

RVWRMP
Nepal-Finland Cooperation

2017

Semiannual Project Progress Report

Rural Village Water Resources Management Project, Phase III
2073/74 (16.7.16-13.1.2017)



Project duration:

03/2016-2/2021

Competent Authorities:

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

Implementation:

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

Report type:

Semi-Annual Progress Report 2073/4
(16.7.2016 – 13.1.2017)

Prepared by:

Project Support Unit

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Public

Summary

- After ten months of implementation it is too early to assess achievement against project impact, but progress is assessed to be in line with the planned Annual Work Plan (AWP) approved by the Supervisory Board 29.6.2016.
- Scheme completion percentage is 23% and budget expenditure is 29% against AWP
- The Open Defecation Free (ODF) campaign is almost completed: All except two out of the 380 Village Development Committees (VDCs) in the project working area are declared ODF
- The implementation of total sanitation plans are ongoing but facing challenges due to the special traditions in the Far West
- The local body restructuring will bring new challenges: the new VDCs for Water Use Master Plan (WUMP) preparation should be part of forthcoming rural municipalities, the *Gaonpalikas*, and should contribute to cover as many entire Gaonpalikas with WUMPs as possible

Project description

RVWRMP is a water resources management project supported by GoF and GoN, 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.

At the local level the stakeholders include the UCs, VDCs, DDCs and other relevant line agencies at the district level. At the regional level, the Regional Agricultural Directorates play a key role.

1. Progress towards the achievement of the expected results

After the problems faced in the project implementation due to bandhs and road blockades in Fiscal Year (FY) 2072/3, the situation in the Project Area has normalized in the reporting period. After 10 months implementation it is too early to assess the achievements against the expected project impact and purpose/outcomes but the Project is on track to achieve its outputs set for FY 2073/4 in the AWP as illustrated in the following table, which indicates the numbers of beneficiaries for different services.

The AWP predicted that 70% of the target will be achieved by the end of the FY (15.7.2017). If all the schemes that are presently on-going will be completed by the end of the FY, the achievement will be 67%. It is unlikely that the micro hydro schemes will be completed in time but on the other hand some smaller water supply schemes presently under planning will be completed. Therefore, the progress is assessed to be in line with the planned in AWP. Technically it would be possible to complete a good number of schemes presently under planning if the budget ceiling for FY 2073/4 can be lifted.

All except two of the 380 project area VDCs are declared ODF, and the remaining districts will be declared during 2017, i.e. within the original target set by GoN.

Result Framework

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

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

Result area 1:

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

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

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

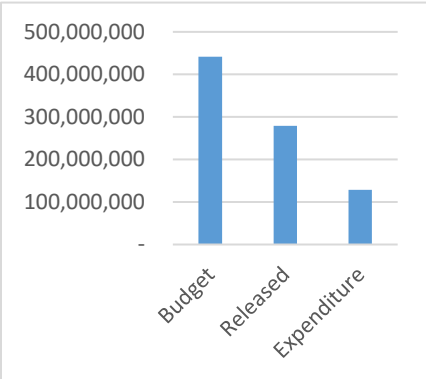
Result area 4: GoN institutional capacity to continue integrated water resources planning and support communities in implementing and maintaining WASH and livelihood activities

| | Target in AWP | Implementation On-going | Implementation Completed | Under planning | Completion percentage |
|-------------------------|----------------|-------------------------|--------------------------|----------------|-----------------------|
| Irrigation | 8,076 | 933 | 1,352 | 5,791 | 17% |
| Improved Water Mills | 4,700 | - | 1,465 | 3,235 | 31% |
| Multiple Water Services | 13,312 | 3,332 | 1,415 | 8,565 | 11% |
| Water Supply | 92,053 | 45,184 | 17,534 | 29,335 | 19% |
| Sanitation | 15,645 | 6,125 | 9,520 | 0 | 61% |
| Micro Hydro | 4,988 | 4988 | 0 | 0 | 0% |
| Total | 138,774 | 61,223 | 31,286 | 46,926 | 23% |

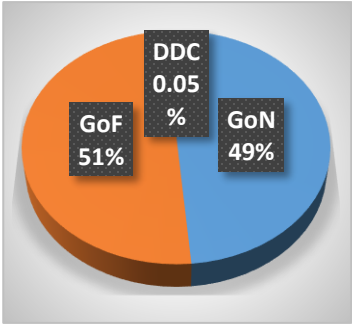
Gender Equality and Social Inclusion (GESI)

GESI issues are mainstreamed in all project activities and participation of women and Disadvantaged Groups (DAGs) is measured in the Result Framework. DAGs’ representation in UC key positions of Water Supply Schemes is 27%, meaning 3 percent points over the target (24%). The gender disaggregation in the same is still lagging behind, with 42% representation of women (target 50%), which nevertheless is well above the achievement of previous project phases. In the case of women’s occupation of leadership posts in cooperatives, women’s representation has been very satisfying with 72% (target 50%).

