



**Rural Water Supply and Sanitation Fund Development Board (RWSSFDB)
Second Rural Water Supply and Sanitation Project (RWSSP-II)
Lazimpat, Kathmandu, Nepal**



3rd Trimester Implementation Progress Report

Fiscal Year: 2064/65 (2007/08)
Trimester Period: 2064 Chaitra 01 to 2065 Asar 31
(14th March 2008– 15th July 2008)

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List of Abbreviations

CAP	Community Action Planning / Plan
CBO(s)	Community-based Organization(s)
CDA	Community Development Activities
CPO	Chief, Planning Division
CT(s)	Community Technician(s)
CTECH	Chief, Technical Division
CW(s)	Community Worker(s)
DCA	Development Credit Agreement
DDC(s)	District Development Committee(s)
DED	Deputy Executive Director
DFID	Department for International Development, UK
DP	Development Phase
ED	Executive Director
EIA	Environmental Impact Assessment
EMP	Environment Management Plan
EMAP	Environment Management Action Plan
FC	Field Coordinator
FMR	Financial Monitoring Report
GW	Ground Water
HH(s)	Household(s)
HHSP	Health Hygiene Sanitation Program
GoN	Government of Nepal
HSE	Hygiene and Sanitation Education
IDA	International Development Association, The World Bank
IG	Income Generation
INGO(s)	International non-governmental Organization(s)
IPs	Indigenous People
JAKPAS	<i>Janata Ko Khane Pani Ra Sarsafai Karyakram</i> (The People's Water Supply and Sanitation Program)
lpcd	litre per capita per day
LSI	Livelihood and Social Inclusion
IPR	Implementation Progress Report
MACAPO	Meeting to Agree on Community Action Plan Outputs
MCTG	Mother & Child Tap stand Group
M & E	Monitoring and Evaluation
MPPW	Ministry of Physical Planning and Works
MIS	Management Information System
MOF	Ministry of Finance
NCB	National Competitive Bidding
NFE	Non-Formal Education
NGO(s)	Non-governmental Organization(s)
NRCS	Nepal Red Cross Society
NRs.	Nepalese Rupees
O&M	Operation and Maintenance
PAD	Project Appraisal Document
PF	Pre-feasibility
PIP	Project Implementation Plan
PM(s)	Portfolio Manager(s)
PMR	Project Monitoring Report
PRA	Participatory Rural Appraisal
RWSS	Rural Water Supply and Sanitation
RWSSFDB	Rural Water Supply and Sanitation Fund Development Board
RWSSP	Rural Water Supply and Sanitation Project
SA(s)	Service Agency (ies)
SARAR	Self Esteem, Associative Strengths, Resourcefulness, Action Planning, Responsibility

SCR	Scheme Completion Report
SOs	Support Organization(s)
SRLF	Sanitation Revolving Loan Fund
SS	Software Supervisor
SSC	Sector Steering Committee
SSG	Sector Stakeholders' Group
TA	Technical Advisor
TAC	Technical Appraisal Committee
TL	Team Leader
TOR	Terms of Reference
TS	Technical Supervisor
USO	Umbrella Support Organization
VDC(s)	Village Development Committee(s)
VHP(s)	Village Health Promoter(s)
VMW(s)	Village Maintenance Worker(s)
WB	The World Bank
WTSS	Women Technical Support Services
WSUC	Water and Sanitation Users' Committee
WSUG	Water and Sanitation Users' Group

1. 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 executed by Rural Water Supply and Sanitation Fund Development Board (the Board). The RWSSP I implemented during 1996-2003 supported 887 rural water supply and sanitation schemes under community management in 49 out of 75 districts of Nepal benefiting about 0.6 million population.

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.

As per the provision in the project agreement, withdrawal from the IDA credit account will be made on the basis of FMRs i.e. Report-Based Disbursement including any other information as the association specified by notice to the Board on each trimester period. Thus the FMR is the basis for disbursements against financial as well as physical progress and cash requirement for each trimester.

To match the government's planning and reporting cycle, the FMRs are produced on a trimester basis and submitted within 45 days from the end of the proceeding trimester to the concerned agencies (e.g. GoN & IDA).

In this background, the document on hand is the 3rd Trimester FMR for the fiscal year 2064/65 (2007/08) covering the activities and progress from March 14, 2008 to July 15, 2008.

2. Highlights of key achievements

2.1 Organizational and Management aspects

The following are some of the major activities carried out during this reporting period for the strengthening and operation of the RWSSFDB.

RWSSDF Bill

At the outset of the RWSSP - II, establishment of the Rural Water Supply and Sanitation Development Fund (RWSSDF) as a "Regular Sector Institution" has been agreed between the GoN and IDA (Association). After necessary preparations by legal experts and key stakeholders, legal deliberations and discussions at different levels, a Bill to this effect has been tabled in the Interim Legislative-Parliament on 07 Jan 2008. As required by the legal process, re-registration of the Bill for further process in the Constituent Assembly (CA) is ongoing.

Improvement in Internal Management

Efforts for improvements in the Board's office management started earlier based on the findings of the consultant's independent review on the internal management of the Board secretariat and also the remarks and suggestions by the subsequent IDA Implementation Support Missions are ongoing:

- Staff meetings at different levels are held regularly and decisions are timely communicated through outlook;
- Joint review meetings of the executive and professional staff are organized to discuss, analyze progress, issues/constraints and lessons from the scheme cycle implementation; field visits are organized and quick remedial actions are taken for addressing identified bottlenecks and constraints for maintaining scheme cycles (this particularly refers to the efforts made by the Planning and Operation Division for completing Batch V schemes.

Furthermore, several management instruments are designed and are now in practice as part of the Board's efforts to improve effectiveness and efficiency of its operations: introduction of new (revised) Job Descriptions (JD's) and Key Service Standards (KSS) has started, signing of the revised JD's and KSS by Finance and Admin Division staff is completed and rest will be completed by mid-Sept 2008; key service standards will be used as basis for annual performance evaluation of the functions; it is expected that clarifying the specific job roles and setting standards of service for performance will improve the internal management by making the staff more accountable to assigned tasks and responsibilities; colour code monitoring system for scheme/batch cycles is in use and is found to be an effective instrument for monthly scheme implementation status overview and devising necessary measures to ensure timeliness and quality in the scheme cycles.

Staff Vacancy and Recruitment Status

Currently, there are six vacant positions. Out of these, positions of DED, PDO and Receptionist were in process of final interviews at the time of writing this report. Announcement of vacancy for remaining two positions is done already.

Table – 1: Staff Vacancy and Recruitment Status (as of 15 July'08)

S.N	Position	number	Remarks
1.	Deputy Executive Director (Vacant since 24 July 2007)	1	In progress; will be fulfilled by 15 Nov 2008.
2.	Water Supply Engineer (Vacant since 27 April 2008)	1	In progress; will be fulfilled by 15 Nov 2008
3.	Chief of Technical Division (Vacant since 01 May 2008)	1	In progress; will be fulfilled by 15 Nov 2008
4.	Management Information System Officer (MISO) (vacant since 30 Jan 2007)	1	No adequate applications received even after repeated vacancy notice (In process of hiring individual through SA)
5.	*Program Development Officer	1	Interviews completed
6.	*Receptionist	1	Interviews completed
Total		6	

*these two positions have already been recruited in second half of July, 2008

Staff Capacity Development

During this reporting period, six numbers of staffs have participated in different capacity building training like leadership training, and English language training within the country.

2.2 Events and Missions

Fund Board Day Celebration: Fund Board celebrated its 12th Anniversary with a national level function on 24 March 2008 attended by key stakeholders of the water and sanitation sector. Exhibition of models of water and sanitation schemes representing all three ecological zones and technical options (gravity and ground water) with explanation to the visitors by the community people themselves was one of the main attractions of the day. On this occasion, the achievements made by the Board were appreciated by distinguished guests including the Minister for Physical Planning and Works and Country Director of the World Bank; at the same time the Board experiences were shared with different donors, INGOs, national NGOs, and representatives of water and sanitation stakeholders through presentations by the Executive Director, distribution of Fund Board's publications on lessons learnt and success stories, documentary show and self-explanations by the community members on benefits from the water and sanitation interventions facilitated by the Board.

Visit of World Bank delegates: last week of April, a team of Executive Directors of the Bank together with the Bank's Country Director and officials visited Kaseri Dumribot drinking water and sanitation scheme of Batch – V in Kaski district and received first hand impression on the impact of the water and sanitation activities through observation and interaction with community members.

Participation in pre-negotiation team: the Executive Director including other senior officials from the Board Secretariat participated in pre-negotiation consultative meetings held in the months of March/April 2008 between the Bank and the GoN as one of the members of the team formed by the government.

Two study tour visits of Water and Sanitation Project Officials and partners from Bangladesh and Srilanka were received by RWSSFDB during this reporting period; these were considered as an opportunity for the Board to share our experiences and also learn from their practices.

2.3 Enhancement in Management Information System

With the realization of need for upgrading and updating the existing MIS to make it more users' friendly and informative, an assignment by involving an external consultant firm is now ongoing. The consultant firm (SA) has submitted the Final SRS report on 09 June 2008 with the incorporation of comments on Draft SRS Report. With some modifications based on the inputs from the Board Staff and MIS consultant and written commitments by the SA (Hitechvalley iNet) for further adaptations, the SRS has been approved with go ahead

decision for start of Development Phase. The Development phase of MIS modules, sub-modules and systems are in progress as planned. As discussed and agreed during the 8th Implementation Support Mission, the Board is closely monitoring the on-going progress with supports of a short – term MIS consultant. The assignment is expected to be completed by October 2008 (on time).

2.4 RWSS Sector Strengthening

Development of the RWSS Sector M&E, MIS and DSS System in MPPW

Currently, the RWSS Sector M & E unit is involved in the planning and other preparatory works of the unit including the hiring of consultant (SA) to prepare the M & E system including MIS and DSS for rural water supply and sanitation sector. For the procurement of consultancy services for designing M&E/MIS System for Rural Water Supply and Sanitation (RWSS) Sector / M&E Unit is still in process. Evaluation of the previous bid for consultant services did not yield positive result; the Bank has given consent for another round of EOI/RFP following ICB procedure; the ToR has been revised with inputs from MPPW; and the revised TOR has been submitted to the Bank for no objection by mid March 2008. General Procurement Notice (GPN) has been published in the dgMarket and UNDB; enquiries are being received by different international agencies (and their local representatives) about the assignment. Altogether 22 International and National Consulting Firms/Companies submitted EOIs. EOIs were evaluated by an external team of experts (in leadership of MPPW). Six Firms are short listed, the Bank has given no objection to the short list, TOR was in process of revision to make the expertise mix more pragmatic to the scope of work and process for issuing RFPs was ongoing at the time of writing this report.

