

The International Fund for Agricultural Development

**NEPAL**

**WESTERN UPLANDS POVERTY ALLEVIATION PROJECT  
(WUPAP)**

**SUPERVISION REPORT**



Asia and the Pacific Division  
Programme Management Department

Main Report and Appendices

REPORT No 2626-NP

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## **NEPAL**

### **Western Uplands Poverty Alleviation Project (WUPAP)**

Loan: 576-NP Grant: DSF-8010NP

Joint Review Mission: 4-23 April, 2012

### **Supervision Report**

#### **A. Introduction<sup>1</sup>**

1. WUPAP is being implemented in three phases<sup>2</sup> under the Flexible Lending Mechanism of IFAD with a loan effectiveness date of 01 Jan 2003, current completion data of 31 Mar 2014 and is currently completing Phase II. Phase I of the project was completed in Fiscal Year (FY) 2006/07 in four districts. Phase II extended project coverage to the additional seven Districts, however one District was subsequently withdrawn giving a current coverage of ten active Districts. At the request of the Government of Nepal (GoN) a one year no cost extension for Phase II was approved by IFAD on 17 June 2011 giving a revised Phase II completion date of 15 Jul 2012. A final consolidation Phase III is envisaged subject to meeting the five triggers defined to progress from Phase II to Phase III, as per the IFAD Financing Agreement of 19 July 2007. The Joint Review Mission of December 2011 noted a significant improvement in the project management performance and an increasing likelihood that the project will have substantively met its five performance triggers by July 2012 and so progress to Phase III.
2. A GoN-IFAD Phase III Design and Joint Review Mission for the project was conducted with the project staff and IFAD mission team. The current IFAD Country Programme Manager briefed the mission in Kathmandu and participated in the pre wrap-up meeting chaired by the Secretary, Ministry of Local Development (MLD). The mission spent 8 days in the PCU in Nepalgunj, including a 2 day stakeholder review and design workshop with over 50 participants representing all project districts, including Local Development Officers, District Project Managers and Heads of District Line Agencies (DLSO, DFO, DADO). In addition, Joint Secretaries from Ministry of Finance and the Financial Comptroller General's Office as well as Regional Directors of Forestry, Livestock and Agriculture also attended the workshop which was chaired by the WUPAP National Project Director – Mr Dinesh Thapaliya, Joint Secretary Planning and Foreign Aid Coordination Division, MLD. A wrap-up meeting was held with members of the project steering committee and other stakeholders on 23 April chaired by Secretary, Ministry of Local Development, Mr. Shital Babu Reegmi.
3. The five triggers to move to Phase III in the Phase II Finance Agreement of 19 July 2007 are:
  - (a) detailed plans have been prepared and implemented or are under implementation for the active use of land for 70% of LFUGs which have held leases for three or more years
  - (b) engineering assessment is that design, construction and maintenance standards for 80% of facilities constructed in Phase II are appropriate and adequate;
  - (c) the recovery rate for loans (micro-credit) extended from the Project and reflows is no less than 95%; [for lending capital loans made by Districts to community organizations for on-lending]
  - (d) groups shall be graded on their capability and sustainability and agreed minimum of all groups operating for more than two years should be in Grades 1 and 2;
  - (e) at least 75% of the IFAD Loan has been disbursed.

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<sup>1/</sup> Mission members: Nigel Smith - Mission Leader; Amar Mishra - Financial Management Specialist; Surya Singh - Project Management Specialist, and; Bashu Aryal – IFAD Country Operations Officer. IFAD CPM Benoit Thierry briefed the mission in Kathmandu at the start of the mission and participated in the pre wrap-up meeting with Secretary, MLD.

<sup>2</sup> Phase I Districts: Bajhang\*, Bajura\*, Jumla\* and Humla\*, Phase II Districts: Dailekh\*, Jajarkot\*, Dolpa, Kalikot, Rolpa and Rukum, In addition Mugu was initially included in Phase II but then withdrawn due to implementation difficulties. Those marked with \* are focus Districts for more intensive management support during the one year extension to Phase II, including the appointment of a District Project Manager, selected on the basis of the scale of project activities within these Districts.

4. The Mid Term Review was conducted from Jun-Oct 2010. Following IFAD Portfolio Review in July 2011, the Project At Risk status is currently "Actual Problem". The next IFAD Portfolio Review is due mid 2012. The total project budget across the three phases is USD32.75 million, of which IFAD Loan is USD20.13 million and IFAD Grant USD0.36 million (total IFAD allocation = SDR15.6 million). The Phase II budget is 41% (USD13.48 million) while the expenditure in Phase I was 11% of total project budget.
5. The Phase II Purpose is "Poor households benefit from sustained growth of production, employment, and access to resources (water, land), services (health, education, finance) and markets." Components are: 1) Infrastructure Development 2) Leasehold Forestry and Non-Timber Forest Products (NTFP) 3) Crop and Livestock Production 4) Micro-finance and Marketing 5) Institutional Support.
6. The mission had three principal objectives:
  - (a) To complete the regular fiduciary and accountability functions according to IFAD's direct supervision policy,
  - (b) To complete the assessment of the project's Phase II performance against its five triggers and make a recommendation as to whether or not the project should progress to Phase III,
  - (c) Develop a design for Phase III, without prejudice to the assessment of the performance against the five triggers under (b) above.

#### **B. Overall Assessment of Project Implementation Progress**

7. Overall project progress is *moderately satisfactory* and continues to improve as a result of the efforts of the strengthened management team at PCU and district level. The project has made good progress in implementing the AWPB 2011/12 and is expected to have met its five trigger to progress to Phase III by July 2012, having already met four of the five triggers. The programme of work to strengthen the infrastructure maintenance is continuing and should be completed by July ensuring that all five trigger are then met. The Joint Review Mission therefore recommends that the project be considered to progress to Phase III from 16 July 2012.
8. As previously noted the project has already largely met its Phase II targets in terms of scope and coverage, having reached 200 VDCs by July 2011, the emphasis of the current AWPB is to deepen the support and capacity building provided to the 2624 community organizations (COs: 109% of end of Phase II (EOP2) target) and 845 leasehold forest user groups (LFUGs: 104% EOP2 target) to raise their level of activity and sustainability as independent organisations. The AWPB is also completing maintenance and repair work on 135 of the 473 community infrastructure schemes constructed in Phase II (118% EOP2 target - including Mugu) as well as re-mobilizing community-led O&M arrangements including setting up O&M funds for all schemes to be managed by user groups.
9. However, despite the continued improvements in the wider project and action agreed during the last Joint Review Mission, the persistent weaknesses in financial management and accountants team have still not been resolved. Immediate steps must be taken to ensure suitable accounting skills are available within the PCU to ensure the smooth completion and closure of Phase II and start-up of Phase III. Significant strengthening of financial management arrangements and staffing will be a pre-condition for disbursement from IFAD in Phase III.



***Photos of Bajura district***



Drinking Water Tap - Koltee VDC, Puniyabada Village Bajura



Nursery Management in Vegetable Farming - Koltee VDC, Dogdebada Village, Bajura



Meeting with users for discussing on micro hydro - Koltee VDC, Nuri Village, Bajura



Vegetable farming - Koltee VDC, Dogdebada Village, Bajura



Leasehold Forest - Brahmatola VDC, Bajura



Microcredit and marketing. Picture, with participants, of cooperative development & promotion training.



***Infrastructure Development Related Photos of Kalikot district***



Dasala Water Supply scheme Pakha VDC Kalikot



Dhimu Irrigation Canal Pakha VDC Kalikot



Janajyoti Primary School building Ramnakot VDC Kalikot



WUPAP has distributed breeding Ram Khina VDC Kalikot

***Leashehold Forestry Component Related Photo***



Dalechuk (Seabuckthorn) Preservation Nanikot VDC Kalikot



Padamchal Plant Produced at Nursery Mugra Kaqlika VDC Kalikot



Agreed action	Responsibility	Agreed date
<b>Phase III Preparation</b>		
Finalise agreed Phase III Design	GON / IFAD	31 May
Loan Amendment prepared and processed	IFAD	05 July
Phase III plan submitted to NPC and MOF for approval	PCU	05 July
AWPB 2012/13 Prepared and submitted for approval by GON	PCU	Draft - 31 May Final - 05 July
Prepare and implement detailed Phase III Launch Plan	PCU	15 May onwards
Maintain current PCU staff and contractors that have good performance for Phase III where their posts (or equivalent) continue from start of Phase III.	PCU	15 May Onwards
Appointment of PC for a minimum of 2 years guaranteed to 15 July 2014. Choice of PC subject to IFAD agreement. <b>(Pre-condition for Phase III)</b>	MLD	15 Jul
Start of Phase III	IFAD / MLD	16 Jul
Appoint Accountants to all District Project Coordination Units as well as Accountant and Sub-accountant to PCU <b>(Pre-condition for Phase III)</b>	FCGO	15 Sep
<b>Fiduciary</b>		
<b>Financial staff:</b> Competent accountant, if possible with donor funded project experience, to be immediately appointed to PCU fulltime by FCGO	FCGO	31 May
<b>Financial staff:</b> PCU to contract experienced Financial Analyst to provide technical guidance and support to PCU account staff during remainder of Phase II	PCU	31 May
<b>Financial management:</b> Conduct periodic visit by PCU accounting staff to all districts to assist district Project Accountants and expenditures tracking	PCU	Min. one visit per district by 15 Jul
<b>Withdrawal application:</b> submit regularly as per agreed schedule to minimize unclaimed amount by 15 July (see Annex for schedule)	PCU	30 Apr onwards
<b>Phase II account closure</b> and clearing of expenditures <b>(Pre-condition for Phase III)</b>	PCU	15 Oct
<b>Audit:</b> Complete the consolidated Log of Audit Observations and Table of Summary Status of Audit Observations of PCU and all district line agencies <b>(Pre-condition for Phase III)</b>	PCU/ All district Project Offices	31 May
<b>Asset Management:</b> Collect the list of project assets from district offices, compile it and conduct physical verification of those assets <b>(Pre-condition for Phase III)</b>	PCU	31 May
<b>Procurement:</b> Accelerate the progress of collecting "Register of Contracts" from district line agencies, consolidate with PCU records and update the consolidated "Register of Contracts" in each month. <b>(Pre-condition for Phase III)</b>	PCU/All district Project Offices	31 May

### C. Outputs and Outcomes, by Component

10. To reflect the missions triple focus of supervision, trigger assessment and Phase III design, the following assessment focuses on two main aspects:
  - (a) discussion of the current status and presumptive performance of the project against its 5 triggers by July 2012,
  - (b) identification of key lessons to be learned and reflected in the Phase III design.
11. The Phase III design incorporates the main lessons highlighted below. As such recommendations in this section are limited to those dealing with activities in the remaining period of Phase II to July 2012 that are not already covered by the AWPB.
12. **Component 1: Infrastructure Development** performance is *moderately satisfactory*. The trigger indicator is "engineering assessment is that design, construction and maintenance standards for 80% of facilities constructed in Phase II are appropriate and adequate".
13. *Mission assessment: trigger likely to be met by July 2012*, reaching a performance of 80%-90% based on the current progress in implementing the programme of work to raise the quality of maintenance on all schemes and carrying out repairs to all schemes requiring such, as summarized below. However, for Phase III there is a need for substantial improvements in the entire process for community-led infrastructure investment starting from the decisions on what infrastructure should be built through to its design, constructions, operation and maintenance. These changes are reflected in the revised process set-out in the Phase III concept note.
14. Since Dec 2011 the PCU has recruited three additional sub-engineers in order to conduct an engineering assessment of all infrastructure works constructed in Phase II. This process has

been implemented to provide a degree of independence in the engineering assessment separate from those responsible for the schemes' design or construction. By the time of the mission the PCU engineers had completed work in three districts and were moving on to other districts. This process of independent engineering assessment will continue over the next three months ensuring all schemes have been assessed. At the same time the PCU engineers have mobilized the district project managers to conduct a similar review of infrastructures schemes in their districts. These recent technical inspection of all project schemes indicates that of the 429 schemes constructed; 229 are in working order (67%), 135 are in need of repair (32%) and 4 not working and cannot be repaired. Of the schemes in need of repair, 70% are either drinking water or irrigation schemes although they accounted for only 52% of all constructed schemes. The project is currently implementing a campaign of repair and re-mobilizing O&M arrangement for all schemes, including setting up O&M funds managed by the Infrastructure User Group. This programme of activity should increase the proportion of schemes in working order to 80%-90% within the next 3 months with some improvement in O&M arrangements. However, the efforts to strengthen O&M of existing schemes will need to be continued in Phase III. Equally importantly the project must learn from the problems during Phase II, and adopt a much stronger approach to supporting community-led infrastructure with substantially improved engineering input during design, construction and initial operation as well as a pro-active focus on the mobilization of the community to lead the management and financing of O&M from the outset for each scheme. An important underlying weakness in Phase II has been the relatively low sense of ownership by the community of some schemes, often where they have not been a key priority for the community. Changes in the modality for infrastructure construction in Phase III must address this and provide the community more direct control over the choice of infrastructure schemes, if any, that they want to invest in.

15. **Component 2: Leasehold Forestry and Non-Timber Forest Products** performance is *moderately satisfactory*. The **trigger** is “**detailed plans have been prepared and implemented or are under implementation for the active use of land for 70% of LFUGs which have held leases for three or more years**”.
16. *Mission assessment: trigger already met*, based on the much improved data collected by the project on all LFUG's in the last four months. These data include details of the area of different quality of land handed over to each group and also the area being used for different purposes. For the 588 LFUGs that will have held their land lease for more than 3 years at 15 July 2012, analysis of these data indicates that 82% (484 LFUGs) have active use of their leasehold plots, demonstrated by either MAF/NTFP production and/or having a nursery on their leasehold plot. All LFUGs have a management plan as a mandatory requirement before land is handed over.
17. Discussions with LFUG members in numerous VDCs reinforce the impression from the data that leasehold forest activities have been among the most successful activities in WUPAP. They have been well targeted towards many of the poorest and resource poor households in target communities and have also been very popular and well received by those households involved. Support to the existing LFUGs should therefore be continued in Phase III. In addition, where suitable land is available for additional leasehold plots to be transferred to poor households this should also be included as an option for the community to decide up on. A further benefit of the leasehold forestry approach is that the need to jointly manage a collective productive asset has created much more market-oriented and cohesive groups compared to the regular community organisations. Indeed, most groups engaged in MAF and NTFP production are doing so collectively and geared to the market with 48% of LFUG's >3 years old reporting having earned income as a group from their activities. This is a very high proportion when compared to the mainstream COs in which very few are engaged in joint production or marketing activities. This therefore creates a natural platform on which to help strengthen market linkages in many target villages in the future.
18. A further lesson to learn is the need to ensure that the land handed over is in fact usable. Of the total of 11,888ha handed over to date, fully 30% (3585 ha) is unusable as it is either covered in rocks, slopes >60° or in a landslide area and so not technically suitable. However, of the 8,303 ha of usable land slightly more than 75% is reported to be being used for one or more of: MAF/NTFP production, grass collection, planting of trees or other livelihood activities, again reinforcing the success of these activities.
19. **Component 3: Crop and Livestock Production** performance is *moderately unsatisfactory* and is unchanged from the previous mission. While there are clear examples of well

designed and implemented activities, overall implementation of the component was found to be “generally weak” by the 2010 Mid Term Review. The current mission recognizes that the district sectoral line agencies (DADO, DLSO, DFO) have good technical expertise, but too often lack sufficient numbers of suitably skilled technical staff to deliver the frequency and quality of services needed to target communities across all project VDCs in the district. As a result, implementation has been too scattered and variable in quality to deliver the impacts required. An important conclusion of the MTR and of the current and previous Joint Review Missions is that the exclusive reliance to date on district sectoral line agencies to deliver these critical services has been a prime factor in the under-performance of what should be central activities to improving household livelihoods and food security. While continuing to involve the district sectoral line agencies in service delivery to the extent they have staff to do so, Phase III will urgently need to expand the range and number of non-line agency services providers used by the project in target districts to ensure that, collectively, the service providers are properly able to respond to the demands of the project communities. There is also a need for greater accountability as well as technical supervision of the services being provided.

20. **Component 4: Micro-finance and Marketing** performance is *moderately satisfactory* and improving in relation to micro-finance and the COs. Two triggers are relevant and discussed in turn:

21. **Trigger: “The recovery rate for loans extended from the Project and reflows is no less than 95%”.** The Phase 2 appraisal report, provides further clarity on the intended definition of the trigger as it states (p8): “The recovery rate for credit extended by the LDFBs should be 95% for each project year”. If it is assumed that all overdue amounts will be unrecovered, as the practice has not been to write-off any of these amounts to date, then the recovery rate is calculated as follows:

$$\text{recovery rate} = \frac{\text{value of repayments made}}{\text{value of repayments due}} = \frac{\text{value of repayments made}}{\text{value of repayments made} + \text{overdue}}$$

22. *Mission assessment: trigger met* as of April 2012, with a recovery rate of 95.4% based on the above formula. While this live recovery rate will fluctuate from time to time, this represents a substantial improvement since the end of Phase I, when the Phase I review report noted that “the impacts of political difficulties and armed conflict, high interest rates and the low loan ceiling are all given as reasons for the recovery rate being about 60%, far below the trigger.” The current improved performance is the result of a gradual improvement seen over the last 4 years since the national Peace Agreement. By May 2009 the recovery rate on the loans extended and reflows had risen to 80%, and by Sep 2010 (MTR) to 87% and reached 94.5% by Jul 2011 and appear now to have stabilized at around 95%. The improvement is likely the result of many factors, including the improvement in the wider socio-economic conditions. However, it is also noted that the project managers in the 4 districts where the Line of Credit was disbursed have made very significant effort over the last few years to identify and publicize the names of those that took initial loans and did not repay them, many of who were not the intended target beneficiaries. These and other measures to recover overdue amounts have evidently improved the performance of the loan portfolio.
23. This steady improvement does not negate the conclusion drawn by earlier missions that the supply-driven design and implementation of the LOC was a major contributing factor to the early poor performance of the loans. However, the increasing market opportunities and continued shortage of savings and credit in target communities means that this remains a relevant issue for Phase III. However if addition capital grants are to be an eligible use of part of the proposed Community Investment Funds, then there must be stronger safeguards in place in terms of eligibility and targeting with such grants provided only on a demand-driven basis to those groups with a demonstrated capacity to manage any additional loan capital effectively and where the wider target community decides that this is a priority use of their assigned funds.
24. **Trigger: “Groups shall be graded on their capability and sustainability and agreed minimum of all groups operating for more than two years should be in Grades 1 and 2”**, where “Grade 1” refers to COs that are currently, or very close to being, self-sustaining and can operate without project assistance in the foreseeable future and “Grade



2" are those that can be brought to Grade 1 status within a reasonable time with modest, targeted support" as explained in the design report. However, as noted by the previous mission and acknowledge by the IFAD Quality Assurance Review the target of "all groups" is inappropriate and poorly conceived. The performance of other projects in Nepal can provide useful reference points in determining a trigger performance that would be more appropriate. For example, in the case of the IFAD supported Leasehold Forest and Livestock Project a recent review of farmer groups found that 21% of groups were "active", 57% "medium" and 22% passive. Taking "active" and "medium" as equivalent to Grade 1 and 2, albeit with slight different criteria tailored to the specific focus of the respective groups, this suggest a trigger target of 75%-80% may be appropriate.

25. *Mission assessment: trigger met* based on a revised 80% target for the trigger above. Of the 1,992 COs more than 2 years old, 87% (1740 COs) were graded as A or B. The grading of the COs has been substantially improved in the last four months as the basis for a more targeted programme of support and individual coaching to the COs to address their individual strengths and weaknesses as well as providing improved insight into the likely sustainability of each CO where there to be no further external support.
26. As the basis of savings and credit activities, the COs continue to perform an important role in target communities. However, there is a need for a more systematic approach to graduating the supported COs to be genuinely self-sustaining. This requires both strong *internal* capacity and accountability as well as establishing effective mechanisms of *external* accountability and oversight. There is also a need to more directly address the issue of duplication and overlap between the numerous COs that now exist in most project VDCs, probably through a facilitated process of voluntary consolidation, at least of savings and credit functions.
27. **Component 5: Institutional Support** remains *moderately satisfactory* as a result of the improved management team in the project at the PCU and District level. There is no specific trigger for the component. At the field level, the social mobilizers (SMs) have played a critical role in project delivery and will also be central to future activities. There is, however a need for closer and more frequent support and coaching of the SMs out in their respective VDCs and not only in the district centre. The role of the Senior Social Mobilizers in the districts therefore needs to be strengthened and expanded in number to provide this vital support. This will be all the more important with the wider role expect of the SMs in Phase III as the main facilitators of a broader social empowerment process as well as continuing to provide coaching and support to individual COs, LFUG and IUGs among other responsibilities.
28. **Required actions** that are already being implemented under the AWPB 2012/13 should be continued as planned. Only actions requiring adjustments are listed below.

Agreed action	Responsibility	Agreed date
Infrastructure: Expand current process of technical assessment of scheme to include public audit with a focus intended O&M arrangements. Priority in this process should be given to water supply and irrigation schemes in all Districts	Districts & SMs with PCU engineering support	May-Jul 2012
A note will be issued demonstrating that all five triggers are attained and communicated to IFAD	PCU/MLD	15 Jun 2012

#### D. Project Implementation Performance

29. Overall project implementation performance is *moderately satisfactory*. The much improved project management team established in 2011 has continued to make progress in raising project implementation performance. The recent appointment of a Deputy Project Coordinator (DPC) by MLD will further strengthen the team. Since the Dec 2011 mission, the project managers at all levels have been proactive in implementing the revised AWPB that was jointly developed during the previous mission and aimed specifically at raising performance in critical areas linked to the five triggers for Phase III.
30. The project team has also made important progress in improving the quality, consistency and relevance of management information available, both at district and PCU level, which is now being used to drive management decisions and raise project performance in the field. This has been particularly noticeable in relation to the assessment of capacity and performance of the community organisation and leasehold forest user groups as well as in the status of the infrastructure schemes supported by the project. This improved

management information is now being used at all levels, from the social mobilizers in each VDC to the district managers and the PCU to drive improvements in project activity, for example in the delivery of tailored support to each CO and LFUG to reflect their particular strengths and weaknesses as well as focusing effort on infrastructure schemes in greatest need of repair.

31. Financial management in the project has temporarily improved as the result of a support mission mobilized by IFAD in January which addressed a number of issues in the financial reporting and WAs. The quality of the Audit has also improved in the last Audit report submitted in January 2012. However, the project still does not have a competent fulltime Accountant in the PCU and the Accountant position remains vacant despite numerous requests from the National Project Director to the FCGO to urgently depute a suitably qualified person to be based fulltime in Nepalgunj. This is not an acceptable situation and the satisfactory resolution of the Accountant staffing within the project will now be a pre-condition for disbursement from IFAD under Phase III. In addition, immediate action is required to appoint a competent accountant to the PCU for the remainder of Phase II to allow timely processing of WA and clearance of all expenditure so that Phase II accounts can be closed within 3 months of Phase II completion on 15 July 2012.
32. **Project management performance** is *satisfactory*. The improved management team across the PCU and Districts is now working well with a clear sense of purpose around the revised AWPB from Dec 2011. The project is on track to deliver all major aspects of the AWPB by the end of the financial year/end of Phase II. The recent appointment of a Deputy Project Coordinator by MLD is noted.
33. However, the Accountant position in PCU remains vacant/cancelled. In the absence of action being taken by FCGO, MLD has deputed one account officer to the PCU however this staff has only been available in Nepalgunj for very brief period since January. The PCU remains in urgent need of a competent accountant in order to prepare the necessary data and documents to process numerous WAs, reporting and account closures over the next 6 months as Phase II comes to and end. The strongly preferred solution is for FCGO to depute a competent account fulltime as per the project design. However, in the absence of this the PCU should recruit a competent financial analyst for a six month period to support the existing staff in completing the necessary work.
34. While project management performance has notably improved in 9 out 10 districts, project management performance remains unsatisfactory in Jumla district despite the appointment of a contracted District Project Manager by WUPAP. This is considered by the mission to be the result of low commitment to the project by senior district officials and project staff. Indeed, both the Local Development Officer and the WUPAP District Project Manager commented to mission members at the stakeholder workshop in Nepalgunj that they would prefer not to have the project in Jumla. This raises questions about the viability of continuing in Jumla in Phase III.
35. **Monitoring and evaluation** is *moderately satisfactory* and has notably improved since the previous mission, although still has some systematic weakness that will need to be addressed in Phase III. The PCU has recently completed the RIMS Level 2 analysis and report which suggests some positive changes on child malnutrition (6 percentage points lower in 4 years), food security (with notable drops in the severity of the second hungry season) and big improvements in reported access to safe water (from around 65% up to over 95%). These clear improvements in living standards are very welcome, although given the expansion of the road networks and that there are now an average of 32 development projects active in each WUPAP district (excluding nationwide projects - MoF Development Cooperation Report FY2010/11) specific attribution to any one project is not possible.
36. Within the project M&E, the project has importantly rolled-out a substantially improved and more consistent system for assessing the state of development and individual strengths and weaknesses of the COs and LFUGs and the status of the infrastructure schemes across all project district. By the time of the mission, the project had completed the revised assessment of all 2594 COs and 887 LFUGs and was actively using this improved information to deliver more targeted support to these groups. Full data sets were available down to the individual group level on a range of meaningful indicators. These improvements and others need to be embedded and made more systematic in Phase III. There is also a need to improve the wider MIS within the project, including more widespread use of appropriate IT in the collection, storage, analysis and dissemination of information. For that purpose a

comprehensive system is setup by all IFAD funded projects in Nepal since early 2012. This system brings in a consistent manner all IFAD and Government requirements in terms of logframe, indicators, RIMS and reporting. It is presented in simple excel spreadsheet forms gathering data, presenting early analysis with graphs and a few qualitative indications. Results of each project are then merged together twice a year to produce the COSOP monitoring report. Once the excel format will be properly managed by all IFAD funded projects, a more specific MIS will be setup (probably as an interactive web-based application).

37. In the case of M&E data on the five triggers, the recent efforts from the project team outlined above mean that there are now reasonably complete and consistent data sets for all five trigger indicators. While neither the Joint Review mission team nor the concurrent Country Programme Evaluation mission has been able to visits a representative sample of sites to conduct field verification of all of the data sets, the improvements made by the PCU in the M&E system have increased the confidence level in the data compared to that seen during the Dec 2011 mission.
38. **Gender focus** is *satisfactory*. As noted by the previous mission the project's approach is to mainstream gender equity within project activities rather than provide separate gender specific activities. This is demonstrated by the fact that 60% of all schemes were water supply, school buildings, health posts and sanitation facilities which specifically address concerns of high priority for women who bear the principal burden for water collection and raising children. Similarly in the case of visibility and leadership, women represent 51% of CO members though only account for 35.8% of those receiving loans. The proposed adjustments to modality in Phase III, that will explicitly give equal voting rights to women and men from target household in the choice of activities and use of investment funds within the VDC, is expected to further strengthen the project's mainstreaming of gender equity.
39. The principal weakness in the gender focus, as with other aspects of M&E, is that gender disaggregated data on participation in project activities and impacts are not systematically collected and analysed and used to inform management and targeting decisions. For Phase III, the project plans to conduct household survey of both the men and women in the same households as well as improved monitoring of intermediate change indicators appropriately disaggregated by gender, for example in the satisfaction with services provided or the degree to which women and men each feel their priorities are reflected in investment activities.
40. **Poverty focus** is *moderately satisfactory* and is unchanged since the previous mission. The selection of the poorest VDCs in poor districts structurally targets investment towards poverty. The transfer of leasehold forest lands to poor households with very limited land has been an important mechanism of targeting support to some of the poorest households. As previously noted, there appears to be scope to improve the capacity of dalits and poor households to access the resources within the COs and the improved information on COs and the more tailored support being delivered to each CO should start to deliver improvements in the extent to which poor and disadvantaged households can access loans from their COs. For Phase III the project will refresh its targeting within the VDCs by conducting a participatory wealth ranking at the start of Phase III to reconfirm the target groups for the next phase. Furthermore more, the proposed Phase III design includes a mechanism of positive discrimination for the very poorest household in the target VDC, giving them direct control of a disproportionately larger share of investment resources. Further to that specific Phase III baseline, a large impact survey will conclude Phase III.
41. **Effectiveness of targeting approach** is *moderately satisfactory*. As outlined above, the project has been reasonably effective in reaching its target groups through a process of geographical targeting and further targeting of households within the selected communities.
42. **Knowledge management** is *moderately satisfactory* and has made steady progress from the previous mission, with the main project achievements being in proving the viability of domestication of some high value medicinal and aromatic plant species, such as "Kutki" and "Sugandhawal", linked to commercial demand as well as in the establishment of private nurseries for these. Since early 2012 with the new M&E system, Knowledge Management (KM) should improve with the documentation of new case studies based on M&E results. The first case study was produced end of March and WUPAP should produce a new one every 2 months. Improved participation in IFADAsia portal (<http://asia.ifad.org>) was noted. Efforts are required to feed IFADAsia regularly with new pictures, videos and press articles. The adjusted implementation modalities for Phase III are reported by MLD and other



stakeholders to include several important innovation. Effective knowledge management, capturing the performance and impacts of these various innovations, will therefore be particularly important in Phase III.

43. **Partnerships.** The project continues to take an active approach to partnerships at the field level, not least related to coordinated support to community organizations originally formed under the Poverty Alleviation Fund (financed by GoN, World Bank and IFAD). In the preparation for Phase III, WUPAP managers have had positive initial discussions for creating additional partnerships with several pro-poor market development projects that will facilitate a graduation of WUPAP supported communities to utilize the foundational investments under WUPAP as the basis for linking to growing market opportunities with technical backstopping and market linkage support provided in partnership with projects such as the HIMALI Project (High Mountain Agribusiness and Livelihood Improvement Project - ADB), High Value Agriculture Project (HVAP - MoAC / IFAD) and the forthcoming Accelerated Agricultural Growth Project (AAGP – MoAC-IFAD). In support of the partnership with AAGP, WUPAP has agreed to support a small number of activities to assist in an accelerated start-up of AAGP in the common project districts early 2013, for example related to forage planting and nursery establishment linked to community organisations.
44. **Agreed actions:** Major agreed actions are included in Section B above and the Phase III concept note. Further detailed action are summarised below.

Agreed action	Responsibility	Agreed date
M&E : by the end of Phase II all indicators will be reported by M&E team as per unified IFAD Nepal country system with support of national and international interns	PCU	15 Jul 2012
M&E: regular short reports will be established every 3 months or each trimester to the Government and to IFAD reporting on the logframe indicators and financial delivery.	PCU	From Phase III, 16 Jul
KM: the project will produce case studies regularly to be posted on WUPAP website and IFADAsia. These case studies will include text, powerpoint, photos and videos.	PCU	Quarterly, from Phase III, 16 Jul
KM: a set of maps will be establish with the support of WFP office illustrating the WUPAP outputs and their geographic position.	PCU	Annually. By 15 Jul 2012.

### ***Infrastructure Development Related Photoes of Bajhang district***



Bhangadhi Gad Micro Hidro Maghigaun Bajhang



Irrigation dam Khiratadi Bajhang



Kalukheti Micro Hidro & irrigation canal Bajhang



Sarada Primary School building Khiratadi Bajhang

### ***Institutional development Component Related Photoes of Bajhang district***



Nepali Kagaj (traditional local paper) making training Dahabagar Bajhang



Participants of 7 days Proposal Writing training for SM, Bajhang



***Infrastructure Development Related Photos of Jajarkot district***



Aaretar drinking water supply project, Garkhakot VDC, Jajarkot,



Irrigation project, Daha VDC, Jajarkot

***Leasehold Forestry Component Related Photos of Jajarkot district***



Ligrekhol LFUG, Jajarkot

***Institutional development component Related photos of Jajarkot district***



Bio briquette making training, Jajarkot



Shantimela CO meeting, Jajarkot



## E. Fiduciary Aspects

45. **Financial Management** is *moderately unsatisfactory*. Staffing remains the major weakness. Despite the efforts made by the Project Director and the Project Coordinator, the vacant Accountant's position in the PCU has not been filled by FCGO. The current PCU Accountant who has been with the project since Phase I has also been notified by FCGO that he is to be transferred from the project. The capability of the replacement and when the person would take up the post is unknown. Given the need to close Phase II accounts over the next 6 months, this persistent failure to maintain a competent Accounting staff within the PCU is not acceptable as the lack of staff capacity is considered to be the principal reason for the persistent weaknesses in financial management that have been noted on numerous occasions by previous missions and yet have not been resolved. An Accounts Officer of Ministry of Local Development has been deputed to the Project on an intermittent basis. Since his deputation on January 2012, he was available in the PCU Nepalganj for less than a week. The present arrangement of deputation is not be adequate to address the existing problem on financial management, expenditure tracking, timely and correctness on reporting.
46. In response to the chronic weakness in financial management, and resulting fiduciary risks, a fully revised arrangement is proposed for Phase III. This will be based on a single project expenditure account in each district with one fulltime Accountant posted by FCGO to each District Project Coordination Unit to maintain and operate this district project account. In addition there will be one fulltime Accountant and one sub-Accountant at the PCU posted by FCGO and supported by an experience contracted Financial Analyst. Full implementation of these staffing and account arrangements will be a pre-condition for IFAD disbursement in Phase III.
47. Despite the persistent failure on behalf of GoN to address the problems in accounting staff within the project, there has been a temporary improvement in financial management as the result of and IFAD support mission on financial management in January 2012. This has shown good results, the PCU has prepared the updated status of Phase II expenditures, by fiscal year, by districts and by categories. The outstanding WA claim of each fiscal year by district, by category and the records of unsettled advances by year and by district have been maintained. On the area of assets management, preparation of Register of Contracts and collection and compilation of information on Audit Log have been made significant progress, but efforts need to be continued by the PCU to fully complete and maintain these up-to-date.
48. **Financial Management: Further issues.** The PCU and districts are continuing payment of VAT and taxes on categories IX, XI, XII, XIII, XIV and XVI from IFAD funds as they do not have government counterpart budget allocation this year. It is recommended that the PCU should exclude the taxes while preparing WAs for replenishment/reimbursement in those categories for this fiscal year. The VAT and taxes claimed from IFAD loan fund in FY 2010-11 of the PCU expenditures amounting NPR 329,774.17 from the IFAD loan fund and NPR 509,628 from IFAD grant fund should be deducted from WA 33, if not deducted IFAD should recover it.
49. The Audited Project Financial Statement of FY 2010-11 was sent to IFAD on 6 February 2012 and was prepared as usual practice of the project. It did not include the comparison of budget and actual expenditures and sources of the expenditures by financier by component/sub-component. Special Accounts for Loan and Grants are maintained properly and WAs submitted to IFAD have made some improvements on providing detail of activities as part of the supporting documents of each category, infrastructures category need to be improved. The mission reviewed WA 32 of Loan and WA 24 of Grant and noted that SOEs are supported with payment vouchers, bills, receipts and other documents. Despite the December 2011 mission's recommendation PCU continued to claim taxes of grant expenditures to IFAD. The tax amount claimed on WA 24 is NPR 165,424. This tax amount claimed on WA 24 of grant fund should be recovered by IFAD. The total tax payment current FY from the IFAD grant funds (as at 14 March 2012) is NPR 370,076, this includes the NPR 165,424 claimed on WA 24.
50. **Phase II Completion.** Phase II of the Project will be completed on 15 July 2012. No activities of Phase II will be implemented after that date. Only payments made, or payments due for goods, works and services, which have been provided prior to the phase completion date, qualify for disbursement. Submission of Withdrawal Applications of Phase II expenditures that occurred before 15 July 2012 may be submitted after the Phase

completion date, but such facility will not be more than three months after the phase completion date. The mission recommends that the PCU and district project offices should make payment of phase II expenditures before the closing of 2011-12 fiscal year. The following three steps will be adhered to for phase II closing: (i) final statement of Phase II accounts, (ii) preparation of final audit report for Phase II, and (iii) preparation of Phase Completion Report. In addition, to ensure the prompt clearance and closing of Phase II accounts after 15 July 2012, the PCU should prepare and submitted WA regularly over the remaining months as per the agreed schedule for WA attached as an Annex below.

51. **Disbursement** *is satisfactory* and has already achieved the disbursement trigger for progressing the Phase III. As of 14 March 2012, disbursement was 81.1% of Phase II allocation (trigger target = 75%). This is equivalent to 100% of the expected project disbursement profile for similar projects (see IFAD Supervision Guidelines).
52. IFAD had allocated loan funds of SDR7.31 million for financing Phase II. Against this allocation, the project had disbursed about SDR5.98 million as at 14 March 2012 being 81.1% of the Phase II total allocation. The above amount excludes unrealised advance of SDR 677,227.11 and includes an outstanding WA claims of FY 2007-08 to FY 2011-12 (up to 14th March 2012) of about SDR 716,258.99 (Appendix 3-Table 3C). The revised AWPB of FY 2011-12 has been planned to spend NPR 225.92 million (about equivalent SDR 1.8 million), including contribution from GON of NPR 43.3 million, IFAD Loan NPR 173.12 million (about equivalent SDR 1.38 million) and IFAD Grant NPR 9.5 million (see below).
53. The project has received two IFAD grant allocations. The first grant allocation of SDR 290,000 has been fully utilized leaving a balance of SDR21.88. The expenditure of the second grant allocation of USD 190,000 as at 5 April 2012 (IFAD record) was USD 55,631.22 which is 29.28% of the total allocation. The above amount excludes the advance of USD 50,000. The revised AWPB of FY 2011-12 has been planned to spend NPR 9.5 million about equivalent USD 119,121.02 out of this USD 26,144.33 is already disbursed by IFAD on 30 January 2012 (Appendix 3).
54. The actual overall achievement on expenditure by financier of Phase II is 80%, the IFAD grant is highest at 101% and the Government is lowest at 56%. The records of local government and beneficiary's contribution are not available at the PCU. Similarly, the actual overall achievement by financier by component is 80%, the expenditure against component "Institutional Development" was the highest at 133% and the expenditure against component "Micro Finance and Marketing" was is lowest at 19%.
55. **Counterpart funds** provision is *satisfactory*. The Government is pre-financing project activities with the exception of IFAD grant funds flow and as such adequate counterpart funds as approved in the AWPB have been provided in a timely manner. The PCU should deduct the taxes payment from IFAD grant funds while preparing the WA for replenishment. It is however noted that for Phase III there will need to be significantly higher annual allocation of counterpart funds if the GON is to meet its original commitment of USD5.9 million over the full duration of the project. MoF has reaffirmed its commitment to ensure these funds are available as per the original commitment.
56. **Compliance with loan covenants** is *satisfactory*. The loan covenants are compliant with the provision made in the Loan Agreement with some delay on submission of Audit report, Project Financial Statement (PFS) and AWP&B to IFAD. The Audit Report of FY 2010-11 was sent to IFAD on 6th February 2012 delayed by about three weeks, PFS of FY 2010-11 was sent to IFAD on 3 November 2011, delayed by two weeks, and AWP&B was submitted mid November 2011, delayed by about 6 months.
57. **Procurement** is *moderately satisfactory*. The PCU had completed one activity related to printing of ledgers, pass books and forms for social mobilization through national competitive bidding (seal quotations). The process was reviewed by the mission and is in line with IFAD Procurement Guidelines and Public Procurement Act, Regulations and Guidelines of GON. The majority of procurement on PCU comes under the direct procurement threshold of GON regulations as the PCU has no big value procurement this year.
58. With the assistance of IFAD support mission the "Register of Contracts" of PCU has been prepared. Requests were sent to the district line agencies to furnish the "Register of

Contracts” of their respective offices. The progress is slow. Little information has yet been received from the Districts at the PCU. This process needs to be accelerated.

59. **Assets Management** is *moderately satisfactory*. As recommended by the previous mission the fixed assets which were recorded wrongly in the consumable assets register were transferred in fixed assets register by the PCU. The PCU has maintained separate records of assets showing its location and the user/owner. A letter was sent to the district offices to furnish the list of assets procured from the project funds and received from the PCU through handover. The PCU is still awaiting the full reports. Furthermore, the mission verified the Fixed Assets Register of the PCU with the sample payment invoices and found recorded. The recent verification of the assets in the PCU was completed on 3 April 2012. No major deficiencies were noted. The assets, such as computer and other office equipment, that were handed-over to district line agencies are yet to be verified.
60. The Storekeeper who was working in the PCU since Phase I of the project has recently resigned; his replacement does not have adequate knowledge on stock management. The PCU has two options (i) to provide in depth training to the present storekeeper or (ii) depute another staff that has prior extensive knowledge on stock management. The mission recommends the second option.
61. **Audit** is *moderately satisfactorily* and has improved notably since the previous mission. The audit report for the financial year 2010-11 was sent to IFAD on 6 February 2012. The auditor’s opinion disclosed the use of SOEs and SAs, and the management letter includes the shortcomings in the project’s internal control system together with appropriate recommendations for improvement. The auditor’s letter dated 5 February 2012 to the Secretary, Ministry of Local Development, includes five audit recommendations of FY 2010-11 one of it is settled. As usual the audit report submitted to IFAD does not include the full audit observations and recommendations made by the auditor to the implementing agencies (DDC, LDFB, DAO, DLSO, DFO) but the PMU has made good progress on collection and consolidation of previous year’s audit observations and recommendations from its implementing agencies located in 11 districts. The process on a consolidated log of audit observations and status will take a few more months to be completed but must be continued.
62. The Audit Log of PCU showed 66 audit recommendations valued NPR 34,020,728.25 of FY 2007-08 to FY 2010-11, of which 45 recommendations valued NPR 31,729,151.17 were settled. The PCU has prepared its Log of Audit Observations in national language. The Log of Audit Observations of the district line agencies is partially completed. The Audit Log of district line agencies show 169 audit recommendations valued NPR 35,590,880.92. The collection and compilation of audit information from the line agencies is in progress and will take some more months to be completed. See Appendix 8 for the Table of Summery Status of Audit Observation of PCU and the district line offices.
63. **Critical agreed actions** are presented in Section B and not repeated here. Further detailed fiduciary actions are summarised below.

