I. Introduction and Context

Country Context

The population of Nepal is about 27 million (Census 2011) of which some 83% live in rural areas. The country is going through a prolonged political transition after the decade long insurgency ended in 2006. Elections for a new constituent assembly (CA) are scheduled in November 2013.

The political situation has overshadowed economic and social issues. The country's logistical limitations and inadequate infrastructure are bottlenecks for growth. Nepal is also among the poorest countries in the World ranking 157th out of 187 countries on the Human Development Index. The poverty situation was aggravated by the conflict particularly in rural areas. Poverty levels in rural areas are almost double that of urban areas (27% versus 15%). Poverty is most severe in mountainous areas (42%) with ethnicity a dominant factor in these differences. Importantly the proportion of poor people was halved in only seven years whilst inequality has reduced with the country's overall GINI coefficient declining from 41 to 35 between 2004 and 2011.
Sectoral and Institutional Context

The Ministry of Urban Development (MoUD) has overall responsibility for urban and rural water supply and sanitation (RWSS) even though the Local Self Governance Act (LSGA, 1999) entrusts the responsibility for local level infrastructure, including water supply and sanitation, to local governments. The key actors involved in water and sanitation sector are:

- Department of Water Supply and Sewerage (DWSS) under MoUD as the lead agency is responsible for sector planning and coordination, development of technical standards, and management of design and construction for WSS facilities.
- Department of Local Infrastructure and Agricultural Roads (DOLIDAR) under Ministry of Food and Livestock Development (MFALD) is responsible for, amongst other things, RWSS schemes with less than 1,000 users.
- Rural Water Supply and Sanitation Fund Development Board (Fund Board) is an autonomous agency established in 1996 to promote demand responsive and community-owned and managed approaches to RWSS. It has been the implementing agency for the two IDA funded RWSS projects in Nepal.
- Local Bodies – District Development Committees (DDCs) and Village Development Committees (VDCs) – are mandated to ensure access to basic water supply and sanitation services and to monitor and evaluate water, sanitation and hygiene (WASH) programs.

The GoN has formulated a number of policies, guidelines and acts over the past years aimed at improving RWSS access and quality. The most important are:

- National Hygiene and Sanitation Master Plan of 2011 which promotes the open defecation free (ODF) movement to achieve total sanitation.

Overall, however, the sector is characterized by fragmented structure and unclear or overlapping roles and responsibilities of the key stakeholders. Unsustainability of WSS services. A 2010 survey suggests that about 44% of rural water systems are non-functional, or need reconstruction, rehabilitation or major repairs. Sector finance is poorly coordinated and the total allocation remains well short of the resources needed to achieve sector goals.

Relationship to CAS

The proposed project is is aligned with the under preparation new Country Partnership Strategy (CPS) for Nepal (FY14-17). Pillar II of the draft CPS seeks to promote human resilience while addressing vulnerability through providing, among other areas, improved access to basic social services. The draft CPS includes support for Rural Water Supply and Sanitation to achieve this objective.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The development objectives of the project are to: (i) increase access to improved water and sanitation services in rural areas; and (ii) promote sustainability of community managed water supply schemes by implementation of a long-term support mechanism in selected Districts.

Key Results (From PCN)
Achievement of the PDO will be monitored using the following indicators:

i. People provided with access to “improved water sources” (number)
ii. People provided with access to “improved sanitation facilities” (number)
iii. People trained to improve hygiene behavior/sanitation practices (number)
iv. Long term institutional support model established and operational in X Districts.

III. Preliminary Description

Concept Description

The project comprises three components:

Component 1 – This will include: (i) physical investment for new water supply systems, (ii) improved sanitation units for individual households and at community level (health facilities, schools, etc.), and (iii) hygiene education and awareness building to complement the physical infrastructure and improve health outcomes. Villages will be selected on the basis of request for WASH services through the District’s planning process and meet the criteria for financing under the Board’s approach. This component will be open to villages across the country with more emphasis than in the past on hard to reach communities.

In those Districts selected for Component 2, the Component 1 activities will expand beyond the development of new schemes and will pilot approaches for the development of demand responsive and sustainable investments in:
1. Standalone Sanitation – where water supply is present but sanitation is lacking.
2. Water system rehabilitation – where schemes have deteriorated and need investment.
3. Water system expansion – where increases in the size of a community has not been matched by system expansions.

Component 2 – This will support technical assistance and capacity building to improve the institutional arrangements and strengthen the linkages among the key agencies during the planning, implementation and post construction period. The focus will be on a limited number of Districts which will be selected using an objective and transparent process agreed between the GoN and the Bank. This approach will develop and test a long term backstopping support model that can later be expanded nationwide. The project will make use of existing Government structures (e.g. DDC/ DWSS) to provide effective and continuous “technical” and “administrative” backstopping support in the post-implementation phase. Importantly it will also investigate how to establish systems that allow the CBOs to better network and help themselves more.

Component 3 – This will finance incremental project management costs and any capacity building and technical assistance activities identified during project preparation.

IV. Safeguard Policies that might apply

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V. Financing (in USD Million)

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VI. Contact point

World Bank
Contact: William D. Kingdom  
Title: Lead Water and Sanitation Specialist  
Tel: 473-9093  
Email: wkingdom@worldbank.org

Borrower/Client/Recipient
Name: Government of Nepal represented by Ministry of Finance, His Majesty's Government of Nepal  
Contact: Mr. Madhu Marasini  
Title: Joint Secretary  
Tel: +977-1-4211360  
Email: mmarasini@mof.gov.np

Implementing Agencies
Name: Ministry of Urban Development  
Contact: Mr. Binod C. Jha  
Title: Joint Secretary  
Tel:  
Email: binodechandrajha@gmail.com

VII. For more information contact: