behavioural, psychological, and even religious. Therefore, sanitation and hygiene are not only about technology, but have a strong behavioural and psychological dimension. Both are about very personal, intimate practices. Practices, which at the same time can have a profound impact on other people: family, school, neighbourhood, and community at large. There are a number of internal and external constraints that limit people's choices and influence their behaviour, from very practical questions relating to property and land ownership to a range of issues that characterize desperate

poverty. Remote poor rural communities living from subsistence farming in water scarce and food deficient Far and Mid Western Nepal have a range of pressing needs. Any programme aiming to improve the quality of life in these villages has to be sensitive to these basic needs and understand priorities and the underlying coping mechanisms, culture and behaviour.

RVWRMP Phase III is guided by the national policies and plans, including: National Sanitation Master Plan and WASH Sector Development Plan at national level and the regional "Aligning for Action to make Diarrhoea Epidemics History - Comprehensive and Accelerated Sanitation and Hygiene (CASH) Promotion Program in the Far and Mid Western Region".

Aligning with national and regional efforts, RVWRMP will not forget its focus on VDCs and the expected results therein. Therefore, the approach has to operate at several levels: regional, district/province and VDC, and the allocation of both human and financial resources therein have to be balanced between the policy, capacity building and scheme-level activities. There are also a large number of lessons learned and recommendation with regards to sanitation and hygiene from the previous phases. All these will be used in revamping the existing Environmental Sanitation Guidelines and in aligning the practice with the broader regional and national efforts and policies. As is indicated several times earlier, Mid and Far Western Nepal differ from the rest of Nepal in many ways and hence, national standards and guidelines for sanitation and hygiene have to be adapted both regionally and within the districts.

RVWRMP Phase III continues to support district Water, Sanitation and Hygiene (WASH) strategies and plans which have been prepared by the district WASH Committees. RVWRMP strongly supports their operationalization also for drinking water supply, yet, without losing the focus on the specific working VDCs which all should strive for Basic Total Sanitation.

2.7 Nutrition and Food Security

Nutrition and food security are crucial parts of sustainable development. The Far and Mid Western Regions are the least developed regions in Nepal. Out of the 24 districts in these regions, 14 are facing regular food deficits and are depending on external support to feed their population.

The present GOF Development Policy of 2016 pays much more attention to food security than the previous development policies: It subscribes the Agenda 2030 and the Sustainable Development Goals (SDG), where eradication of hunger and achievement of food security is presented as the SDG N° 2. Food security, together with water supply and sanitation, forms also one of the four special emphasis areas of the Development Policy. The Constitution of Nepal 2015 also makes a special reference to right to food.

Food security can be divided into three components: ***food availability, food access and food utilization***. *Food availability* is the sum of domestic production, imports (both commercial and food aid) and changes in national stock. *Food access* is defined as a measure of people's entitlement to food, which is the amount they can either produce, purchase or otherwise receive. *Food utilization* relates to the capacity of an individual to absorb and utilize the nutrients in the food s/he consumes, and is determined by practices, beliefs, eating habits, hygiene, sanitation and health.

Food insecurity leads to malnutrition, which is a complex problem. The forms of malnutrition are ***wasting, stunting, and underweight***. *Wasting* is an acute form of malnutrition that reflects a recent and severe process that has led to substantial weight loss. This is usually the result of starvation and/or disease. *Stunting* is a chronic state, which reflects the long-term nutritional situation of a population. It is calculated by comparing the height-for-age of a child with a reference population of well-nourished and healthy children. *Underweight* is measured

by comparing the weight-for-age of a child with a reference population of well-nourished and healthy children. The form of malnutrition differs in different regions: stunting is more common in hill and mountain regions when wasting is found commonly in Terai. As well as the physical impacts of malnutrition, there is a serious risk of intellectual impairment for children, which can set them back for life. If stunting takes place with children less than three years of age, its consequences may be irreversible.

Waterborne diseases and inadequate food intake are main causes of malnutrition. Contaminated water sources and therefore unclean drinking water or inadequate hand washing practices can cause different kinds of waterborne diseases. Improving this situation with safe water management supports good nutrition and is one factor towards achieving a healthy and nourished childhood. The main causes of inadequate food intake are insufficient food, inadequate knowledge on nutrition, lack of feeding time, gender discrimination and different kinds of food taboos. Home gardening as a part of the livelihood approach can eliminate these causes where more crop varieties and traditional species are promoted. Raised awareness of nutrition and consumption can hinder gender discrimination and resolve food taboos.

