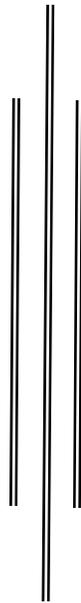# Poverty Alleviation Fund:
# Vulnerable Community Development Plan/ Operational Manual

August 20, 2006
**POVERTY ALLEVIATION FUND**
Chakupat, Lalitpur

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# I.    **Acronyms**

| | |
|---|---|
| CBO | Community Based Organization |
| CBS | Central Bureau of Statistics |
| CIP | Community Infrastructure Project |
| CO | Community Organization |
| DDC | District Development Committee |
| ED | Executive Director |
| GON | Government of Nepal |
| HRD | Human Resource Development |
| IPM | Integrated Pest Management |
| IG | Income Generation |
| CI | Community Infrastructure |
| LAHURNIP | Lawyers Association for Human Rights of Nepalese Indigenous Peoples |
| M&E | Monitoring and Evaluation |
| MoU | Memorandum of Understanding |
| NFDIN | National Foundation for Development of Indigenous Nationalities |
| NEFEN | Nepal Federation of Nationalities |
| NGO | Non-governmental Organization |
| NPC | National Planning Commission |
| LSN | Linguistic Society of Nepal |
| NWIF | National Indigenous Women's Federation |
| O&M | Operation and Maintenance |
| PAF | Poverty Alleviation Fund |
| PM | Portfolio Manager |
| PO | Partner Organization |
| SA | Service Agency |
| SM | Social Mobilization |
| TAC | Technical Appraisal Committee |
| TOR | Terms of Reference |
| VCDP | Vulnerable Community Development Plan |
| VDC | Village Development Committee |
| WHO | World Health Organization |

# Table of Contents

## *Referred Documents:*

1.     PAF: Vulnerable Community Development Plan / Operational Guideline
2.     Vulnerable Community Development Plan (VCDP)
3.     Social Mobilization Guideline
4.     Baseline Data Collection and District Social Assessment
5.     Programme Implementation Guideline (*Karyakram Sanchhalan Nirdeshika*)
6.     VDC Prioritization
7.     PAF Act 2006
8.     PAF Rules and  Regulations
9.     Environmental Assessment for PAF Activities
10.    HRD/Capacity Building Strategy
11.    Communication Strategy
12.    Financial Management Guideline
13.    Environmental Screening Guideline
14.    Participatory PAF  M&E System

**Executive Summary**

i.      Poverty Alleviation Fund (PAF) advocates demand led community-based approach to poverty alleviation.  It emphasizes targeting the poor with special emphasis on women and the vulnerable groups including the *Dalits*, ethnic minorities and other socially excluded groups. PAF is an apex umbrella institution working through partner organizations (PO) including NGOs, private sector, civil society, community organizations, and local government agencies (VDC/DDCs).

ii.     The operational manual is prepared as a result of series of consultative meetings during December-February, 2004 with the stakeholders from the government, NGO, Civil Societies, the World Bank, PAF staff, Private Sector and the Consultants. It has been further updated based on experiences gained during the programme implementation in six pilot districts and intended to address the needs in the context of programme expansion in new 19 districts.

iii.    The PAF aims to enable the poor, women and the vulnerable groups to gain access to resources for their productive self-employment, to encourage them to undertake income generating activities and community infrastructure activities for poverty alleviation and improved quality of life.

iv.     The PAF will adopt two approaches to reach its target population.  The first approach is geographically based and will target underserved districts and VDCs and within these the target groups.  The second approach, which is not geographically based, will provide financial support to organizations representing target groups for programs to address their needs or to initiatives with particular innovative ways of addressing the needs of the target population.

v.      Under the first approach the PAF, in the initial years as a pilot testing phase, identified 6 pilot districts with lowest composite index based on 28 socio-economic indicators of human development and poverty compiled during the census 2001 by the Central Bureau of Statistics (CBS, 2003).  Accordingly the districts identified for the pilot testing phase are Darchula, (Far-Western Region), Mugu and Pyuthan (Mid-Western Region), Kapilbastu (Western Region), Ramechhap (Central Region) and Siraha (Eastern Region). With the first years' successful implementation and increasing demand lead to include 19 additional districts as special program districts (Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Dolpa, Doti, Humla, Jajarkot, Jumla, Kalikot, Mahottari, Rasuwa, Rautahat, Rolpa, Rukum, Sarlahi and Sindhuli) to implement from this Fiscal Year (FY 2006-2007) covering all the 25 districts from Group – C  categorized as most deprived districts by CBS/NPC based on 28 poverty related social-economic indicators.

vi.     The PAF portfolio will consist of four components: a) social mobilization; b) capacity building and skill development; c) income/employment generation activities; and d). community infrastructure projects.

vii.    Social mobilization (SM) unleashes the community's potential by enabling them to get organized, generate resources and learn skills through training.  Partner organization (PO) specialized in the field of social mobilization can facilitate the community groups. Eligible POs

are community based organization (CBOs), local government (VDC/DDC), local NGOs, local private business and individuals who meet established criteria (see eligibility criteria).

viii.     Capacity building supports, in the form of grants, capacity building of the community groups (CO), PAF and its partner organizations (PO) in order to improve their effectiveness in implementing and monitoring poverty alleviation programs.   Capacity building includes supporting human resource development of the PAF, PO and CO as well as skill development of community in undertaking various income/employment activities such as livestock raising, bee keeping etc.

ix.     Community groups, particularly poorer women and vulnerable groups will be supported through grants to undertake economically viable and sustainable income/employment generating activities. These activities will be chosen by communities and are likely to include activities such as livestock, agriculture, crafts, forestry, trade and service sectors. The PAF will provide support to community groups for such sub-projects provided they contribute 10 percent in cash.

x.     To increase the access of the communities to infrastructure for improving the living conditions particularly of poor women, the vulnerable and socially excluded groups PAF will support in the form of grant on a cost-sharing basis, small-scale community infrastructure projects (CIP) chosen by the communities themselves. The CIPs will be community based and demand driven. Their selection will be determined by the community and their willingness to contribute and participate in the design, planning, implementation and maintenance based on transparent criteria. The community contributes at least 20 percent of the cost of infrastructure in local labor, material, and cash with exceptions possible for situations of hardship in remote areas.

xi.     The PAF operates like a decentralized apex body financing the community organizations (CO) of the poor with facilitation from partner organizations (PO).  It selects communities (COs) and POs based on clearly specified criteria, provides oversights and close monitoring while providing flexibility and autonomy to POs in directly dealing with community situations.  The PAF partner organizations consist CBOs, local NGOs, local private sector organizations, local government organizations (VDC/DDC), or district line agencies that meet the eligibility criteria (see criteria for partner organization).

xii.     The PAF is an autonomous body created under a separate ordinance. Representatives from the National Planning Commission, District Development Committee Federation, Village Development Committee Federation, National Women's Commission, National *Dalit* Commission, NGO Federation, and private sector (including a women) contributing substantially to poverty alleviation in Nepal. The PAF Board will be mainly responsible for providing policy guidance, program approval and review of PAF activities (see PAF Act).

xiii.     The policies of the PAF Board will be executed by the PAF Secretariat.  A small cadre of competent professional and support staff will initially manage the PAF Secretariat  The Executive Director (ED) assisted by a cadre of core executive staff who are senior sector specialists heading the following functional divisions of PAF: a). Community Physical Infrastructure, b). Human Resource Development, c). Monitoring, Evaluation and Research, d). Finance, Accounts and Administration,  and e). Program Coordination and Communications will

be responsible for day to day operation of PAF secretariat. The PAF Secretariat will be adequately equipped to function efficiently. It will have necessary facilities of a comparable institution in the private/NGO sector.

xiv.    The Financial Management Manual is in place to ensure the sound financial management system both at the PAF Secretariat and at the community level. The manual covers process of planning, budgeting, internal control, internal audit, accounting, reporting and audits.

xv. The PAF aims at supporting effective, responsible and accountable community organization (COs) for poverty alleviation that can sustain beyond the project. The COs may consist of community based organizations, user groups, village organizations, self-help women groups, credit groups, youth club, cooperatives, etc. working for collective action. The CO can be common interest group as small as at least 5 members undertaking income/employment activity or the entire community undertaking infrastructure sub-project and meet the selection criteria (see selection criteria for CO).

xvi.    The sub-projects are the activities that the PAF will support. Proposals for the same will be developed and submitted by the COs/community groups through the support from POs to PAF. The sub-project proposals can vary from income-generation to community infrastructure development.  The sub-projects include social infrastructure, economic infrastructure, income generating, skill enhancement, common service related infrastructure, innovative technical proposals from POs, and multi-community activities.  The PAF also maintains a small negative list of sub-projects that will not be funded.

xvii.    The criteria for sub-project selection will include: a). target related, b). technical soundness related, c).  financial appropriateness, and d). environmental soundness.

xviii.    The PAF will prepare price, quantity and quality norms for the sub-projects to be supported.  This will be regularly updated.

xix.    Partner Organizations that are involved in poverty alleviation through income generating activities, social mobilization and community infrastructure are selected based on transparent selection criteria (see PO selection criteria).

xx.    The PAF will solicit expression of interest from potential POs through advertisement in the major national, regional and local newspaper as well as other media such as radio, television etc. (where applicable) at least once a year or through direct contact.

xxi.    The PAF will establish partnership with the POs and COs based on 1). meeting the eligibility criteria, 2). meeting price and quality norms, 3). compatibility with PAF strategy, and 4). compliance with PAF policies and procedures.

