



1. Project Data

Project ID P143036	Project Name NP Rural Water Supply & Sanitation Impr	
Country Nepal	Practice Area(Lead) Water	
L/C/TF Number(s) IDA-54460,IDA-H9450	Closing Date (Original) 30-Jun-2020	Total Project Cost (USD) 55,425,196.86
Bank Approval Date 29-May-2014	Closing Date (Actual) 15-Jul-2021	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	72,000,000.00	0.00
Revised Commitment	64,002,733.51	0.00
Actual	55,606,805.86	0.00

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2. Project Objectives and Components

a. Objectives

According to the Financing Agreement dated July 11, 2014 (Schedule 1, page 5), the project objectives were to:

- (i) Increase sustainable access to improved water services and promote improved sanitation and hygiene practices in rural areas; and



(ii) Develop and implement a long-term support mechanism to promote the sustainability of water supply schemes in selected districts.

For the purposes of this review, the following objectives will be assessed:

Objective 1: To increase sustainable access to improved water services in rural areas

Objective 2: To improve sanitation and hygiene practices in rural areas.

Objective 3: To develop and implement a long-term support mechanism to promote the sustainability of water supply schemes in selected districts.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

Yes

d. Components

Component 1 – Access to Improved Water Supplies and Promotion of Improved Hygiene Practices (appraisal estimated cost, US\$73.2 million; actual cost, US\$65.87 million).

For water supply, the project financed construction, rehabilitation, and capacity building in the Water Supply and Sanitation User Committees (WSUCs) in 67 districts, in the areas of operation and maintenance (O&M) and water quality for rural and remote locations. Sanitation activities included the construction of toilets in schools, health facilities, and institutions and promotion of sanitation, health, and hygiene activities in the communities.

Component 2 – District Level Institutional Strengthening (appraisal estimated cost, US\$9.6million; actual cost, US\$5.11 million).

This component supported the establishment of a Municipality Water Supply, Sanitation and Hygiene (MWASH) unit in piloted municipalities that would implement the following activities: (a) strengthening and institutionalizing WASH planning, (b) supporting and strengthening District WASH Coordination Committees; (c) managing Water Supply and Sanitation User Group support; (d) establishing a WASH monitoring and evaluation (M&E) system in the districts, and (e) introducing backstopping arrangements to ensure schemes are visited at least once a year and provide support to the WSUC.

Component 3 – Technical Assistance/Capacity Building and Project Management (appraisal estimated cost, US\$7.2 million; actual cost, US\$6.01 million).



This component supported project implementation by financing project management and administrative expenses, such as the Project Management Unit (PMU) operational costs, financial audits, safeguards monitoring, M&E, capacity building of PMU, and sector studies.

Component 4: Contingency Emergency Response (appraisal estimated cost: US\$0 million).

The Contingent Emergency Response Component (CERC) was designed to be activated in case of an eligible emergency. The Government of Nepal (GoN) did not utilize the CERC.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost and Financing: The total project was originally estimated at US\$90 million (according to the Financing table on p. ii of the ICR and p. 8 of the PAD), of which US\$72 million was from IDA financing, comprised of a credit of \$50 million and grant of \$22 million. The revised amount of the project was \$82 million. In July 2021, the project closed with a total cost of US \$71.82 million in disbursed funds. The revisions to the project's costs were due to significant delays of 17 months following the earthquakes, supply chain obstructions, initiation of federalism, dissolution of the Fund Board, and COVID-19.

Borrower Contribution. The Borrower committed to US\$10.5 million, of which around US\$9.1 million was disbursed.

Dates: The project was approved on May 29, 2014 and declared effective on November 10, 2014. A midterm review was conducted on November 6, 2017. The original closing date of June 30, 2020 was extended by 12 and a half months to July 15, 2021.

The project underwent six restructurings:

First project restructuring (August 2015). This level II restructuring was carried out in response to two major earthquakes that struck Nepal on April 25, 2015, and May 12, 2015. The restructuring supported activities related to the rehabilitation of water supply schemes and support for the construction of latrines in earthquake-affected districts in the project area. Two intermediate results indicators (IRIs) were added to the Results Framework to reflect these activities and funds were reallocated.