2. Resources and Budget



The total recurrent and investments budget for FY 2073/4 is NPR 441,495,195 (EUR 3,783,000). The figure on the left shows the status of the entire budget through the 10 District Water Resources Development Funds (DWRDFs) as of 13.1.2016. GoF and GoN have almost equal contributions. The DDCs contribution is still low, as funds have been released only by one District so far. The allocation of funds by Districts usually occurs towards the end of the FY. The DWRDF budget expenditure is at 29%, well above the normal



expenditure at this point of time. It is expected that the project will absorb a significant share of funds in the beginning of the second half of the FY as the final installments of completed schemes and first installments of new scheme will be due simultaneously. Therefore, more than 50% of the total budget has already been released. There is a requirement for additional funding since the budget for running FY was allocated based on previous years' budget, but the targets are higher for phase III.

The GoF contributions for Technical Assistance (TA), capacity building and project operation costs in EUR are shown in the following table. The total expenditure is 78%. The 18% expenditure of the total budget is well according to the plan after 10 months out of 60 months implementation.

| Budget line | Budget for the Reporting period | Expenditure Reporting Period | % of Reporting Period | Cumulative Expenditure | GoF Budget Phase III | Cumulative % of Phase III |
|----------------------|---------------------------------|------------------------------|-----------------------|------------------------|----------------------|---------------------------|
| Technical Assistance | 498,000 | 425,815 | 86% | 662,569 | 3,135,812 | 21% |
| Plans and Studies | 102,000 | 59,530 | 58% | 80,468 | 400,000 | 20% |
| Capacity Building | 150,000 | 101,139 | 67% | 212,551 | 1,300,000 | 16% |
| Operational Costs | 240,000 | 176,348 | 73% | 251,365 | 1,300,000 | 19% |
| Reimbursable Costs | 120,000 | 99,845 | 83% | 172,015 | 800,000 | 22% |
| Contingencies | - | | | - | 664,188 | 0% |
| Total | 1,110,000 | 862,677 | 78% | 1,378,968 | 7,600,000 | 18% |

3. Assumptions and risks

The Project Document presents 12 different risks that may affect project implementation. All of these risks were observed during the reporting period except political pressure on project expansion. The most serious risks are analyzed in the table below.

| | |
|---|---|
| Natural calamities and climate change | Likelihood High – Impact High. Some landslides and flooding were observed at the beginning of reporting period (monsoon season). Depletion of water sources was recorded in all VDCs. |
| Political instabilities and anarchy | Likelihood High – Impact High. No major incidents in reporting period. The project has recovered well from effects of strikes/curfews and posterior road blockade that halted imports of essential supplies to Nepal in FY2072/3. However, accumulation of work has created an extra burden for project planning and implementation, but is still manageable as the project work presently concentrates in the core VDCs. Similar situation in coming years would be very difficult to manage. |
| New administrative structure delayed | Likelihood High – Impact Medium. Local body restructuring (especially mergers of VDCs to form Gaonpalikas) affects the project working modality, selection of new working areas and preparation of WUMPs (one year delay with some WUMPS expected). |
| Limited political will to decentralize | Likelihood Medium – Impact Medium. Significant delays expected in decision on mandates and restructuring of Provinces. Affects the building of institutional capacity and sustainability at provincial level. |
| Limited support from local level | Likelihood High – Impact Medium. Very limited staffing in most DTOs, district level livelihoods partners and VDCs. |
| Limited capacity of SOs and SPs | Likelihood High – Impact Medium. Lack of qualified technical human resources in the labor market. SOs fail to retain qualified human resources. |
| Devaluation of Euro (EUR) against Nepalese Rupee (NPR) | Likelihood High – Impact Low. The budget in the Project document has been calculated with an exchange rate 1 EUR = 130 NPR. In the reporting period the District Development Funds were replenished with an average exchange rate of 1 EUR = 116.7 NPR resulting a loss of 19 MNPR. The cumulative loss in investment funds is 31 MNPR. TA funds have suffered a similar loss as majority of TA costs are paid in NPR. |

4. Sustainability

The capacity of the UC has always been the cornerstone of sustainability of RVWRMP efforts. UC capacity is built through the step-by-step implementation process of the scheme, which includes several trainings. As part of the process, the UC also procures the construction materials, which would create the capacity to procure spare parts and materials when needed. One sustainability element is to increase women's participation in UCs and especially in the key positions as women are arguably better experts in water related issues and more present and permanent in the community. At least one of the Village Maintenance Workers (VMW) trained by RVWRMP for each scheme has to be a woman.