Agreed action	Responsibility	Agreed date
Financial Management: The following amount should be deducted from WA 33, if not deducted IFAD should recover it. (i) The VAT and taxes claimed from IFAD loan fund in FY 2010-11 of the PCU expenditures amounting NPR 335,713 from the IFAD loan fund and NPR 509,628 from IFAD grant fund (ii) Unacceptable expenditure made by Agriculture Research Center (Horticulture) Rajkot, Jumla NPR 207,000 in FY 2010-11 (i) Recovered amount NPR 5,980 from Urbasi Regmi (ii) Ineligible expenditure made by DDC Dailekh from contingency fund NPR 400,200 (iii) Deduct NPR 24,000 of LDFB Dailekh which was paid for personal use (iv) The tax amount NPR 165,424 claimed on WA 24 of grant fund should be recovered by IFAD.	PCU/IFAD	WA 33 of IFAD loan & WA 25 of IFAD grant
<b>Reporting:</b> Include comparison of budget with actual expenditures and split the expenditures shown in category by financier in 2011-12 Project Financial Statement (Project Account)	PCU	15 Nov

Agreed action	Responsibility	Agreed date
<b>Asset Management:</b> Assign competent staff to look stock management of PCU and provide extensive training on the subject	PCU	30 Apr For training end June 2012
<b>Tax:</b> Allocate adequate counterpart fund on categories IX, XI, XII, XIII, XIV and XV to pay VAT and taxes for FY2012/13	PCU/MLD/MOF	15 Jul 2012

### ***Infrastructure Development Related Photos of Dailekh district***



Damar Water Supply project has protected RVT and monitored by PCU and district team, Dailekh



Constructed Ganesh Primary school Raniban and attending the student for their studies, Dailekh



Deuti CO Rawatkot public audit of Thagunna Water supply project and facilitated by SM Ghanasyam Rizal, Dailekh



Consumers welcome to IFAD/PCU field visit team. Saikhola irrigation scheme, Singaudi VDC, Dailekh





Laganshil CO organiz their regular meeting and observe by DPM and district officials, Dailekh

## A large, rectangular concrete water storage tank, known as a check dam, is the central feature of the image. It is built into a dry, hilly landscape with sparse vegetation. Several people are standing around the tank, providing a sense of scale. A date stamp in the bottom right corner reads '2009/03/19 20:19'.

A long, single-story building with a corrugated metal roof and stone walls, situated in a dry, open landscape. A person is standing near the entrance. A large tree is visible behind the building.

आयोजनाको सूचना पाटो (Project Information Board) श्री जिल्ला विकास समितिको कार्यालय, जुम्ला	
योजनाको नाम : त्रिवेणी बाल ज्योती प्रावि.भि.नि.	बनेद
वडा नं. : ३, ४	जि. वि. स. / नपा : रु. २५,०००+
गा. वि. स. : डाकु	गा. वि. स. : रु. २५,०००+
लाभान्वित घरधुरी संख्या : ८०	उपग्राम नाद : रु. ५,००,०००+
उ. स. को नाम : त्रिवेणी बाल ज्योती प्रावि.भि. नि.	जनश्रमदान : ४२,८५०+
" " "अध्यक्षको नाम : सन्तोष प्र.स्थोपते	कुल लागत : रु. ६,६२,८५०+
जम्मा सदस्य संख्या : ९	प्रातिधिक नाप जाँच गर्ने निकाय :
दस्तावेज " " " +१	( जि.वि.स./ जि.प्रा.का.)
जनजाति " " " +१	अनुगमन एवं सुपरिवेक्षण गर्ने निकाय :
अपाङ्ग " " " +०	( जि.वि.स./ जि.प्रा.का.)
महिला " " " +३	
योजना शुरु हुने मिति : २०६७/३२/२२	
" सम्पन्न " " +२०६८/३१/२५	

A blue and silver mechanical device, possibly a pump or generator, with a large flywheel and a belt drive system, mounted on a concrete base. The device is labeled "KARDAK" on its side. It is connected to a large, ribbed metal cylinder via a belt drive system. The entire setup is mounted on a concrete base.

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## F. Sustainability

64. **Institutional sustainability** is *moderately satisfactory* but improving. The organizations supported by the project are principally the community organizations and the leasehold forest user groups. In the last four months the project has implemented a much improved process of assessing the individual strengths and weaknesses of each group as the basis of delivering more focused support and coaching tailored to the individual needs of each group. In support of this all district have completed a 5 day re-orientation training for all SMs to mobilize them around this new approach. In addition, the SMs are now part way through the process of conducting 2 day VDC cluster based account keeping training for at least 5 people from each CO to increase the depth of capacity among a broader group of CO member. This is intended to allow for more regular change of leadership roles and increase transparency and accountability in the group. For the LFUG, the SM's have been reoriented to provide groups capacity building and mobilization support, that was not previously part of their role. This is being complimented by the implementation of a more intensive programme of technical support to the LFUG, including among other activities the set-up of an addition 150 small nurseries within the leasehold forest plots, almost doubling the number of nursery to 320 out of a total of 887 LFUG. While it is too early to comment on the combined impact of these measures, the approaches now being implemented by the project indicate a renewed focus on viable self-sustaining organizations at the community level. The proposed approach for Phase III should further strengthen the sustainability of these institutions with specific activities for CO graduation" planned during the next three years intended to move as many of these groups as possible to a self-sustaining basis.
65. **Social sustainability (Empowerment)** is *satisfactory*. The project's widespread development and/or strengthening of community organizations and LFUGs including large numbers of poor, women and dalits has directly provided a greater voice in the community as well as access to and control of financial and physical resources and are popular among group members. Social sustainability should be further improved in Phase II with the proposed new implementation modalities, in which the target households within each VDC will have direct decision making control of project investment resources in their community through the Community Investment Funds and corresponding Community Investment Plans.
66. **Economic and financial sustainability** is *moderately satisfactory* and relies on the viability of the savings and credit activities, the profitability of the leasehold forest land use and the financial arrangements put in place to maintain the community infrastructure. Action plans are currently being implemented that should strengthen the sustainability of all three of these areas in the coming months. However, moving the COs, LFUG and infrastructure user groups to a genuinely self-sustaining basis will take time and a well-target sustained programme of support that will need to be continued into Phase III.
67. **Technical sustainability** is *moderately satisfactory* for the major intervention areas although there are some weaknesses in specific cases which the project has recognized and is taking steps to address. The three areas of potential weakness are:
- (a) Leasehold forest: As noted above, there is a need to ensure that land handed over is usable land, as 30% of the land handed over to date is unusable. However, the technical suitability of the promoted fruit trees, MAP, NTFP, vegetable and livestock to local conditions appears to be generally sound and the ongoing campaign of more intensive technical support to LFUGs will further raise their technical capacity to maintain their leasehold plots into the future.
  - (b) Technical suitability of the design and construction of infrastructure, in particular for water supply and irrigation is variable. The current campaign of engineering assessment and repair combined with the re-mobilization of infrastructure user groups and the creation of O&M funds for all schemes should improve sustainability, although efforts in support of this will need to be continued in Phase III.
  - (c) Savings and credit schemes, while generally sound, are still in need of further internal capacity building as well as external oversight mechanisms before a majority can be considered fully sustainable. Current activities to deepen and broaden management and record keeping skills among a wider set of members in each CO will go some way to addressing this, but such efforts will need to be continued in Phase III as part of more systematic programme to support the "graduation" of COs to a self-sustaining basis. See Phase III concept note for further details.

68. **Environmental sustainability.** The project's promotion of domestication of MAP/NTFPs and replanting of trees within often degraded leasehold forest plots is likely to have positive impacts on soil conservation and, to a lesser extent, water retention in the local areas. The current more intensive programme of support to LFUG is likely to accelerate the process at a larger scale. However, care is needed to ensure that the handover of leasehold plots does not lead to further unsustainable harvesting of degraded land or use of unsustainable cultivation practice in vulnerable areas, such as those involving tillage and removal of cover.
69. **Exit strategy** is satisfactory for Phase II and is built in to the 2011/12 AWPB, with the intensive campaign of capacity building and individual coaching of COs and LFUGs and ongoing campaign on O&M for the infrastructure scheme including creation of O&M funds for each scheme is intended to move them to a more sustainable footing. With the now likely progression to Phase III, WUPAP will be able to implement a more comprehensive exit strategy over the next 4 years as follows:
70. Phase III social empowerment activities are intended to deliver a lasting change in the capacity of women and men from the poorest households in the VDC to take a more leading role in their own development processes. The facilitation of a 4 year process of planning, management and governance of their own project investments is specifically intended to achieve these changes that will continue beyond the end of the project. A focus with the target communities in Years 3 and 4 of Phase III will be on how they will practically build on the social empowerment processes established under WUPAP Phase III in the future, especially given the evolving constitutional and administrative context for local government.
71. The process to support the graduation of community organisations and other groups to become self-sustaining will be completed by year 3, allowing for a managed exit from these activities within the project timeframe.
72. It is envisaged that a majority of the economic empowerment activities financed through the Community Investment Funds to be created in Phase III will be implemented in Years 1 and 2 of the Community Investment Plan period (equivalent to Yr 2 and 3 of Phase III). This allows sufficient time for additional support or services to be provided to increase the sustainability and scale of impacts of the initial activities according to the demands of the community. If successful, the modality of community-managed, demand responsive service delivery and investment would be an important model for future investments by GON and other projects.
73. At the District level, the new Phase III modalities that are intended to re-oriented service delivery, raising quality and accountability, may still be relatively new in the wider Nepalese context. However, if successful they will provide a valuable model for future investments. Within the project districts themselves, the investments in raising the capacity of district service providers - through the capacity building on Farmer Field Schools and the service improvements financed through the Service Excellence Challenge Fund - can be expected to deliver lasting improvements in service delivery capacity that will be of benefit to the communities in the district long after the end of WUPAP.
74. Further details of the proposed Phase III design as well as **agreed actions** and approaches on sustainability are provide in the Concept Note attached as an Annex to this Aide-Mémoire.

***Infrastructure Development Related Photos of Rolpa district***



Bal Kalyan Primary School Building jointly Constructed by WUPAP & School's (internal resource) participation Kureli Rolpa



Ajambari irrigation canal, Pachhabang VDC, Rolpa



Nawa Namuna primary school building construction, Tebang, Rolpa



Basa drinking water supply project, Gam VDC, Rolpa



Microhydro project, Talabang VDC, Rolpa



Effective use of Sprinkle System in Hangdung



LF, Hwama-2 Rolpa

***Leasehold Forestry Component Related Photos of Rolpa district***



Educational tour for LFUGs of Seram, Gam & Uwa to Hwama Rolpa



Nursery establishment for Dalchini & Chirpine by Makhola LFUG's Rolpa



Nursery establishment in Hwama-3 by Local people Rolpa



Plantation of Ritha in Hangdung LF, Hwama-2 Rolpa

**G. Impact**

75. The RIMS level 2 survey report and analysis have now been completed and indicate some encouraging improvements in the living conditions of target households. These clear improvements in living standards are very welcome, although given that there are now an average of 32 development projects active in each WUPAP district compared to none 15 years ago (excluding nationwide projects - MoF Development Cooperation Report FY2010/11) and the expansion of the road networks, specific attribution to any one project is neither possible nor appropriate.
76. **Physical and financial assets** created for target groups are *moderately satisfactory*. The primary transfer of physical assets has been through the legal handover of leasehold plots to LFUGs. While this has nominally provided over 11,800 ha of land to around 12,360 households, in practice only 8,300 ha of this is usable land. Phase II has constructed an additional 90 irrigation schemes bringing the total area of farmland irrigated under the project to 1180ha. Similarly, the construction of an additional 137 drinking water schemes will have contributed to household access to drinking water increasing from around 65% in

2007 to over 95% in 2011, with more than 84% of households now using tap stands for their water. Ownership of livestock has also increased, especially for goats and poultry. The number of households owning goats has increased by more the 50% in the last 4 years, increasing to 46% of households from 31% in 2007, while chickens are now owned by 43% of households up from 36% in 2007.

77. **Food security.** WUPAP's impact on food security is *moderately unsatisfactory*, primarily as a result of the relatively inconsistent performance of the crop and livestock activities although the construction of 90 irrigation schemes will have benefited the households whose land is served by these. However the fact that 36 of the 90 irrigation schemes were already in need of repair at the time of the mission will limit the current impact of these investment. Despite WUPAP's likely modest impact on food security, the overall food security of the project households has shown improvement in the last four years. Chronic child malnutrition has fallen by 6 percentage points to 59% in total and for girls from 66% to 60% and for boys from 65% to 58%. In terms of hungry seasons, while there have also been a reduction in the number of households reporting suffering from both a 1<sup>st</sup> and 2<sup>nd</sup> hungry season, from the very high 2007 levels of 88% and 71% respectively, the 2011 RIMS survey still found that 67% of households have experienced a first hungry season of an average duration of 3.1 months, and 37% of households have a second hungry season of an average duration of 2.7 months. Hence only 33% of household are food secure for 12 months while 37% of households are food insecure for almost six months of the year suffering 2 hungry seasons with a combined average length of 5.8 months.
78. **Increase in incomes.** The RIMS survey does not directly measure household income so no specific data is available on this at present. Compared to increasing remittances and the greater penetration of the market for farm and forest products in project areas, the project is likely to have had a modest impact on incomes so far.
79. **Policy impact.** WUPAP is closely aligned to the decentralization process pursued by MLD over the last decade. The changes in modality for Phase III represent a further innovation in the implementation of the devolution agenda and, if successful, may have potentially important policy impacts in the future.
80. **Agreed actions** on impact are closely related to the Phase III design and are reflected in the Phase III concept note attached below.

## H. Conclusion

81. Overall progress on the project is *moderately satisfactory* and improving. The project has made good progress since the last review mission in implementing the revised AWPB focused on raising performance. The recently strengthened management team continues to perform well. However the problem of financial staffing and management has not been resolved and must be urgently addressed.
82. Having reviewed detailed data provided by the project and based on prior field visits to project sites by mission members, the mission concludes that the project will have met its five performance triggers by the end of Phase II, having already met four of five triggers at the time of the mission as summarized below.

Trigger	Status & Outlook
<b>Leasehold forestry:</b> detailed plans have been prepared and implemented or are under implementation for the active use of land for 70% of LFUGs which have held leases for three or more years	<b>Already met.</b> Currently 82% of LFUG have some active use of land and plans
<b>Community infrastructure:</b> engineering assessment is that design, construction and maintenance standards for 80% of facilities constructed in Phase II are appropriate and adequate;	<b>Will be met by Jul 2012</b> Currently 67%, expected to increase to 80%-90% based on current programme of work by July
<b>Credit:</b> the recovery rate for loans extended from the Project and reflows is no less than 95%	<b>Already met</b> Recovery rate reached 95.4% as of March 2012 and has been stable around this level since July 2011
<b>Community organisations:</b> groups shall be graded on their capability and sustainability and agreed minimum of all groups operating for more than two years should be in Grades 1 and 2. Note: Recommended revision to "80%" of groups due to inappropriate original target of "all" groups	<b>Already met</b> – based on revised target level Currently 87% of COs more than 2 years old are rated as Grade 1 or 2
<b>Disbursement:</b> at least 75% of the Loan has been disbursed	<b>Already met</b> 81.8% as of Mar 2012 including pending WA. Final



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disbursement likely to be 90-95% by end Phase II

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83. The mission therefore recommends that the project be considered to progress to Phase III as from 16 July 2012. A detailed concept note for Phase III has been developed jointly by the project team, mission members and other stakeholders and is attached as an annex below.
84. The final design and arrangements for Phase III should be agreed by 31 May, with the Loan Amendment and associated letters and paperwork signed by 30 June to allow Phase III to formally begin from 16 July. Phase III approval will need to follow the regular approval process by GON, including from the National Planning Commission and MoF. The PCU should now prepare an AWPB 2012/13 based on the Phase III design to be submitted for GON approval through the regular process. The Phase II loan has a completion date of 15 July and all expenditures will need to be cleared and accounts closed within 3 months of this date to allow disbursement from the Phase III loan amount to begin shortly thereafter.
85. In view of the persistent weaknesses in financial management, pre-conditions for disbursement by IFAD in Phase III should be: the appointment of all required accounting staff to the project on a fulltime basis as agreed in principal with FCGO and MLD; setting up the single project accounts in each district, and; completion of the consolidated logs of audit observations and status, asset and contract registers.
86. Given the strong recent performance of the project management team, individual project staff that are considered by the Project Coordinator and National Project Director to have good performance should be retained in the project team for Phase III to the full extent possible, especially for the first 2 years of Phase III which will be the critical period for embedding the revised project modalities.
87. Actions in the coming months must therefore focus on four key areas:
  - (a) Continued delivery of the agreed actions under the AWPB 2011/12
  - (b) Preparations for timely completion and closure of Phase II
  - (c) Finalization and approval of the Phase III design and arrangements, based on the agreed concept note attached
  - (d) Preparation and implementation of a detailed launch plan for Phase III
88. Agreement was reached by all parties attending the wrap-up meeting chaired by the Secretary, Ministry of Local Development, Mr. Shital Babu Reegmi, on the main findings and agreed actions from the mission.

***Institutional development component Related Photos of Rolpa district***



Monitoring in COs Level Rolpa



VDC level interaction meeting in Gam VDC, Rolpa

***Community Organization related photos of Dolpa district***



Cos meeting held, Mukot VDC, Dolpa



Facilitating by E.Secretary on account management training, Sarmi VDC, Dolpa



## **Appendices**

Appendix 1	Summary of project status and ratings
Appendix 2	Progress against previous mission recommendations and Summary of Current missions recommendations
Appendix 3	Financial: Actual financial performance by financier; Disbursements by category and by component
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Appendix 6	RIMS table
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Annex III	Phase III Agreed Concept Note
Annex IV	Trigger performance assessment technical note





## Appendix 1 Summary of project status and ratings

### Basic Facts

Country	Nepal			Project ID	1119	Loan/DSF Grant No.	576
Project	Western Upland Poverty Alleviation Project					Supp. Loan/DSF Grant	8010
Date of Update	30-Apr-2011					Financing terms	HC
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	9	No. of Implementation Support/Follow-up missions	5				
Last Supervision	23-Apr-2011	Last Implementation Support/Follow-up mission	Jan-2012				

USD million Disb. rate %

Approval	06-Dec-2001			Total costs	32.99	
Agreement	05-Feb-2002	Effectiveness lag	13	IFAD Total	20.49	
Effectiveness	01-Jan-2003	PAR value	Actual Problem	IFAD loan	20.13	81.1%
MTR	23-Aug-2010			DSF grant	0.19	55.6%
Current completion	31-Mar-2014	Last Amendment	June 2011	IFAD grant	0.58	99%
Current closing	30-Sep-2014	Last Audit	05-Feb-2012	Domestic Total	8.24	
No. of extensions	1			Beneficiaries	0.08	n/a
				Government (Local)	2.20	n/a
				Government (National)	5.93	23%
				Private Sector Local	0.04	n/a
				Cofinancing Total	4.03	
				WFP	4.03	n/a

### Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	2	3	1. Quality of project management	4	5
2. Acceptable disbursement rate	5	5	2. Performance of M&E	3	4
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	3	5
4. Compliance with loan covenants	5	5	4. Gender focus	4	5
5. Compliance with procurement	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	2	4	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	4	4

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
Labour intensive infrastructure development	4	4	1. Institution building (organizations, etc.)	4	4
Leasehold forestry and NTFP production	4	4	2. Empowerment	5	5
Crop and livestock	3	3	3. Quality of beneficiary participation	4	4
Micro-finance and marketing	4	4	4. Responsiveness of service providers	4	4
Institutional support	4	4	5. Exit strategy (readiness and quality)	4	5
			6. Potential for scaling up and replication	4	4

#### B.5 Justification of ratings

Project management performance and implementation progress have continued to improve in the past year which is an encouraging basis for Phase III. In particular, the recently strengthened management team at District and PCU levels have made good progress in implementing a revised AWPB aimed at raising project progress toward the five trigger indicators for

Phase II and have also strengthened the MIS and M&E system with the information now increasingly being used as the basis for management decisions to raise performance in key areas. There have also been improvements in the quality of the audit and the PCU is taking action to address other fiduciary issues within their control. Despite this recent improvement, the structural problems in the Phase II design and implementation modality will limit the extent to which the project could achieve its full potential unless they are addressed for Phase III.