**xxii.**    The appraisal for sub-project proposals for approval consist preliminary appraisal, desk appraisal, field appraisal, and ranking of potential PO. Once Board approves, a legally binding contract will be done between PAF and PO.

xxiii.    PAF will implement targeted programmes in line with VCDP in the selected VDCs of the programme districts focusing on target community.

xxiv. PAF will recruit new staff based on volume of works and needs. It will take care on human resource development and capacity building of its staff and POs/COs.

**xxv. Monitoring and evaluation play an important role in ensuring efficient implementation, and in providing a basis for reflecting on PAF experience in subsequent operations. PAF considers monitoring and evaluation as key function in assessing progress on poverty alleviation. It includes a simple but a comprehensive package of M&E tools extending from community to the PAF level. The M&E includes baseline information, compliance monitoring, performance audit, process monitoring, and the impact Evaluation.**

xxvi. The PAF will maintain a comprehensive management information system required for effective flow of information at all levels (PAF, PO and CO). Major areas of information flow will include the nature and sequence of activities implemented, inputs provided, sources from which the inputs are derived, outputs expected, target beneficiaries and mechanisms adopted for the interaction with key stakeholders.

xxvii. All the agencies (PAF, PO and CO) concerned with the implementation of PAF activities will be required to produce reports at different levels. They include quarterly/annual report, technical report, financial report, external audit report, impact evaluation report, and project completion report.

xxviii. The PAF will maintain its books of accounts according to the double entry book keeping system on cash basis. The PO shall keep book of accounts and financial records, as per the basic needs of PAF in a standard acceptable accounting practices. The CO will open a bank account in a commercial bank convenient to CO in the district. The PO shall ensure that CO will be able to maintain the community book of accounts properly in a simple manner.

xxix. Annual audit will be carried out in accordance with requirement of the law under which the partner organization is registered. The PO shall extend support for financial monitoring and auditing of CO's book of accounts and financial records. PAF shall provide formats of account and records, if necessary to meet its requirement. Additionally the CO will make public all the expenses and resources received for sub-projects.

**VULNERABLE COMMUNITY DEVELOPMENT PLAN (VCDP)**

1.      The terminologies "Indigenous/Ethnic people" describe social groups with a social and cultural identity distinct from the dominant society that makes them vulnerable to being disadvantaged and excluded in the development process. Because of the varied and changing contexts in which Indigenous/Ethnic Peoples are found, no single definition can capture their diversity. Indigenous/Ethnic People are commonly among the poorest segments of a population or community. In many contexts, they engage in economic activities that range from shifting agriculture in or near forests to wage labor or even small-scale market-oriented activities. Although it is rather difficult to distinguish Indigenous/Ethnic People in Nepal based on the definitions given above, this document identifies issues relating to Indigenous/Ethnic Peoples that will be addressed by the PAF project. The key aim of PAF is to reach disadvantaged and vulnerable groups that have been excluded in previous development efforts. PAF's policies and operational procedures determine the way in which vulnerable peoples will benefit from development targeted on them and protected in the event of any adverse impacts.

2.      This VCDP identifies major issues that affect their development and the mechanisms and procedures through which PAF will address them, including legal framework, baseline data, land acquisition and resettlement, strategy for local participation, technical identification of development activities, institutional capacity, implementation schedule and monitoring and evaluation. This is in line with the Operational Directive of the World Bank Operation Manual (OD4.20).

3.      As noted, it would be a daunting task to disaggregate the indigenous group in a target area of PAF because of heterogeneous nature of Nepalese society based on ethnicity/castes, cultures, tradition and employment. For this reason, PAF aims to benefit all the marginalized groups in the pilot VDCs, including ethnic minorities, women, *Dalits* and the ultra poor. Thus, vulnerable groups referred to in this document include ethnic minorities, disadvantaged women and *Dalits* with a typical caste, religion, language and culture different from mainstream or dominant groups in the project area. Examples are *Praja Jati* in Dhading district, *Raute and Badi Jati* in Mid Western Hills and *Dhimal and Jhangar Jati* in Eastern Terai.

4.      The development plan assigns high priority to the involvement of vulnerable groups and their organizations right from the planning stage of development activities through the full sub-project cycle. Their involvement will be not only in terms of receiving services and benefits but also in terms of participation in decision-making processes in their communities, as well as assisting PAF to identify and mitigate potentially adverse effects on vulnerable groups caused by PAF activities.

