



Second Rural Water Supply and Sanitation Project (IDA Credit # 3911-NEP and IDA Grant # H 369-NEP)



(A water supply scheme of RCDC-Mugu)

2nd Trimester Implementation Progress Report

Fiscal Year: 2065/66 (2008/09)

Trimester Period: 2065 Mangsir 01 to 2065 Falgun 30

15th November 2008– 13th March 2009

Rural Water Supply and Sanitation Fund Development Board
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0. Project Background

Second Rural Water Supply and Sanitation Project RWSSP - II (Cr. No. 3911-NEP) is a follow-up of the First Rural Water Supply and Sanitation Project RWSSP - I (Cr. No. 2912 - NEP) financed through International Development Association (IDA) / World Bank and implemented by Rural Water Supply and Sanitation Fund Development Board (the Board).

RWSSP -II aims to raise the living standard of rural people in Nepal by:

- Improving sector institutional performance and mainstreaming "Fund Board" approach in the Government's system, and;
- Supporting communities to form inclusive local water supply and sanitation user groups that can plan, implement, and operate drinking water and sanitation infrastructure that delivers sustainable health, hygiene and productivity benefits to the rural households.

The total project funding of RWSSP - II is US\$ 41.5 million, which is mainly funded by IDA/World Bank US \$ 25.3 million (61%), GoN US \$ 11.6 million (in total 28% revised contribution after including US \$ 5 million i.e. 12% of the total fund originally committed by DFID), and community contribution US \$ 4.6 million (11%) both in cash and kind.

In May 2008, GoN and IDA /World Bank signed a IDA Grant Agreement of US\$ 27 million as additional financing to RWSSP - II to meet cost overrun to complete implementation phase of 231 Batch VII schemes and 351 Batch VIII schemes, and additional 400 schemes each of Batch IX (Development phase) and Batch X (Pre-development phase) by 31 Dec 2010.

The RWSSP - II encompasses three major components: i) Strengthening and operation of the Rural Water Supply and Sanitation Fund Development Board, ii) Selection and Construction of Water Supply and Environmental Sanitation Schemes, and iii) undertaking Institutional Development Studies (sector knowledge development).

The project activities are implemented in 4 different phases:

- *Pre-development phase* involving activities like: identification and pre-qualification of Support Organizations, pre-feasibility study preparation and assessment, scheme selection and signing of development phase contract
- *Development phase* involving activities like: orientation and training to Support Organization (SO) staff, preparation of the Community Action Plan (CAP), contribution by the community in cash and kind, completion of detailed design of the schemes and finalization of the implementation phase proposal.
- *Implementation phase* involving activities like: training of community technicians, construction activities including source protection, and Women's Technical Support Services (WTSS); and
- *Post-Implementation phase* involving periodic follow-up activities to ensure sustainability of the completed schemes considering technical, social and community management aspects.

The Board approach has contributed in increasing the sense of ownership among the people towards the schemes for smooth implementation and ensuring higher level of sustainability. The key principles of the RWSSP - II approach include:

- Demand - driven and participatory approach
- Coordination, linkages and partnership building with local authorities and other stakeholders
- Capacity building of communities, governmental and non-governmental organizations
- Empowering community in implementing and managing the scheme
- Community procurement; maintaining transparency and accountability
- Promoting social inclusion and equity issues in water supply, health, hygiene and sanitation
- Cost-effective services

1. Achievement of RWSSP -II Development Objectives

1.1 Progress of the Development Objectives against the key performance indicators as laid down in the original Project Appraisal Document (PAD) and changes made thereafter (e.g. in the MTR 2007) are reported in Annex -1 of this report.

- 1.1.1** *Development Objective 1.* The Government has laid emphasis for mainstreaming a demand driven and transparent participatory decision making by involving concerned communities in the program implementation and management as guided by the Rural Water Supply and Sanitation National Policy 2004. Creation of institutional and sector framework with common set of guidelines including norms for minimum community contributions (e.g. minimum 20% of the total scheme cost) as set forth by the national policy reflects government's commitment towards this. Furthermore, the government has i) established a Sector M&E Unit within MPPW, ii) continued separate budget allocation to meet the operational cost of the M&E Unit, which has been increased from NRs 3.5 Million in FY 2007/08 to NRs 5.8 Million in FY 2008/09 and, ii) continued interest for designing and establishing a sector M&E / MIS system in MPPW: recruitment of international Consulting Firm for the purpose is at final stage. No objection on the financial negotiation has been recently received from the World Bank to proceed ahead.
- 1.1.2** Government is strongly committed to the approach adopted by the Board and a Bill to make the Board a regular sector institution is tabled to (then) Interim Legislative Parliament by early 2008. A refreshed push is required to take the Bill further as it did not yet get on to the agenda list of the parliament for discussion. During recent interaction meetings with the Minister and the Secretary of MPPW the Board brought up this issues for immediate attention of the Ministry and requested for further processing of the Bill from the side of the Ministry.
- 1.1.3** MPPW has initiated discussions on sector wide approach (SWAp) in Water and Sanitation (WATSAN) Sector in the Sector Stakeholder Group (SSG) and Terms of reference has been prepared to workout further steps and process towards this direction. Discussions are ongoing to conduct a Sector Review by pooling resources and expertise from RWSS stakeholders in the leadership of MPPW in near future.
- 1.1.4** On part of the Board, efforts are continued to share with and learn from experiences and lessons from likeminded organisations and programmes. Interests have been shown by other agencies to learn, adapt and replicate the Board modalities and approach (e.g. Social Inclusion Research Fund, HIV/AIDS and STD Control Board/UNDP etc) in Nepal.

1.2 Development Objective 2: Batch wise Implementation Progress status

Table - 1 presents the implementation progress of the Board under different batches as of 15 May 2009 compared to the original PAD Target as well as target under Additional Financing.