Second Project Restructuring (May 2016). This level II restructuring included only a change in the implementing agency for Component 2 from the Ministry of Urban Development (MoUD) to the newly created the Ministry of Water Supply and Sanitation (MoWSS). The ministry's name was later changed to the Ministry of Water Supply (MoWS)

Third Project Restructuring (June 2018). This level II restructuring included (a) changes in the outcome and intermediate indicator targets related to water supply to reflect the Government's 2017 *One House One Tap policy*; (b) reduction in the outcome indicator target relating to the number of Village District Committees (VDCs) declared Open-Defecation-Free (ODF) to focus only on those VDCs that were not part of the GoN's sanitation campaign; and (c) reduction in the number of schemes to be visited by the backstopping facility, caused by the conversion from districts to municipalities under federalism. In addition, new intermediate indicators were added for local government and municipality institutional strengthening instead of district-level support.



Fourth Project Restructuring (April 2020). This level II restructuring included an extension of the project closing date by six months (to December 30, 2020) to reflect the implementation delay caused by the six-month dissolution of the Fund Development Board (see section III.B for details). Changes in the Results Framework were required to reduce targets to ensure the completion of all activities within the extended timeline. The restructuring also included the cancellation of the US\$5 million of unutilized funds.

Fifth Project Restructuring (December 2020). This level II restructuring included extending the project closing date by six and half months (until July 15, 2021) to consider the COVID-19 related delays.

Sixth Project Restructuring (July 2021): This level II restructuring was carried out to cancel unutilized funds in the amount of US\$3 million.

3. Relevance of Objectives

Rationale

At the time of appraisal in 2014, access to water supply, sanitation, and hygiene (WASH) services in the rural areas of Nepal, continued to lag. Access to improved water was 87 percent in urban areas and 85 percent in rural areas. Access to improved sanitation in rural areas was only 55 percent compared to 91 percent in urban areas. Only half of the rural population had access to essential hygiene services and the service was generally poor and unreliable. About 75 percent of rural water supply systems were non-functional and 32 percent did not have year-round supply. The main sustainability challenges facing rural water schemes included limited institutional and technical capacity and a lack of adequate funding, from funding transfers or through tariffs, for operation and maintenance (O&M).

The first Rural Water Supply and Sanitation Project (RWSS I, P010516) and the Second Rural Water Supply and Sanitation Project (RWSS II, P071285) successfully enabled the GoN to increase access to rural WSS services for 1.8 million people and improve sector institutional performance. The GoN conceived the Rural Water Supply and Sanitation Improvement Project (RWSSIP) to continue expanding coverage while at the same time enhancing the sustainability of services.

The project development objectives (PDOs) were highly relevant to the country context at project appraisal in 2014 and at project closing in July 2021. The project was consistent with the World Bank's Country Assistance Strategy (CAS, FY14–18 Report No. 83148-NP) for Nepal, which recognized access to WSS services in rural areas as critical to inclusive economic growth. At completion in July 2021, the project objectives remained highly relevant to and consistent with the World Bank Group Country Partnership Framework (CPF, Report 121029-NP) for FY2019-FY2023. The relevant CPF Objective 3.2 (pp. 17-18) was "Improved access to services and support for the well-being of vulnerable groups." This included the Bank's commitment to "integrate efforts in select projects including water and sanitation to reduce diarrheal and other diseases that may lead to stunting."

Overall, the relevance of objectives at the time of project closure and appraisal was **high**.

Rating



High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To increase access to improved water services in rural areas

Rationale

Theory of change. The PAD did not provide a theory of change (TOC). The ICR constructed one, which was presented in Figure 6.1, page 36. The first project objective was to increase access to improved water services through community tap and yard connections. The project was to finance carrying out a program of selection, development and implementation of schemes through: (i) promotion of participation of communities in the planning, implementation and management of schemes, including (a) community mobilization activities, (b) conducting information campaigns, (c) provision of non-formal education (focused on dalits and women), (d) health hygiene and sanitation activities, and (e) technical support services for women to improve access to formal credit systems; (ii) development and implementation of schemes, including construction and minor rehabilitation of gravity flow systems, installation of shallow and deep tube wells, dug wells, lift schemes, rainwater harvesting, and catchment protection; and (iii) provision of sanitation sub-grants to VDCs for the purpose of sanitation promotion activities and construction of toilets in schools, health posts, and other institutions.