With increased inputs in Component 2, **RVWRMP enhances nutrition as a thematic area in the Phase III** linking nutrition, agriculture, water and health in all nutrition related project activities. Nutrition should be taken into consideration in all levels: provincial/regional, district and community. This means cooperation with UNICEF, World Food Programme (WFP), District Agriculture Development Office (DADO) and other organizations and agencies. The proposed approach for nutrition in RVWRMP is presented in the Figure 1. The aim of the intervention is simply to turn a malnourished child into a healthy, nourished child. Within this conceptual framework RVWRMP has a range of options, yet, **it is important all these actions are conducted in an integrated manner**. Below, the role of every component is discussed in detail from the nutrition point of view:

Role of Integrated Water Resources Management: The main role of the component of Water Resources Management is to provide clean drinking water to prevent waterborne diseases and so support the nutrition and health of the target group. This work was implemented successfully already in previous Phases and will continue in Phase III. In the VDCs which have the highest potential, water resources management can provide also other options such as irrigation and various multiple-use systems. Home gardening for the family's own needs does not necessarily need irrigation but where irrigation systems are built, the role of education and awareness should always be considered: families should be discouraged to sell any products out from the household before their own nutritional needs are met.

Role of health, hygiene and sanitation: The component of Nutrition, Sanitation and Health has concentrated in improving sanitation facilities and increasing hand washing practices during Phase II. This will continue in Phase III as an integral part of the nutrition related trainings and will have a positive effect on the cycle of waterborne diseases. This will include school-based programmes and trainings, to improve knowledge and achieve behaviour change. In these programmes and trainings a nutrition component will be included, so the awareness of the cycle of waterborne diseases increases in the project VDCs. Children can act as change agents at home, sharing their knowledge on a range of topics. Schools will also be encouraged to adopt a school garden, in order to reinforce the messages of healthy food production and technologies (see the Livelihoods Guidelines).

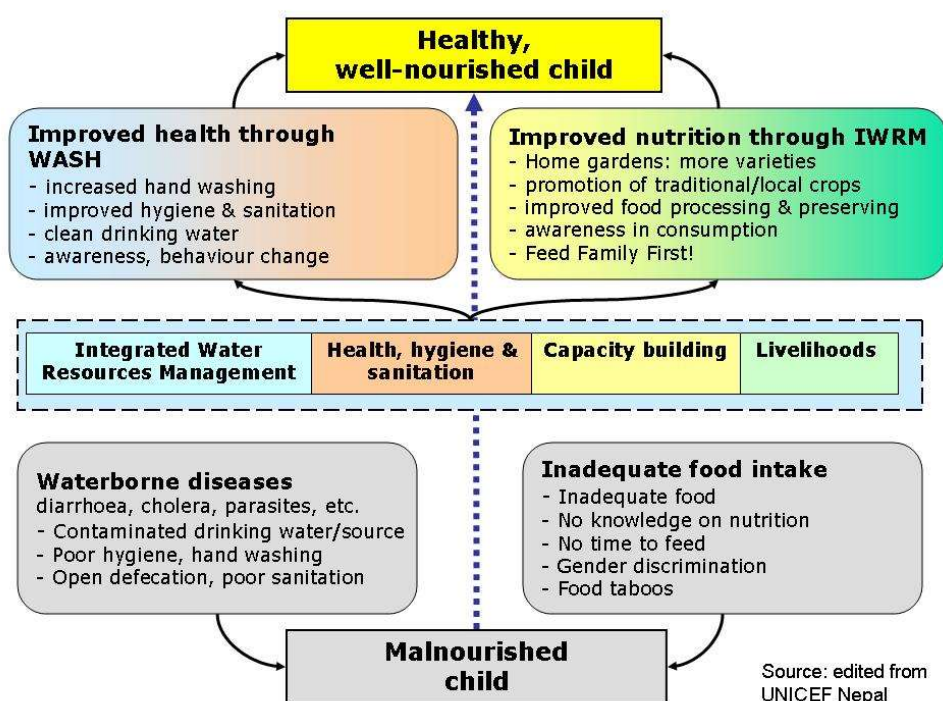


Figure 1. RVWRMP approach to nutrition and food security

In all VDCs the message of awareness should be very clear: **Feed Family First**. This means that households should make sure that they meet their own nutritional need before they sell any products outside. The family and its needs should come first, not the market value of the crop or the money. Even though households are the main target group for this nutrition training, *awareness programmes should be implemented in schools* - for example, among teachers.

Role of Livelihoods: within the livelihoods component the most important focus for improved nutrition are the home gardens. As in the Phase II, they should be established in every household in every Project VDC. With these gardens it is possible to expand the varieties of vegetables and fruits, promote the traditional products and so improve the nutrition of all the household members.

Implementation plan: All nutrition related trainings will be directly linked to so-called "Homegarden Groups" where beneficiaries will be trained to grow mainly nutritious crops for home consumption and simultaneously learn about nutrition and how to prepare nutritious meals. Sanitation and health trainings will be integrated in the nutrition training modules. Special emphasis will be given to pregnant women and children in the first 1,000 days. Support Organizations and Support Persons will be contracted to implement most of the work on the ground, managed by project staff.

2.8 Sustainable Livelihoods

As stated in the Project Document some livelihoods activities will become integral part of drinking water supply schemes. Unless there are specific reasons (e.g. the yield of the water source is extremely limited or the families in the cluster don't own any land) the home garden establishment will be an integral part of the construction of

the water supply scheme. All households involved in project core VDC will have functional home gardens covering at least seasonal vegetables, spices, fodder and fruits.

The general principles and approaches of sustainable livelihoods result area will be:

- All activities should be socially, environmentally, economically and institutionally sustainable.
- The project should work with a range of partners, but particularly government and community structures that will remain after the project ends.
- Consideration must always be given to vulnerability when planning activities – flood, drought, landslide, climate change, etc. For instance, analysis of the risks for landslides damaging water canals, and planning for protection works and responses.
- Prioritisation of the HRBA & GESI approach – this is a crosscutting objective in the project.
- Incorporation of appropriate and renewable energy technologies wherever possible.

The potential funding from the EU will also strengthen this theme, including via support to irrigation, renewable energy and cooperative development.

All these will be driven by the community itself, taking into account the (basic) needs and interests within the framework of RVWRMP menu of options. This does not mean that anything the community wants can be funded – for each VDC, a menu of possible activities will be set that do not overwhelm the capacities of the staff and supporting organisations, and are feasible. Within this ‘menu’, community members will have the opportunity to express their interests and wishes, bearing in mind their local knowledge and capabilities.

All sustainable livelihoods activities will be closely linked to nutrition related activities– there is not one approach that fits all. Project VDCs are ranked according to their access to roads, markets, climatic conditions and agricultural potential. Those with the most difficult circumstances will receive assistance more targeted to nutrition and food security. Better located VDCs will be offered a broader range of income generating activities. However, those VDCs in more difficult circumstances will have the opportunity to graduate to income generation after some two years of implementation, if set indicators are met. Linkages to cooperatives will be important for the high potential VDCs. The categorization of VDCs was completed to three different groups in terms of their immediate potential for sustainable livelihoods related activities:

- Most remote VDCs
- Middle range VDCs
- Most accessible VDCs with highest potential

This categorization is based on the available information in six different factors:

- Ownership and accountability
- Cohesiveness & Capital Generation by savings
- Market potential
- Agriculture potential
- Clustering; possibility to draw lessons and even direct support from the adjoining pilot VDCs for livelihoods and cooperative development
- Poverty & GESI indicators
- (Micro) Hydro potential and its end use applications

Income generating livelihoods means an advanced level of intervention implemented in the VDCs categorized as high and medium potential. It includes market oriented vegetables, end use of MH-based micro enterprises, marketing and processing.

Implementation plan: After the initial assessment of VDCs, a detailed VDC plan will be developed with all stakeholders. This will form the basis of the types of programs that will be implemented in every VDC. Except for home garden establishment and support for the introduction of Improved Cooking Stoves, project support programs may differ from VDC to VDC. Possible interventions that proved to be successful in the past are:

- > Off-season vegetable production, eg tomato, eggplant, cucumber under small-scale irrigation (drip irrigation)
- > Fodder production for stall feeding
- > Establishment of nurseries as private enterprise
- > Livelihood possibilities related to Improved Water Mills and Micro Hydro Power installations
- > Agro-Vet trainings to enable them to give better services and products
- > Leader Farmer development for sustainable extension delivery - closely linked to existing District Agriculture Development Office programs
- > Support to Cooperatives focussed on savings and credit, marketing and institutional development
- > Other vocational trainings opportunities

2.9 Renewable Energy

Hydropower, solar energy, biomass and wind energy are examples of renewable energy. The GON has been providing subsidies to deliver renewable energy services in rural areas through an autonomous government led institution mandated for rural energy promotion and development in Nepal, namely the Alternative Energy Promotion Centre (AEPC) and the projects and programmes within. AEPC provides direct financial and technical support in terms of subsidy and capacity building for planning, implementing and managing rural energy systems at district and community levels. It also encourages partnerships with the community based organizations, private sector, non-governmental organizations and other institutions for maintaining energy systems at affordable level, meeting basic quality standards, and maximizing use of energy for income generation activities.

RVWRMP Phase II worked together with AEPC and its two programmes, the Energy Sector Assistance Programme (ESAP) and the Rural Energy Development Programme (REDP). The cooperation was rewarding as due to AEPC contributions, the costs of a microhydro were less than budgeted. On the other hand, the social and technical performance of AEPC was not satisfactory and most of the projects ran behind their schedules.

There are a number of new microhydro schemes identified in the WUMPs but in FY 2072/073 AEPC has been practically absent from the project area due to its internal problems. Its capacity after a rotation of staff needs to be assessed before entering into agreements on cooperation on microhydro projects.