However, financial management and accountant staffing remains a major weakness in the progress. Recent temporary improvements have resulted from an IFAD mobilized financial management support mission in Jan 2012 which addressed the most immediate problems in the preparation of financial reports and some other issues at the PCU level. The FCGO's failure to assign a competent accounting team to the project despite numerous agreements to do so creates notable fiduciary risks and is a source of considerable frustration to MLD and IFAD. In the short term, until end Phase II, the PCU will directly hire a financial analyst to strengthen financial management in the PCU while FCGO has re-committed to immediately assign a competent accountant. For Phase III, the entire arrangements for financial management must be redesigned, simplified and with a far stronger accounting team dedicated to the project.

In Phase I and II the project has mainstreamed a satisfactory poverty and gender focus within many aspects of its implementation and targeting appears to be working reasonably well, for example by prioritising more than 60% of infrastructure investments into scheme of high priority to women (i.e. water supply, schools, health post, latrines) and the focus of LFUGs on poor households. There is however still scope for improvement, for example in ensuring equitable access for women and dalits in accessing loans from the community organisations' savings and credit schemes. The substantial investment by the project in strengthening community organizations and transfer of leasehold forest land to LFUGs of poor households have made important impacts to grassroots institutions and empowered women, dalits and the poor. The ongoing strengthening of these groups in FY2011/12 will add to the sustainability of the groups and the project's impacts. In addition, the focus of infrastructure activities for 2011/12 has shifted towards establishing more effective O&M arrangements through community mobilization beginning with social and technical audits of all schemes. Component wise performance has improved most in relation to community organisation savings and credit where efforts to name defaulters and raise transparency within groups appears to be leading to gradual improvements in recovery rates of loans.

## Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4
C.2 Food security	3	3
C.3 Overall <b>implementation progress</b> (Sections B1 and B2)	4	4

Rationale for implementation progress rating:

Overall project implementation progress has continued to improve although the structural problems in the Phase II and implementation modalities limit the impacts on assets and food security to date. With changes to the implementation modalities and a refocusing of the project, the recently strengthened project management team has an increased likely of substantially raising the impacts of the project in target communities in Phase III.

C.4 Likelihood of achieving the development objectives (section B3 and B4)	4	4
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Rationale for development objectives rating

### C.5 **Risks** Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	<ul style="list-style-type: none"> <li>Financial management and control within the project has been persistently weak at all levels from PCU to Districts and VDCs. The critical issue is the lack of sufficient numbers of competent accounting staff in the PCU that can lead the process of urgently needed improvements at all levels. This is aggravated by the overly complex implementation arrangements with 55 cost centres in the project. In the short term immediate action is required by PCU and FCGO to enable an orderly completion and closure of Phase II. Into the future the entire system for financial management and staffing must be redesigned and its satisfactory implementation made a precondition for further disbursement by IFAD in Phase III. If this is not done, it would continue to create unacceptable fiduciary risk which would undermine the entire project and pose a potential reputational risk to IFAD in Nepal.</li> </ul>
Project implementation progress	<ul style="list-style-type: none"> <li>Changes in Project Coordinator and other senior staff involved in the project over the first 2 years of Phase III would significantly undermine the project's chance of delivering its development objectives. The current project management team have demonstrated their strong capacity over the last year and have been instrumental in redesigning the implementation modalities for Phase III to make them more effective. If there were any major changes, especially in the senior staff of the PCU and National Project Director over the next 2 years then this would create significant risks to project performance, especially given past experience in the project.</li> <li>Implementation modalities used in Phase I and II have structural flaws which greatly limited the impacts of the project and also make it extremely difficult to manage. If not addressed for Phase III, the project would be unlikely to meet even a fraction of its development objectives. As such implementation modalities need to be revised, with a strong role for beneficiaries in determining project activities complemented by a strengthened managerial role for the PCU and a restructuring of service delivery at the district level.</li> <li>M&amp;E within the project has recently improved, but these changes need to be made more systematic to provide the management or financiers with adequate and reliable information on different aspects of project performance, outcomes and impacts to enable the project to be managed for results. As the project move to Phase III, further substantial efforts and resources will be essential to establish a proper MIS and M&amp;E system.</li> <li>The greater use of NGOs/cooperative/private sector in delivery and/or support to field level activities needs to be effective as it is intended to address the lack of delivery capacity of district</li> </ul>

		agencies in implementing critical project activities to the required standard and scale. If the project managers, at PCU and especially District level, cannot make this a success then there is a significant risk that the project would not be able to successfully implement Phase III.
Outputs and outcomes	and	<ul style="list-style-type: none"> <li>In terms of progress to date, the principal risks are that the outputs and outcomes which have been achieved to date, or are now in process, will not be sustained over the medium term due to weakness in the capacity of the groups and also the O&amp;M arrangements for the infrastructure.</li> <li>For Phase III, the scale of outcomes and outputs required by the project is not achievable using the implementation modalities of Phase II. Improved implementation modalities are required and must be fully implemented from the start of Phase III. However, to allow time for these changes in modality and to deliver the project development objectives, Phase III would need to run for four years as opposed to the three years envisaged at Appraisal in 2001.</li> </ul>
Sustainability		<ul style="list-style-type: none"> <li>The focus of activities to date has been on scale and coverage of activities with less emphasis on making the impacts, and especially the grassroots organizations sustainable. The is therefore a significant risk that project impacts may not be sustainable unless action is taken. The AWPB 2011/12 being implemented places a renewed emphasis on building the sustainability of COs, LFUG and infrastructure user groups and should have some impacts in these areas. However, further sustained efforts will be needed on sustainability in Phase III.</li> </ul>

## Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
<b>2011 Dec - Joint Review Mission</b>			
Project Coordinator	Current PC to be maintained in post to end Phase II as minimum (MLD)	Until July 2012	Completed
Revised AWPB	Rapid approval of revised AWPB by GON (MLD/MoF)	31 January 2012	Completed
Deputy Project Coordinator	Rapid appointment of competent Deputy Project Coordinator to PCU (MLD)	January 2012	Completed
Engineering staff	Appointment of three additional sub-engineers to PCU and extension of engineers contract to be full time to end Phase II (PCU)	15 February 2012	Completed
District senior staff turnover	Provide clear guidance and orientation to all newly appointed LDOs in project districts to rapidly implement the agreed action plan (MLD)	January 2012	Completed
Financial management: lack of capable account staff in PCU	Recreate Accounts Officer's post in PCU and appoint competent Accounts Officer with donor funded project experience (MLD/IFAD)	January 2012	Not resolved
Financial management: No expenditure verification of districts	Conduct periodic visit by PCU accounting staff to all districts to assist district Project Accountants and expenditures tracking (PCU)	At least two visits in each district in FY 2011-12	In process
Financial management: poor quality of account keeping and WA preparation	Maintain yearly consolidated project account by category, WA claim by category and reconcile outstanding WA claims with these. (PCU)	By February 2012	Completed & ongoing
Asset Management: consolidated asset log and tracking system does not exist	Conduct physical verification of fixed assets procured by PCU and districts with the assets records maintained in PCU and district project offices, including assets transferred by PCU to district offices. Based on this verification prepare consolidated assets records and deliver to IFAD. (PCU)	By March 2012	Partially completed. Completed for PCU and in process for Districts
Audit: no consolidated log of audit observation and status	Collect audit observations from all the project districts and prepare consolidated Log of Audit Observations and Table of Summary Status of Audit Observation from the beginning of the project implementation (Project Year 1) to date and deliver to IFAD (PCU with implementing agencies of 11 project districts)	By March 2012	Partially completed. Completed for PCU and in process for Districts
Audit: Quality of audit is low	Audit (OAG) <ul style="list-style-type: none"> <li>(i) Improve the quality of audit report in terms of opinion on the use of SAs, detail the shortcomings in the project's internal controls, procedures and practices, together with appropriate recommendations for improvement and recommendations.</li> <li>(ii) Include entire audit observations and recommendations of the project audit (including all implementing line agencies in the district and the PCU) in audit report of</li> </ul>	By 16 <sup>th</sup> January 2012	Improved quality of audit noted in 2010/11 audit report Partially completed. Completed for PCU and in process for Districts



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	FY 2010-11		
<b>2012 Apr - Joint Review Mission</b>			
Phase III Preparation: Design	Finalise agreed Phase III Design (GON / IFAD)	31 May 2012	
Phase III Preparation: Loan amendment	Loan Amendment prepared and processed (IFAD)	05 July 2012	
Phase III Preparation: GoN approval	Phase III plan submitted to NPC and MOF for approval (PCU)	05 July 2012	
Phase III Preparation AWPB 2012/13	AWPB 2012/13 Prepared and submitted for approval by GON (PCU)	Draft - 31 May 2012 Final: - 05 July 2012	
Phase III Preparation: Phase III Launch plan	Prepare and implement detailed Phase III Launch Plan (PCU)	15 May 2012 onwards	
Phase III Preparation: PCU staff	Maintain current PCU staff and contractors that have good performance for Phase III where their posts (or equivalent) continue from start of Phase III. (PCU)	15 May 2012 Onwards	
Phase III Preparation: Project coordinator	Appointment of PC for a minimum of 2 years guaranteed to 15 July 2014. Choice of PC subject to IFAD agreement. <b>(Pre-condition for Phase III)</b> (MLD)	15 Jul 2012	
Phase III Preparation: Phase III start	Start of Phase III (IFAD / MLD)	16 Jul 2012	
Phase III Preparation: Accountant team	Appoint Accountants to all District Project Coordination Units as well as Accountant and Sub-accountant to PCU <b>(Pre-condition for Phase III)</b> (FCGO)	15 Sep 2012	
Fiduciary: Financial staff to end Phase II	<b>Financial staff:</b> Competent accountant, if possible with donor funded project experience, to be immediately appointed to PCU fulltime by FCGO (FCGO)	31 May 2012	
Fiduciary: Financial staff to end Phase II	<b>Financial staff:</b> PCU to contract experienced Financial Analyst to provide technical guidance and support to PCU account staff during remainder of Phase II (PCU)	31 May 2012	
Fiduciary: Verification in Districts	<b>Financial management:</b> Conduct periodic visit by PCU accounting staff to all districts to assist district Project Accountants and expenditures tracking (PCU)	Min. one visit per district by 15 Jul 2012	
Fiduciary: Withdrawal applications	<b>Withdrawal application:</b> submit regularly as per agreed schedule to minimize unclaimed amount by 15 July (see Annex for schedule) (PCU)	30 Apr 2012 onwards	
Fiduciary: Phase II closure	<b>Phase II account closure</b> and clearing of expenditures <b>(Pre-condition for Phase III)</b> (PCU)	15 Oct 2012	
Fiduciary: Audit observation log	<b>Audit:</b> Complete the consolidated Log of Audit Observations and Table of Summary Status of Audit Observations of PCU and all district line agencies <b>(Pre-condition for Phase III)</b> (PCU/ All district Project Offices)	31 May 2012	
Fiduciary: Asset log and verification	<b>Asset Management:</b> Collect the list of project assets from district offices, compile it and conduct physical verification of those assets <b>(Pre-condition for Phase III)</b> (PCU)	31 May 2012	
Fiduciary: Register of contracts	<b>Procurement:</b> Accelerate the progress of collecting "Register of Contracts" from district line agencies, consolidate with PCU records and update the consolidated "Register of Contracts" in each month. <b>(Pre-condition for Phase III)</b> (PCU/All district Project Offices)	31 May 2012	

**Additional observations**

## Appendix 2 Progress against previous mission recommendations and Summary of current mission recommendations

### a) Progress against actions from Dec 2011 Joint Review Mission

Action Area	Agreed action	Whom	Agreed date	Progress
<b>Critical actions</b>				
<b>Management</b>	Current PC to be maintained in post to end Phase II as minimum	MLD	Until July 2012	<b>Being implemented</b>
	Approval of revised AWPB	MLD	31 Jan 2012	<b>Completed</b> and under implementation
	Appointment of competent Deputy Project Coordinator to PCU	MLD	Jan 2012	<b>Completed</b> - 16 Mar
	Appointment of three additional sub-engineers to PCU and extension of engineers contract to be full time to end Phase II	PCU	15 Feb 2012	<b>Completed</b> by 14 Feb, although some now need replacing as one resigned after first field visit
	Provide clear guidance and orientation to all newly appointed LDOs in project districts to rapidly implement the agreed action plan	MLD	Jan 2012	<b>Completed</b> Written guidelines forwarded by MLD to Districts
<b>Fiduciary</b>	Financial management: Recreate / Depute Accounts Officer's post in PCU and appoint competent Accounts Officer with donor funded project experience.	MLD/FCGO	Jan 2012	<b>Not resolved</b> An Accounts Officer is deputed from MLD, and was available in PCU Nepalgunj for about 4 days in January. The present Accountant is also transferred and his replacement does not have adequate knowledge on IFAD project
	Financial management: Conduct periodic visit by PCU accounting staff to all districts to assist district Project Accountants and expenditures tracking	PCU	Min. two visits per district in FY 11/12	<b>Not resolved</b> PC and PCU Accountant have only visited 1 district so far - Rolpa
	Financial management: Maintain yearly consolidated project account by category, WA claim by category and reconcile outstanding WA claims with these.	PCU	Feb 2012	<b>Completed</b> , with input for IFAD FM Support Mission in Jan 12
	Asset Management: Conduct physical verification of fixed assets procured by PCU and districts with the assets records maintained in PCU and district project offices, including assets transferred by PCU to district offices. Based on this verification prepare consolidated assets records and deliver to IFAD.	PCU	Mar 2012	<b>Partially Completed</b> Physical verification of PCU assets is completed and report was submitted to PC on April 3, 2012. Physical verification of district assets yet to be done and must be completed
	Audit: Collect audit observations from all the project districts and prepare consolidated Log of Audit Observations and Table of Summary Status of Audit Observation from the beginning of the project implementation (Project Year 1) to date and deliver to IFAD	PCU with implement-ing agencies of 11 districts	Mar 2012	<b>Partially Completed</b> 2 <sup>nd</sup> Phase of PCU is completed, for district it is in progress. Must be completed.
	Audit report: (i) Improve the quality of audit report in terms of opinion on the use of SAs, detail the shortcomings in the project's internal controls, procedures and practices, together with appropriate recommendations for improvement. (ii) Include entire audit observations and recommendations of the project audit (including all implementing line agencies in the district and the PCU) in audit report of FY 2010-11	OAG	16 Jan 2012	i) <b>Completed.</b> Improvement is noted on Audit Report of FY 2010-11 ii) <b>Not resolved.</b> Not included but the PCU is collecting and consolidating the audit observations

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Action Area	Agreed action	Whom	Agreed date	Progress
<b>Detailed actions</b>				
Component 1: Infrastructure:	Conduct social and technical audit, with independent engineering input, of Phase II schemes with a focus on water supply and irrigation in all Districts	Districts & SMs with PCU engineering support	Jan-Mar 2012	<b>Partially completed</b> and ongoing. Current focus has been on technical assessment. This needs to be expanded to include public audit and greater focus on mobilization of community led O&M arrangements
	Implement programme of repair of sub-standard infrastructure in all Districts with proper technical supervision	Districts with PCU engineering support	From Jan 2012 onwards	<b>Being implemented</b> Will cover 135 schemes
	Conduct social mobilization to establish community-led O&M arrangements for Phase II schemes lacking adequate arrangements	SMs with support from Districts	From Jan 2012 onwards	<b>Not resolved</b> – see note above
	Conduct review of potential misuse of funds in Sani Khola, implement appropriate measures and recommended improved system for management of community-led small infrastructure investment	Dailekh LFDB	Jan 2012	<b>Completed.</b> Community has rebuilt scheme at own cost. Stronger monitoring and follow-up agreed for future.
Component 2: Leasehold forestry	Conduct a complete and consistent categorization of all LFUGs with land across all Districts, including clear criteria for use of land as well as functioning of groups themselves.	Districts with SMs	end Jan 2012	<b>Completed</b>
	Further intensive training and support to be provided to all LFUGs with land on, among other things: participatory operating plan preparation, technical production issues, on-site nursery establishment, linking to traders, plantation plans. Further inputs/seedlings to be provided to compliment training and capacity building	Local Resource Person supported by SMs and external local NGOs. Seedlings/ inputs provided by DADO, DFS, DLS as required	From Jan 2012	<b>Being implemented</b>
Component 3: Crop & Livestock	<i>No specific actions agreed</i>	-	-	-
Component 4: Micro-finance and Marketing	Finalize improved CO grading process and criteria	PCU / IFAD	Jan 2012	<b>Completed</b>
	Update grading of all COs using improved criteria	Districts via SMs	Jan 2012	<b>Completed</b>
	Conduct 2 day VDC cluster based account keeping training for 5 people from each CO with not more than 20 people per training session	SMs with support from District project staff	From Feb 2012	<b>Being implemented</b>
	Conduct programme of regular individual coaching of each CO through a series of extended monthly meetings tailored to needs of the CO	SMs with support from District project staff	From Feb 2012	<b>Being implemented</b>
Component 5: Institutional Support	Social Mobilizers: complete refresher training for all SMs of approx 6 days on topics in support of CO, LFUG and O&M group strengthening	District project teams with PCU support	Jan 2012	<b>Completed</b>
M&E	Consistent collection, consolidation and analysis of M&E data to be strengthened covering all Districts with a specific focus on data relevant to assessing the performance triggers for moving to Phase III and disaggregated by gender, poverty status and caste.	PCU	Mar 2012	<b>Completed</b>
	RIMS level 2 report and analysis to be completed	PCU	Mar 2012	<b>Completed</b>
Targeting	Capacity building and individual coaching of COs to include promotion of equitable access to loans for women, dalits and the poor	PCU / DPMs / District teams and SMs	From Jan 2012 onwards	<b>Being implemented</b>
Financial management	(i) Issue instruction to all district Project offices not to purchase high value durable assets from administrative budget allocation and to stop such practices.	PCU/All district Project Offices	31 Dec 11	(i)& (ii) <b>Completed.</b> An instruction was issued on 9 January 2012 and follow-up is made in each meeting with DPM & LDF Secretary iii) <b>Completed.</b> Recovered, PC made
	(ii) Stop hiring vehicles for regular visit and monitoring	All implementing agencies	31 Dec 11	
	(iii) Recover NPR 5,980 from Urbasi Regmi	LDFB Dailekh	WA 32 of	
	(iv) Recover ineligible expenditure made by DDC	PCU	Loan	

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Action Area	Agreed action	Whom	Agreed date	Progress
	Dailekh from contingency fund NPR 400,200 and deduct that amount from WA 32 of Loan (v) Deduct NPR 24,000 of LDFB Dailekh from WA 32 which was paid for personal use (vi) Do not include expenditure made by Agriculture Research Center (Horticulture) Rajkot, Jumla NPR 207,000 in FY 2010-11 from IFAD fund on upcoming WAs, if already claimed deduct that amount from WA 32 of Loan	PCU PCU	WA 32 WA 32 WA 32	commitment to deduct from WA 33 (iv), (v) and (vi) <b>Not completed.</b> PC made commitment to deduct from WA 33
	Deduct VAT and taxes payment from IFAD loan and grant funds in various categories from WA 32 for Loan and WA 24 for Grant. Do not repeat same practice in FY 2011-12	PCU, All Project district offices	WA 32 of Loan and WA 24 of Grant Immediate	<b>Will be completed.</b> PC made commitment to deduct from WA 33
Reallocation	PCU should send a request to IFAD through MOF to reallocate the funds on Schedule 2 of Project Financing Agreement (see Annex)	PCU, MOF, IFAD	January 2012	<b>Completed</b>
Disbursement	Outstanding WA claim of previous fiscal years should be prepared and submitted to IFAD	PCU	January 2012	<b>Partially completed.</b> Detailed schedule for WAs to end Phase II agreed by current mission, including from previous year.
	Prepare and submit WA on a regular basis; at least quarterly.	PCU	31 Dec 2011 onwards	<b>Being implemented</b> 2 WAs for Loan & 2 WAs for Grant sent in FY 2011/12. Detailed schedule for WAs to end Phase II agreed by current mission.
Counterpart funding	Allocate adequate counterpart fund on categories IX, XI, XII, XIII, XIV and XV to pay VAT and taxes.	PCU/MLD/MOF	31 Dec 2011	<b>Not completed,</b> because budget allocation for AWPB was approved by GON in the beginning of FY and could not be changed. Will be resolved for FY2012/13.
Procurement	PCU to compile a consolidated Register of Contracts	PCU	Mar 2012	<b>Partially completed.</b> PCU's Register of Contracts is prepared. The collection of Register of Contracts from the district is in progress
Asset Management	Issue an instruction to all district Project offices to maintain distribution records of planting materials, seeds and seedlings etc supported by receipt of beneficiaries in a transparent way	PCU/All district Project Offices	31 Dec 2011	<b>Completed.</b> An instruction was issued on 9 January 2012
	Transfer TEG-5160 switch box, Aqua guard, Water tank, Carry Box Ashy Linen plus Rubber for Pick-up and helmet from Consumable Assets Register to respective pages of Fix Assets Register and strictly follow the GON Guidelines while categorisation of assets into consumable and durable	PCU	31 Dec 2011	<b>Completed.</b> Requested assets transferred to fixed assets register.