Table - 1. Planned vs Actual Progress Compared with Original PAD and Additional Financing

Batch	Original PAD		Actual Projected and/or		Additional Financing		Total Target		Actual achievement compared with original PAD (As of 15 May, 2009)			Completion Type
	No. of Schemes	Pop.	No. of Schemes	Pop.	No. of Schemes	Pop.	No. of Schemes	Pop.	No. of Schemes	Pop.	% Pop. covered	Phase
Implementation Phase												
IV (from RWSSP I)	48	28800	47	35562			47	35562	47	35562	123	IP
V	244	146400	318	235774			318	235774	300	221976	152	IP
VI*	330	198000	350	246160			356	268643	242	175,684	89	IP completed
VII**	359	215400	169	122356	231	161700	438	326711				IP/DP
VIII***	374	224400			351	245700	351	245700				PDP
Sub-total Implementation Phase	1355	813000	884	639852	582	407400	1510	1112390	589	433,222	53	
Dev't Phase IX					400	280000	400	280000				
Pre-Dev't Phase X					400	280000	400	280000				
Total	1355	813000	884	639852	1382	967400	2310	1672390				

Notes:

* Batch VI 242 schemes implementation phase completed benefiting 175,684 population: 73 Schemes fully completed and 169 schemes physically completed

** Batch VII 402 schemes are approved by the Board for implementation covering 302,719 populations

*** Received the PF reports of 450 schemes from SO and verified by SAs covering 383,898 populations; the technical review of the schemes are already completed; development phase contracts will be completed by 15 Jun, 2009.

Detail Batch wise information is attached as **Annex - 2**.

1.3 *Post implementation phase*

1.3.1 Out of the total completed 300 Batch V schemes, post implementation phase contract with 85 SOs for 267 schemes are completed. In this regard, first payment for post implementation phase has been made to 68 SOs for 219 schemes, and second payment to 13 SOs for 43 schemes are also done by end of April 2009. Post implementation phase contracts for remaining 33 completed schemes of Batch V and 242 completed schemes of Batch VI are yet to be made.

1.3.2 An analysis of the received reports indicate well functioning of the schemes with regular WSUG/C meetings and collection of monthly contributions for remunerations to the VMWs. Cases where minor repairs and maintenance are done by the communities themselves are also reported, which can be attributed to the Board approach of enabling communities to manage the schemes.

1.4 *Reflections and analysis of reasons for delays in scheme cycle*

With inputs from the field (FB staff, SO and SA), the Secretariat has done a quick analysis of the scheme cycle (planned vs actual: refer to **Annex -3.**) and identified key reasons for delays in schemes implementation during this reporting period.

1.4.1 *External reasons*

- Frequent general strikes and road blockades: disturbances due to frequent general strikes and road blockades in Tarai districts has caused delays in Support Organisations (SOs), Service Agencies (SAs) and Fund Board (FB) staff mobility for timely follow-up, monitoring and supervision of the ongoing implementation process, including difficulties in procurement and transportation of non-local materials from the market.
- Fluctuations in market rates of non-local materials: frequent up and down in the market price of non-local materials at short intervals has had some impact on cost adjustments/amendments in the budget estimates, material procurement and thus delay in scheme implementation.

1.4.2 *Internal reasons*

- Transitional phase for the Board: with the political changes in the country, the Board also had some transitional period – there were changes in the Board members; (former) chair of the Board got elected in the Constituent Assembly and resigned from the Board; with changes in the government and MPPW portfolio, 2 new Board members were appointed towards end of 2008.
- Staff turnover and vacant positions: MISO is still vacant; recruitment of WSE and C-TECH is ongoing, technical division had to be managed by making acting arrangement and provision of additional individual consultant/s inputs. Meantime, the Chief of M&E Division and one of the M&E Officers also left the organisation and joined Finnida supported RWSS project.

Rural Water Supply and Sanitation Fund Development Board

Vacant Position as of 15 May 2009

S.N.	Name of the Position	Position vacant	Status
1	MIS Officer	30 Jan, 2007	outsourcing option is being explored with Hitechvalley
2	Messenger	08 Jul, 2008	Filled with temporary staff
3	CTECH	05 May, 2008	Final interview planned on 18 May 2009
4	WSE	07 Dec, 2008	Written Assessment scheduled on 19 th May 2009
5	Office Assistant	11 Jan, 2009	Filled with temporary staff
6	CMED	15 May, 2009	Advertisement in process
7	M & E Officer	15 May, 2009	Advertisement in process

1.5 The Board is continuously putting efforts towards improving internal management and organisational performance with following initiatives:

- *Annual Progress review and planning workshop*: in beginning of April 2009, Board organised a 4 day review and planning workshop where all divisions presented achievements and lessons from FY 2007/08 and FY 2008/09 up to second trimester and planning for FY 2008/09 remaining period and FY 2009/10 till second trimester. The achievements and lessons were analysed through presentations, group discussions and plenary sessions. This occasion proved to be a good learning opportunity for the Board and Secretariat through feedback and discussions on way forward. A revised scheme cycle has been prepared in line with the timeframe of remaining project duration. A consolidated Plan is being prepared; this will contribute to improvements in monitoring of the progress and timely adopting measures to improve the Board performance.
- *Key Service Standards* – towards improving individual accountability and team efficiency, revised Job Descriptions and Key Service Standards (KSS) are introduced to the Secretariat Staff, it is expected that clarifying the specific job roles and setting standards of service for performance will improve the internal management by making everyone more accountable to assigned tasks and responsibilities.
- *Formalised meeting and decision making structures*: more regular Division Chiefs' meetings and divisional meetings have contributed in improving internal communication and bringing different divisional tasks to more coherent and complimentary to each other.
- *MIS enhancement assignment*: the Board has put lot of efforts in providing inputs to the ongoing assignment for enhancing (existing) MIS by integrating PMIS, TECH MIS, and FMIS into one system. Inputs to the consultant were provided through workshops, bilateral meetings and individual system run-through exercises. However, the assignment is progressing slower than expected, during 10th Mission inputs from MIS expert of the Bank is sought for a comprehensive assessment of the assignment and working out way forward.
- *Improvement in internal administrative systems*: the implementation of the internal procedures such as SO payment through Bank transfer and simplifying internal approval procedures (e.g. less number of signatories) has contributed to speeding up payment processes. As of last FY, the Board has institutionalized the process of preparing management response and action plan for Audit Observations and Recommendations. Auditors have given positive remarks on the quality improvements in internal control and financial administration.

- *Use of colour code monitoring*: monthly scheme implementation status overviews are prepared by PMs and RMs; together with the qualitative analysis and required measures by Planning and Operation Division, the overviews are used for preparing briefing notes by the Executive Director (ED) to the Ministry on 07th of every month.