RVWRMP Phase III will continue to promote, introduce and support appropriate technologies that are sustainable and replicable in the rural context. The sustainability requirement includes also financial sustainability: the technology should be affordable to the users to the extent that they would be able to replace damaged or worn-out facilities latest at the end of the technical life time of the facilities. Replicability means that the technologies introduced by the Project should be able to be adopted by other than the target groups without (substantial) external support. At the same time RVWRMP must bear in mind that there are a number of projects and subsidy programmes for rural energy options. Therefore, RVWRMP Phase II has to be clear on the menu of options that

can be available within the project itself; there must be a focus and some frame of reference within which the individual schemes can be acceptable.

Proposed technical solutions and approach to renewable energy in RVWRMP III:

- Micro-Hydro Power with strong attention to end use promotion, operation and maintenance as well as sustainable (financial) management of also those schemes that were completed in Phase II.
- Improved Water Mills (IWM), including both short shaft and long shaft with attention to a range of livelihoods applications.
- Improved Cooking Stoves (ICS) (mud, metal and rocket) seeking for a range of technical options and piloting new applications, such as those with water heating attached.
- Hydraulic RAM pumps (Hydram) to raise water for both drinking and irrigation purposes.

As noted above, **solar energy** is included in the menu of potential services by RVWRMP III. Recent research shows that in providing the basic services (lighting, communication, etc.) the smaller micro-hydro plants (less than 40 kW) are not competitive with solar energy systems.

RVWRMP Phase III will not get involved in solar micro grid schemes. Yet, the project may support individual households in cases where they cannot be connected into micro-hydro grid in an otherwise fairly fully covered VDC. The project will, however, actively promote solar systems and facilitate the communities to get in contact with other programmes that provide solar systems. Solar water pump, solar cookers and solar dryers may be piloted if identified as feasible and sustainable, the latter two being closely related into the livelihoods and also nutrition thematic areas.

Improved Water Mills and Improved Cooking Stoves (ICS) were both available as technical options in Phase I and II (including via the Nordic Climate Funding for the linked REFEL project). In cases where Improved Water Mills (IWM) are promoted there should be a cluster of these being implemented together as otherwise the unit rate of support required per IWM raises too high. ICSs are household level solutions that make the use of energy (fire wood) more efficient, decrease the time taken by women for both cooking and firewood collection, and support environmental protection and soil stabilisation of the slopes. Its utilisation will be scaled up heavily from the Phase II with the priority given to remote VDCs.

RVWRMP III has two indicators that are directly related to the Renewable Energy:

- At least 50% of the energy generated by micro-hydro schemes is utilized and paid;
- At least 90% of UCs for the Project- supported 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 an affiliation with a cooperative to leverage its capital.

In addition to these project level indicators project monitoring and evaluation system collects more detailed information on beneficiaries, related capacity building and end-use applications.

It is assumed that in the Phase III the project will support 16 new micro-hydro schemes.

2.10 Post-Construction activities

Sustainable operation and maintenance (O&M) of the construction facilities is critical issue for sustainable services and is found one of the lacking part of the sector in Nepal. To ensure the sustainability of the constructed facilities, the Step-by-Step procedure was developed to involve the beneficiary community in planning, preparation,

implementation, monitoring and evaluation and each decision-making process during the course of project implementation, This develops ownership, ultimately contributing to sustainability. Further work is now continued with the Community Organizations in institutional development and income generation, as well as in scaling up livelihoods activities for food security and income.

There were a large number of lessons learned with regards to "PoCo", some of which are now being used to re-vamp the approach. It was evident that certain aspects of "PoCo" should be started earlier on, such as source protection, tariff collection and other future management practices even if the focus and main effort during the implementation phase should obviously focus on implementation. The post construction component is cross cutting issue linked with sanitation, livelihoods, environmental and health issues and micro-finance and overall institutional development at DDC, VDC and community levels. The self-governed local institutions should develop a system in confidence of all the beneficiaries so that the rule and regulation made by the UC is obeyed by all of them. Therefore, one of the objectives of the post construction phase is to sustain the developed infrastructure/schemes through strengthening UC/VDC level institutions and enabling them to improve their socio-economic conditions by networking with different development agencies and service providers. The district-level support remains vague and an area of serious attention.

From the sustainability point of view, the post construction support is mainly related to the Result 1 and Result 3. There are several relevant indicators concerning the sustainability, also the GESI balance related indicators are considered as sustainability indicators as well. The indicators proposed for Phase III will be achieved in all completed schemes if the following are in place:

- UCs (water supply, irrigation and renewable energy schemes) are able to maintain the service level, are active and collect O&M fund, which is subject to public audit at least once a year, and accumulate revenue towards future re-investment.
- VDC level institutions and human resources (VDC Secretary, technician, teachers and Female Community Health Volunteers) contribute to WASH awareness activities.
- Water Safety Plans (WSPs) prepared and implemented for each water supply scheme, including protection of intakes and procedures for monitoring and action.