**b) Summary of agreed actions from current Mission – Apr 2012**

Action Area	Agreed action	Whom	Agreed date	Progress
<b>Critical actions</b>				
<b>Phase III Preparation</b>	Finalise agreed Phase III Design	GON / IFAD	31 May	
	Loan Amendment prepared and processed	IFAD	30 Jun	
	Phase III plan submitted to NPC and MOF for approval	PCU	30 Jun	
	AWPB 2012/13 Prepared and submitted for approval by GON	PCU	Draft - 31 May Final: - 30 Jun	
	Prepare and implement detailed Phase III Launch Plan	PCU	15 May onwards	
	Appointment of PC for a minimum of 2 years guaranteed to 15 July 2014. Choice of PC subject to IFAD agreement. <b>(Pre-condition for Phase III)</b>	MLD	15 Jul	



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Action Area	Agreed action	Whom	Agreed date	Progress
	Appoint Accountants to all District Project Coordination Units as well as Accountant and Sub-accountant to PCU <b>(Pre-condition for Phase III)</b>	FCGO	15 Sep	
Fiduciary	<b>Financial staff:</b> Competent account with donor funded project experience. to be immediately appointed to PCU fulltime by FCGO	FCGO	31 May	
	<b>Financial staff:</b> PCU to contract experienced Financial Analyst to provide technical guidance and support to PCU account staff during remainder of Phase II	PCU	31 May	
	<b>Financial management:</b> Conduct periodic visit by PCU accounting staff to all districts to assist district Project Accountants and expenditures tracking	PCU	Min. one visit per district by 15 Jul	
	<b>Withdrawal application:</b> submit regularly as per agreed schedule to minimize unclaimed amount by 15 July (see Annex for schedule)	PCU	30 Apr onwards	
	<b>Phase II account closure</b> and clearing of expenditures <b>(Pre-condition for Phase III)</b>	PCU	15 Oct	
	<b>Audit:</b> Complete the consolidated Log of Audit Observations and Table of Summary Status of Audit Observations of PCU and all district line agencies <b>(Pre-condition for Phase III)</b>	PCU/ All district Project Offices	31 May	
	<b>Asset Management:</b> Collect the list of project assets from district offices, compile it and conduct physical verification of those assets <b>(Pre-condition for Phase III)</b>	PCU	31 May	
	<b>Procurement:</b> Accelerate the progress of collecting "Register of Contracts" from district line agencies, consolidate with PCU records and update the consolidated "Register of Contracts" in each month. <b>(Pre-condition for Phase III)</b>	PCU/All district Project Offices	31 May	

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Action Area	Agreed action	Whom	Agreed date	Progress
<b>Detailed actions</b>				
Infrastructure	Expand current process of technical assessment of scheme to include public audit with a focus intended O&M arrangements. Priority in this process should be given to water supply and irrigation schemes in all Districts	Districts & SMs with PCU engineering support	May-Jul 2012	
Partnerships	Support AAGP accelerated start-up in Rukum / Rolpa: establishing forage/feed nursery, seeding procurement and planting (details to be agreed with AAGP team)	PCU	Feb 2013 onwards	
Fiduciary	<b>Financial Management:</b> The following amount should be deducted from WA 33, if not deducted IFAD should recover it. (v) The VAT and taxes claimed from IFAD loan fund in FY 2010-11 of the PCU expenditures amounting NPR 335,713 from the IFAD loan fund and NPR 509,628 from IFAD grant fund (vi) Unacceptable expenditure made by Agriculture Research Center (Horticulture) Rajkot, Jumla NPR 207,000 in FY 2010-11 (iii) Recovered amount NPR 5,980 from Urbasi Regmi (iv) Ineligible expenditure made by DDC Dailekh from contingency fund NPR 400,200 (vii) Deduct NPR 24,000 of LDFB Dailekh which was paid for personal use (viii) The tax amount NPR 165,424 claimed on WA 24 of grant fund should be recovered by IFAD.	PCU/IFAD	WA 33 of IFAD loan & WA 25 of IFAD grant	
	<b>Reporting:</b> Include comparison of budget with actual expenditures and split the expenditures shown in category by financier in 2011-12 Project Financial Statement (Project Account)	PCU	15 Nov	
	<b>Asset Management:</b> Assign competent staff to look stock management of PCU and provide extensive training on the subject	PCU	30 Apr . Training end Jun 12	
	<b>Tax:</b> Allocate adequate counterpart fund on categories IX, XI, XII, XIII, XIV and XV to pay VAT and taxes for FY2012/13	PCU/MLD/MOF	15 Jul 2012	

### Appendix 3 Financial: Actual financial performance by financier; Disbursements by category and by component

Table 3A: Financial performance by financier

#### Phase I (As at 15 Jul 2007)

Financier	Approval (USD '000)	Disbursements (USD '000)	% Disbursed
IFAD loan	2,921	2,549.34	87%
IFAD grant	292	232.54	80%
Co-financier			
Government	299	103.16	35%
Total	3,512	2,885.04	82%

Source: Working Paper 9, Appendix 1, Page 3; conversation rate used for Government financing is 1 USD= NPR 75 (appraisal exchange rate), IFAD loan and grant is actual

#### Phase II (As at 14 Mar 2012)

Financier	Approval (USD '000)	Disbursements (USD '000)	% Disbursed
IFAD loan	10,050	9,286.80	92%
IFAD grant	288	290.84	101%
Government	2,243	1,260.79	56%
Local Government	501		0%
Beneficiaries	390		0%
Private Sector	14		0%
Total	13,486	10,838.43	80%

Note:

- i) Approval figures are taken from Appraisal Report;
- ii) conversation rate for GON disbursement 1 USD= NPR 70 is taken from appraisal exchange rate;
- iii) Grant is taken from IFAD disbursement report as at 5 April 2012; and
- iv) IFAD loan is taken from IFAD disbursement report as at 5 April 2012 and the outstanding WA claim. Conversation rate for outstanding WA claim of IFAD Loan disbursement is: 1 USD= 81.50 NPR (Nepal Rastra Bank, 5 April 2012).

**Table 3B: Financial performance by financier by component (USD '000)**

**Phase I (As at 15 Jul 2007)**

	IFAD loan			IFAD grant			Co-financier			Government			Domestic 1			Total		
Component	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
Infrastructure		504.6			2.81											416	507.41	122%
Leasehold Forest and NTFP		348.95			0.69											677	349.64	52%
Crops and Livestock		332.59			4.90											428	337.49	79%
Microfinance and Marketing		111.61			0.00											238	111.61	47%
Institutional Development		1251.59			224.13					299	103.16					1,753	1,578.88	90%
<b>Total</b>	2921	2549.34	87%	292	232.54	80%				299	103.16	35%				3,512	2,885.04	82%

**Phase II (As at 14 Mar 2012)**

	IFAD loan			IFAD grant			Local Government			Government			Beneficiaries & Private Sector			Total		
Component	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
Community Infrastructure	3,106	2,826.88	91				385			181		0	42			3,714	2,826.88	76
Leasehold Forest and NTFP	1,954	1,849.37	95				116			132		0	362			2,564	1,849.37	72
Crops and Livestock	1,442	1,446.16	100							188		0				1,630	1,446.16	89
Microfinance and Marketing	1,325	333.09	25							401		0				1,726	333.09	19
Institutional Development	1,786	2,831.30	159	169	290.84	172				1,341	1,260.79	94				3,296	4,382.92	133
Unallocated	437			119												556	-	0
<b>Total</b>	10,050	9,286.80	92	288	290.84	101	501	0	0	2,243	1,260.79	56	404	0	0	13,486	10,838.43	80

Note: PCU financial records do not currently allow for reliable assessment of Local Government or Beneficiary actual contribution



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**Table 3 C: IFAD Loan 576/NP- Disbursement by Category of Expenditure (SDR)**

Cat.	Category Description	Original Allocation	Revised Allocation	Disbursed from IFAD as at 5th Apr 12	% Disbursement	Outstanding WA claim of FY 07/08, 08/09, 09/10 & 10/11	Expected Disbursed at end FY10/11	Expected % Disbursement	Outstanding WA Claim of FY11/12 as at 14 Mar 12	Expected Disbursed FY11/12 for the rest period (100% of AWPB)	Total Expected Disbursed at end of FY11/12	Balance	Expected % Disbursed of Phase II
<b>Phase I</b>													
I	Civil Works for Part A(II) of Project	240,000	322,562	322,562	100%								
II	Equipment, Materials & Vehicles	520,000	195,427	195,427	100%								
III	Training & Studies & CSO Services	970,000	776,576	776,576	100%								
IV	Credit	70,000	63,917	63,917	100%								
Va	Institutional & Management Support	200,000	184,986	184,986	100%								
VI	Incremental Operating Cost (excluding salaries and allowances)	210,000	149,427	149,427	100%								
	Unallocated	90,000											
	<b>Total</b>	<b>2,300,000</b>	<b>1,692,896</b>	<b>1,692,896</b>	<b>100%</b>								
<b>Phase II</b>													
VIII	Community Infrastructure	2,060,000	2,060,000	1,637,465	79.5%	122,418	1,759,882	85.4%	-	290,824	2,050,707	9,293	99.5%
IX	LFUG Development Investments	470,000	900,000	638,024	70.9%	50,716	688,740	76.5%	19,182	141,331	849,253	50,747	94.4%
X	Equipment, Materials and Vehicles	870,000	80,000	75,573	94.5%	(14)	75,558	94.4%	-	-	75,558	4,442	94.4%
XI	Crop & Livestock Sub-projects	160,000	540,000	400,780	74.2%	30,522	431,302	79.9%	22,450	84,354	538,106	1,894	99.6%
XII	Training and Workshops	930,000	1,200,000	884,708	73.7%	55,753	940,461	78.4%	36,351	88,191	1,065,004	134,996	88.8%
XIII	Studies & Research	290,000	240,000	186,372	77.7%	14,190	200,562	83.6%	8,475	24,216	233,253	6,747	97.2%
XIV	Contract for NGO Services & Institutional & Management Support	500,000	1,750,000	1,239,471	70.8%	57,874	1,297,344	74.1%	179,066	388,100	1,864,510	(114,510)	106.5%
XV	Credit Capital	600,000	7,000	6,403	91.5%	-	6,403	91.5%	-	-	6,403	597	91.5%
XVII	Operations & Maintenance	520,000	350,000	191,677	54.8%	9,160	200,836	57.4%	18,832	76,305	295,974	54,026	84.6%
	Unallocated	300,000	180,104				-	0.0%	91,284	(91,284)	(0)	180,104	
	<b>Sub total</b>	<b>6,700,000</b>	<b>7,307,104</b>	<b>5,260,472</b>	<b>72.0%</b>	<b>340,618</b>	<b>5,601,089</b>	<b>76.7%</b>	<b>375,641</b>	<b>1,002,037</b>	<b>6,978,768</b>	<b>328,336</b>	<b>95.5%</b>
	Advance deposit			667,227									
	<b>Total</b>	<b>6,700,000</b>	<b>7,307,104</b>	<b>5,927,699</b>	<b>81.1%</b>								
<b>Phase III</b>		6,600,000	6,600,000		0.0%								
<b>Grand Total</b>		<b>15,600,000</b>	<b>15,600,000</b>	<b>7,620,594</b>	<b>48.8%</b>								

Note: Exchange rate for calculation of pending WA and projected expenditures were taken from IMF website , date 5 April 2012, 1 SDR=125.66 NPR

**Table 3 D: IFAD Grant C 567/NP- Disbursement by Category of Expenditure (SDR)**

Category	Category Description	Original Allocation	Revised Allocation	Disbursement from IFAD as at 28 Nov 2011	% Disbursed	Balance
<b>Phase I</b>						
Vb	Technical Support for Training, Implementation Support and Travel Allowance for Part E of the Project	230,000	156,957	156,957	100.00%	-
	<b>Subtotal</b>	<b>230,000</b>	<b>156,957</b>	<b>156,957</b>	<b>100.00%</b>	<b>-</b>
<b>Phase II</b>						
XVII	Local Technical assistance	60,000	133,043	133,021	99.98%	22
	Unallocated					-
	<b>Sub total</b>	<b>60,000</b>	<b>133,043</b>	<b>133,021</b>	<b>99.98%</b>	<b>22</b>
	<b>Total</b>	<b>290,000</b>	<b>290,000</b>	<b>289,978</b>	<b>99.99%</b>	<b>22</b>

**Table 3 E: IFAD Grant DSF 8010/NP Disbursement by Category of Expenditure (USD)**

Category	Category Description	Original Allocation	Revised Allocation	Disbursement from IFAD as at 5 April 2012	% Disbursed	Expected Disbursement FY11/12 (100% of AWPB)	Total Expected Disbursement at the end of FY 2011-12	Balance	Expected % Disbursed
<b>Phase II</b>									
XVII	Local Technical assistance	190,000.00		55,631.22	29.28%	92,976.69	148,607.91	41,392.09	78.21%
	Advance								
	<b>Sub total</b>	<b>190,000.00</b>	<b>-</b>	<b>55,631.22</b>	<b>29.28%</b>	<b>92,976.69</b>	<b>148,607.91</b>	<b>41,392.09</b>	<b>78.21%</b>
	Advance deposit			50,000.00					
	<b>Total</b>	<b>190,000.00</b>		<b>105,631.22</b>	<b>55.60%</b>	<b>92,976.69</b>	<b>148,607.91</b>	<b>41,392.09</b>	<b>78.21%</b>

Note: Exchange rate for calculation of pending WA and projected expenditures were taken from Nepal Rastra Bank as at 5 April 2012, 1USD = NPR 81.50

**Table 3F: IFAD Loan Statement of Expenditures by Withdrawal Applications (including pending WA claims and projected expenditures to 15 Jul 2012, SDR)**

WA No	Civil Works for Part A (II) of Project	Equipment, Materials and Vehicles	Training and Studies and CSO Services	Credit	Institutional and Management Support	Incremental Operating Cost				Total SDR
Category	I	II	III	IV	Va	VI				
<b>Phase I</b>										
WA 02	-	37,627	7,341	9,408	5,713	8,603				68,691
WA 03	-	1,795	7,440	-	2,319	9,715				21,268
WA 04	-	12,096	19,998	-	15,142	4,959				52,195
WA 05	48,073	12,009	87,144	29,485	27,285	16,040				220,037
WA 06	10,087	7,655	48,549	4,761	23,126	16,203				110,382
WA 07	71,950	3,196	167,765	14,720	17,797	15,424				290,851
WA 08	387	489	48,674	-	20,017	11,704				81,272
WA 09	46,812	5,884	103,626	3,660	14,917	13,548				188,449
WA 10	57,663	1,694	89,675	1,883	12,266	4,584				167,765
WA 11		70,240			25,703	19,545				115,488
WA 12		27,909			7,690	4,709				40,308
WA 13	41,562	13,099	141,887		11,520	12,845				220,913
WA 14	21,934	1,407	52,932		1,492	11,548				89,313
WA 18	24,094	326	1,544							25,964
<b>Sub-total</b>	<b>322,562</b>	<b>195,427</b>	<b>776,576</b>	<b>63,917</b>	<b>184,986</b>	<b>149,427</b>				<b>1,692,896</b>
<b>Phase II</b>										
Category	VIII	IX	X	XI	XII	XIII	XIV	XV	XVII	
WA 15		1,999		14,027	28,212	2,046	56,389		19,684	122,357
WA 16	17,428	17,588		8,499	18,783	156	14,395	4,128	1,675	82,651
WA 17	44,925	16,085	8,310		11,823	17,244	15,943		7,841	122,170
WA 19	19,395	20,697	379	16,810	23,650	3,447	41,909	2,276	4,873	133,436
WA 20	117,628	27,838	181	12,606	25,190	4,981	46,520		4,495	239,440
WA 21	5,791	264	566	6,358	33,089	9,763	40,974		14,178	110,984
WA 22										-
WA 23	31,780	14,805	763	14,339	78,306	37,833	55,776		16,169	249,770
WA 24	61,284	87,833		36,620	62,592	10,611	64,441		4,753	328,134
WA 25	66,575	21,635	42,970	18,225	31,840	4,546	46,563		5,450	237,805
WA 26	159,432	32,121	61	30,592	72,309	8,292	154,902		32,627	490,337
WA 27	93,542	74,435	22,110	36,122	109,310	30,284	104,516		14,415	484,733
WA 28	227,158	60,984		37,797	52,657	7,601	68,382		4,397	458,975
WA 29	238,962	107,405		45,892	92,290	13,600	33,340		9,149	640,638
WA 30		1,989		22,760	33,188	1,706	81,478		9,661	150,781
WA 31	178,181	46,566		22,024	50,547	6,970	77,399		5,754	387,442
WA 32	375,385	105,781	233	78,107	160,923	27,294	236,542		36,556	1,020,820
<b>Sub-total</b>	<b>1,637,465</b>	<b>638,024</b>	<b>75,573</b>	<b>400,780</b>	<b>884,708</b>	<b>186,372</b>	<b>1,239,471</b>	<b>6,403</b>	<b>191,677</b>	<b>5,260,472</b>
<b>Pending disbursement from IFAD</b>										
-										
-										
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sub-total</b>	<b>1,637,465</b>	<b>638,024</b>	<b>75,573</b>	<b>400,780</b>	<b>884,708</b>	<b>186,372</b>	<b>1,239,471</b>	<b>6,403</b>	<b>191,677</b>	<b>5,260,472</b>
<b>Pending WAs</b>										
<b>FY 07/08</b>						4,721	205		4,218	9,144
<b>FY 08/09</b>	8,109			56	2,039		4,176		398	14,778
<b>FY 09/10</b>	6,701	159		6,239	4,202	1,824	(614)			18,511
<b>FY 10/11</b>	107,608	50,557	(14)	24,228	49,512	7,644	54,107		4,544	298,185
<b>FY 11/12</b>		19,182		22,450	36,351	8,475	179,066		18,832	284,357
<b>Sub-total</b>	<b>122,418</b>	<b>69,898</b>	<b>(14)</b>	<b>52,973</b>	<b>92,104</b>	<b>22,665</b>	<b>236,939</b>	<b>-</b>	<b>27,992</b>	<b>624,975</b>
<b>Projected Expenditure</b>										
<b>FY 11/12 (100% of AWPB)</b>	290,824	141,331	-	84,354	88,191	24,216	388,100	-	76,305	1,093,322
<b>Sub-total</b>	290,824	141,331	-	84,354	88,191	24,216	388,100	-	76,305	1,093,322
<b>Phase II sub-total</b>	<b>2,050,707</b>	<b>849,253</b>	<b>75,558</b>	<b>538,106</b>	<b>1,065,004</b>	<b>233,253</b>	<b>1,864,510</b>	<b>6,403</b>	<b>295,974</b>	<b>6,978,768</b>
<b>TOTAL of Phase I &amp; II</b>	<b>2,373,269</b>	<b>1,044,681</b>	<b>852,134</b>	<b>602,023</b>	<b>1,249,990</b>	<b>382,680</b>	<b>1,864,510</b>	<b>6,403</b>	<b>295,974</b>	<b>8,671,664</b>

**Summary Category wise allocation and expenditure – SDR**

Category	VIII	IX	X	XI	XII	XIII	XIV	XV	XVII	Un allocated	Total
<b>Allocation</b>	<b>2,382,562</b>	<b>1,095,427</b>	<b>856,576</b>	<b>603,917</b>	<b>1,384,986</b>	<b>389,427</b>	<b>1,750,000</b>	<b>7,000</b>	<b>350,000</b>	<b>180,104</b>	<b>15,600,000</b>
Phase I	322,562	195,427	776,576	63,917	184,986	149,427	-	-	-	-	1,692,896
Phase II	<b>2,060,000</b>	<b>900,000</b>	<b>80,000</b>	<b>540,000</b>	<b>1,200,000</b>	<b>240,000</b>	<b>1,750,000</b>	<b>7,000</b>	<b>350,000</b>	<b>180,104</b>	<b>7,307,104</b>
Phase III	-	-	-	-	-	-	-	-	-	-	6,600,000
<b>Expenditures</b>	<b>2,373,269</b>	<b>1,044,681</b>	<b>852,134</b>	<b>602,023</b>	<b>1,249,990</b>	<b>382,680</b>	<b>1,864,510</b>	<b>6,403</b>	<b>295,974</b>	-	<b>8,671,664</b>
Phase I	322,562	195,427	776,576	63,917	184,986	149,427	-	-	-	-	1,692,896
Phase II	2,050,707	849,253	75,558	538,106	1,065,004	233,253	1,864,510	6,403	295,974	-	6,978,768
<b>Balance</b>	<b>9,293</b>	<b>50,747</b>	<b>4,442</b>	<b>1,894</b>	<b>134,996</b>	<b>6,747</b>	<b>(114,510)</b>	<b>597</b>	<b>54,026</b>	<b>6,780,104</b>	<b>6,928,336</b>
Phase I	-	-	-	-	-	-	-	-	-	-	-
Phase II	9,293	50,747	4,442	1,894	134,996	6,747	(114,510)	597	54,026	180,104	328,336
Phase III	-	-	-	-	-	-	-	-	-	6,600,000	6,600,000