These activities were expected to lead to improved community-level water services, enhanced capacity in O&M of schemes, improved sanitation facilities, better hygiene behavior, functional district and municipal WASH, and the development of an N-WASH MIS system, as well as long-term support mechanisms between district/municipal WASH and user groups (WUSGs). These intermediate outcomes, in turn, were expected to lead to the achievement of the PDO-level outcome indicators, namely, increases in sustainable access to water and sanitation, and better-equipped WUSCs to manage water schemes, promote improved sanitation practices and provide sustainable services.

On the institutional front, the project's activities were expected to enhance the long-term sustainability of schemes in selected districts by strengthening institutional arrangements as well as the linkages among key agencies during the planning, implementation and post construction stages of such schemes. For example, the establishment in each selected district of a District WASH unit was expected to strengthen and institutionalize WASH planning (for new, rehabilitation, and expansion schemes), support strengthening of the D-WASH-CC, manage WSUG support services, facilitate horizontal learning, and coordinate with the WASH coordination committee. The creation of a District-wide water market and networking system was expected to allow WSUGs to share experiences and find service providers to fix problems as they arise. The facilitation of sanitation marketing was expected to strengthen local supply chains for sanitation goods and services, and to increase household demand for improved sanitation and hygiene. The design and piloting of grant eligibility and WSUG grading criteria was expected to lead to the creation of incentives for better management of community water supply services.



With specific reference to the third project objective, it was expected that the financing of project management and administrative expenses—such as the Project Management Unit (PMU) operational costs, financial audits, safeguards monitoring, M&E, capacity building of PMU, and sector studies—would directly support in the medium term the timely and efficient implementation of activities to increase access to improved WSS services and in the longer term enhance the sustainability of water supply schemes.

The TOC reflected valid causal links with interventions that were adequate, timely and properly sequenced. The project's outcomes can be directly attributed to the project's activities. In light of the closely integrated investments and tightly networked capacity-building activities, this TOC also applies to Objectives 2 and 3 below.

Outputs

- The original target for the construction of improved (new, expanded, or rehabilitated) community water points was 37,400. However, only 10,782 or about 33 percent were constructed. Without restructuring, the target was not achieved.
- The original target for completion and operation of water supply schemes was 1,874 but only 881 were established, or 47 percent of the target, which was not achieved.
- 51,381 household yard connections (new or rehabilitated under the project) were completed, which exceeded the original target 48,000. There was no change in target at restructuring,

Outcomes

- Community tap and yard connections to 794,994 people, which represents 53 percent of the original target of 1,502,000 people without restructuring
- The original target for the formation of Water and Sanitation User Committees (WSUCs) was 1,874 but only 912 or 49 percent were formed. Thus, the original target was not achieved.
- The original target was 220,000 people to be provided with improved water supply through rehabilitation of schemes in earthquake affects districts. The actual achievement was 345,776 people, which significantly exceed the original target.

Rating

Modest

OBJECTIVE 1 REVISION 1

Revised Objective

To increase access to improved water services in rural areas

Revised Rationale

Outputs

- With restructuring, the target for improved community water points was reduced to 8,920, or only about 24 percent of the original target of 37,400. Actual achievement was 10,782, which exceeded the revised target at restructuring.



- With restructuring, the target for completion of water supply schemes was reduced to 854, or 46 percent of the original target of 1,874. With 881 schemes completed and in operation, the revised target at restructuring was exceeded.

Outcomes

- With restructuring, the target number of people to be reached by community connections was adjusted downwards by more than 50 percent to 720,000 people, compared to 1,502,000 originally. The project reached 794,994 people, which is 110 percent of the restructured target. .
- Of the total beneficiaries reached, approximately 49 percent (389,547) were women (ICR, Annex 1. B Key Outputs by Component, p. 26).
- With restructuring, the target for the formation of WSUCs was reduced to 854, or less than half (around 45 percent) of the original target of 1,874. Since 912 WSUCs were formed, the revised target was more than achieved.
- With restructuring, the original target of 220,000 people to be provided with improved water supply through rehabilitation of schemes in earthquake affects districts was adjusted upwards to 321,000. The actual achievement was 345,776 people, which exceeded the revised target.
- 550 newly constructed schemes were provided post-construction support.