3. Procurement and Financial Status

The major activities and achievements of this trimester 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.

3.1 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

Four numbers of scooters are procured in this trimester on special arrangement for female staff.

b) Procurement of Consultants for Various Assignments

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

Seventy (70) numbers (out of existing 150 SOs engaged with the Board) of SOs has been selected for schemes implementation for Batch - VIII.

b1) Procurement Status

The procurement status of Consultants (firms and Individuals) to undertake various assignments are presented in Table -2.

Table - 2: Procurement of Consultants (firm)

SN	Description	Quantity / No. of Package	Procurement Method	Status
1.	Ferro Cement Tank Construction Training, Batch-VI	4	Fixed Cost Based Selection (FCBS)	Contract signed respectively with Don Bosco (NRs 10,08,457.00), ETA & BN JV (NRs 9,24,667.70), Team Nepal (NRs 10,84,792.00) and DEVTEC Nepal (NRs 10,08,728.00) on Jun 1 & 30, 2008
2.	Water Quality Testing of Batch VII	3	National	Contract signed respectively with CEMAT

SN	Description	Quantity / No. of Package	Procurement Method	Status
	Development Phase		Shopping	(NRs 16,05,300.60), ENPHO (NRs 15,00,527.00) and NESS (NRs 14,44,140.00) on Jun 18, 2008
3.	Supervision of the Deep Tube Well Drilling Work	1	Fixed Cost Based Selection (FCBS)	Contract signed with IRDS (NRS 795,294.00) on May 11, 2008

Table - 3: Procurement of Consultants (Individuals: as per need basis)

SN	Items / Description	Quantity / No. of Individuals	Procurement Method	Status
1	Technical input for Web Centric MIS Enhancement Work	1	Individual Consultant (CQ)	Contract (NRs 21,000.00) signed with Mr. Om Prakash Nepali on April 29, 2008
2	WSE Consultant	1	Individual Consultant (CQ)	Contract (NRs 50,000.00) signed with Mr. Deepak Nath Sapkota on May 21, 2008

3.2 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 of FY 2007/08 was 45%; this figure has gone up to 52% with an increment of 7% as of this Trimester.

Table – 4: 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 March 13, 2008	% of Expenditure As of March 13, 2008	Total Cumulative Expenditure As of July 15, 2008	% of Expenditure As of July 15, 2008	Increment in Disbursement after previous mission (in %)
2,620	1175.85	45	1351.74	52	7

- **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 50%, this figure has gone up to 55% with an increment of 5% as of this Trimester.

Table – 5: Total IDA Budget for RWSSP - II and Disbursement Status

(US\$ In Million)

Total IDA Budget	Total Cumulative Expenditure As of March 13, 2008*	% of Expenditure As of March 13, 2008	Total Cumulative Expenditure As of July 15, 2008	% of Expenditure As of July 15, 2008	Increment in Disbursement after previous mission (in %)
25.3	12.56	50	13.88	55	5

Note: *A figure of expenditure is slightly different than previous trimester due to use of actual rate.

The detail financial progress status is as follows:

(a) Progress of Financial Management

- 2nd Trimester Report for FY 2007/08 has been submitted.
- Two groups of Training for SOs Accountant of Batch VII have been conducted as of May 2008.
- TOR for Impact Assessment of Account Review of SOs/WSUCs was finalized and contract has been signed with exiting auditor to study, but it is delayed due to disturbances of movement and fuel crisis.

These actions were also part of the Action Agreed list with the 8th Implementation Support Mission.

(b) Budget and Funds Received

Total project fund for RWSSP - II is **US\$ 41.5 million** comprised of 61% from IDA, 28% from GoN and 11% from Community (both in cash and kind contribution). Out of the total fund in cash amounting US \$36.9 million, the total credit from IDA is **US\$ 25.3 million** of which the total fund disbursed from IDA till date is **US\$ 17.14 million** (almost as per the plan). The fund remained to be disbursed is expected to be received by the Board on time. Likewise, out of US\$ **11.6 million** of GoN share, **US\$ 0.59 million** has been received till this reporting period.

The Board had proposed **NRs 1244.98 million** budget for fiscal year 2008/09. But the total budget amount **NRs 1,129.99 million** only has been approved by the Government. In this fiscal year 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 about **1%**.

Moreover, out of **US\$ 16.62 m. IDA Budget**, **US\$ 11.77 m.** is IDA Credit source and remaining **US\$ 2.42 m.** is IDA grant source (Exchange rate used-\$1:NRs 68). The detail budget breakdown is presented in Table 6.

Table - 6: 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 total budget approved by GoN for this fiscal year 2007/08 was **NRs 590.748 million**. In this fiscal year GoN has provided **NRs. 165.00 million** including **NRs 125.00 million** for the part of DFID commitment. The approved budget shared **28%** from GoN and **72%** from IDA. As compared to FY 2006/07, the total budget for FY 2007/08 has been decreased by **5.72%**, in which IDA share for FY 2007/08 has been decreased by **28.56%** and GoN share increased by **539%**. The GoN share is increased due to additional allocation of the amount for meeting the DFID commitment.

The Board has received fund **NRs. 149,122,000.00** for Grant a/c and **NRs. 124,478,000.00** for Reimbursable account for their pre-finance of IDA part from GoN in this trimester.