Capacity building of UC: Operation and maintenance management regulation will be prepared in all schemes following the process mentioned in PoCo guidelines of RVWRMP II. VWASHCC regular reporting to DTO and VDC will be established. The annual general assembly and all other activities will be monitored. A Training Needs Assessment of UCs will be done and refresher training will be provided to UCs accordingly.

O&M plan and WSPs: Preparation of operation and maintenance plan and water safety plan and its implementation will be primary focus in post construction phase. All of the uses will be supported to formulate those plans. UCs will be trained especially in importance, formulation and implementation of water safety plans.

Involvement of DDC and other stakeholders: Based on the Memorandum of Understanding between DoLIDAR and other line departments, regular support and monitoring from the other line agencies will be managed in coordination of DDC/DMC.

Networking of UCs: Users committees will be facilitated to organize under their respective umbrella organizations such as FEDWASUN.

The baseline, including institutional, functional, and managerial aspects of the UCs, is established and it will be monitored during different UC and district level meetings and workshops. Status of the schemes, O&M fund and mobilization of UC as per operation and maintenance management regulation of UC will be monitored in periodic basis. It will be monitored through UC and SO reports. The reporting system in SO and UC will be developed in such a way that status of the fulfilment of indicators will be reported periodically.

3. PROPOSED OPERATIONAL APPROACHES

The well tested and documented operational approaches of RVWRMP II (like project management and administration structures, fund flow mechanisms, planning, monitoring, reporting etc.) will be followed and further developed in RVWRMP III in order to enhance the internal efficiency to reach the increased target populations.

3.1 Increased efficiency

As described in Chapter 1.1 RVWRMP III is expected to serve double the number of beneficiaries compared to RVWRMP II. Largely increased efficiency is expected especially in planning (100 WUMPs versus 62 WUMPs in RVWRMP II), and drinking water supply (351,000 beneficiaries versus 144,000). Yet, the most critical increase of efficiency is related to cooperative development: RVWRMP I & II combined reached to 11,000 cooperative members whereas RVWRMP III is expected to reach 40,000 new cooperative members.

The measures to increase the efficiency in these sub-sectors include:

WUMPs

- Use the standard procedure as established in the draft National WUMP guideline jointly prepared by RVWRMP II and Helvetas.
- Use the standardized and computerized formats and on-line data entry system developed and tested by RVWRMP II to facilitate field work, calculations and writing the WUMP reports. After some field trials carried out in late 2015, an efficiency increase of 15% is expected in WUMP reporting.
- Involve Helvetas as a partner in Phase III implementation and maximize the benefits of their accumulated experience in WUMP preparations

Drinking water supply

351,000 beneficiaries is a challenging target as the achievement in RVWRMP II was 144,000, but it is considered to be achievable. An additional challenge is that the schemes in the phase III will be smaller and more scattered.

The AWP for on-going fiscal year 2072/073 includes 45,000 water supply beneficiaries. Its implementation has suffered from bandhs and the subsequent trade embargo, with the result that all the schemes could not procure construction materials in time and will not be completed before the end of the year. The AWP 2073/074 will reach an additional 61,000 drinking water (or Multiple Use System - MUS) beneficiaries. In the two first years of total 106,000 beneficiaries will be reached, leaving a balance of 245,000 for the rest of project period. This would imply that construction has to continue even in the last year of project implementation, as the in-built capacity of the Districts (even when assisted by RVWRMP III) is not much beyond 60,000 beneficiaries annually.

The aim in RVWRMP III is to provide the beneficiaries with a MUS as a basic product (instead of just drinking water supply). Such a MUS would include irrigation facilities for home garden and animal drinking troughs in all but few exceptional cases, from the overflows/waste water of the scheme. Nutritional awareness raising and home garden

training will be provided as integral part of UC training, by including a couple more steps in the step-by-step implementation.

The importance of the home garden to diversify nutrition, especially for poorer families, is clear. Animal drinking troughs increase the production of milk and they are also a measure to implement water safety and total sanitation, as when properly planned, they divert the animals (and hence dung and insects) from the vicinity of taps and home yards to more appropriate sites, and avoid having the animals drink directly from the taps.

Cooperatives

With the cooperative target of 40,000 members, the plan is to involve the best nine of the present cooperatives to assist 18 new cooperatives to emerge through twinning arrangements. Some of the old cooperatives may also expand their services to new VDCs.

Implication of local body restructuring to the Project

Government of Nepal has formed a local body restructuring commission to recommend on determination of the number and borders of Village and Municipal Councils. The commission actively working on it and has proposed to have 565 units of local government (currently there are 3,374 units). In the project district its proposed to have 69 units (in place of current 411 units) and importantly, the executing authority of social and infrastructure development will be shifted to the Village and Municipal Council from Current District Development Committees. The restructuring will have major implication in project modality and approach especially in WUMP preparation, Project implementation in core and non-core VDCs. It is assumed that the implication will start from next fiscal year (2074/075 - July 2017 onwards). Description of implication is presented in **Annex 2** of the report.