Without restructuring the project's efficacy in achieving Objective 1 is rated **Modest** because the project delivered improved water services to only about half of the original target beneficiaries. With restructuring, the outcome achievement exceeded the revised target and is rated **Substantial**. Of the total beneficiaries reached, approximately 49 percent (389,547) were women.

Revised Rating

Substantial

OBJECTIVE 2

Objective

To promote improved sanitation and hygiene practices in rural areas

Rationale

The TOC presented under Objective 1 also applies to this objective.

Outputs

- The original target was to construct 1,200 improved public latrines in institutions such as schools and health posts. Only 184 latrines were constructed under the project, which is negligible in comparison with the target.
- 2,859,000 were people trained on improved hygiene behavior, and sanitation practices, which exceeded the original target of 2,400,000. There was no change in the original target.
- 1,400,910 females were trained to improve hygiene behavior/sanitation practices, which exceeded the original target of 1,200,000. There was no change in the original target



- 1,715,400 students were trained on improved hygiene behavior, and sanitation practices, which exceeded the original target of 1,000,000. There was no change in the original target.
- The indicator related to the number of households provided with improved and rehabilitated latrines in the earthquake affected districts was dropped.
- Only 130 Village District Committees (VDCs) were declared open defecation free (ODF) by the districts, compared to the original target 400. The achievement was modest.
- 163,398 households achieved total sanitation, which exceeded the original target 150,000. There was no change in the original target

Rating

Modest

OBJECTIVE 2 REVISION 1

Revised Objective

To promote improved sanitation and hygiene practices in rural areas.

Revised Rationale

Outputs

- With restructuring, the target for constructing improved public latrines was drastically reduced to 180 latrines, or only 15 percent of the original target, which is therefore recorded as achieved when compared to the 184 actually constructed.

Outcomes

- With restructuring, the original target of 400 VDCs to be declared open defecation-free was reduced to a level (130) that exactly matched what was actually achieved, i.e., 130 VDCs.

Since the sanitation and hygiene investments resulted in only 130 VDCs being declared ODF, which is just 33 percent of the original target of 400 VDCs without restructuring, the efficacy rating is Modest. With restructuring, the target was reduced to 130, which matches the 130 VDCs declared ODF. With restructuring, the target was achieved hence efficacy is rated **Substantial**.

Revised Rating

Substantial

OBJECTIVE 3

Objective

To develop and implement a long-term support mechanism to promote the sustainability of water supply schemes in selected districts.



Rationale

The theory of change presented under Objective 1 also applies to this objective.

Outputs

- 6 Municipal Water and Sanitation Units (MWASH Unit) were formally established under the Local Government with defined functions, compared to the original target of 8 MWASH Units. The target was not achieved.
- 6 Local Government Level M&E system were established, compared to the original target of 8 local M&E systems. The target was not achieved.
- 2,424 communities, municipality, private sector WASH stakeholders were trained by the project, compared to the original target of 7,000, which was almost triple the achieved result. The revised target of 2,295 was achieved.

Outcomes

- 965 schemes were visited by the backstopping facility at the district level, compared to the original target of 3,300. The target was not achieved (percentage of schemes non-functioning). Original target 3,300; Revised target 830

Rating

Modest

OBJECTIVE 3 REVISION 1

Revised Objective

To develop and implement a long-term support mechanism to promote the sustainability of water supply schemes in selected districts.

Revised Rationale

Outputs

- With restructuring, the revised target for the number of local MWASH Units (6) matched the number actually established (6). The revised target was achieved.
- With restructuring, the revised target for establishing local M&E systems (6) matched the number actually established (6). The revised target was achieved.
- With restructuring, the revised target the number of trained WASH stakeholders was significantly decreased from the 7,000 original target to 2,295 (or 33 percent of the original). This lowered target was slightly exceeded by the 2,424 stakeholders actually trained.