The Board has reimbursed **NRs. 153,968,000.72** from Special Account to GoN for their pre-finance in this trimester. Unspent balance amount **NRs. 153,581,034.81** (59,732,877.8 + 93,848,157.01) of GoN grant and reimbursable for this FY 2007/08 will be returned in next trimester. Similarly, pre-financing expenses **NRs. 90,057,444.06** of the 3rd trimester 2007/08 will be deposited to GoN account in next trimester.

The Board has disbursed 55% of IDA's committed budget as of July 15, 2008. Similarly, the expenditure in Development Phase category has been already overspent (142%). Details of expenditure status of IDA funding is presented in Table 7a.

Table – 7a: Status of IDA Funding (Budget vs Expenditure as of July 15, 2008)

SN	Category	Amount		Expenditure as per WA*	Expenditure (out standing for 3rd trimester of 07/08)	Total Expected Expenditure	Balance	% of Exp
		SDR	US\$	US\$	US\$	US\$	US\$	
1a	Development Phase	1,410,000.00	2,098,408.37	2,518,342.14	466,642.14	2,984,984.28	-886,575.91	142%
1b	Implementation Phase	10,970,000.00	16,325,914.80	8,094,286.08	470,423.01	8,564,709.09	8,231,628.72	52%
2	Goods	210,000.00	312,528.91	179,160.11	13,062.36	192,222.47	133,368.80	62%
3	Consultants Service & Studies	410,000.00	610,175.48	211,209.93	70,849.87	282,059.80	398,965.55	46%
4	Training	670,000.00	997,116.04	340,845.26	107,175.66	448,020.92	656,270.78	45%
5	Monitoring & Evaluation	1,340,000.00	1,994,232.07	695,670.66	158,067.12	853,737.78	1,298,561.41	43%
6	Operating Costs	410,000.00	610,175.48	523,038.72	28,487.05	551,525.77	87,136.76	90%
	Unallocated	1,580,000.00	2,351,407.97	0	0	0.00	0.00	0%
	TOTAL	17,000,000.00	25,299,959.12	12,562,552.90	1,314,707.21	13,877,260.11	9,919,356.11	55%
	In Million	17.00	25.30	12.56	1.31	13.88	9.92	

Note:*Expenditure as per IDA Eligible statement

Table – 7b: Status of Fund Used by IDA, GoN and Community (Budget vs Expenditure as of July 15, 2008)
Currency: US\$ in Million

SN	Expenditure Category	Budget as per PAD				Expenditure				% of Expenses
		GoN	IDA	Community	Total	GoN	IDA	Community	Total	
1a	Development Phase		2.17	-	2.17	-	2.56	-	2.56	118%
1b	Implementation Phase	9.42	16.33	4.60	30.35	0.00	8.55	1.15	9.70	32%
2	Goods	0.01	0.30	-	0.31	0.03	0.27	-	0.31	99%
3	Consultants Service & Studies	0.32	0.60	-	0.92	0.03	0.13	-	0.16	18%
4	Training	1.32	1.00	-	2.32	0.07	0.35	-	0.42	18%
5	Monitoring & Evaluation	1.11	2.00	-	3.11	0.13	0.72	-	0.85	27%
6	Operating Costs	1.73	0.60	-	2.33	0.96	0.56	-	1.52	65%
	Unallocated		2.30	-	2.30			-	-	0%
	TOTAL	13.91	25.30	4.60	43.81	1.23	13.13	1.15	15.51	35%
	% of coverage	0.32	0.58	0.10		0.81	8.63	0.76		
	% of expenditure on budget					0.09	0.52	0.25		

(c) IDA Disbursement

Based on the current implementation progress and projection for the remaining year the disbursement projection and actual projection are as follows:

Table - 8: IDA Credit Fund Disbursement Status on Advance Base (US \$ in million)

Year	2005	2006	2007	2008	2009	TOTAL
Plan	1.40	5.10	6.30	6.70	5.80	25.30
Cumulative	1.40	6.50	12.80	19.50	25.30	25.30
%	6%	26%	51%	77%	100%	100%
Actual	1.30	3.24	12.60	-	-	17.14
Re-Plan	-	-	-	8.16	-	8.16
Cumulative	1.30	4.54	17.14	25.3	-	25.30
%	5%	18%	68%	100%	-	100%

(d) Project Expenditure Status

The total budget projection for this FY 2007/08 is **NRs. 590.75 million**. As of July 15, 2008 for FY 2007/08, the Board has spent **74%** of the annual approved budget for this fiscal year (Table – 9).

Similarly, the expenditure on Implementation Phase category up to this reporting period is **95%** and on Development Phase category it is **74%** of the total available budget for FY 2007/08.