3.2 Budget overview

Based on the experiences gained during RVWRMP II, the donor budget of RVWRMP III appears to be out of balance. While the total budget is quite adequate there are several budget lines that are under resourced. Tactically this may have been beneficial when negotiating on the donor contributions but for the implementation the present budget set challenges that cannot be solved within the project.

The total capital for investments of the GOF in RVWRMP II was 7.5 MEUR, which was 4.20 EUR per beneficiary equivalent. The corresponding joint investment by GOF and EU in RVWRMP III is 22.5 MEUR, which makes 6.40 EUR per beneficiary equivalent. There has been an increase in construction costs but such a generous increase (57%) in donor contributions in investments (in EUR) is hardly necessary as GON, DDCs and the beneficiaries are actually expected to increase their proportional investments, and VDCs are expected to maintain their relative share of investments.

On the other hand, some other budget lines are under budgeted as shown in the following table, which compares the real expenditure of RVWRMP II with the budget of RVWRMP III. The budgets lines of operational costs, TA and TA related reimbursable costs won't even cover the extra costs due to the extension of project period to 6.5 years, nor do they support to increase activities, which cannot be avoided when the number of beneficiaries need to be doubled.

Table 3: Budgetary differences between Phase II and III

Cost item	RVWRMP III BUDGET	RVWRMP II EXPENDITURE
Capital for investments	22,500,000	7,503,217
Plans and studies	500,000	254,691
Capacity building and community mobilisation	2,500,000	1,396,031
Operational costs	1,600,000	1,568,486
TA	5,000,000	3,880,482
TA related reimbursable costs	1,000,000	890,254
Sub-total	33,100,000	15,493,161
Contingency & others	1,900,00	0
Total	35,000,000	15,493,161

While the international TA is maintained at the level of RVWRMP II (three specialists), the most critical budget item is the national TA, which has an available budget of maximum 2.5 MEUR. With the tendered monthly fees this means 1238 working months for national specialists. In the implementation of RVWRMP II 1450 months of national TA was needed as reported in the Completion Report of RVWRMP II.

In practice RVWRMP III has been assigned to double the number of beneficiaries with less human resources than in RVWRMP II. This budgetary challenge has been discussed with MFA without reaching a common understanding. As the present TA budget is sufficient for the first three years, the Mid-Term Evaluation could be assigned to assess the TA needs and make corresponding recommendations. In the meantime, the consulting company will employ the project TA staff as indicated in the Project Document.

3.3 Contribution pattern

In the FY 2072/2073 RVWRMP followed RVWRMP II contribution pattern as the Project Document of RVWRMP III was not available. During the Inception Period of Phase III the contribution pattern has been adjusted to reach the overall contributions of each stakeholder, as indicated in the Project Document. The contribution pattern for Phase III is presented in table below.

The contributions from the different stakeholders will be closely monitored. The district performance-based contracts include the DDC contribution as one of the performance indicators. In the Phase II the DDC contributions were the lowest of all stakeholders.

Table 4: Proposed Contribution Pattern for RVWRMP Phase III

Sn	Technology	DDC	VDC	UC-Cash	UC-Kind
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New Schemes					
1	Gravity WSS with HG	1.5	6	1	25
2	Rainwater Harvesting	1.5	6	1	15
3	Lift WSS	1.5	6	1	18
4	Point Source Improvement	1.5	6	1	35
5	Irrigation (Canal)	1.5	6	1	35
6	Non conventional Irrigation	1.5	6	1	30
7	Micro Hydro	4	6	3	25
8	Improved Water Mill	1.5	6	5	30
9	Smokeless Stove	0	6	20	45
10	Micro Enterprises	0	6	40	25
11	Recharge Ponds	1.5	6	1	50
12	Public Toilet	5	45	0	0
13	Institutional Toilet	0	50	0	0
14	School Toilets	5	6	0	20
Rehab Schemes					
1	Gravity WSS	2	6	2	30
2	Irrigation (Canal)	2	6	2	40
3	Micro Hydro	2	6	2	25
4	School Toilets	5	6	0	25

4. Inception Period

4.1. Outputs

The implementation of the AWP of FY 2072/2073 has continued during the inception period. The target populations for this period include 45,000 beneficiaries of water supply, 4,300 beneficiaries of MUS and 3,100 beneficiaries of irrigation. The achievement of these targets will be reported in the Annual Report of FY 2072/2073.

In addition to the regular project work, the Project Document expects the following specific tasks to be completed during the inception period.

Table 5: Inception Phase Outputs

Expected outputs	Comments
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PSU office is fully functional in Dadeldhura.	Was Pending during inception phase. (The shifting process in progress after second Supervisory Board decision 29.06.2016)
The contracts of Phase III PSU support staff have been done.	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 recruitment is completed; contract of 6 staffs (out of 21) is in process.
The annual work plan and budget for the Fiscal Year 2073/2074 have been prepared and approved by the Supervisory Board (SvB)	Approved by second Supervisory Board Meeting.
Together with Competent Authorities and other relevant stakeholders the proposed Logical framework matrix has been reviewed and baseline information amended (situation at the end of Phase II).	Presented for the SvB to review, will be finalized after final confirmation of EU funding.
The revised logical framework, Project Document and the monitoring responsibilities have been approved by SvB	Presented for the SvB to review, will be finalized after final confirmation of EU funding (as decided by SvB)
A detailed and phased plan for "contribution pattern" principles has been prepared and approved by SvB.	Presented for the SvB to review, DoLIDAR working to finalize the 'community in kind contribution' and will be approved by next SvB.
Project Implementation Guideline (PIG) is been revised and approved by SvB.	Presented for the SvB and approved (except community in kind contribution)

4.2. MoUs

All 10 Project Districts have signed MoUs with MoFALD on the implementation of RVWRMP III. The MoUs with livelihoods partners have been drafted and the drafts have been agreed between the parties but their formal signing is still pending.

4.3. Recruitment and staffing

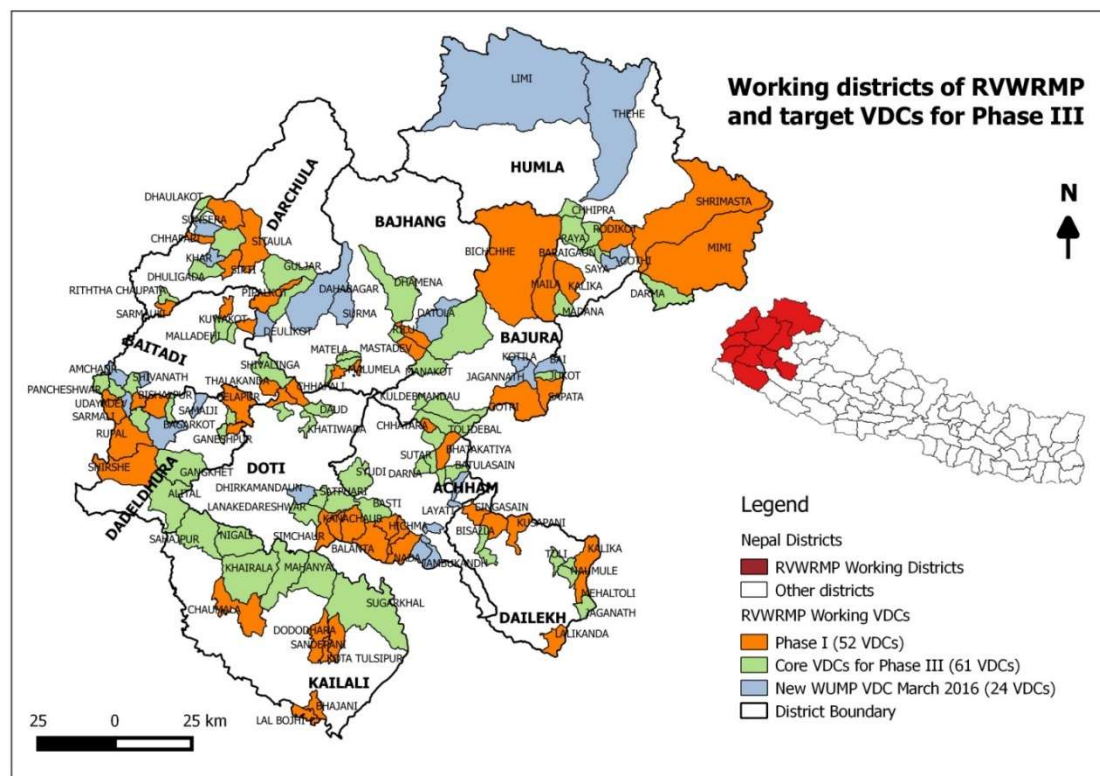
There are three International Long Term Experts in the project, who were presented through the winning technical tender for the TA services for RVWRMP III: Mr Kari Leppanen, Team Leader and Chief Technical Adviser, continued from the Phase II without a gap. Mr Edwin de Korte, Chief Livelihoods Adviser, will start his assignment on 15.6.2016 and Ms Sara Alanen started 9.3.2016 as the Field Specialist.

The Project Document says: '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.' Consequently, the contracts of support staff in the districts have been extended with the approval of respective WRAs. The contracts of support staff in PSU have only been extended until 15 of July 2016 pending the potential transfer of the location of PSU.

The contracts of present national TA staff were extended until end of the fiscal year (15.7.2016) in order to continue the field work normally during the inception period (the key construction season). The process to recruit 21 national experts included in the Project Document was started by publishing an advertisement in Kantipur Daily on 27.4.2016. The dead-line for the applications was 12.5.2017. Some 370 applications were received. The selection process follows the guidelines described in the Project Administration Manual. The results of the recruitment finalized and service contract has been signed to the successful candidates for respective positions.