1.6 Progress related to Community Development Activities (CDA)

Community Development Activities are integral part of the Board approach in order to organize and prepare the community through capacity building of the WSUCs/ beneficiaries to operate and maintain the system locally. CDA component of the Board has been instrumental in enabling Grass roots level institutions to plan, design, implement, monitor and evaluate the activities and to operate and manage the schemes. There are several success cases in a number of communities where the people have been able to implement other community development projects after having learnt the participatory processes and modalities during the implementation of the Board schemes. The detailed progress under different CDA activities is presented **Annex -4**.

In addition to the community mobilisation and capacity building activities, currently, two new initiatives, i.e. *Jeevika* and *Jagaran Karyakram* are initiated by the Board since beginning 2008. *Jeevika Karyakram* is being piloted in selected 10 programme districts for improving livelihoods of the communities with focus on Women groups (WTSS) through market-led approach for income generation; and preparations are under way to pilot *Jagaran Karyakram* in WSS schemes of Batch VII onwards for improving accountability, transparency and good governance in the functioning of the users committees and groups. Status updates on *Jeevika Karyakram* (Livelihoods Programme) and *Jagaran Karyakram* (Social Accountability) are attached as **Annexes - 5 and 6**.

2. Status of achievements towards covenants

- 2.1. *Operationalisation of RWSS Sector M&E at MPPW by 16th July 2009*: Progress: i) M&E Unit established at MPPW with deployment of required human resources, ii) continued allocation of operational budget to the Unit - the GoN has allocated NRs 5.8 Million for this unit for FY 2008/09, this amount for FY 2007/08 was NRs 3.5 Million, and iii) assignment for designing of sector M&E/MIS system is in progress: recruitment of an international consultant firm for this purpose is at final stage. Financial negotiation completed, no objection has been received from the Bank to proceed ahead and assignment is to be started by last week of May 2009. As there is considerable delay in recruitment and deployment of the consultant firm, the completion date for the Sector M&E MIS assignment needs to be extended.
- 2.2. *Establish the Board as a regular Sector Institution*: A Bill to make the Board a regular sector institution was tabled to (then) Interim Legislative Parliament by early 2008. Still the Bill has not yet been on the list of business of the parliament, the Board is in regular contact with the MPPW to take this process further. The Board would like to bring this to the attention of the government and the Bank as signatories of the DCA to which this is one of the major covenants.

- 2.3. *Indigenous People Development Plan (IPDP)* – The Board has given high attention on social inclusion and equity concerns in the programme activities, which has resulted in gradual improvement in the representation and participation of the socially excluded groups in the users groups and committees over the years. An overall status update on the IPDP has been submitted to the Consultant (Social Development Specialist) during previous Missions (Please refer **Annex - 7**).
- 2.4. *Maintaining transparency and good governance at all levels:* The Board is continuously disseminating information for the public use through publication of annual reports, quarterly newsletter (*KhashKosh*) and periodic updates of the information on the official website www.rwss.org. At the community level, the practices of maintaining display boards at scheme sites and conducting public auditing and mass meetings to discuss and inform of the scheme matters to the stakeholders are regularly held. Through the learning of *Jagaran Karyakram*, the Board envisages further improvement in accountability, transparency and good governance at all levels of involved agencies and partners.
- 2.5. *Inputs and contributions of the long term technical adviser* are received in the areas of strategic actions and initiatives aimed towards improving internal management and organisational performance of the Board (also see Para 1.5 above).

3. Contribution of the Board to National RWSS Sector Goal

A comparison of the total beneficiaries (coverage) of the WSS schemes completed through the support of the Board with the national data on water supply and sanitation coverage during 9th and 10th five year plan period reveals that the Board's contribution was 20% of the total population served in water supply and 35% in sanitation services in the during 9th plan period and 17% of the total population served in water supply and 14% in sanitation services in 10th plan period.

Table - 2: Contribution of FB in 9th Plan Targets (1997 – 2001)

Indicators	Target of 9th Plan *	Progress 9th Plan	Total cumulative population served at the end of 9th Plan	Population Served By FB During 9th Plan (Base Year Pop ⁿ)
A. Basic Drinking Water Service				
Total Benefited Pop ⁿ (in ' 000)	9,700	2,904	17,017	571
% of Benefited Pop ⁿ		29.9	71.6	19.7
B. Sanitation Service				
Total Benefited Pop ⁿ (in ' 000)	5,258	1,490	5,920	515
% of Benefited Pop ⁿ		28.3	25.0	34.6
*Source: 9th Plan Document (NPC)				

Table - 3: Contribution of FB in 10th Plan Targets (2002 – 2007)

Indicators	Target of 10th Plan	Progress 10th Plan	Total cumulative population served at the end of 10th Plan	Population Served By FB During 10th Plan (Base Year Pop ⁿ)
A. Basic Drinking Water Service				
Total Benefited Pop ⁿ (in ' 000)	5,663	3,417	20,434	578
% of Benefited Pop ⁿ		60.3	76.6	16.9
B. Sanitation Service				
Total Benefited Pop ⁿ (in ' 000)	7,421	6312	12,232	884
% of Benefited Pop ⁿ		85.1	45.8	14.0
Source: RWSS FDB				

The Board reports to the MPPW every month through sector review meeting and presentation of progress status overview. With the nation wide coverage, the Board's contribution is important for RWSS sector's performance and to mainstream the sector approach.

4. Sustainability study of FB Schemes

The Board has a practice of conducting i) short term sustainability studies of schemes completed 3 years back and ii) long-term sustainability studies schemes completed 5 years back. The findings of these studies carried out in 2007/early 2008 for Batch - I schemes (6-10 years in operation) and Batch II schemes (5-8 years in operation) showed 76% and 78% sustainability rate (assessed using weighted scores for social/environmental (20 points), financial (15 points), institutional (35 points) and technical (30 points) criteria). Study details and findings were reported in previous mission reports. In Sept-Nov 2009, longer term sustainability of Batch III and short term sustainability of Batch IV schemes will be carried out. ToR for these studies will be ready by June 2009. It is noted that the Board is the only institution in the RWSS sector conducting this type of study considering all the four major dimensions to assess the sustainability of the scheme by employing third party services agencies. In initiation of the WHO, a discussion has started for creation of training fund at sector level that can be used for organising technical trainings to enhance the capacities of local masons and VMWs for ensuring sustainability of the WSS schemes. The Board will further explore this with the SSG and Ministry.