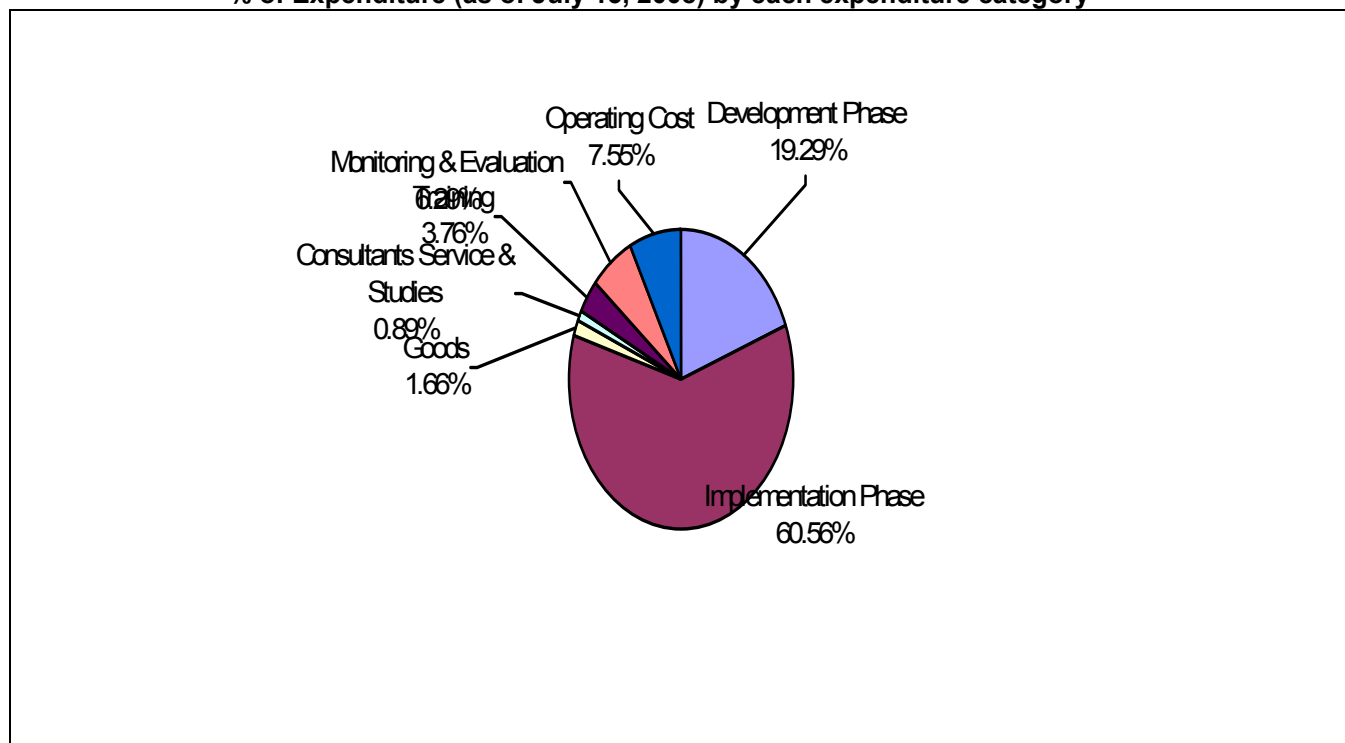
Table - 9: Budget and Expenditure Statement of RWSSP-II (as of July 15, 2008)

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 2006/07	up to July 15, 2008 for FY 2007/08			
1a	Development Phase	255,582,000.00	169,958,681.89	82,976,199.84	252,934,881.73	2,647,118.27	98.96%
1b	Implementation Phase	1,806,883,000.00	526,988,080.13	267,848,541.50	794,836,621.63	1,012,046,378.37	43.99%
2	Goods	19,870,500.00	19,032,132.66	2,165,159.33	21,197,291.99	(1,326,791.99)	106.68%
3	Consultants Service & Studies	54,700,000.00	7,565,049.48	9,878,978.65	17,444,028.13	37,255,971.87	31.89%
4	Training	148,736,000.00	37,524,945.25	20,684,314.18	58,209,259.43	90,526,740.57	39.14%
5	Monitoring & Evaluation	190,999,000.00	73,809,544.75	21,315,197.28	95,124,742.03	95,874,257.97	49.80%
6	Operating Cost	143,270,000.00	78,780,260.63	33,212,678.74	111,992,939.37	31,277,060.63	78.17%
	Total	2,620,040,500.00	913,658,694.79	438,081,069.52	1,351,739,764.31	1,268,300,735.69	52%
	% of expenditure by year		35%	17%			

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:

% of Expenditure (as of July 15, 2008) by each expenditure category



4. Implementation of Schemes: Physical Progress

Till date, in total 403 schemes (i.e. 47 schemes of Batch -IV carried over; 298 schemes of Batch - V and 58 schemes of Batch - VI) are fully completed serving 294,039 populations; whereas 301 schemes (i.e. 17 schemes of Batch – V and 284 schemes of Batch – VI) are currently under implementation phase targeting to cover 220,171 populations.

4.1 Current Physical Progress Status Compared

Table -10 presents the current physical progress of the schemes under different Batches/phases compared to the scheme status till previous Trimester.

Table – 10: Current Physical Progress by Batches Compared to Pervious Trimester

A. Status of Batch V Implementation Phase Schemes

Total Schemes	Status up to previous (March 14, 2008)			Current Status (July 15, 2008)			Remarks
	Fully Completed	Physically Completed	On going	Fully Completed	Physically Completed	On going	
315	261	37	17	277	21	17	Additional 16 schemes (5%) are fully completed after previous trimester. In total, 95% schemes are completed till date.

Note: the deadline to complete all Batch V Implementation Phase schemes was fixed up to August 2008. Recently a joint meeting of the Division Chiefs, Regional Managers, Technical Advisor and Portfolio Managers reviewed the status of all individual schemes and agreed to speed up necessary follow-up and take measures to finalize Batch - V schemes latest by August 2008.