The district have extended the contracts of SOs and SPs until the end of Fiscal Year 2073. All of the districts seem to be content with the services of their SOs/SPs and are likely to continue the contracts further.

ANNEX 1. MAP OF THE PROJECT AREA



ANNEX 2. IMPLICATION OF LOCAL BODY RESTRUCTURING TO RVWRMP IMPLEMENTATION

During the inception period, Government of Nepal formed a local body restructuring commission to recommend on determination of the number and borders of Village and Municipal Councils on 14th March 2016 as provisioned in constitution of Nepal, 2072. Article 295 of the constitution states, "Government of Nepal shall form a commission for determination of number and borders of the Village Council, Municipal Council and Special, protected, or autonomous regions to be formed... within six months from the date of commencement of this constitution and the term of office of such commission shall be of one year." e.g. 13th of March 2017.

As the country has opted for a federal administrative model, restructuring of the state, including local bodies, is one of the major tasks that need to be completed. According to Article 56 of the new constitution, the state will be restructured into three levels--federal, provincial and local. At the local level, the constitution outlines Village Councils, Municipal Councils and District Assemblies which will replace the existing Village Development Committees, municipalities and District Development Committees respectively. Currently, there is one metropolitan city, 12 sub-metropolitan cities, 204 municipalities and 3,157 VDCs in the country. Although it's still under discussion and criticized by the political parties, by the end of inception period, the commission has proposed 565 new local units after merging different village development committees and municipalities under the new federal set up of Nepal. In case of RVWRMP working districts, proposed number of village/municipal councils are Dadeldhura (4), Humla (5), Doti (6), Bajura, Achham, Darchula, Baitadi (7 each), Bajhang and Dailekh (8 each) and Kailali (10), hence total 69 village/municipal councils. Currently there are 411 VDCs/Municipalities in the project districts.

As provisioned in the constitution of Nepal, 2072, three elections (local, provincial and national) should be held by the 22nd of January 2018. The government is planning to hold local elections by April 2017, so it's likely that restructuring of the local bodies will be finalized by March 2017. As per the preliminary proposal publicized by the commission, the local bodies, village and municipal councils will enjoy abundant authority in planning, approval, implementation, monitoring and evaluation of local/rural infrastructure projects that are currently being carried out by MoFALD/DoLIDAR and DDC/DTO. Similarly the local councils will have authority of personnel management that is currently being done by Ministry of General Administration and Ministry of Finance. According to the proposal, DDCs will be converted to District Assemblies (DA) and there will not be any implementation role of DAs. They will have only coordinating role.

In this context, the project will have following implication (probably from fiscal year 2074/075 - after July 1017) in its current implementation modality and the project approach and strategies should be revised accordingly through supervisory board and competent authorities.

1. **Water Use Master Plans (WUMP):** The project has supported 109 WUMPs in its phase I and II and have additional target of preparing 100 new WUMPs in the VDCs (out of which 24 are under finalization). WUMP is a VDC owned plan and it should be approved by authentic administrative unit. Existing WUMPs will be converted into Ward's plan. To authenticate the WUMP, project should support to formulate Village Councils

(*gaupalika*) plan merging existing plan and new plans. Helvetas experience on merging plans for newly declared municipalities in Dailekh and Achham will be useful. Number of total WUMPs should be redefined, once the proposal of restructuring the local bodies approved by parliament including merging existing WUMPs of core VDCs and preparing new WUMPs.

2. **Concept of Core VDCs:** As provisioned in the Project Document, RVWRMP is supposed to work in 61 core VDCs. After restructuring the 61 VDCs will be tentatively 120-130 wards of village/municipal councils. In that situation, the Project will need instruction from the SVB to set its working area either in number of wards or whole village/municipal councils. The same case applies in case of non-core VDCs.
3. **Scope of the Project:** Respecting GESI/HRBA considerations, the project is working in remote VDCs of the district. While expanding current municipalities, although they are remote, number of current project working VDCs will be merged in to municipalities. In that case, should the project continue working with municipal wards or drop the municipality area from the project? In phase II, we dropped *Kuntibandali* VDC of Achham after WUMP preparation for being merged in Mangalsain Municipality.
4. **Executing Agency:** Currently DDC is the executive body of the project, All the modalities and approaches are developed considering the key role of DDC in project implementation. When DDCs will be converted in District Assemblies with limiting the authority of coordinating among VCs/MCs, Village/municipal councils will have an executive role. Central government will release budget authorization directly to VCs/MCs. Most of the working guidelines should be revised. The project need to coordinate with number of local governments and support for planning, implementation and monitoring separately. Since the village/municipal councils will have independence in policy formulation, planning, budgeting and implementation, and the project will be working with more than 30 local bodies, it will need more TA staffs to coordinate and support number of executing local bodies.