Outcomes



- With restructuring, the target for backstopping of schemes was significantly reduced from the original target of 3,300 to 830 (or only 25 percent of the original). Compared to this much reduced new target, the 965 schemes actually visited shows that the revised target was exceeded.

Without restructuring, the project's efficacy in achieving Objective 3 is rated **Modest** as the O&M backstopping mechanism only covered one-third of the original target schemes. With restructuring, the revised target was exceeded and thus the efficacy is rated **Substantial**.

However, as noted in the ICR, sustainability could not be measured: "While the selected indicators are useful in assessing whether the backstopping mechanism worked as designed, at the outcome level, they are inadequate for evaluating the sustainability of water supply schemes." (ICR, p. 7).

Note: Component 4 on the Contingent Emergency Response Component (CERC) was designed to be activated in case of an eligible emergency. The GoN did not utilize the CERC since it was not needed and there were no eligible emergencies.

Revised Rating
Substantial

OVERALL EFFICACY

Rationale

At the time of project closing, the project can be shown as having achieved its objectives of increasing access to improved WSS services and enhancing sustainability of water supply schemes. The project has met and, in some cases, exceeded its revised PDO indicators and targets that were adjusted to significantly lower levels at the time of the 2018 restructuring. The results can be credibly attributed to the project's activities and interventions.

The project's efficacy is **Modest** without restructuring and **Substantial** with restructuring. The project achieved its objectives of increasing access to improved WSS services and enhancing sustainability of water supply schemes. The project has achieved and, in some cases, exceeded its significantly revised PDO indicators and targets, and the results can likely be attributed to project interventions.

The substantial overall efficacy rating below refers only the period after the 2018 restructuring, since it would be inappropriate to reflect a subjective average of the with and without restructuring ratings. It is important to note, however, that the substantial rating is based on major reductions at the time of restructuring in the project's targets almost across the board, at times to levels that exactly match what was actually achieved (which on their own were considerably much lower than the original targets, or even at negligible levels in a few cases).



Overall Efficacy Rating

Substantial

5. Efficiency

The ICR provides a comparison of the economic analysis done at appraisal and at closing, following the same methodology. The analysis (discussed in detail in Annex 4 of the ICR) covers only Component 1 (Access to Improved Water Supplies and Improved Hygiene Practices) and includes the earthquake R&R schemes and the additional time saved for Batch 10 households due to yard connections. Financial costs were adjusted for taxes, subsidies, and externalities to derive the economic value, using an estimated standard conversion factor of 0.90. A discount rate of 12 percent was used for both the PAD and ICR.

At appraisal, the expected NPV was higher due to a larger number of intended beneficiaries. The restructurings revised this number downwards, notably as a result of GoN's *One House One Tap* policy that was mandated midway through project implementation. This led to a cost escalation of about 250 percent per scheme from 2018 onward and the downward revision of the number of beneficiaries. Nonetheless, the time savings from yard connections and the higher economic productivity have partially offset the reduction in beneficiary numbers. Further offsetting has resulted by assuming an additional hour of time savings for beneficiary households, and by also counting the earthquake R&R beneficiaries.

The main benefits for the rural water supply subprojects included (a) the avoided medical expenditure on water and sanitation-related diseases—mainly diarrhea; (b) the value of productive time saved for households; and (c) the avoided coping costs. The key assumptions (as presented in Annex 4 of the ICR) were as follows:

- (a) the avoided cost of diarrheal diseases per household per year is NPR 350, which is a conservative estimate (based on EDCC figures)
- (b) the combined water and sanitation scheme reduces diarrhea incidence by 70 percent and the sanitation only VDCs reduce it by 35 percent.
- (c) 2.2 hours per household is spent on collecting water, out of which 77 percent is spent by women. For the higher time savings scenarios that capture the *One House One Tap* policy, it is assumed that those with yard connections save an additional hour per household per day.
- (d) NPR 50 per month is spent on coping costs such as filtration and that the project will cut coping costs by 40 percent.
- (e) For earthquake R&R beneficiaries, the analysis assumes the level of benefits as for new beneficiaries and that these benefits accrue up to 7 years after the project closing date (up to 2028 post rehabilitation) since these schemes were already over 10 years into their lifetime of 15–20 years at R&R.