B. Status of Batch – VI Implementation Phase Schemes

Total Schemes	Status up to previous (March 14, 2008)		Current Status (July 15, 2008)		Remarks
	Schemes Approved by Board	Contract signed for Imp. Phase	Schemes Approved by Board	Contract signed for Imp. Phase	
365	343	303	345	342	<p>In total, 39 schemes (11%) are contracted for Imp. Phase after the previous trimester</p> <p>In total, 95% schemes are approved for Imp. Phase till date.</p> <p>The first payment has been made for 312 schemes and second payment for 58 schemes.</p>

Note: Under the Rapid Action Plan (RAP) the deadline to commence all Batch – VI Implementation Phase schemes was fixed up to Dec. 2008.

C. Status of Batch – VII Development Phase Schemes

Total Schemes	Status up to previous (March 14, 2008)		Current Status (July 15, 2008)		Remarks
	Schemes Approved by Board	Contract signed for Dev. Phase	Schemes Approved by Board	Contract signed for Dev. Phase	
446	446	442	446	442*	<p>* In total, 4 schemes dropped /deferred</p> <p>Till date, the first payment has been made for 431 schemes and second payment for 276 schemes.</p>

Note: Under the Rapid Action Plan (RAP) the Batch – VII Development phase was completed by April 2008. Within this deadline 99% (442 schemes) are contracted.

5. Major Issues/Challenges and Way forward

The following are the major issues/ challenges faced during this trimester period:

- **Scheme Cycle delay recovery**

Despite of some progress in speeding up the scheme implementation, still we are behind the schedule in case of Batch V and VI schemes. In this regard, the Board is further committed to complete Batch V schemes by August 2008; recover the delays of Batch VI schemes and complete Batch VII schemes within the revised scheme cycle. Also an in-depth analysis and review of the scheme cycle is planned for 2008 (before starting of Batch VIII development phase in Oct) to draw lessons and devise strategies for overall delay recovery by adopting some fast track measures.

70 SOs for Batch VIII were selected from existing pool of SOs working at present with the Board. This option was chosen as one of the strategies to speed-up the scheme cycle and not to miss this year's dry season for identifying Batch VIII schemes. Similarly, necessary preparations are ongoing to outsource assessment and screening of SOs for batch IX onwards by involving external agency/ies. .

Further to this, the Board has started consultations with the SOs/SAs for identifying areas for improvement in SO/SA contract management system. By mid-2008 an in-depth internal review will be completed and measures will be adopted to improve the timeliness and quality of services from SO/SAs.

- **Additional financing: opportunities as well as challenges for the Fund Board**

The Board of Directors of the Bank has approved US\$ 27 million grant as additional financing; this includes additional budget of US\$ 7.8 million to meet the cost over run for completing implementation phase of 231 schemes of Batch VII. Additionally, this grant will enable the Board to complete implementation phase of 351 schemes of Batch VIII, development phase of 400 schemes of Batch IX and pre-development phase of 400 schemes of Batch X by Dec 2010. By the time of writing of this report, bilateral agreement for this additional financing of Second Rural Water Supply and Sanitation Project between the World Bank and GoN was signed on 26 Aug 2008; and the Project Agreement between the Bank and the Board was also signed on the same day.

Board has reiterated its commitments for improving operational and managerial efficiency by adopting several management reforms and initiatives.

- **Sector knowledge development**

Efforts were continued to make the ongoing initiatives on *Jagaran Karyakram* (SAC) and *Jivika Karyakram* a great success and develop these approaches as model in rural water and sanitation interventions in the rural areas. Trainings of the local resource persons was conducted in May 2008; a draft strategy was prepared and shared with the bank and Board officials; inputs/suggestions are received, SAC strategy will be finalized by mid – Sept 2008.

An interaction and sharing meeting was organized with CBWSSP to exchange lessons and learning related to the SO engagements, linkages with local government bodies, and WSS modalities. Similarly, the Board was invited to make presentations on Board principles, approaches, results, lessons and issues to ADB PPTA Mission on Community Based Irrigation Project and Water and Sanitation Stakeholders group meeting.

- **Need for further strengthening of ongoing initiatives at sector level**

Significant progresses are made at the policy level to institutionalize concepts of sector coordination, planning and monitoring and establishing corresponding institutional set-up (such as RWSS Sector M&E Unit at MPPW, Sector Stakeholders Group coordinated by the MPPW, ongoing discourse on conducting a Sector review in the leadership of the MPPW, etc) and these can be considered as head start for an effective and efficient water and sanitation sector in Nepal, however there is need for continuous institutional strengthening support to sustain and institutionalize these efforts.

6. Status of Activities Planned in 3rd Trimester (FY 2007/08)

Action Plan	Responsible unit	Status
1. Hiring of SA for MIS establish in M&E unit at MPPW	M & E/PO	Re-EOI has published and evaluation is finalized
2. SO selection for Batch VIII	P & O	Done
3. Implementation of Key Service Standard and Improving internal control mechanism	TA/ADMIN	Initially starts of signing in new KSS
4. Budget Preparation for fiscal year 2008/09	ADMIN	Done and submitted to the GoN

7. Plan of Activities for 1st trimester (FY 2008/09)

Action Plan	Responsible unit	Deadline
1. Hiring of SA for MIS establish in M&E unit at MPPW	M & E/PO	October 2008
2. SO selection for Batch IX	P & O	November 2008
3. Complete of Implementation of Key Service Standard and Improving internal control mechanism	TA/ADMIN	August 2008