Note: Exchange rate for calculation of pending WA and projected expenditures were taken from IMF website , date 5 April 2012, 1 SDR=125.66 NPR



## Appendix 4 Compliance with financing agreement covenants: Status of implementation

Section	Covenant	Status
1.05	<i>Appointment of the Cooperating Institution.</i> The Fund intends to appoint the United Nations Office for Project Services (UNOPS) as the Cooperating Institution, with the responsibilities set forth in Article III (The Cooperating Institution) of the General Conditions, to administer the Loan and supervise the Project, at the expense of the Fund, in accordance with the Cooperation Agreement. The Borrower hereby agrees to such appointment.	Complied with.  IFAD now directly supervising
2.03	<i>Special Account.</i> (a) The Borrower shall open and thereafter maintain in the Kathmandu Bank Office of the Nepal Rastra Bank a Special Account denominated in US Dollars for the purpose of financing the Project.	Complied with
	(c) The Project Director shall operate the Special Account jointly with the Project Accounts Officer of the Ministry of Local Development in accordance with Section 4.08 of the General Conditions.	Being complied with
2.04	The Borrower and each Project Party shall use the proceeds of the Loan and the Grant exclusively to finance Eligible Expenditures in accordance with this Agreement and the General Conditions. Without limited the generality of the foregoing, it is agreed and understood that it is the policy of the Fund that neither the Loan nor the Grant proceeds be used to pay Taxes, including (but not limited to) any Taxes levied on the importation, procurement or supply of any goods, civil works or services financed by the Loan.	Complied with (The PCU communicated that taxes will be deducted while preparing WAs for disbursement)
3.01	The Borrower declares its commitment to the goals and purposes of the project as stated in Schedule 1	Being complied with
3.02	The PCU shall prepare a draft annual work plan and budget ("AWPB") for each Project Year in accordance with the procedure described in paragraph 17 of Schedule 3. Each draft AWPB shall include, among other things, a detailed description of planned project activities during the coming Project Year, and the sources and uses of funds therefore.	AWPB's are prepared at the DDC level in consultation with the VDCs and SMs with inputs from PCU and consolidated at the PCU.
	The PCU shall submit each draft AWPB through the PSC and the Lead Project Agency to the Fund, for their respective comments and approval, no later than 15 <sup>th</sup> April of each fiscal year. If neither the Fund nor the Cooperating Institution comments on the draft AWPB within 30 days after receipt, the AWPB shall be deemed approved.	Not complied. AWPB of FY 2011-12 was sent to IFAD on mid of November 2012
	The Lead Project Agency shall adopt each AWPB approved by the Fund and the Cooperating Institution, and the PCU shall provide copies thereof to the Fund and the Cooperating Institution, prior to the commencement of the relevant Project Year.	Being complied
	If required, the PCU, through the Lead Project Agency, may propose adjustments to the AWPB during the relevant Project Year, which shall become effective upon approval by the PSC and the Fund.	Being complied with
3.03	The Lead Project Agency shall open and thereafter maintain in the Kathmandu Banking Office of the Nepal Rastra Bank a current account denominated in US Dollars for receiving Grant funds to partially finance the Institutional Support component. The Project Director and the Project Accounts Officer of the Ministry of Local Development shall each be fully authorised to jointly operate the Grant Project Account.	Complied with
	The Lead Project Agency shall open and thereafter maintain in the Nepalganj branch of the Nepal Rastra Bank a current account denominated in Nepalese Rupees to receive Loan proceeds for PCU support. The PCU Project Account shall be protected against set-off, seizure or attachment on terms and conditions proposed by the Borrower and accepted by the Fund. The Project Coordinator and the Project Accounts Officer of the Ministry of Local Development shall each be fully authorised to jointly operate the PCU Project Account.	Not complied. Not relevant to flow of funds within the Budget systems of Government of Nepal.  A current account denominated in Nepalese Rupees to receive Grant proceeds for PCU support is opened and maintained in Nepal Rastra Bank. Nepalganj Branch.
	The Lead Project Agency shall cause each DDC to open in the local branch of a commercial bank two current accounts in Nepalese Rupees for project	Not complied. Not relevant to flow of

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	operations one for funds for Green Road Sub-Component and the other for other project operations. The Local Development Officer and the Accounts Officer of the DDC shall each be fully authorised to jointly operate both the Green Road Project Account and the DDC Project Account.	funds within the Budget systems of Government of Nepal.
	The Lead Project Agency shall cause each LDFB to open in the local branch of a commercial bank a current account in Nepalese Rupees to receive funds from the DDC for project operations other than the Green Road Sub-Component. The Executive Secretary of the LDFB and the Team Leader of the District Team shall each be fully authorised to jointly operate the LDFB Project Account.	Complied with
3.04	The Borrower shall make the proceeds of the Loan available to the Lead Project Agency in accordance with the AWPBs and its national procedures for development assistance to carry out the Project.	Being complied with
3.05	In addition to the proceeds of the Loan, the Borrower shall make available to the Lead Project Agency and each other Project Party, promptly as needed, such funds, facilities, services and other resources as may be required from time to time to carry out the Project in accordance with this Agreement.	Being complied with
	The Borrower shall ensure that the State makes available to the Lead Project Agency during the Project Implementation Period counterpart funds in an aggregate amount of approximately USD 5 926 000. In accordance with its national procedures for development assistance. For such purpose, the Borrower shall make budgetary allocations, annually in advance for each Fiscal Year, in an amount equal to the estimated counterpart contribution called for in the AWPB for the relevant Project Year and make such allocations available to the Lead Project Agency every four months in advance.	Being complied with but far below than the agreed amount
	The Borrower shall also cause each DDC and VDC to make available to the LDFB during the Project Implementation Period counterpart funds in accordance with the relevant District Agreement as described in paragraph 9 of Schedule 3.	Being complied with
3.06	The Lead Project Agency shall transfer funds to the DDC and LDFB only if the relevant District Agreement is signed and delivered to the Fund and the Cooperating Institution.	Complied with
3.07	The PCU and each of the Project Parties shall procure all items financed by the Loan or Grant in accordance with Schedule 4	Being complied with
4.01	The PCU shall establish, as soon as practicable but in no event later than twelve months after the Effective Date, and thereafter maintain an appropriate information management system to enable it to continuously monitor the Project in accordance with Section 8.02 (Monitoring of Project Implementation) of the General Conditions, based on indicators selected by the PCU in consultation with the Participants and accepted by the Borrower and the Fund	Partially Complied with.
4.02	The PCU shall submit to the PSC, the Fund and the Cooperating Institution thrice-annual and annual progress reports on Project implementation, as required by Section 8.03 (Progress Reports) of the General Conditions, no later than two months after the end of each reporting period.	Being complied with
4.03	The Borrower, the Fund, the Cooperating Institution and the Participants shall jointly carry out a review of Project implementation at the beginning of the second half of each of the fourth and eighth Project Years. Each Phase Review shall consider progress as well as constraints regarding achievement of Project objectives, and recommend such reorientation as may be required to achieve such objectives. Such progress and / or constraints shall be evaluated based on terms of reference prepared by the PCU and approved by the Fund and the cooperating Institution. Specific trigger indicators, described in paragraphs 19 and 20 of Schedule 3 shall set the minimum threshold to be met before the Project may proceed to the following Phase. The Fund shall determine whether the trigger indicators have been met. The results of the Phase review and recommendations thereon shall be communicated to the Fund, and shall be the basis upon which (i) the Fund shall determine whether its funding for the Project shall continue during the following phase, and (ii) in the event that the Fund shall continue its funding	Being complied with

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	<p>for the Project, a mutually accepted Action Plan and Design for the following Phase shall be formulated. The Borrower hereby acknowledges that unsatisfactory performance during any Phase, as evaluated according to the terms of reference and trigger indicators described above, may result in the decision by the Fund to delay the commencement of, or cease funding for, the following phase.</p> <ul style="list-style-type: none"> <li>(i) cease funding for the Project, any unused Loan and Grant Proceeds shall be cancelled;</li> <li>(ii) delay the commencement of the following Phase of the Project, the Borrower agrees to take any action as recommended and communicated by the Fund. A second review shall be conducted in accordance with the procedures set out. The results of such review shall be communicated to the Fund, which shall then make a final determination as to whether to continue to the following Phase or to cease funding under the Project. The delay shall not extend beyond one year, during which period the Borrower shall not incur eligible expenditures; or</li> <li>(iii) proceed with the following Phase of the Project, the Borrower and the Fund shall agree on an Action Plan and Design for the following Phase, based on the findings of the current Phase Review. Such Action Plan and Design shall be finalised no later than two months prior to the end of the current phase, and shall result in reallocations of Loan and Grant Proceeds and/or other modifications to the Loan Documents.</li> </ul> <p>The Borrower shall ensure that, should the Fund decide the Project shall continue to the following Phase, the recommendations resulting from the current Phase Review are implemented within the time specified therefor and to satisfaction of the Fund. It is agreed and understood that such recommendations may result in modifications to the Loan Documents or cancellation of the Financing. It is further agreed and understood that failure to implement the recommendations resulting from any Phase Review within the time limits specified may result in cancellation of the Financing.</p>	
4.04	The PCU and the Cooperating Institution shall agree on the form and content of the Project Completion Report required by Section 8.04 (Completion Report) of the General conditions, and the PCU shall submit such Completion Report to the Borrower, the Fund and the Cooperating Institution for discussion no later than six months after the Project Completion Date. In addition to those minimum requirements specified in said Section 8.04, the completion report shall follow such relevant guidelines as the Fund may establish from time to time.	Not yet required
4.05	The Borrower and each Project Party shall facilitate all evaluations and reviews of the Project that the Fund may carry out during the Project Implementation Period and for ten years thereafter, as required by Section 10.05 (Evaluations of the Project) of the General Conditions.	Being complied with
5.01	The PCU shall prepare the financial statements of the operations, resources and expenditures related to the Project required by Section 9.02 (Financial Statements) of the General Conditions in respect of each Fiscal Year and deliver such financial statements to the Borrower, and the Fund within three months after the end of each Fiscal Year.	<p>Complied with, delayed on submission.</p> <p>Financial Statement of FY 2010-11 was sent to IFAD on 3<sup>rd</sup> November 2011, delayed by about 2 weeks</p>
5.02	<p>a) The Auditor-General of the Borrower or his or her designated representative shall audit the accounts relating to the Project for each Fiscal Year until the Closing Date.</p> <p>b) The Borrower shall have the financial statements relating to the Project audited each Fiscal year by the Auditor General in accordance with the International Standards of Auditing. In accordance with Section 9.03 of the General Conditions. The PCU shall deliver the audited accounts and reports as required to the Fund within six months of the end of each Fiscal Year</p>	<p>a) Being complied with.</p> <p>b) The submission of report for 2010-11 was delayed by three weeks</p>
6.01	The Fund, after consultation with the Borrower, may suspend, in whole or in part, the right of the Borrower to request withdrawals from the Loan and / or Grant Account in accordance with Section 12.01 of the General Conditions, upon the occurrence of any of the events set forth therein;	N/A
6.02	The Fund may terminate the right of the Borrower to request withdrawals from the Loan and / or Grant Account in accordance with Section 12.02 of the General Conditions upon the occurrence of any of the events set forth therein, or if any Phase Review has recommended that the Project be terminated.	N/A

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6.03	The Fund may declare the outstanding principal amount of the Loan, together with all accrued and unpaid service charge thereon, immediately due and payable in accordance with Section 12.05 of the General Conditions, upon the occurrence of any of the events set forth therein.	N/A
6.04	If the Borrower does not timely furnish any audit report required by Section 5.02 and the Fund, after consultation with the Borrower, determines that the Borrower is unlikely to do so within a reasonable period thereafter, the Fund, or the Cooperating Institution on behalf of the Fund, may engage independent auditors of its choice to audit the accounts relating to the Project. For such purpose, the Borrower and the Project Parties shall make their financial and other records available to such auditors promptly upon request, accord them full rights and privileges as agents of the Fund. The General Conditions and otherwise cooperate fully with such audit. The Fund shall make the audit report available to the Borrower promptly upon its completion. The Borrower hereby authorises the Fund to finance cost of such audit by withdrawal from the Loan Account on behalf of the Borrower.	N/A
7.01	This Agreement shall become effective in accordance with Article XIII of the General Conditions	
SCH. 3 1.1	Ministry of Local Development in its capacity as the Lead Project Agency, shall have overall responsibility for the implementation of the project.	Complied with
2.1	The Borrower shall establish and maintain throughout the Project Implementation Period a Programme Steering Committee ("PSC").	Complied with
3.1	The Borrower shall establish and maintain a Project Coordination Unit (the "PCU") within the Lead Project Agency. The PCU shall enjoy operational autonomy and, to this end, the Borrower shall issue a delegation of authority to the Project Coordinator to take any action necessary for Project implementation.	Complied with
4.1	The Borrower shall appoint a qualified and experienced Project Coordinator from among the civil servants of the Borrower with experience in managing people-centered poverty alleviation projects. The PC shall serve for at least two years and any successor shall be acceptable to the Fund.	Complied with
6.1	The Lead Project Agency shall establish maintain throughout the Project period a District Team in each District, which shall act as the executing arm of the LDFB.	Being complied with
7.1	The Borrower shall appoint and train a Local Development Fund Advisor to support the District Team. He/she shall remain in the Project at least until the formation of the District-level CO federations	Complied with
8.1	Each LDFB shall recruit Social Mobilizers who shall report to the Senior Social Mobilizer of each District Team.	Being complied with
9.1	The Lead Project Agency and the LDFB and DDC of each District shall enter into a tripartite District Agreement for Project implementation at the District level	Complied with
15.3	The Borrower shall prepare draft Micro-credit By-laws for the Micro-finance Component not later than 12 months after the Effective Date.	Complied with
18.1	The PMU shall prepare draft Project Implementation Manual not later than 12 months after the Effective Date.	Complied with
SCH. 3A 1	The Borrower shall : (a) Make available to the participants public land requested by the DFO within six months of such request, including ensuring that the RFD approves the DFO operational plans in a timely manner; (b) Lease the land to each LFUG for a period not less than 25 years, with a provision of additional 15 years and (c) ensure that each DDC establishes a leasehold oversight committee to ensure that leasehold lands are made available exclusively to the Target Group.	Being complied
2	Within six months of the date of effectiveness, the Borrower shall have obtained the grant funding necessary for the entire Project Implementation Period	Not complied
3	The Borrower shall ensure that the concerns of the women and dalits are integrated into all Project activities during Project implementation.	Women and dalits are encouraged to participate in in LFUG



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		and CO activities
4	Within six months of the Effective date the Borrower shall have concluded agreements with private companies for , inter alia, the Nursery and NTFP Marketing Sub Components on the terms and conditions accepted by the Cooperating Institution.	Complied with
5	The Borrower shall ensure that the monitoring and evaluation system is established within 12 months of the Effective date	Complied with
6	The Borrower shall insure Project personnel against accident risks and shall insure all vehicles and equipment funded by the Project	Partially complied with
SCH 4	Procurement of goods and civil works financed by the Loan shall be subject to the provisions of the "Guidelines for Procurement under Financial Assistance from the International Fund for Agricultural Development of 1982", as such guidelines may be amended from time to time by the Fund (the "Procurement Guidelines").	Being complied with
1	Procurement of consultant services financed from the proceeds of the Loan shall be undertaken in accordance with procedures proposed by the Borrower and approved by the IFAD.	Being complied with
2	To the extent possible, the goods, civil works and services shall be bulked into sizeable bid packages in such a manner as to permit the optimal use of competitive bidding. Before the commencement of procurement, the Borrower shall furnish to the Cooperating Institution, for approval: (i) a list or lists of goods and services to be procured; (ii) the proposed grouping of these goods and services; and (iii) the proposed number and scope of civil works contracts to be awarded.	Being complied with
3	Local Competitive Bidding (LCB). Each contract for the supply of equipment, materials and vehicles estimated to cost USD 10000 equivalent or more but less than USD 1000000 equivalent shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures approved by the IFAD.	Being complied with
8	Local Shopping Each contract for the supply of goods, vehicles and equipment estimated to cost less than USD 10 000 equivalent may be awarded on the basis of evaluating and comparing bids invited from at least three suppliers, in accordance with procedures approved by the IFAD.	Being complied with
10	Procurement of civil works shall be conducted with the established national procedures of the Borrower.	Being complied with
11	Local Competitive Bidding (LCB). Each contract for consultant services estimated to cost USD 20 000 equivalent or more shall be awarded on the basis of competitive bidding procedures approved by the IFAD.	Being complied with
12	Direct Contracting. Each contract for consultant services estimated to cost less than USD 20 000 equivalent shall be awarded through direct contracting with the consultant, in accordance with the procedures approved by the IFAD.	Being complied with
13	Procurement of Goods and Services. In the procurement of goods and consultant services, everything else being equal, preference shall be given to goods manufactured in the territory of the Borrower and consultants from developing Member States of the Fund.	Being complied with
14 & 15	The award of any contract for goods, vehicles and equipment or civil works estimated to cost USD 50 000 equivalent or more shall be subject to prior review by the IFAD in accordance with the provisions of Annex 3 to the Procurement Guidelines.	Being complied with
16	The award of any contract for consultant services estimated to cost USD 50 000 equivalent or more shall be subject to prior review by the IFAD.	Being complied with
17		

**Appendix 5    Physical progress measured against AWP&B and appraisal targets**  
**(see next page)**

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**Aide Memoire – Appendix 5: Physical progress measured against AWP&B and appraisal targets, including RIMS indicators**

Note that the Joint Review Mission was conducted in March 2012, part way through the AWP&B period. As such mostly qualitative observations on progress are included here.