The economic internal rate of return (EIRR) was 30.2 percent at appraisal and 34.8 percent at project closing. The Net Present Value (NPV) was US\$89 million at appraisal and US\$62.1 million at closing.

Operational and Administrative Efficiency. The project encountered significant delays totaling 17 months due to a string of events: earthquake, supply chain disruptions due to 4 months of an economic blockade, onset of



federalism, dissolution of the Fund Board for 6 months, and 4 months of lockdown due to COVID-19. At closing, 80 percent (US\$71.8 million) of the original project cost (US\$90 million) was disbursed, of almost equivalent to the full amount of IDA financing (US\$72 million).

On the basis of the project’s EIRR and NPV, the project’s efficiency is rated **Substantial**.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	30.20	0 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	34.80	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The overall outcome rating for the project is **Moderately Satisfactory**. The application of the split rating is shown below. Relevance of objectives is rated **High**. Efficacy without restructuring is rated **Modest**; with restructuring, efficacy is rated **Substantial**. Efficiency is rated as **Substantial**.

Table 2. Rating for Overall Outcome

Without Restructuring		With Restructuring	
Relevance		High	
Efficacy	Modest	Substantial	
Outcome 1	<i>Modest</i>	<i>Substantial</i>	
Outcome 2	<i>Modest</i>	<i>Substantial</i>	
Outcome 3	<i>Modest</i>	<i>Substantial</i>	
Efficiency		Substantial	
Overall outcome rating	Moderately Unsatisfactory	Satisfactory	
Numerical value of outcome rating	3	5	
Disbursement value in each period (US\$, millions)	39.89	15.73	
Disbursement in each period	72%	28%	



Weighted value of outcome rating	$72\% \times 3 = 2.16$	$28\% \times 5 = 1.40$
Weighted overall outcome rating		Moderately Satisfactory
$(2.16 + 1.68 = 3.56) = 4$ (rounded figure)		

- a. **Outcome Rating**
Moderately Satisfactory

7. Risk to Development Outcome

The Water Supply and Sanitation User Committee (WSUCs) have limited funding and technical capacity to operate and maintain schemes. Despite the project’s capacity-building activities, the WSUCs are unable to maintain complex schemes properly. Local government coordination and support are still needed for water schemes, assurance of reliable sources, water quality, major repairs, and post-construction support. But the local governments themselves have limited capacity and financial resources. To help address these weaknesses, the newly established Municipality Water, Sanitation and Hygiene (MWASH) units and the National Water Supply, Sanitation and Hygiene (NMASH) MIS M&E system should assist the local government in prioritizing activities and budgeting for major repairs in their annual WASH plan.

The Rural Water Supply and Sanitation (WSS) Fund Development Board is in transition, and Nepal risks losing a valuable entity with extensive knowledge and 25 years of experience in the RWSS sector. Due to Nepal’s transition to federalism, the Fund Board’s core objectives should be redefined to clarify its role and mandate. A report on the Fund Board’s transition and recommendations on the way forward was presented to the Secretary, MoWS, in March 2021. The GoN expressed its commitment to restructure the Fund Board into a model that (i) fits the current needs within the government’s federal structure government and (ii) institutionalizes its vast knowledge and experience.

8. Assessment of Bank Performance

a. Quality-at-Entry

Overall, the project appears to have been well prepared by qualified staff and consultants. The project’s design built on lessons and experience from previously successful projects. The World Bank added value to the project’s design by utilizing international experts during project preparation. The team also considered lessons learned from the previous projects, neighboring countries such as Sri Lanka and India, and other global RWSS projects.

However, there were some relatively moderate shortcomings. Some of the result indicators related to sustainability and functionality could have been better articulated. The design of the schemes could have been more robust to better account for water quality and water sources. That said, the project design was sufficiently ambitious in tackling the persistent sustainability challenge faced by RWSS projects in the World Bank, and was subsequently revised to incorporate sustainability elements, both in Component 1



by incorporating Post-Construction Support (PCS) mechanisms and Component 2 by focusing on long-term sustainability.