8. Action agreed Status

NEPAL: SECOND RURAL WATER SUPPLY & SANITATION PROJECT (Cr.3911-NEP)
ACTIONS AGREED WITH THE EIGHTH IMPLEMENTATION SUPPORT MISSION
(Progress Status update as of 04 August 08)

Agreed Actions	Responsible Agency	Due date	Status	Progress status (as of 04 August 2008)
Sector Monitoring and Evaluation				
(i) Finalize ToR for the MIS and RWSS sector M&E system by the M&E Unit	GoN/MPPW	June 15, 08	Completed	ToR finalized for the MIS and RWSS sector M&E System and no-objection received from the World Bank on June 23, 2008.
(ii) Recruit consultants to assist the M&E Unit to set up a RWSS sector M&E/MIS systems	GoN/MPPW	Sept 15, 08	Ongoing	In response to the GPN and SPN published in the dg-market and UNDB, a total of 22 firms submitted EOIs for the assignment. The evaluation of the received EOIs completed and process report and a shortlist of the SAs sent to World Bank for no objection on July 25, 2008.
Internal Management				
(i) Complete the selection of SOs for predevelopment phase of Batch VIII schemes	The Board the Secretariat	June 07, 08	Completed	Total 70 SOs from among the existing SOs on the basis of a merit list prepared through an internal assessment using SOs screening criteria approved by the Board are selected for pre development phase of Batch VIII schemes. The selection of SOs and quota allocation for pre feasibility was approved by the Board on June 15, 2008.
(ii) Recruit Staff for 8 vacant positions in the Board Secretariat	The Secretariat	July 15, 08	Partially completed / Ongoing	The recruitment completed for the positions of 2 PMs; 1 PDO, and 1 Receptionist. The final interview is in process for DED. ToR is being developed to outsource the function of MISO to an IT firm. The applications for C-TECH and WSE position are under screening process. Whole recruitment process will be completed by mid August 2008.
(iii) Monitor regularly the performance of the Executive Director as per the defined set of minimum key service standards (KSS)	The Board	July 15, 08	Ongoing	A revised implementation plan is prepared for introduction of new JDs and Key Service Standards (KSS), process to be completed by 15 August 2008. Meantime, the annual performance evaluation form is filled in by the ED for FY 2007/08; will be discussed with the chair of the Board.
(iv) Monitor regularly the performance of the Deputy Executive Director, Division Chiefs and other staff as per the defined set of minimum key service standards (KSS)	The secretariat ED	July 15, 08	Ongoing	A revised implementation plan is prepared for introduction of new JDs and Key Service Standards (KSS), process to be completed by 15 August 2008. Meantime, the annual staff performance evaluation forms are filled in by staff and supervisors for FY 2007/08.
(v) Start processing Batch IX pre development phase activities.	The Secretariat	Aug 01, 08	Ongoing	In house discussion to revise the SO selection criteria is ongoing. It will be finalized by August 15, 2008.
Women's Technical Support Services				
(i) Build WTSS capacity to form and operate their own people's institution in <i>Jeevika</i> pilot areas	The Secretariat HRD	June 01, 08	Completed	The WTSS Groups' Members have been trained on institutional and financial management in all 48 WTSS

Agreed Actions	Responsible Agency	Due date	Status	Progress status (as of 04 August 2008)
	CEAPRED			Groups including sub-groups in all schemes/communities to enable them to form and operate their own people's institution in <i>Jeevika</i> pilot areas.
(ii) Complete in-house study of WTSS on women empowerment (Batch V & VI)	The Secretariat HRD	July 31, 08	Completed	Final Report received on June 12, 2008.
Governance and accountability				
(i) Devise a strategy to implement and Monitor Social Audit Committee (SAC)	The Secretariat HRD/M&E	June 30, 08	Ongoing	Draft strategy prepared and shared with the WB experts on SAC and CSCs in early July 2008. Suggestions on the draft are received from Dr Megha and Murthy; modality of SAC also discussed in the Board. Implementation Modality and Monitoring Format of <i>Jagaran Karyakram</i> (SAC) will be finalized by August 7, 2008 and implementation will start by August 21, 2008 (incorporating inputs from the World Bank).
(ii) Implement the strategy on SAC in the pilot areas	The Secretariat	July 15, 08	Ongoing	After finalizing strategy, <i>Jagaran Karyakram</i> (SAC) will start in pilot areas
(iii) Post Board reports and information on the website as agreed and update them as and when necessary	The Secretariat MIS	June 15, 08	Completed	The Board's official website www.rwss.org has been updated with new documents; this will be continuously updated.
(iv) Implement actions related to good governance as agreed for Additional Financing – this includes posting of all relevant information in the website	The Secretariat	Aug 31, 08	On-going	Space has been created and the information related to financial aspects including Audit Report and FMR will be posted in the RWSS Website by mid-August 2008.
Social and Environmental				
(i) Share water quality test results with the concerned WSUC/Gs regularly	The Secretariat	June 01, 08	Completed	Water Quality Test results are shared (send to) the WSUG/Cs through concerned SOs by sending out complete reports. This will be an ongoing action. PMs are instructed to monitor whether the reports are shared with WSUG/Cs by the SOs.
(ii) Review the Charter of WSUGs to ensure basic clauses such as term of office of the officials, their roles and responsibilities and selection process are clearly specified in it.	The Secretariat	June 30, 08	Completed	Existing WSUG charters (samples) were reviewed; in most of the cases terms of office is mentioned as 5 years, roles responsibilities of the WSUC officials are defined in brief and selection process for WSUC (by election from among the WSUG members) is mentioned. Also the Water Resources Act and the mandatory information to be included in the Users' Group constitution were reviewed to check compatibility of the information from the Act and the existing WSUG charters. The Board has now instructed all PMs and SOs to make sure the standard information (e.g. formation procedures including terms of office and roles responsibilities of the WSUC officials, etc) are clearly defined and spelt out in the charter of the WSUGs. Also in the orientation training modules, these aspects will be emphasized.
(iii) Incorporate environmental and water quality in	The Secretariat	Oct 15, 08	On-going	This matter has been discussed with the SA (Hitechvalley