Result #	Objectives/Expected Results	Indicators	RIMS Indicators	Performance for implementation			Responsible Unit / Staff	Implementation targets										Budget				
				Q 1	Q 2	Q 3		Appraisal (Total)	Revised (Total)	Planned (Annual)	Unit Cost	Achieved (Cumulative)	%	Achieved (Annual)	%	Status - Mar 2012 (75% of AWPB period)	Appraisal (Total)	Revised (Total)	Planned (Annual)	Budget Category	Financier	
	(A)	(B)	(C)	(D)			(E)	(F)	(F.a)	(G)	(Ga)	(H)	(I)	(J)	(K)		(L)	(La)	(M)	(N)	(O)	(S)
C1	Component 1 Infrastructure- Purpose: Increased access to basic services and productive community infrastructures by the poorest members of targeted rural communities through participatory processes	80% of the community projects properly designed and implemented and effectively maintained and operated by UGs																				
		% of hhs with sustainable access to pure and safe drinking water																				
		% of hhs covered with access to improved sanitation facilities																				
		Reduced travel time (hr/min) of the targeted beneficiaries to access basic services and markets																				
		Increased production and productivity through provision/ improvements of small irrigation schemes																				
		Increased enrolment of students in schools particularly of girls and the children from the poor and socially disadvantaged communities in general																				
		% reduction drudgery of women and children through provision of improved water mill, micro-hydro, water supply, market shed etc																				
11	Output 1.1 User group formed and mobilized in community infrastructure development activities	750 UGs (400 in phase II) formed and mobilized					750															
12	Output 1.2: Community infrastructure projects constructed and maintained by COs, Ward committees, VDCs and DDCs	750 (400 in phase II) community infrastructure projects constructed, operated and maintained by type based on community needs and demands					750		₹0		560											
		Small scale irrigation projects (area coverage in ha)																				
		Drinking water supply schemes (no of projects and beneficiaries)																				
		Sanitation facilities (no of toilets and household coverage)																				
		Improved water mill (no and beneficiaries)																				
		Micro hydro (no of projects, kw and households)																				
		Foot/mule trails (kms)																				
	Bridges (number)																					
	Storage facilities (no of warehouses)																					
	Activity 12.1 Demand driven community infrastructures (drinking water, irrigation, schools, community buildings, micro-hydro etc) implemented	Maintenance and new infrastructures constructed	x	x	x	LDF, sub-engineer, SM	750		₹0		560				105 number of maintenance and repair of infrastructure and 40 new infrastructure agreement completed			36 545	VIII	IFAD	100%	
Total Budget for Output 1.1:																		36 545				
1.3	Output 1.3 Capacity at the local level (UGs and technical staff) enhanced in design, construction, operation and maintenance	400 UG members and 100 technical staff members trained by gender and ethnicity (dalit)																				
	Activity 13.1 Community O&M mobilization workshops	490 community O&M mobilization workshops conducted (existing and new schemes)		x	x	DPM, SM, sub-engineer from PCU			490						Planned in Q2 2012			245	XII	IFAD	100%	
	Activity 13.2 Organize social hearing with focus on phase II infrastructures for water supply, irrigation and smaller micro-hydro where WUPAP is majority donor (>5% of total scheme cost)	355 social hearing events held at VDC level (to be done in all Phase 2 schemes, including both social and technical)		x	x	DPM, SM, sub-engineer from PCU, users			355						Initiated in districts			70	XII	IFAD	100%	
	Activity 13.3: Hoarding boards	250 hoarding boards put up by construction site (budget for 50% of existing and new schemes to have new hoarding board)		x	x	LDF			250						Started in districts			750	VIII	IFAD	100%	
Total Budget for Output 1.3:																		1705				
Total Budget for Component 1:																		38 250				

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C2	Component 2 Leasehold Forest and NTFP Production - Purpose: Poorest members of targeted rural communities entitled with improved, long-term and secure access to forest resources and enabled to develop profitable NFTP production on the lease-land	Land use rights of 10 000 ha (phase II) out of 22,500 ha, granted to land-poor households for 40 years						22,500 ha.													
		Increased in quantity of NTFPs/MAPs produced/cultivated by LFUGs																			
		%increase in quantity of NTFP/MAPs sold by LFUGs																			
		%of LFUGs with women in key leadership positions (chairperson and manager)																			
2.1	Output 2.1: Resource assessment and land availability survey carried out	Survey in all VDCs of 11programme districts (3 districts in phase II) carried out to identify potential lease land						11 districts				11									
		Activity 2.1.1 Resource assessment/ land availability survey (3 districts)	Potential lease land in 3 districts identified						3 districts				3								
Total Budget for Output 2.1:																				-	
2.2	Output 2.2: Leasehold Forestry User Groups (LFUGs) formed/ strengthened	1000 LFUGs (500 in phase II) formed/ strengthened																			
		Activity 2.2.1 Lease land handover to LFUGs	Hectare leasehold land handed over to 35 LFUGs	x	x	x	DFO	22,500 ha.		1375		11206				In process of identifying of the Leasehold Plots		350	XII	IFAD 100%	
		Activity 2.2.2: Lease land demarcation (with technical support from DFO)	36 km leasehold forrest demarcated through live fencing		x	x	DFO, LFUG			36						4 Km completed		360	IX	IFAD 100%	
		Activity 2.2.3: Biofencing of leasehold forests	Leasehold to rests biofenced		x	x	DFO, LFUG			97						activities in 4 LFUG completed and others in process		1940	IX	IFAD 100%	
	Activity 2.2.4: Forest & Environment Day celebration	Local community made aware of forest & environment related issues and handed over lease certificate				x	DFO		15						1is completed and others third quarter		164	XIII	IFAD 100%		
		Total Budget for Output 2.2:																		2 814	
2.3	Output 2.3: Operational plan prepared for managing leased out plots effectively	1000 Operational plans prepared and approved (500 in phase II)						1000													
		15 000 households (7 000 in phase II) covered by LFUGs						1000													
		70%LFUGs operating for more than three years are effectively implementing lease land development plans					DFO, NGO														
		Leased plot details management plan prepared and approved					DFO, NGO	1000													
	Activity 2.3.1: Revision of Operational Plan based on land Categorization	lease land handover events organized & Land use rights granted to LFUG for 40 years					DFO														
		Leasehold plots operational plans revised through participatory process. NGO involved in facilitation.		x	x	x	DFO & LFUG			29						21activities are completed		215	XIV	IFAD 100%	
	Activity 2.3.2: two-day awareness raising in participatory operational plan preparation and renewal of operational plans	Participatory laesehold forest operational plans in place				x	x	NGO, SM, Users and DFO			550					Such support for 60 stakeholders completed and others in process		660	XII	IFAD 100%	
		Total Budget for Output 2.3:																		875	
2.4	Output 2.4: Human resources developed, training provided and ToT conducted on the concept of leasehold forestry and its implementation, NTFPs/MAPs cultivation, sustainable harvesting and leasehold forest management	7500 LFUG members trained by gender and ethnicity						10 000													
		100 Nursery Operators trained																			
		200 local resource persons (LRPs) trained and developed																			
		12 events of study tour & exposure visits organized																			
		Activity 2.4.1 Leasehold forest orientation training (1day) - for newly handed over groups	120 persons trained on Leasehold forest concept, laws/ bylaws & implementation modality (for newly handed over groups)		x	x	x	DFO, NGO			120						No activities performed		60	XII	IFAD 100%
		Activity 2.4.2: Field Based Trainings on NTFPs / MAPs cultivation & Management (1day)	Members trained on NTFPs/MAPs cultivation and management for MAPs domestication on leased /private land				x	DFO			295						95 people were trained during this period. Training on districts are undergoing and will be completed in this trimester.		215	XII	IFAD 100%
		Activity 2.4.3: Local Resource Persons (LRPs) provided with 5 day refresher training and equipments. Respective SMs are also included.	136 Local Resource Persons provided with refresher training and necessary equipments			x		DFO, NGO			136						62 people were trained and other training are being conducted at the field		825	XII	IFAD 100%
	Activity 2.4.4: Within district observation tour of 4-5 members/LFUG to at least two good sites (active LFUGs and Leasehold forests), (6 days, 550 user groups, 4-5 members per slot at Rs 350 per day per person)	Members will learn best practices within district and adopt them.				x	x	NGO organise. Budget direct from DFO to participating LFUG members			550					4 districts have taken advance and in process of conducting this visit		6 600	XII	IFAD 100%	
		Total Budget for Output 2.4:																		7 701	

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2.5	Output 2.5: Institutional and technical capacity of the stakeholders strengthened to manage leasehold forestry and their products	200 DFO/RFD staff oriented / trained and provided with materials and equipments (e.g., GPS, Computers etc)																			
		650 LFUGs in phase II out of 1000 LFUGs supported with site development investments and stationary																			
		40 village level and 4 district level networks of LFUGs established																			
	Activity 2.5.1: Stationary support to LFUGs	175 LFUGs provided with stationeries for record keeping			x	x	DFO, NGO				175					20 such stationary equipment support were completed			520	XIV	IFAD 100%
	Activity 2.5.2: Publication of NTFP/MAPs and leasehold forestry related booklets	Publication of leasehold forest and MAPs related books and information disseminating materials.			x	x	x	DFO				3				These activities will be conducted in coming trimester			167	XIV	IFAD 100%
	Activity 2.5.3: Radio programme related to Leasehold forest and MAPs	Awareness created on leasehold forestry and NTFP/MAPs production and marketing				x	x	DFO				4				3 such program completed			94	XIV	IFAD 100%
Activity 2.5.4: Monitoring & travel expense	Leasehold forestry program implementation support provided				x	x	x	DFO				LS			-			820	XIV	IFAD 100%	
Activity 2.5.5: Administrative Expenses	Leasehold forestry program implementation managed effectively.				x	x	x	DFO				LS			-			590	XIV	IFAD 100%	
Total Budget for Output 2.5:																		2 191			
2.6	Output 2.6: Women-run nurseries established and NTFP/MAPs commercially produced with technical support and credit facility	100 women-run village-level nurseries established																			
		400 ha of lease land brought under NTFP/MAPs cultivation and/or sustainable harvesting practices in collaboration with private sector																			
		40 forest-based enterprises initiated by LFUGs members with technical support and/or credit facility																			
	Activity 2.6.1: Establishment of village nurseries in the LHF	Seedlings for plantations are supplied locally from the village nurseries				x	x	NGO TA, DFO for inputs and materials				300				66 construction completed and others are in process			6 000	IX	IFAD 100%
	Activity 2.6.2: Reconstruction, maintenance and upgrading of district level tunnel (green) house and holding nursery	District level holding / tunnel house nurseries maintained and/or upgraded				x	x	x	DFO				7			4 work completed 3 will be completed in this trimester			175	IX	IFAD 100%
	Activity 2.6.3: Remuneration to Naika of holding and green/tunnel house nurseries	Seedlings production maintained at DFO managed nurseries				x	x	x	DFO				37			8 such activities are performed			150	XIV	IFAD 100%
	Activity 2.6.4: Seedlings production of NTFPs/MAPs, fruits and fodder species in LFUG, holding and tunnel / green house nurseries	Seedlings of various species produced for plantation & domestication				x	x	x	LFUG, DFO				103000			20000 such sapling are produced and distributed others are being produced in nursery			530	IX	IFAD 100%
	Activity 2.6.5: Seedlings support to LFUGs formed under GoN/HLFFDP	Seedlings provided to LFUGs under HLFFDP/GoN					x	x	DFO, LFUG				10000			This activity will be performed in this quarter			50	IX	IFAD 100%
Activity 2.6.6: Domestication / cultivation of valuable NTFPs /MAPs species in lease land	High value NTFPs/ MAPs species cultivated in the leasehold forests				x	x	NGO, DFO				446				Plantation completed in 43 ha of land others in process			16 809	IX	IFAD 100%	
Activity 3.16.9: NGO contract (pitting and plantation facilitation, technical support in village nursery establishment, farmer training in participatory management plan preparation, developing participatory grazing control strategies in new plantation sites) - Ranger and LRP s hired.						x	x	NGO, SM, DFO				10						2 900	XIV		
Total Budget for Output 2.6:																		26 614			
2.7	Output 2.7: Collaboration and contribution to dialogue and enforcement of pro poor forest policies at the central and district level supported	Number of pro-poor forest policies/ initiatives promulgated																			
Total Budget for Output 2.7:																		-			
Total Budget for Component 2:																		40 195			



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C3	Component 3: Crop and Livestock production: Target groups enabled to improve food security and nutrition level through enhanced crop and livestock production and productivity	Number of HHs with improved food security *																											
		20% increase in yields of major food staples in targeted area (cereals, oil and pulse crops, fruits)																											
		30% increase in yields of fresh vegetable																											
		20% increase in yields of off-season vegetables																											
		% increase in quantity of meat and milk production																											
SC 3.1	Sub component. 3.1. Cropping: Agricultural production and productivity of existing crops and high value new crops increased in targeted areas	50% of targeted farmers adopt innovative cropping technologies and processes																											
		Ha of land covered with innovative cropping technology and processes for existing and high value-new crops																											
3.1.1	Output 3.1.1. Human resource developed and training conducted	50 DADOs staff trained																											
		village specialists trained by gender																											
		130 agriculture extension (male/female)																											
		130 nutrition (male/female)																											
		12 events of exposure visits/study tours organized																											
3.1.1	Activity 3.1.1.1 farmer inter-district exposure visit (led by one district and coordinated by PCU) - Ilam, Chitwan and Nawalparasi (Dhus/Ilam, dairy and vegetable production and marketing)	Farmers will learn best practices and replicate in their locality			x			DADO, PCU			1						Completed		336	XII	IFAD 100%								
		Activity 3.1.1.2: Farmer intra district exposure visit	Farmers will learn best practices from outside the district and replicate in their locality			x			DADO			1						Not performed till date		180	XII	IFAD 100%							
Total Budget output 3.1.1:																			516										
3.1.2	Output 3.1.2: Improved varieties and techniques identified through adaptive research	collaboration established with NARC and other relevant institutions, 10 demonstration plots established, 50 farmers participating in research trials																											
		Collaboration for adaptive research established with NARC and other relevant institutions																											
		10 VDC demonstration plots established																											
3.1.2	Activity 3.1.2.1 Rice varietal selection trials going on in collaboration with ICIMOD, IRRI and NARC	50 farmers participating in research trials (for potato seed and blast-resistant rice varieties)																											
		Upland and stress resistant rice varieties are selected and adopted by farmers									2							Not reported											
Total Budget output 3.1.2:																			-										
3.1.3	Output 3.1.3: Farmers trained and encouraged to adopt research findings	10 000 farmers trained, by gender, in improved crop cultivation/production																											
		10 VDC demonstrations held on improved food crops, technologies and process for cropping																											
		50% farmers adopt improved crop cultivation practices																											
		Activity 3.1.3.1: Seed potato production demonstration	Number of farmers adopting seed potato production technologies			x	x		DADO			134						4 such activity completed		155	XIII	IFAD 100%							
		Activity 3.1.3.2: Distribution of TPS potato seed	Number of farmers adopting seed potato disease resistant seed potato			x	x		DADO			1000						100 activities completed		60	XI	IFAD 100%							
		Activity 3.1.3.3: PVS potato seed distribution	Number of farmers producing seed potato from PVS seeds			x	x		DADO			5						Completed		96	XI	IFAD 100%							
		Activity 3.1.3.4: Improved potato production expansion programme	Hectare under improved potato production			x	x		DADO			4						Not performed till date		55	XI	IFAD 100%							
		Activity 3.1.3.5: Ginger production demonstration	Number of farmers adopting improved ginger production technologies			x	x		DADO			20						Not reported		105	XIII	IFAD 100%							
		Activity 3.1.3.6: Vegetable production in plastic tunnel demonstration	Number of farmers producing vegetables under plastic tunnels			x	x		DADO			65						Not reported		135	XIII	IFAD 100%							
		Activity 3.1.3.7: Green house construction	Number of farmers adopting green house vegetable production system			x	x		DADO			6						Not reported		120	XI	IFAD 100%							
		Activity 3.1.3.8: Vegetable seed production	Quantity of vegetable seeds produced and marketed by number of farmers			x	x		DADO			11						Not reported		77	XI	IFAD 100%							
		Activity 3.1.3.9: Establishment of cardamom orchard	Number of farmers with cardamom orchards and hectareage			x	x		DADO			5						Not performed till date		25	XI	IFAD 100%							
		Activity 3.1.3.10: Bio pesticide application demonstration	Number of farmers replacing chemical pesticides with bio products			x	x		DADO			2						1 completed		20	XI	IFAD 100%							
		Activity 3.1.3.11: Agricultural tools distribution	Improved production and time saving due to use of improved tools			x	x		DADO			10						Completed		25	XIV	IFAD 100%							
		Activity 3.1.3.12: Construction of rustic store	Agri-products are sold at higher prices during the off season			x	x		DADO			1						Not performed till date		40	XIV	IFAD 100%							
		Activity 3.1.3.13: Drip irrigation demonstration	Number of farmers adopting drip irrigation			x	x		DADO			15						Not performed till date		45	XIII	IFAD 100%							
		Activity 3.1.3.14: Crop protection service	Crops secured from pest and disease infestation			x	x		DADO			10						This activities has been initiated and 1 such activity is completed		48	XI	IFAD 100%							
		Activity 3.1.3.15: Programme materials procurement transportation	Farmers apply appropriate materials for improved crop management			x	x		DADO			3						Not reported		20	XIV	IFAD 100%							
Total Budget output 3.1.3:																			1026										
3.1.4	Output 3.1.4: Facilitate link between VAW, VDC and CBOs	Joint meeting of the village specialists with the VDCs and the farmers' groups facilitated																											
		Materials and equipments supported to the village extension specialists to demonstrate improved crop cultivation practices																											
		Number of farmers accessing technical advisory services from the village extension specialists																											
Total Budget output 3.1.4:																			-										

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4.10	Output 4.10: Local producers (especially NTFP and crop producers) organized into interest groups and linked them with local traders	16 awareness raising campaigns held																				
		100 interest groups formed, by type (farmers' groups) and linked with local traders through collection centre management committees																				
Total Budget for Output 4.10:																			-			
Total Budget for Component 4:																			13 056			
C5	Component 5: Institutional Support: Efficient system to plan, implement, and coordinate programme interventions at the central and district level in place	Disbursement of IFAD loan as scheduled (minimum of 75% a trigger from phase II to phase III)																				
		Participatory planning process adopted at all levels.																				
		Effective implementation of AWPB (minimum of 80%)																				
		Timely production and submission of all project reports (WAs, audit, progress, supervision...)																				
		Perception of beneficiaries and stakeholders towards project's capacity to plan, implement and monitor programme interventions.																				
5.1	Output 5.1. PCU and district teams established and made functional	PCU and 11(3 in phase II) district teams established						11														
		All positions timely filled up with competent staff and trained/oriented on project approaches and <i>modus operandi</i>																				
	Activity 5.1.1: Technical assistance (recruitment, remuneration and mobility allowance)	14 TA recruited for providing technical support (6 DPM, 1Engineer, 1Cooperative Development Specialist, 1Gender, 1PME, 1Finance/Management, 3 sub Engineers)		x	x			PCU			0				Completed, TA are working			9 500	XVI	IFAD 100%		
	Activity 5.1.2: Logistics (Service Contract)	No of helper recruited and service provided		x				DPMU			0			Ongoing				72	XIV	IFAD 100%		
	Activity 5.1.3: Gardener on contract	Support staff recruited and service provided		x	x	x		DPMU			0			Ongoing				33	XIV	IFAD 100%		
	Activity 5.1.4: Office keeping contract	Office assistants hired		x	x	x		PCU			0			Ongoing				57	XIV	IFAD 100%		
	Activity 5.1.5: Staff/consultant recruitment related expenses	Expenses incurred in the recruitment process		x	x	x		PCU						Completed				400	XIV	IFAD 100%		
	Activity 5.1.7: Vehicle (car, Jeep) renting/fuel expense	Facilitate project team mobility			x	x					0			Ongoing				2 100	XVII	IFAD 100%		
	Activity 5.1.8: Programme travel allowance	Staff mobility			x	x		DPMU			0			Ongoing				7 960	XVII	GoN 100%		
	Activity 5.1.9: Printing and transportation of ledger books (planning, double entry system ledger, publication of implementation guidelines etc)	COs capacity enhanced in book keeping and project activity implementation facilitation		x	x	x		PCU			0			Ongoing				1800	XIV	IFAD 100%		
	Activity 5.1.10: Result and Impact Management System (RIM S) report preparation	Project outcomes and initial impact assessed			x	x		PCU			1			Completed				150	XIV	IFAD 100%		
	Activity 5.1.11: Equipment maintenance cost	Equipments operational		x	x	x		PCU			12			Ongoing				90	XIV	IFAD 100%		
	Activity 5.1.12: Cooperative promotion and management training to Social Mobilisers (District level, 1week)	SMs capacity enhanced to mentor COs in cooperative development			x			LDF, PCU			185			Completed				1620	XII	IFAD 100%		
	Activity 5.1.13: Social mobilizers training in book keeping, participatory leasehold forest operational plan preparation, entrepreneurship development, institutional development, linking CoS with development agencies/partners, health and sanitation, 6 days +travel 3 days) (DSA, travel expenses, training expenses)	SMs capacity enhanced to mentor COs for improved CO management		x	x	x		LDF, PCU			186			Completed				1 165	XII	IFAD 100%		
	Activity 5.1.14: Wireless internet service	Level of communication with stakeholders and staff enhanced			x	x	x	PCU, DPMU			3			Ongoing				175	XIV	IFAD 100%		
Total Budget for Output 5.1:																			25 122			
5.2	Output 5.2 Project committees (PSC, DM C) functional at various levels	One PSC and 11District Management Committees (DM Cs) established																				
		All DMCs trained/oriented on project approaches and <i>modus operandi</i>																				
		Activity 5.2.1: Project Steering Committee meeting	Budget, staff and their benefits, implementation guidelines etc endorsed			x	x		PCU			2			1Completed				150	XII	IFAD 100%	
		Activity 5.2.2: Regional coordination meeting (with line agencies)	Service delivery by implementation partners accelerated			x	x		PCU			3			1Completed				150	XII	IFAD 100%	
	Activity 5.2.3: District management committee meeting(LDF)	Project implementation facilitated			x	x	x	DPMU			114			25 completed				543	XII	IFAD 100%		
Total Budget for Output 5.2:																			843			

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**Annex 6 RIMS Table**

FIRST LEVEL RESULTS									
Results			Unit	Period ending: AWP&B	30-Jun Actual	% of AWPB	Cumulative		
							Appraisal	Actual	Sum of actuals of previous years
Total Outreach			Number		174 064			228 309	54 245
Men			Number		95 394			122 484	27 090
Women			Number		78 670			105 825	27 155
Component	Sub Component								
Component Name	Sub Component Name								
1. Infrastructure Development		Irrigation schemes rehabilitated/constructed	Ha		45			1 180	1 135
		Farmers working on rehabilitated/new irrigation schemes	Number		13 941			39 097	25 156
		Community projects implemented by type	Number	143	187	131%	750	594	407
		Sanitation (toilets)	Number		1			5	4
		Small Irrigation	Number		37			121	84
		Community building (School, health post, market shed, micro-hydro power house etc.)	Number		61			219	158
		Wooden bridges and mule trails	Number		7		475	32	25
		Improved Pani Ghatta (traditional grinding device)	Number		18			28	10
		Drinking water	Number		63			184	121
		Others (Slaughter house, drenching and dipping house etc.)	Number		0			5	5
		Micro-irrigation only for LFUG	Number	80	77	96%		244	167
2. Leasehold Forestry and Non-Timber Forest Products		Interest groups formed by type							
		leasehold forest user groups - LFUGs	Number	202	62	31%	1 000	781	719
		People belonging to groups, by gender							
		LFUGs - men	Number	1 515	2 108	139%	5 750	7 956	5 848
		LFUGs - women	Number	1 515	2 135	141%	5 750	6 759	4 624
		Area under resource management plans							
		area covered in leasehold forestry plans	Ha		1 056.12		11 326	10 710	10 270
3. Agriculture and Livestock Production		Demonstrations held on farmers' land	Number	964	193	20%		3 837	3 644
		Persons trained, by gender and sector							
		village animal health workers - men	Number	41	0	22%		126	126
		village animal health workers - women	Number		9			15	6
		animal husbandry - men	Number		592			7 047	6 455
		animal husbandry - women	Number		522		5 000	4 020	3 498
4. Micro Finance and Marketing Promotion		Interest groups formed by type							
		savings and credit groups	Number	915	556	61%	4 900	2 641	2 085
		Active savers (disaggregated by gender)							
		men	Number	11 435	7 545	66%	35 300	34 635	27 090
		women	Number	11 435	6 751	59%	35 300	33 906	27 155
		Value of savings mobilized	USD	104 267	429 638	412%		1 162 039	732 401
		Active borrowers (disaggregated by gender)							
		men	Number		14 800	#DIV/0!		16 055	1 255
		women	Number		12 802	#DIV/0!		13 462	660
		Value of gross loan portfolio (loans outstanding – loans written off)	USD	109 333		0%		*	365 649
5. Institutional Support		% disbursement of IFAD loan	SDR		87611.7			6 423 791	6 336 179
		% disbursement of IFAD loan	USD						
		% disbursement of IFAD grant	SDR		43396			345 135	301 739
		% disbursement of IFAD grant	USD						