5. Technical, Operational and Environmental Audit study of FB Schemes

The Technical, Operational and Environmental Audit of Batch-IV has completed and findings of this study were presented in last mission report whereas for Batch-V will be started from Sept 2009. The ToR for Batch-V Technical, Operational and Environmental Audit will be ready by June 2009.

6. Progress towards Action Agreed (9th Mission)

Status update of the Actions Agreed with the 9th Implementation Support Mission of the Bank is attached as **Annex – 8**.

7. Progress towards MIS Enhancement Assignment

Status of the Web - centric MIS Enhancement Assignment of the Board (being carried out by Hitechvalley iNet) is attached as **Annex -9**.

8. Follow-up of regional consultation meetings with Local Bodies

Regional consultation meetings with the representatives from Ministry of Local Development (MLD), Local Development Officers (de facto DDC Chairs) from District Development Committees (DDCs), Chief of District Technical Offices, representatives from Association of DDCs in Nepal (ADDC/N) and National Association of VDCs in Nepal (NAVIN), representatives from Support Organisations (SOs) and Service Agencies (SAs) were held in three regions in Sept and Oct 2008. Some of the recommendations from the regional consultation meetings are now put into practice (e.g. providing copies of contracts to the DDCs, overview of schemes in a particular district, sharing of approved plans and reports with DDCs). Furthermore, the Board has planned to developing a strategy to initiate a learning case in 5 districts in collaboration with District Development Committees (e.g. for

joint planning, compliance monitoring, resource pooling and collaboration for post implementation support, etc) from Batch VIII onwards.

9. Other activities and achievements

- 9.1. Board's participation in the Water Week: The World Bank's Water Week 2009 was held in Washington D. C., USA from February 17 – 20, 2009. The program was organized by the Water Anchor, in partnership with the Water Sector Board (WSB), and the Water and Sanitation Program (WSP). Water Week 2009, with the theme "Tackling Global Water Challenges", focused on urgent challenges currently faced by the water communities including adapting to climate change, responding to the food crisis, keeping the momentum for the MDGs, and dealing with the potential impact of the global economic crisis.

Three organizations working in water and sanitation sector with supports from World Bank one each from Nepal, Srilanka and Tanzania selected globally to show case the successes. On this occasion the Board demonstrated the strength and impact of its program and working modalities as realized at the community level through presentation of 3D display models of WSS schemes one each from mountain (Humla), hill (Kavre) and terai (Sarlahi) of Nepal depicting different technological options to show the before and after situation of these communities, which was presented by the community representatives participating in the function themselves (titled as Hear Our Stories). The Board also participated in other events such as a short film show (*Hamro Pani – Our Water*) on the Second RWSSP and the impact it has had on the lives of rural communities, and dissemination of leaflets on Board's performance on different thematic issues e.g. Gender and Inclusion, Health, hygiene and sanitation, Transparency and accountability etc. To prepare these thematic papers the Board had conducted a fresh survey of its completed schemes from Batch – I to VI to show the current institutional status of the Water and Sanitation Users' Committees (WSUCs), social impact, and sustainability status of the schemes functioning under community operation and management since a long time.

Mr. Suman Prasad Sharma, the Joint Secretary from Ministry of Physical Planning and Works (MPPW) and Board member, delivered a session on the overall country situation including the overview of the Board's activities and achievements. Apart from Mr. Sharma, the Board's Chairperson Mr. Bhim Prasad Dhungana, representative of NAVIN; the Executive Director of the Board Mr. Arjun Narsing Rayamajhi and the Task Manager Mr. Tashi Tenzing along with few other officials of the World Bank participated in this program from World Bank Nepal Country Office.

- 9.2. Similarly, one of the Board Members Mr Krishna Prasad Jaishi participated in the World Water Forum (16-22 March 2009) in Istanbul, Turkey. This was an opportunity for sharing Board experiences and lessons with international participants and delegates from different part of the world. Board's participation was made part of the Nepalese delegates headed by the Minister for Water Resources, Government of Nepal (GoN). A back to office report is prepared and circulated.

- 9.3. In March 2009, the whole Nepal Country Office team of the World Bank visited WSS schemes in Kavre and interacted with community members on the programme activities, processes and benefits. This was an opportunity for the WB officials to gain firsthand knowledge and impression on WSS projects facilitated by the Board.
- 9.4. In April 2009, the Board organised two interaction sessions with the MPPW Minister and Secretary and MPPW Officials to brief on the Board activities, achievements/lessons and key issues. These sessions proved to be helpful in highlighting the Board programmes and achievements together with the contributions towards national development goals. Also the Board received useful instructions and guidance from the Ministry. In April, the Ministry Officials carried out field visits to gain first hand information on Board activities through observations and interactions with the communities; field reports and feedback are awaited.

10. Status on Environmental Management Plan, Water Quality and Technical Studies

- 10.1. *Environment Management Plan:* As a part of the community action plan, an environmental action plan of the scheme is prepared during the development phase which is further incorporated in design and estimate and implemented accordingly during implementation phase of the scheme. The environmental management measures such as source protections, surface drainage improvement, protection of pipeline, fencing works and overflow and waste water management are most common works proposed at the scheme levels. Environmental protection measures are taken up in 133 schemes out of 402 Board approved Batch VII implementation phase schemes.



(Intake protection Jamuna WSSP BVI Sindhuli SO IRDS)



Pipe line protection Khorkhola WSSP BVI Sindhuli SO IRDS

- 10.2. *Water Quality Test and Improvement Measures:* The Board has provision of water quality test of the proposed water sources three times in the scheme cycle during pre - feasibility, development phase and after implementation of the scheme to assure the quality of drinking water supply.

In this connection, water quality test of Batch VI implemented schemes are being carried out and the test reports of those that have been already completed are sent to the respective communities through SOs. The concerned SOs are also being formally informed to go to the communities to aware them for any pollution risks that Batch VI water quality test (Implementation) results have shown and suggest them to take

appropriate water treatment in household level like boiling, *sodis*, filtration, use of water guard and/or use of water purifying substances like *Piyus* and *Nirmal Chakki*.