Agreed Actions	Responsible Agency	Due date	Status	Progress status (as of 04 August 2008)
the web based MIS				iNet) and the Board has provided the required information / indicators that need to be incorporated environmental and water quality in the web based MIS.
(iv) Ensure all transfer of private land to the WSUGs through legally binding MoU	The secretariat CPOD	June 01, 08 onwards	Completed	The Batch – VII SOs have started to use the standard MoU format designed by the legal advisor for this purpose and submitted to the Board.
<u>Community Development Activity</u>				
(i) Complete in house study on process/modality and Impact of NFE and SRLF	The Secretariat	July 31, 08	Ongoing	Final Report will be received within August 7, 2008 incorporating the comments and suggestions on Draft Report.
(ii) Explore modalities and develop strategy for building partnership with Local Authorities (DDC/VDC)	The Secretariat	Sept 30, 08	Ongoing	Paper on Partnership Building with Local Authorities is under preparation and it is expected to be circulated within the Board by August 15, 2008
(iii) Implement the strategy developed to build/strengthen partnership with Local Authorities (DDC/VDC) form Batch VIII Development phase onwards	The Secretariat	Nov 30, 08		
<u>Financial Management</u>				
(i) Complete the training to SO staff on Board Operations and Financial Management	The Secretariat	June 30, 08	Ongoing	Two regional level trainings in Kavre for central region and Nawalparasi for western region completed, remaining 2 trainings will be completed by mid-Aug 2008
(ii) Conduct an impact assessment of improvements in overall accountability of SOs	The Secretariat	June 30, 08	Ongoing	SAs for Impact Assessment of improvements in accountability of SOs are contracted based on variation order; the assignment will be completed by 15 August 2008.
(iii) Submit Third Trimester Report for FY 2007/08	The Secretariat	Aug 31, 08		
(iv) Submit un-audited reports for FY 2007/08	The Secretariat	Oct 31, 08		
<u>Management Information System</u>				
(i) Finalize Software Requirement Specification (SRS) Report	The Secretariat	June 07, 08	Completed	Final SRS report received on 09 June 2008. With some modifications based on inputs from the Board Staff and MIS consultant and written commitments by the SA (Hitechvalley iNet) for further adaptations, the SRS has been approved with go ahead decision for start of Development Phase.
(ii) Complete Development phase of MIS modules, sub-modules and systems	The Secretariat	Aug 31, 08	Ongoing	The Development phase of MIS modules, sub-modules and systems are in progress. As discussed and agreed during the 8 th Implementation Support Mission, the Board is closely monitoring the on-going progress with supports of a short – term consultant. The completed modules are also being presented and discussed among the relevant groups for timely feedback and corrections. Assignment is progressing as planned (revised schedule).
(iii) Complete Users Acceptance tests and launch Final MIS	The Secretariat	Oct 31, 08		

Agreed Actions	Responsible Agency	Due date	Status	Progress status (as of 04 August 2008)
Studies and Training				
(i) Prepare a plan and timeline to conduct the special studies agreed in the project document	The Secretariat	June 15, 08	Completed	Special Studies agreed in the project document include: i) Water Demand and Consumption Pattern Study: A case study for serving the poor under a demand driven approach (<i>planned for Nov/Dec 2008</i>); ii) Gender Issues in RWSS (<i>planned for Feb/March 2009</i>) and iii) Community contributions focusing on indigenous people, dalits and the poorest of the poor (<i>planned for Jun/July 2009</i>).
(ii) Start piloting of Yard Connection Modality in two schemes each in three regions in Batch VII implementation phase	The Secretariat	Oct 01, 08		

Additional activities during this reporting period

- i) On 23rd July, 2008 an interaction programme between Community Water Supply Sanitation Project (CWSSP) and Rural Water Supply and Sanitation Project II (RWSSPII) was organized by the Board to exchange lessons and experiences of these two programmes. Distinguished delegates from the MPPW (including the Secretary), DWSS, Board members from FDB, Consultants involved with FDB and CWSS together with staffs of CWSS and the Fund Board participated in the interaction programme. Scheme cycle and phases, Selection criteria and Performance of SO and SAs, implementation modalities, linkage and coordination with local government bodies, etc were among the key issues discussed. It has been agreed to organize such interaction on regular basis; proceedings of the interaction programme will be available shortly.
- ii) On 25th July, 2008, RWSSP II approaches, achievements and lessons were shared, with ADB mission for designing of Community Based Water Management Project, by the ED in an interaction programme organized by the Department of Irrigation (DoI). Members of the ADB mission were keen on learning from the Board's experiences with regards to: public private partnership modalities, linkage with local governance, community procurement and community involvement in planning, execution and operation and maintenance of the schemes. The DoI has appreciated the Board for excellent presentation and inputs to the interaction programme (see attached Appreciation letter).