The collection of water and electricity tariff that covers minimum annual operation and maintenance costs, including the costs of a VMW, is mandatory to each scheme and well followed, but the long term financial sustainability is a challenge; in a situation of 10% annual inflation it doesn't make sense for the UCs to accumulate funds for scheme rehabilitation in a bank account with 0% interest. To create adequate funding base for scheme rehabilitation RVWRMP promotes small scale industries and commercial agricultural and horticultural production. A connection with a cooperative, which is giving a fair interest to the maintenance fund and also invests it locally, is promoted by RVWRMP with the target that 40% of water supply schemes in core VDCs and all micro hydro schemes are affiliated with a reliable cooperative. A case study is presently prepared by the Department of Water Supply and Sewerage on RVWRMP cooperative experiences in Sirsha VDC.

The institutional sustainability depends on the capacity of local GoN administration to support UCs/communities in their major needs. RVWRMP works through GoN local bodies and has created an adequate capacity in all working Districts and VDCs. In the coming years the GoN local administration will be undergoing a major restructuring as the transitional bodies will take over the administration of Gaonpalikas (Rural Municipalities) from the present VDCs and DDCs. RVWRMP will continue to work jointly with these structures and a major effort of training is foreseen when the permanent local bodies including the Provincial Administration are in place.

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

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

5. Lessons learned and recommendations

Over the years the Project has established an excellent implementation framework with well performing field teams and collaboration with local line agencies. The following account updates the situation at the end of the reporting period and draws some lessons learned and recommendations.

Depletion of water sources have been observed in all working VDCs. The yield of water sources were measured during project implementation at three times. The Project has included recharge pits/ponds, plantations and other protection measures during designing the schemes but depletion is still taking place. The project will intensify its source protection measures by applying Climate Resilient Water Supply Design

Guidelines developed by the Department of Water Supply and Sewerage with the participation of RVWRMP. CCA/DRR components will be integral part of water scheme implementation.

Local Body Restructuring: GoN formed a local body restructuring commission, which concluded its work in late 2016 to recommend the number and borders of Gaonpalikas and Urban Municipalities. In the project working area it's proposed to have 61 local administrative units (to replace current 390 units) and more importantly, the executing authority of social and infrastructure development will be shifted from DDCs to the Gaonpalikas and Rural Municipal Councils. The restructuring will have major implication in project modality and approach especially in WUMP, project implementation in core and non-core VDCs and deployment of Project TA (Water Resources Advisors) to Gaonpalika level. It is assumed that the implication will start from FY 2074/5 (July 2017) onwards. The new VDCs for WUMP preparation should be part of forthcoming Gaonpalikas and should contribute to cover as many entire Gaonpalikas with WUMPs as possible. The project should plan to support newly structured Gaonpalikas to make their WUMPs consolidating existing and incorporating new WUMPs. WUMP would likely be a useful tool for the new local administration to bring together citizens of Gaonpalika for planning of their common future. The bigger size of the planning unit is not a problem for WUMP, rather it is likely to be beneficial for planning bigger schemes, especially micro hydro.

Challenges to Achieve Total Sanitation Status: National Sanitation Steering Committee has set 5+1 indicators to declare total sanitation. The Far and Mid- West context is however different from the rest of Nepal: In many cases women are not allowed to use taps and toilets during menstruation. Massive awareness campaigning is needed to change the communities' attitudes and practices, but behavior change is slow. Similarly, there is a common practice of keeping livestock in the main building of the household and keep them on the yard during day time resulting in a dirty household environment. It's very difficult to change such traditional practices due to lack of land and money to construct separate sheds for cattle. Due to old traditions and poverty, it is not likely that Far and Mid West will reach total sanitation along with the rest of the nation.

Water Supply Population Coverage: The target of 351,000 beneficiaries is challenging. As the schemes in phase III will be small and scattered. It's expected that 640 schemes will be implemented in core VDCs. The project will complete 100 WUMPs by FY 2075/6 so that more schemes can be constructed in non-core VDCs. Additionally, it may be necessary to implement schemes in BCRWME and Helvetas working VDCs to meet the target.

Lack of technical human resources in the labor market: Availability of experienced technical human resources is a bottleneck for the project implementation. Especially sub-engineer level people, who can contribute to the scheme survey, design, construction supervision and final evaluation of construction works, are not available. The same goes for field technicians, who are well trained in water supply scheme construction. To overcome these problems, the Project has started to conduct basic training/internship to local youths. The project will engage fresh sub-engineers as on the job trainees to work in field for maximum one year so that they will be able to compete in Support Organization staffs or Support Person recruitments.

The project implementation in FY 2072/3 suffered severe delays because of bandhs and road blockades. The positive side is that the Project was forced to carry on field work throughout the entire reporting period, including the monsoon and holiday seasons. These experiences gained will be useful in implementation of coming years when the annual targets for RVWRMP will be higher and working in these off-seasons is likely to be necessary.