Similarly, the water quality test results of Batch VII development phase are completed and have been taken care in the design of Batch VII schemes.

Moreover, the standard formats of community water quality monitoring have been sent to the Batch V communities and 262 filled-up formats have been already received at the Board with Batch V post implementation phase reporting.

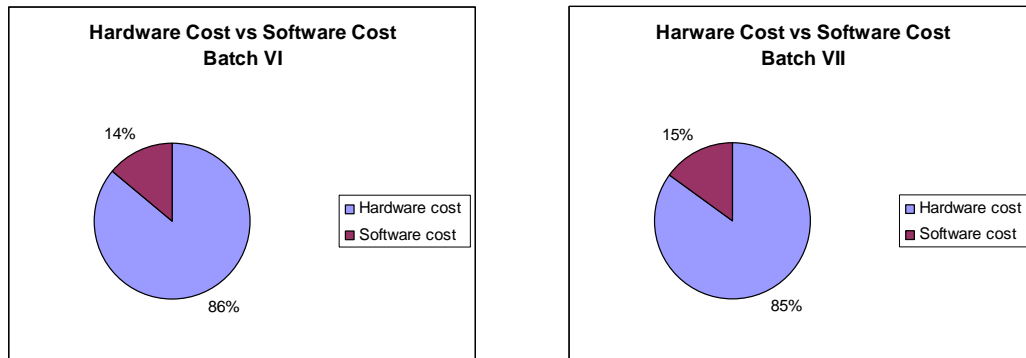
In order to improve the water quality at the rural community level, very recently the Board had a meeting with WHO on Water Safety Plan (WSP) being forwarded by different stakeholders working in Water and Sanitation Sectors in the country.

Furthermore, the Board has recently had a meeting with Canada based firm namely “Centre for Affordable Water and Sanitation technology (CAWST) to explore the possibility of collaboration to work together to provide different technical options for household level treatments in the fund board schemes.

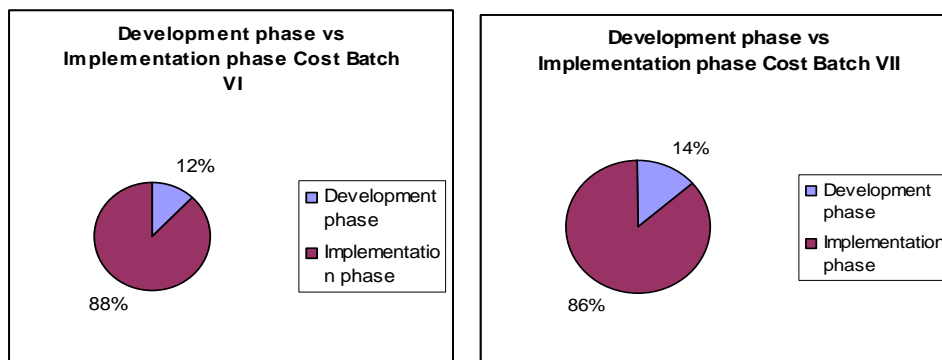
- 10.3. *Technical Studies:* As part of the ongoing Action Research on Calcium (Lime) Remedial Technology, physical models have been already set up by Service Agency ICON - CARC JV in the Dibyanagar and Keraghari WS schemes in Nawalparasi district. As per SA’s recent report, the models have been found to be working properly.

11. Software vs Hardware Cost and Development vs Implementation Phase Cost

The following Chart shows software and hardware cost ratio of 14% and 86% respectively in Batch VI schemes, whereas, this ratio is 15% and 85% for software and hardware respectively in Batch VII schemes. The increase in software cost and decrease in hardware cost in Batch VII compare to Batch VI is assessed due to recent increment in the price norms for SO staff in implementation phase of Batch VII schemes..



Similarly, following chart shows development phase and implementation phase cost ratio of 12% and 88% respectively in Batch VI schemes, whereas, this ratio is 14% and 86% for development phase and implementation phase cost respectively in Batch VII schemes. The increase in development phase and decrease in implementation phase cost in Batch VII compared to Batch VI is assessed due to recent increment in the price norms for SO staff.



12. Reporting on Procurement and Financial Status

The major achievements of this reporting period have been presented mainly in three areas namely (a) Procurement and Financial Status (b) Physical Progress Status, and (c) Other Achievements. Finally, the future plan for the next trimester and summary of report has been presented at the end of this report. The annexes for financial statement, procurement management and contract management are presented as necessary.

12.1 Procurement Status

All the Procurements in the Board are being carried out in accordance with The World Bank "Guidelines for Procurement under IDA Credits". The procurement reporting is done trimester wise through Progress Monitoring Report (PMR). The procurement status under this progress reporting period is as follows:

a) Procurement of Goods and Equipment

Ten numbers of desktop computers are procured in this reporting period (on Dec 26 2008).

b) Procurement of Consultants for Various Assignments

The Service Agencies (SAs) are procured to conduct Training, Water Quality Testing, and in assisting other Board activities to support communities and SOs. SAs are utilized as an extended hand of the Board.

b1) Procurement Status

The procurement status of Consultants (firms and Individuals) to undertake various assignments are presented in Table - 4.

Table - 4: Procurement of Consultants (firm)

SN	Description	Quantity /No. of Package	Procurement Method	Status
1.	Monitoring & Evaluation of Batch VII, VIII & IX schemes (RFP 125)	5	QCBS	Package 1: Contract signed with IDC, Amount: NRs. 6,669,316.50 Dated May 6, '09 Package 2 : , Contract signed with UDAYA, Amount: NRs. 4,413,696.95 Dated May 7, '09 Package 3 : Contract signed with ERMC NRs. 5,831,095.78 Dated May 7, '09

SN	Description	Quantity /No. of Package	Procurement Method	Status
				Package 4 : Contract signed with ERMC , Amount : NRs. 6,036,793.35 on May 7, 2009 Package 5: Contract signed with UDAY , Amount : NRs 3,511,873.89 Dated May 7, '09 .
2.	On the Spot Account Review and audit of SOs and Schemes of Batch VI, Implementation Phase (RFP 127)	2	QCBS	Both Contracts signed with Kumud Tripathi & Co (Total NRs 1,084,798.50 for package 1 and Total NRs 1,371,819.00 for package 2) dated Apr 12, 2009.