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Results	Unit	Period ending: AWP&B	30-Jun		Cumulative			Sum of actuals of previous years
			Actual	% of AWP&B	Appraisal	Actual	% of Appraisal	
<b>Community projects functional, by type</b>								
<i>Sanitation (toilets)</i>	Number		1 535			3 414		3 414
<i>Small Irrigation</i>	Number		23 472			62 544		62 544
<i>Community building (School, health post, market shed, micro-hydro power house etc.)</i>	Number		110 949			187 756		187 756
<i>Wooden bridges and mule trails</i>	Number		7 295			23 705		23 705
<i>Improved Pani Ghatta (traditional grinding device)</i>	Number		6 602			10 608		10 608
<i>Drinking water</i>	Number		33 330			70 525		70 525
<i>Others (Slaughter house, drenching and dipping house, River bank protection, Compound wall etc.)</i>	Number		0			3 344		3 344
Groups operational/functional, by type (total no.of member under LFUGs)	Number	3 030	315	10%		10 787		10 472
Common property resources (area under improved management practices, i.e handed over under forestry lease agreements)	Ha	2 686	1 700	63%		11 889		10189
HHs provided with long-term security of tenure of natural resources, including land and water	Number	2 896	4243	147%		14 715		10 472
<b>Farmers adopting technology recommended by project</b>								
<i>crop production technologies</i>	Number		*	*		*	*	*
<i>animal husbandry</i>	Number		*	*		*	*	*
<b>Farmers reporting production/yield increases</b>								
<i>crop production/yield increases</i>	Number		*	*		18 647		18 647
<i>animal production/offtake increases</i>	Number		*	*		15 256		15 256
<b>Portfolio at risk (outstanding balance of overdue loans)</b>	Percentage		*	*	10%	14%		14%

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<b>THIRD LEVEL RESULTS</b>					
<b>Indicator</b>	<b>Unit</b>	<b>Benchmark (2007)</b>	<b>Mid-term (2011)</b>	<b>Completion (2016)</b>	<b>Target</b>
Households with improvement in household assets ownership index	Number	*	*		
Chronic malnourished children - height for age	% total	65%	59%		10% reduced
	% boys	64%	58%		10% reduced
	% girls	66%	60%		10% reduced
Underweight children - weight for age	% total	64%	43%		10% reduced
	% boys	61%	44%		10% reduced
	% girls	66%	42%		10% reduced
Acute malnourished children - weight for height	% total	17%	14%		10% reduced
	% boys	19%	16%		10% reduced
	% girls	15%	11%		10% reduced
Households with access to improved water sources	%	69%	97%		
Households with access to improved sanitation	%	14%	36%		
Female household members that can read	%	26%	43%		
Male household members that can read	%	52%	68%		
Ratio of women to men between 15 and 24 that can read	Number	48%	73%		
Men between 15 and 24 that can read	%	*	92%		
Women between 15 and 24 that can read	%	*	64%		
Households experiencing one hungry season	%	88%	67%		
Month duration of first hungry season	Number	*	3.1		
Households experiencing two hungry seasons	%	71%	37%		
Month duration of second hungry season	Number	*	2.7		
	62				
*Unavailable information					



## Appendix 7 Learning and innovation

89. As WUPAP moves from Phase II to III, the following sections reflect on some of the main lessons to be drawn from the implementation of the project to date, with a particular focus on discussion of the reasons for the problems encountered during Phase II implementation that led to the crisis that reached its peak in early 2011 and the subsequent turn around in performance. The discussion draws on the findings of the Mid Term Review (2010) as well as the 2011 and 2012 Joint Review Missions.
90. In summary the MTR concluded, from its review of Phase II implementation, that there were five key lessons to be drawn for WUPAP's future implementation and these remain relevant today:
- (a) Make the farmer the real centre of project activities – the project should be more demand driven
  - (b) Establish clear lines of accountability and performance delivery
  - (c) Establish a real core of the project
  - (d) Facilitate synergies among project activities
  - (e) Keep things as simple as possible.

91. Further discussion of lessons for consideration for Phase III include the following:

### **Implementation modalities**

#### *External factors*

92. WUPAP Phase I and II were designed to work in a decentralized implementation modality with the District Development Committee (DDC) and the DDC Office, headed by the Local Development Officer, leading implementation within each district with the full support of the sectoral line agencies in the district. In the originally envisaged WUPAP arrangement the DDC would be a representative body for the District target community to guide the project's local implementation on their behalf and at the same time the sectoral line agencies would be accountable to the DDC for their performance.
93. The reality has been very different. The period of unrest and subsequent Peace Agreement and ongoing transition process has meant that the DDC have not functioned effectively as local representative bodies, often with the LDO acting as the temporary chair of the DDC on a long-term basis in the absence of an elected body. The forthcoming new constitution and transition to a federal system will create further substantial changes at the sub-national level over the coming years.
94. In addition, from a government administration perspective, the decentralization agenda has only been partially implemented without the full decentralization of authority for district line agencies transferred to the DDC rather than via the central sectoral ministries.

#### *Internal factors*

95. The WUPAP Phase I and II design fails to align responsibility and accountability for budgeting/fund flow, activity implementation, staffing and overall project performance. These responsibilities are split between numerous agencies including: District sectoral line agencies, Local Development Fund Board, DDC, Project Coordination Unit and MLD at a national level. These internal design flaws have been exacerbated by the external factors briefly described above.
96. As a result there is little accountability within WUPAP for project performance. More importantly, the supply-driven approach to many of the activities and lack of effective representation at the district levels means there is little accountability to project beneficiaries.

#### *Lessons to be drawn*

97. The experience of Phase I and II Implementation modalities point to several important lessons to be considered in the implementation and design of Phase 3:
- (a) project beneficiaries in each VDC need to be the main decision makers in the choice of services and investments to be provided to them and in the oversight of the delivery of these to ensure they are delivered as agreed

- (b) project implementers need to be more directly accountable to project beneficiaries as well as the overall lead implementing agency (MLD) for their performance including, among other things, appropriate incentives and sanctions to enforce agreed action plans.
- (c) there needs to be strong alignment between responsibility for ensuring effective project delivery (at both national and district level) and the appropriate mechanisms to ensure this including, for example, selection and oversight of key staff, control of fund flow as well as setting-up and enforcement of performance-based service contracts
- (d) simplifying the number of components, cost centres, decision making and reporting processes is essential to make the project implementable

98. **Service Delivery for forestry, crops and livestock**

99. The WUPAP approach in Phase II was to rely almost exclusively on the respective district sectoral line agencies, both to determine priorities and deliver the services. However this has resulted in a supply-driven and highly fragmented approach, for example with over 100 different activities recorded for crops and livestock alone but with little evidence to suggest that these reflect the priorities of the farmers themselves and few connections between different project activities. The main weaknesses in service delivery can be summarized as:

- (a) **Insufficient physical delivery capacity**, primarily due to a lack of staff, with many vacant positions and logistically difficult settings, when compared to the services and activities each sectoral line agency is expected to deliver not only for WUPAP but also for many other projects and within their formal mandate.

WUPAP needs to be able to contract-in additional service providers to deliver the services demanded by the project beneficiaries when and where they are required.

- (b) **Supply driven mentality**. No clear mechanism to ensure that the priorities of the beneficiaries are the basis for planning the delivery of services.
- (c) **No accountability** of service delivery either to service recipients or project managers
- (d) **No technical oversight** for assurance of quality service delivery by the project. The project needs to have appropriate technical supervision, monitoring and quality assurance of service delivery to raise the overall quality and consistency both within and between districts.
- (e) **Fragmented technical approach**, covering too many activities and lacking any coherent focus either within the District and more importantly at the VDC level. In many cases the technical services and extension support is not well connected to other project investments, such as in irrigation or leasehold forestry. Coordinated packages of services need to be provided to ensure support to farmers to increase the likelihood and scale of impact - tailored to local needs, across several disciplines and building on other project investments.

100. **Capacity of institutions and individuals to deliver**. The Phase II approach assumes that the main project implementers already have the full capacity from both an institutional and individual staff perspective to deliver project activities without the need for any sustained investment in capacity building of the implementing agencies. This is an unrealistic assumption given the widely acknowledged challenges of the local operating context in most project districts, not least in recruiting and retaining staff in post and very limited core operating budgets. This is equally true for overall project management in the District as well as in the delivery of the various services and activities. WUPAP would therefore benefit from a more explicit focus on building the human resources and institutional capacity of project implementers, both directly related to project activities but more systematically in the delivery of effective decentralized investment programmes which could continue to provide development benefits beyond the duration and scope of WUPAP itself.

101. **Performance incentives** can be effective if well designed and closely linked to overall project delivery. This was most clearly illustrated in the one-year no cost extension and the need to meet the five performance triggers to progress to Phase III. The triggers for Phase II were well chosen, focusing on quality in critical aspects of the project and also had the advantage of being quantifiable and comparatively straight forward to measure.

102. For Phase III, project performance is likely to benefit from applying similar structural performance-based allocations and incentives systems at the VDC and District levels with

clearly defined annual performance criteria identified for each with corresponding incentives and sanctions. The experience to-date in WUPAP has been limited to performance-based allocation systems at the institutional level, as opposed to individual financial incentives at individual staff level. As such, Phase III should consider the broad-based use of such institutional level performance-based allocation mechanisms. Individual financial incentives have been recently introduced into some ministries in Nepal, such as customs and tax, but are not yet universal. As such, WUPAP Phase III could consider the limited piloting of such mechanisms if the leaders of MLD and the PCU felt it appropriate.

## Appendix 8 Audit log

### TABLE OF SUMMARY REPORT OF AUDIT OBSERVATIONS

#### a) Project coordination Unit (PCU), Nepalgunj

Financial Year	Audit observation as per audit report		Audit observation settled		Audit observation outstanding	
	Number	Value	Number	Value	Number	Value
<b>2007/08</b>	24	29,624,903	15	28,393,801	12	1,231,102
<b>2008/09</b>	20	3,537,154	18	3,273,250	5	263,904
<b>2009/10</b>	9	483,477	5	62,100	4	421,377
<b>2011/12</b>	13	375,192	7	0	6	375,192
<b>Total</b>	66	34,020,728	45	31,729,151	27	2,291,577

#### b) 11 District Project Offices

Financial Year	Audit observation as per audit report		Audit observation settled		Audit observation outstanding	
	Number	Value	Number	Value	Number	Value
<b>2007/08</b>	5	306,722			5	306,722
<b>2008/09</b>	114	20,300,592			114	20,300,592
<b>2009/10</b>	44	13,575,765			44	13,575,765
<b>2011/12</b>	6	1,407,800			6	1,407,800
<b>Total</b>	169	35,590,880			169	35,590,880

Audit log of 11 project district offices is incomplete; the PCU is making efforts to collect missing information of audit reports of previous years and the progress on settlement of audit recommendations.

## Appendix 9 Supervision mission schedule and persons met

Date (April)	Activity	Location
Tue 3	Arrival of the Mission in Kathmandu	Kathmandu
Wed 4	Meeting with Ministry of Local Development, National Project Director; fly to Nepalgunj in afternoon	Kathmandu -> Nepalgunj
Thu 5 - Fri 6	Briefing with project team in Nepalgunj Review of progress since last mission and main issues for Phase III	Nepalgunj
Sat 7 – Sun 9	Stakeholders Workshop in Nepalgunj: Review of Phase II and ideas for Phase III	Nepalgunj
Mon 10- Tue 11	Finalizing strategic orientation with project team for phase III, selection of activities, budget, workplans.	Nepalgunj
Thu 12	Fly back to Kathmandu (morning), meeting with MLD (afternoon). Phase III Concept Note – “zero draft” write up.	Nepalgunj -> Kathmandu
Fri 13	Briefing with IFAD CPM and mission team Phase III Concept Note preparation	Kathmandu
Sat 14 – Sun 15	Phase III Concept Note preparation Review of fiduciary aspects for Aide Memoire	Kathmandu
Mon 16	Meeting with MLD National Project Director to discuss Phase III Concept	Kathmandu
Tue 17 – Thu 19	Meeting with MOF, MoAC and MOFSC agencies Meetings with market projects: HVAP and HIMALI and AAGP design team	Kathmandu
Fri 20	Pre-wrap up meeting with Secretary MLD, Project Director, project team and IFAD CPM	Kathmandu
Sat 21	Aide memoire and Phase III Concept Note finalization with project team	Kathmandu
Sun 22	Meeting with FCGO Distribution of Aide memoire	Kathmandu
Mon 23	Wrap up meeting with Project Steering Committee Mission’s departure (or late Mon p.m.)	Kathmandu
Tue 24 Apr Fri 4 May	Detailed draft design report preparation	Home office
Fri 4 May	Detailed draft design report submitted to IFAD	Home office



## People met

Name	Designation	Office
Shital Babu Reegmi	Secretary	Ministry of Local Development
Dinesh Thapaliya	Joint Secretary, WUPAP National Project Director	Ministry of Local Development
Shivaram Mahat	Under Secretary (Account)	Ministry of Local Development
Lal Shanker Ghimire	Joint Secretary	Ministry of Finance
Kailash Raj Pokhrel	Under Secretary	Ministry of Finance
Shanka Prasad Kharel	Programme Director	National Planning Commission
Balaram Adhikari	Project Coordinator	Leasehold Forest and Livestock Project
Mahesh Prasad Dahal	Joint Financial Comptroller General	Financial Comptroller General Office
Rajendra Prasad Bari	Joint Secretary & Project Director	Ministry of Agriculture and Cooperative High Value Agriculture Project (HVP)
Mahendra Nath Poudel	Under Secretary	Ministry of Agriculture and Cooperative
Dhananjaya Pauyal	Under Secretary	Planning and Human Resource Division, Ministry of Forest & Soil Conservation
Dala Ram Pradhan	National Team Leader	HIMALI Project (High Mountain Agribusiness and Livelihood Improvement)
Keneth E Nelis	Team Leader	HIMALI Project
Aidan Gulliver	IFAD Mission Leader	IFAD AAGP Project Design Finalization Mission / FAO TCIP
Thierry Mahieux	Business & Rural Finance Specialist	IFAD AAGP Project Design Finalization Mission
Bishonath Oli	Regional Director	Mid Western Region Forest Directorate
Dr. Amar Bahadur Saha	Regional Director	Mid Western Region Livestock Directorate
Dev Raj Bhusal	Agri Extension Officer	Mid Western Region Agriculture Directorate
Bijaya Raj Poudel	Regional Director	Far Western Region Forest Directorate
Sachitananda Upadhaya	Regional Director	Far Western Region Agriculture Directorate
Hom Kanta Bhandari	Section Officer	MoF
Indra Kumari Thapaliya	Representative	National Planning Commission
Ramesh Kumar K.C	Local Development Officer	DDC, Jumla
Yam Lal Adhikari	Local Development Officer	DDC, Humla
Ganesh Bahadur Khadka	Local Development Officer	DDC, Bajura
Bharat Bahadur Sharma	Local Development Officer	DDC, Rukum
Ram Prasad Pandey	Local Development Officer	DDC, Dailekh
Narendra K.C. Khadka	District Engineer	DTO, Bajhang
Bir Bhaadur Rawal	District Engineer	DTO, Mugu
Om Kumar Saha	District Engineer	DTO, Jajarkot
Dudh Raj Poudel	District Forest Officer	District Forest Office, Bajura
Madhav Prasad Dev	District Forest Officer	District Forest Office, Kalikot
Saraj Kumar Pandey	District Forest Officer	District Forest Office, Jajarkot
Rajendra Prasad Niraula	District Forest Officer	District Forest Office, Rolpa
Ramesh Chandra Bhatta	District Forest Officer	District Forest Office, Rukum
Ram Nandan Yadav	Snr Dist Ag Dev Officer	DADO, Humla
Shree Dhar Gyanwali	S. DADO	DADO, Kalikot
Kul Prasad Adhikari	S. DADO	DADO, Rukum
Devendra Bhagat	S. Livestock Development Officer	DLSO, Jumla

Name	Designation	Office
Matuk Lal Chaudhary	Livestock Development Officer	DLSO, Bajura
Chandra Lal Dharala	Veterinary Doctor	DLSO, Dolpa
Nanda Lal Chaudhary	S. Livestock Development Officer	DLSO, Rolpa
Dirga Nath Dhungana	S. Livestock Development Officer	DLSO, Deilekh
Purusottam Aryal	District Project Manager	DPU, Jumla
Kaman Singh Bista	District Project Manager	DPU, Humla
Arjun Kumar Ale	District Project Manager	DPU, Bajura
Prakesh Man Singh G.C.	District Project Manager	DPU, Jajarkot
Surya Prasad Poudel	District Project Manager	DPU, Deilekh
Birendra Bahadur Singh	Executive Secretary	LDF, Bajhang
Nara Jung Sahai	Executive Secretary	LDF, Kalikot
Rana Bahadur Karki	Executive Secretary	LDF, Dolpa
Lalit Buda	Executive Secretary	LDF, Rukum
Damodar Prasad Subedi	Executive Secretary	LDF, Rolpa
Uttam Prasad Nagila	Project Coordinator	WUPAP, Nepalgunj
Buddhi Bahadur Khatri	D. Project Coordinator	WUPAP, Nepalgunj
Bhagirath Bhatta	Gender Specialist	WUPAP, Nepalgunj
Dhruba Regmi	Planning, M&E Specialist	WUPAP, Nepalgunj
Rakesh Kumar Jha	Cooperative Specialist	WUPAP, Nepalgunj
Bishow Jha	Infrastructure Specialist	WUPAP, Nepalgunj
Kamal Prasad Panthe	Accountant	WUPAP, Nepalgunj
Dinesh Pokheral	Nayab Subba	WUPAP, Nepalgunj
Bishnu Hari Devkota	Computer Operator	WUPAP, Nepalgunj
Ganesh Thapa	Logistic Support Assistant	WUPAP, Nepalgunj
Anush Belbase	Information Assistant	WUPAP, Nepalgunj
Bhim Prasad Dongol	Driver	WUPAP, Nepalgunj
Junga Bahadur Tharu	Officer Helper	WUPAP, Nepalgunj
Jaya Mahatara	Officer Helper	WUPAP, Nepalgunj
Kumar Bhujel	Officer Helper	WUPAP, Nepalgunj
Shova Chaudhary	Officer Helper	WUPAP, Nepalgunj

## **Appendix 10 Summary of implementation support provided by IFAD**

IFAD has mobilized resources to support WUPAP in two ways:

a) Providing additional financing of USD 190 000 to hire consultants in 2007, at the beginning of Phase II. Six District Facilitators (similar to current DPMs) and two PCU experts were paid from these resources.

b) The other type is implementation support in various technical areas besides the support from Country Programme Office staff (Aryal Basu) and annual joint review missions as follows:

- M&E: An international consultant (Mr. Edward Mallorie) supported the project in revising the Logframe and setting up a M&E system in 2008. Total input around 11 days.
- Rural Finance: A national consultant (Mr. Nara Hari Dhakal) provided support in the area of Rural Finance/Micro Credit for 21 days during July 2008 to February 2009. Input from the consultant was provided in 3-4 slots.
- Project Management: A national consultant (Dr. Surya Bahadu Singh) was recruited as a project management Advisor and provided support for six months (13 May-12 November 2011).
- Financial management: A national Consultant (Mr. Amar Mishra) contracted by IFAD to support the project for a period of 11 days starting from January 13, 2012. In addition to the recent assignment, the same consultant provided support for the project for 5 days in 2008 as a member of a follow up mission led by Country Coordinator.