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision

During project implementation and supervision, there were several shocks that impacted the project, leading to the six restructurings. Evidence shows that the Bank responded quickly and adequately to these impediments as they arose. At the onset of COVID-19, the World Bank team was quick to adopt a virtual implementation progress review/mission and to utilize technologies such as photographic evidence and mobile monitoring technologies to assess and validate the progress of construction. The Bank team also developed a COVID-19 response plan for construction sites and ensured the safety of laborers at the rural water schemes as well as the communities. The ICR reports that supervision was regular, thorough, and on time with ISRs, despite having three changes in Task Team Leaders during implementation. The Bank carried out 15 implementation support missions, including the midterm review, and several technical missions, leading to the production of 18 Implementation Status and Results Reports (ISRs). There were some minor shortcomings during restructuring, such as the neglect in thoroughly reviewing the Results Framework and revising the indicators, especially those related to sustainability and functionality.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The project's Results Framework required some improvements. The theory of change in Annex 6 did not include Component 3. The project's M&E design had three PDO indicators and 12 IRIs, which were manageable and generally adequate to monitor progress toward achieving the development objectives. There were shortcomings in the indicators, such as those related to sustainability aspects of the access to WSS and measurement of sustainability, which could have been better defined with more targeted indicators to capture this dimension. The sub indicator on percentage of non-functioning schemes was incorporated in the M&E design; however, although the water system rehabilitation and expansion aspects were dropped in Component 2 (ICR, p. 3), this indicator was not revised.



b. M&E Implementation

The ICR noted that the M&E reports helped the team inform the project restructurings and revise targets to realistic during the restructurings of August 2015, June 2018, and April 2020. For Component 1, M&E was built on an MIS developed under RWSS I and II projects through a web-based comprehensive dashboard. For Component 2, the MoWS had successfully set up the NWASH MIS, with a respective NWASH mobile app to collect data at the district and municipality level.

c. M&E Utilization

The M&E system facilitated the Fund Board, MoWS, and the World Bank team on project management, monitoring of progress toward the PDOs, and making informed decisions during project implementation. Project Implementation Progress Reports (IPRs) were prepared from the data generated using the MIS. The NWASH has been recognized by the Government as the main data collection platform for the rural WSS sector in Nepal. However, the indicator to measure sustainability aspects of access to WSS, and how sustainability will be measured, could have been better defined—rather than only measuring the number of people with improved water and the number of VDCs declared ODF free. Similarly, though the backstopping visits indicated that the support mechanism set up at the WSUC and local government level was working, this indicator could not confirm sustainability in a direct way.

Overall, M&E quality is rated **Substantial**. The M&E had two robust information systems (Fund Board MIS and NWASH MIS/app) that tracked project implementation effectively, recorded results toward PDO achievement, and informed decisions. The M&E systems (Fund Board MIS and NWASH) have been helpful at the project level and broader sector level—specifically in monitoring and informing decisions on the functionality of schemes, long-term planning, and enhancing sustainability.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

At appraisal, the project was classified as an environmental Category B project. The project triggered the following safeguard policies: Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), and Projects on International Waterways OP/BP 7.50. Environmental safeguard issues were applicable only to Component 1 of the project, which includes investments in new water supply systems, improved sanitation units for individual households at the community level (health facilities, schools, etc.) and rehabilitation of existing water supply schemes (PAD, pp. 13-14).

Environmental Assessment (OP/BP 4.01): The project supported small-scale, demand-driven water supply schemes using surface sources—such as small spring, stream or ground water with some impacts on existing water quantity, quality, catchment area and stability of the terrain—which triggered OP/BP 4.01 at appraisal (PAD, p. 13).



Natural Habitats (OP/BP 4.04): The sites of the schemes were not known, which meant the possibility of schemes being located in protected areas or sensitive natural habitat could not be ruled out, and hence OP/BP 4.04 was triggered as a precautionary step. (PAD, p. 14)

Projects on International Waterways (OP/BP 7.50): This was triggered since rural schemes were to make use of small water sources that would ultimately contribute to flows in bigger streams and rivers which flow to India and Bangladesh. However, it was noted that possible impacts on water quality and quantity going to neighboring riparian states would be insignificant (PAD, p. 14).