In the meantime, some of the major procurements of SAs are in progress such as:

- a. Monitoring & Evaluation of Batch VII, VIII & IX schemes (RFP 125): Package 6, 7 & 8
- b. Basic Plumbing and Ferro cement Construction Trainings to the SO Staffs for Batch VII Implementation

c) Procurement of consulting services for Designing M&E/MIS System for RWSS sector M & E Unit in MPPW/GoN: Received no-objection from the World Bank on May 13, 2009 to award contract to the First Ranked negotiated firm Messers. Euro Consult Mott McDonald (in association with Total Management Systems, Environment Resource and Management Consultancy and FCG, Finland)

Table - 5: Procurement of Consultants (Individuals: as per need basis)

SN	Items / Description	Quantity / No. of Individuals	Procurement Method	Status
1.	WSE Consultant	1	Individual Consultant (CQ)	Contract (Total NRs 70,000.00) signed with Mr. Ram Dev Ray on Nov 28, 2008.
2.	WSE Consultant	1	Individual Consultant (CQ)	Contract (Total NRs 70,000.00) signed with Mr. Ganesh Khaniya on Nov 28, 2008.

12.2 Financial Status

The financial management system of the Board is being enhanced following the development of Financial Management Information System (FMIS), which provides reports on sources and uses of funds, physical progress and procurement status. This helps to monitor the overall progress linking physical progress with financial progress.

a). Overall Financial Progress Status Compared to Previous Trimester Report

The overall financial progress / disbursement status as of this trimester compared to the achievement of Previous Trimester Report.

Total Budget and Disbursement Status of RWSSP - II as per PAD Allocation:

Out of the total RWSSP - II Budget as per PAD allocation the cumulative disbursement status up to Previous Trimester was 56%; this figure has gone up to 64% with an increment of 8% as of this Trimester.

Table – 6: Budget & Expenditure Status of RWSSP - II (Total RWSSP - II Budget as per PAD Allocation) (Rs. In Million)

Total RWSSP - II Budget	Total Cumulative Expenditure As of Nov 15, 2008	% of Expenditure As of Nov 15, 2008	Total Cumulative Expenditure As of March 13, 2009	% of Expenditure As of March 13, 2009	Increment in Disbursement after previous mission (in %)
2,620	1351	56	1671.24	64	8

12.3 Total IDA Budget for RWSSP - II and Disbursement Status:

Out of the total IDA budget for RWSSP - II the cumulative disbursement status up to Previous Trimester was 59%, this figure has gone up to 67% with an increment of 8% as of this Trimester.

Table – 7: Total IDA Budget for RWSSP - II and Disbursement Status

(US\$ In Million)

Total IDA Budget	Total Cumulative Expenditure As of Nov 15, 2008	% of Expenditure As of Nov 15, 2008	Total Cumulative Expenditure As of March 13, 2009	% of Expenditure As of March 13, 2009	Increment in Disbursement after previous mission (in %)
25.3	14.81	59	16.91	67	8

The detail financial progress status is as follows:

(a) Progress of Financial Management

- 1st Trimester Report (Revised) for FY 2008/09 has been submitted to the WB.
- Contract has been done with scope variation in existing contract for Impact Assessment of Account Review of SOs/WSUCs, one of the two consultants firm has completed field work and is in process of report preparation.
- Annual Audit of FY 2007/08 by Office of the Auditor's General has been completed by March 2009 and Approval of the Project Audit Report is still awaited. Auditor have acknowledged significant improvements in internal control and financial administration.
- Contracts for review of project related Batch VI implementation phase SO/WSUG accounts and SO accounts have been awarded.
- Job descriptions for two additional Finance and Logistics assistants have been drafted and is in process of selection through roaster.

(b) Budget and Funds Received

Total project fund for RWSSP - II is now being **US \$ 73.60 million** (inclusive additional grant fund) comprised of 71% from IDA, 17% from GoN and 12% from Community (both in cash and kind contribution).

SN	Description	Budget Provision			
		GoN	IDA	Community	Total
1	Credit part	11.60	25.30	4.60	41.50
2	Grant part (Additional Financing)	1.20	27.00	3.90	32.10
	TOTAL BUDGET FUNDING	12.80	52.30	8.50	73.60
	% of Budget Share	17%	71%	12%	100%

The GoN has approved the budget amount **NRs 1,129.99 million** for the current FY 2008/09. In this FY, GoN has provided **NRs. 164.00 million**. As compared to FY 2007/08, the total budget for FY 2008/09 has been increased by **191.28%**, in which IDA share for FY 2008/09 has been increased by **126.89%** and GoN share decreased by around **1%**.

Moreover, out of **US \$ 16.62 million IDA Budget**, **US \$ 11.77 million** is from IDA Credit source and remaining **US \$ 2.42 million** is from IDA grant source (Exchange rate used- US \$1:NRs 68.00). The detail budget breakdown is presented in Table 8.

Table - 8: Budget Breakdown for FY 2008/09 (NRs. In Million)

SN	Category	GON	IDA Credit	IDA Grant	Total	% of Budget Dist
1a	Development Phase	-	218.22	0.00	218.22	19%
1b	Implementation Phase	117.55	461.58	153.07	732.19	65%
2	Goods	0.14	0.81	0.00	0.96	0%
3	Consultants Service & Studies	5.80	38.70	0.00	44.50	4%
4	Training	5.01	34.26	6.30	45.57	4%
5	Monitoring & Evaluation	6.77	46.66	0.00	53.43	5%
6	Operating Cost	28.73	0.30	6.10	35.13	3%
	Total	164.00	800.52	165.47	1,129.99	100%
	% of Budget	15%	71%	15%	100%	

The Board has received NRs 510,480,000.00 from GoN in 2nd trimester as the fund for first trimester; the budget comprises of NRs 130,083,000.00 GoN source, Nrs 3,412,000.00 IDA Grant and NRs 376,985,000.00 from IDA Loan Source.

The Board has reimbursed **NRs. 74,190,646.89** from Special Account to GoN for their pre-finance in this trimester (for 1st trimester of 2008/09) under IDA Credit.

Amount **NRs 506,763,516.86** (USD 6,390,460.49) is received from the World Bank for 1st and 2nd trimester projection as per the Withdrawal Application no. 9.