Environmental and social safeguards compliance. According to the ICR, the Fund Board applied the Environmental and Social Safeguard Management Framework (ESMF) approach. The ESMF was implemented and monitored throughout the project cycles of the schemes to fully ensure that environmental and social aspects were duly integrated into the planning, design, and implementation process. A Vulnerable Communities Development Plan was prepared in line with the Government and World Bank policy on indigenous peoples and other marginalized groups. The ESMF also included a procedure to ensure that land taking, including donation, does not cause adverse impacts such as loss of livelihood to the donating households.

b. Fiduciary Compliance

Procurement. Overall project procurement performance was rated Moderately Satisfactory in ISRs for most of the project implementation period and in the last ISR (ICR, p. 13). Procurement plans were developed on time but had minor delays in updating the Systematic Tracking of Exchanges in Procurement (STEP) and in hiring procurement specialists. There were some initial challenges for the evaluation of consultants' selection activities. Procurement training was provided to the project officials and the ICR noted that substantial improvements were observed by the MTR (ICR, p. 13). After a procurement-related case was filed with the Integrity Vice Presidency, the World Bank team organized a joint workshop with the Fund Board on strengthening internal controls and procurement procedures.

Financial management. Financial management for both implementing agencies at project closing was rated Moderately Satisfactory. A strength of financial management was that The Fund Board (responsible for implementing Component 1), had previously implemented RWSS I and II projects and therefore had a financial system in place. But the MoWS (and MoUD previously) was a new implementing agency and did not have prior experience of working with the World Bank's Financial Management guidelines. There were also initial implementation delays as the financial management system was not established until the second year after project approval. There was no pending audit issue at the project closing. The outstanding balance of US\$181,683.85 had not yet been refunded at the time of the ICR submission; however, there were ongoing discussions among the World Bank, MoWS, and Ministry of Finance (MOF) on this issue, and the MOF is coordinating the processing of refunds to the World Bank at the earliest.

c. Unintended impacts (Positive or Negative)

The ICR did not include any unintended impacts.



d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

Flexibility and adaptability should be encouraged in future project designs to enable timely adjustments to changes in Government policy and sector priorities. The project was flexible in adopting the *One House One Tap* policy, through restructuring to meet the policy goals and community demand. It increased a high tier of access to water at the household level, which enhanced the quality of life of the communities, especially women and children in rural areas, and increased customer satisfaction with the service provision. In addition, it resulted in more time savings and increased opportunities for communities to engage in other economic activities such as vegetable gardening and horticulture and crucially allowed girls to go to school and invest in educational activities.

Post-construction support (PCS) and M&E from the provincial or federal government should be part of the standard project design of all rural water supply schemes. The project's implementation showed that the sustainability of the schemes is at risk without a proper PCS mechanism. Adequate budget allocation is needed from the local governments to support the WSUCs for major repairs and where sources are dried up, since these are beyond the financial and technical capacity of the WSUCs. The project also demonstrated the utility of a strong M&E system such as the N-WASH MIS to (i) strengthen linkages between local government and WSUCs and (ii) enhance the functionality and sustainability of schemes by providing key information for decision-making and the annual WASH planning and budgeting.

13. Assessment Recommended?

No

14. Comments on Quality of ICR



Overall, the ICR provided a detailed overview of the project, with a candid narrative and adequate evidence to support most of its findings. The ICR's Annex 1, Results Framework and Key Outputs provides detailed information about the project's activities and outputs and the changes that occurred during the project's restructurings. The report is mostly evaluative and consistent with the Bank guidance.

The theory of change did not include Component 3, but the remaining Components were well presented. The report acknowledged that some of the result indicators related to sustainability and functionality could have been better articulated and design of the schemes could have been more robust to better account for water quality and water sources. The achievement of the project outcomes and objectives are assessed in terms of the achievement of the target values for the indicators, which changed due to six project restructurings and led to the split rating to derive overall project outcome. The ICR's lessons are useful in terms of broad applicability and based on evidence presented in the report.

a. Quality of ICR Rating

Substantial