The Board has disbursed 27% of IDA's committed budget as of this trimester, 2009. Similarly, the expenditure in Development Phase category has been already overspent (164%). Details of expenditure status of IDA funding is presented in Table 9a.

Table – 9a: Status of IDA Funding (Budget vs Expenditure as of March 13, 2009)

SN	Category	Amount		Expenditure as per WA* up to 15 Jul'08	Outstanding 16 Jul'08 to 13 Mar'09	Total Expected Expenditure	Balance	% of Exp
		SDR	US\$	US\$	US\$	US\$	US\$	
1a	Development Phase	1,410,000.00	2,098,408.37	2,970,463.60	469,838.82	3,440,302.42	(1,341,894.05)	33%
1b	Implementation Phase	10,970,000.00	16,325,914.80	8,550,070.75	2,093,620.21	10,643,690.96	5,682,223.84	19%
2	Goods	210,000.00	312,528.91	273,216.16	23,027.26	296,243.42	16,285.49	11%
3	Consultants Service & Studies	410,000.00	610,175.48	198,454.98	75,105.88	273,560.86	336,614.62	18%
4	Training	670,000.00	997,116.04	444,685.89	95,583.08	540,268.97	456,847.07	14%
5	Monitoring & Evaluation	1,340,000.00	1,994,232.07	848,819.15	323,384.55	1,172,203.70	822,028.37	24%
6	Operating Costs	410,000.00	610,175.48	550,639.32		550,639.32	59,536.16	0%
	Unallocated	1,580,000.00	2,351,407.97	-	-	0.00	2,351,407.97	0%
	TOTAL	17,000,000.00	25,299,959.12	13,836,349.85	3,080,559.80	16,916,909.65	8,383,049.47	18%
	In Million/%	17.00	25.30	55%	12%	67%	33%	

Note:*Expenditure as per IDA Eligible statement

(c) Project Expenditure Status

The total budget projection for this FY 2008/09 is **NRs. 1129.99 million**. As of this trimester for FY 2008/09, the Board has spent **30%** of the annual approved budget for this fiscal year (Table – 11).

Similarly, the expenditure on Implementation Phase category up to this reporting period is **14.75%** and on Development Phase category it is **34.4%** of the total available budget for FY 2008/09.

As the various activities of implementing and signing contract for Batch-VII Implementation Phase delayed than expected/planned, the payments could not be done in 1st and 2nd trimester, the expenses incurred in this trimester are not satisfied as per forecast. Therefore, only **43.64%** has been spent in this trimester compared to trimester projection.

Table - 11: Budget and Expenditure Statement of RWSSP-II (as of March 13, 2009)

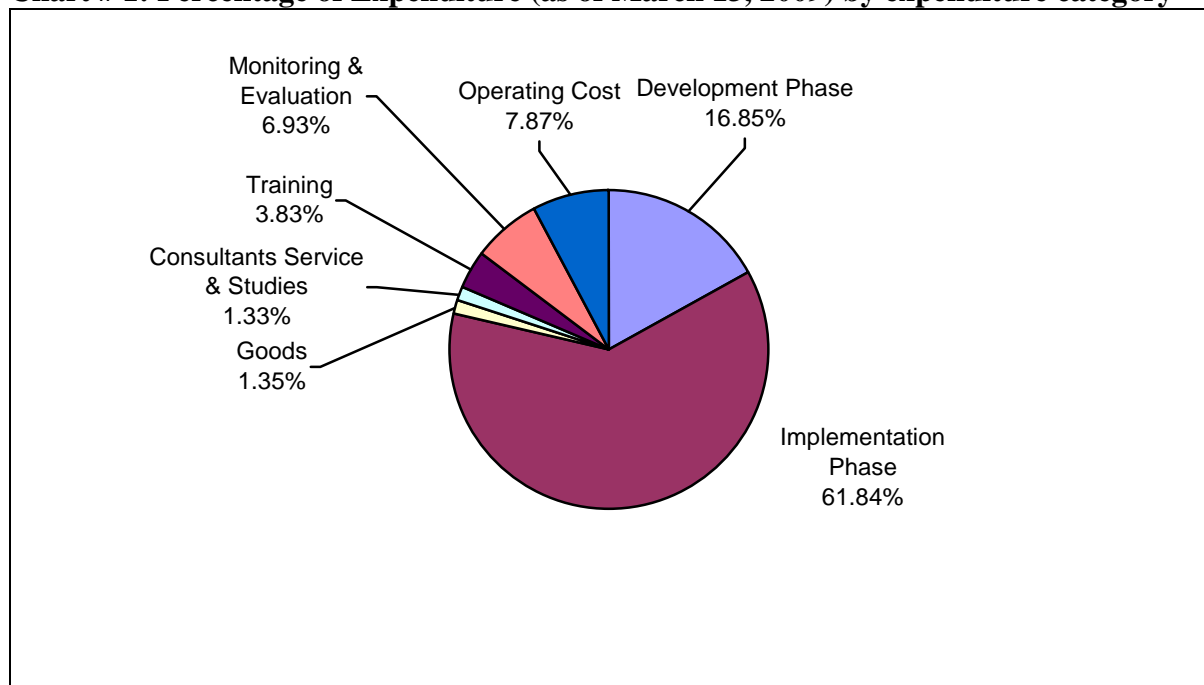
Currency: in NRs.

SN	Category	Total RWSSP-II Budget	Expenditure		Cumulative Total Expenditure	Total Budget Balance	Expenditure as per Budget Available
			Cumulative up to FY 2007/08	up to Mar 13, 2009 for FY 2008/09			
1a	Development Phase	255,582,000.00	252,934,881.73	32,183,958.89	285,118,840.62	(29,536,840.62)	111.56%
1b	Implementation Phase	1,806,883,000.00	794,836,621.63	251,896,329.55	1,046,732,951.18	760,150,048.82	57.93%
2	Goods	19,870,500.00	21,197,291.99	1,577,367.00	22,774,658.99	(2,904,158.99)	114.62%
3	Consultants Service & Studies	54,700,000.00	17,444,028.13	5,144,753.01	22,588,781.14	32,111,218.86	41.30%
4	Training	148,736,000.00	58,209,259.43	6,547,440.94	64,756,700.37	83,979,299.63	43.54%
5	Monitoring & Evaluation	190,999,000.00	95,124,742.03	22,151,841.91	117,276,583.94	73,722,416.06	61.40%
6	Operating Cost	143,270,000.00	111,992,939.37	-	111,992,939.37	31,277,060.63	78.17%
	Total	2,620,040,500.00	1,351,739,764.31	319,501,691.30	1,671,241,455.61	948,799,044.39	64%
	% of expenditure by year		52%	12%	64%		

From this fiscal year 2008/09, the operating cost booked in additional financial provision, which is amount NRs. 129,787,788.55 (IDA: NRs. 3,195,666.51 & GoN: Rs.126,592,122.04)

The Board's current Operation Cost is only 8% of the total expenses and the rest 92% are program cost. The percentage of all expenditure categories on the basis of accumulated expenditure of RWSSP - II up to this reporting period are as follows:

Chart # 1: Percentage of Expenditure (as of March 13, 2009) by expenditure category



Expenditure of Schemes and SOs

Till this reporting period, the contract for post implementation phase, the 1st payment has been made for 66 SOs (216 schemes). The total expenditure for this amounted to NRs. 12,50,000.00, which is included in the Implementation phase expenditure in the above chart.

(e) Review of SO and WSUG Joint account

The following table summarizes the current status of review of SOs account (Development phase) and SOs/WSUGs joint accounts (Implementation phase) as of 13 May, 2009 for Batch V and VI schemes:

Table - 12: Status of SO and WSUG Joint account

Batch	Development Phase			Implementation Phase		
	Review of Accounts Required	Review of Accounts Received	Remarks	Review of Accounts Required	Review of Accounts Received	Remarks
V	106 (341 Schemes)	98 (308 Schemes)	Audit of 8 SOs (33 Schemes) are outstanding	106 SOs (318 Schemes)	23 SOs (82 Schemes)	Audit of 83 SOs (236 Schemes) are outstanding
VI	108 (387 Schemes)	37 (111 Schemes)	Audit of 71 SOs (376 Schemes) are outstanding	100 SOs (342 Schemes)	-	Contract has just been awarded

13. Key Issues and way forward

Following key issues and way forward are identified to improve the overall organizational and managerial performance of the Board Secretariat.

13.1 Scheme Cycle delays

- Accumulated scheme cycle delays is a major concern
 - Batch VI Original completion date: 31 Aug 2007 (revised: 31 July 2009)
 - Batch VII Original completion date: 31 Aug 2008 (revised: 31 Dec 2009)
 - Batch VIII Original completion date: 31 Aug 2009 (revised: 31 Oct 2010)

Measures

- Colour code monitoring and adoption of quick corrective actions
- Scheme cycle revision – 8 months Development Phase and 10 Months Implementation phase with framework contract of 18 months with clearly defined milestones for Development phase and Implementation phase
- Deployment of additional human resources in peak workload period
- Improvements in ‘Contract Management’ – for ensuring timeliness and quality

13.2 Improvement in Management and organisational processes

- Introduction of Key Service Standards and performance evaluation system
- Formalised Meeting and decision making structures (Division Chiefs’ meetings, Divisional Meetings) to improve internal communication and improve complementarities between and among the divisional responsibilities.
- MIS enhancement assignment (ongoing)
 - PMIS, TECHMIS, FMIS → now being integrated to one system

- Annual review and planning – good opportunity for joint learning (Board and Secretariat) through reflection and feedback
- Improvement in internal administrative systems
 - Payment through Bank transfer
 - Simplifying Internal procedures (e.g. less number of signatories)
 These measures have contributed to decreased travel time of the SOs to KTM for financial claims and also reduced the internal processing works
- Institutionalisation of Management Response and action plan for Audit Observations and Recommendations

13.3 Human resources management and development

- Fulfillment of vacant staff positions
 - Shortage of Technical HR (market competition)
 - Need to make benefit and salary packages of the board competitive and attractive (at par with similar organisations and programmes)
 - High staff turnover
 - Urgent need for finalising the fund Board staff salary revision process and implementation of the new packages (will boost motivation and contribute positively towards staff retention)
 - Eligibility Criteria for applicants: need to review academic qualification and years of experiences
- Need for Human resources capacity development (staff training, exposures, etc)

13.4 Improving institutional relationships with key stakeholders and strategic partners

- Local Government Bodies (DDCs and VDCs)
 - Gradual implementation of the feedback and recommendations from the Regional Workshops conducted during Sept/Oct 2009 → improve coordination and linkages for effective planning, monitoring and ensuring sustainability of the WSS schemes
 - Select and pilot an intensive collaboration modality with five District Development Committees
- Support organizations and Service Agencies
 - Regional workshops with SO/SA are planned to tackle contract management related issues and also to improve the overall SO/SA performance
- Others stakeholders
 - International stakeholders (donors, trusts, RWSS programmes) have shown lot of interests in visiting and interacting with the Board, this year we had visitors from Srilanka and Kenya.
 - Need to focus on quality of documentation and presentation/Marketing of the Board experiences and learning's

13.5 Establishing the Board as Regular Sector Institution

- This is one of the key Covenant of the Development Credit Agreement
- Bill in the parliament by early 2008 (later Constituent Assembly)
- The Bill is not yet in the agenda of the business list of the house, this requires urgent attention of us. During the interaction sessions, the Minister and the Secretaries are informed of this situation.

13.6 Sector M&E Unit in MPPW

- This is another important Covenant in Development Credit Agreement (DCA)
- Sector M&E Unit established (at MPPW)
- Designing and Implementation of M&E/MIS System in M&E Unit
 - International consultant firm recruitment process is at final stage (financial negotiation completed, no objection from the Bank received to go ahead)
 - Original deadline for completion (15 July 2009) – needs to be revised.
 - Needs timely inputs and support from all stakeholders in finalising RWSS sector monitoring indicators and associated framework for it

13.7 Preparation for beyond RWSSP II

- Need for consolidating lessons and experiences of RWSSP II - participatory processes, community (cash and kind) contributions, community procurement, community led operation and maintenance
- There is strong need for aligning RWSS within the Sector Wide Approach (SWAp) framework (discussion ongoing at stakeholder group)
- We should start preparation for Project Concept Note (and Proposal) for follow-up RWSSP III

--- End of Main Text ---