5.      Although development efforts targeted on vulnerable groups is the central aim of PAF, and these will materialize as PAF begins implementation, in many cases**,** proper protection of the rights of vulnerable groups can only be ensured through the implementation of projects or activities that lie outside of PAF's mandate. These can include activities related to health and nutrition, linguistic and cultural preservation, access to and management of natural resources, and education. In such situations, PAF will coordinate with other relevant development activities

targeting vulnerable groups conducted by GoN or donor agencies. The elements of the VCDP are discussed in detail in the following sections.

## 1.    Legal Framework

6.      Although for centuries the Kingdom of Nepal was considered and recognized as a Hindu Kingdom, the 1990 Constitution recognized and acknowledged Nepal's diversity in culture, races, language, and religion. The protection, preservation and promotion of language, religion and culture, affirmative action for indigenous peoples and vulnerable groups are enshrined in the 1990 Constitution.  Article 4 of Part 1 states that Nepal is a 'multi-ethnic, multi-lingual' kingdom. Article 6 of the same section, relating to the 'Language of the Nation', warrants citing in full on account of its importance to indigenous peoples and the activists who represent them on the national stage in Nepal:

- The Nepali language in the Devanagari script is the language of the nation. The Nepali language shall be the official language.
- All the languages spoken as the mother language in the various parts of Nepal are the national languages of Nepal.

7.      It also provides for education in mother tongues up to grade five. Despite considerable political instability since 1990 and a number of other problems and challenges, elected governments tended to pay significant attention to the priorities and concerns of indigenous peoples in their policies, plan and programs.

8.      The Government set up the National Committee for Development Nationalities in 1996. The Committee recognized the existence of 61 indigenous nationalities in Nepal. Consequently, the Ninth Plan (1997-2002) explicitly formulated policies and programs targeting indigenous peoples. Parliament passed a bill forming a Foundation for Development of Indigenous Nationalities, which has recognized 59 indigenous peoples in Nepal. In 1999, the Local Self-Governance Act was amended, giving more power and authority to local government bodies such as District Development Committees (DDCs), Municipalities and Village Development Committees (VDCs)—including the authority to protect, preserve and promote indigenous peoples' language, religion and culture. The National Planning Commission (NPC) also included programs and strategies for indigenous peoples in the Tenth Plan/PRS (2003-2007) and subsequently in recent three years Interim Plan (2008-2010). The problem has not been lack of legal protection, policies, committees and plans, but rather their effective implementation. More plans to protect vulnerable groups in Nepal are not needed—what is needed is an effective mechanism to reach these vulnerable groups with development assistance and to give them voice. This is the overriding mission of PAF.

## 2. Baseline Data

9. In 2003 the Central Bureau of Statistics (CBS) listed 71 castes/ethnic groups, of which the first ten groups represent 68.5% of total population and are shown in Table 1.1

10. The rest of the caste/ethnic groups include: Gurung, Damai/Dholi, Limbu, Thakuri, Sarki, Teli, Chamar, Harijan, Ram, Koiri, Kurmi, Samyasi, Dhanuk, Musahar, Dusadh/Paswan/Pasi, Sherpa, Sonar, Kewat, Brahman-Terai, Baniya, Gharti/Bhujel, Mallah, Kalwar, Kumal, Hajm/Thakur, Kanu, Rajbansi, Sunuwar, Sudhi, Lohar, Tatma, Khatwe, Dhobi, Majhi, Nuniya, Kumhar, Danuwar, Chepang (Praja), Haluwai, Rajput, Kayastha, Badhae, Marwadi, Santhal/Satar, Dhagar/Jhagar, Bantar, Barbae, Kahar, Gangai, Lodha, Rajbhar, Thami, Dhimal, Bhote, Bing/Binda, Bhediyar/Gaderi, Nurang, Yakkha, Darai, Tajpuriya, Thakali, Chidimar, Pahari, Mali, Bangali, Chantel, Dom, Kamar, Bote, Brahmu/Baramu, Gaine, Jirel, Adibasi/Janajati, Dura, Churaute, Badi, Meche, Lepcha, Halkhor, Punjabi, Sikh, Kisan, Raji, Byangsi, Hayu, Koche, Dhunia, Walung, Jaine, Munda, Raute, Yehlmo, Patharkata/Kuswadiya, Kusunda, Dalit/Unidentified dalit, Unidentified cast/ethnic group.

**Table 1.1: Percentage of Population Distribution by Caste/Ethnic Groups**

| S.N. | Caste/Ethnic Group | Percentage |
|------|--------------------|------------|
| 1. | Chhetri | 15.80 |
| 2. | Brahman-hill | 12.74 |
| 3. | Magar | 7.14 |
| 4. | Tharu | 6.75 |
| 5. | Tamang | 5.64 |
| 6. | Newar | 5.48 |
| 7. | Muslim | 4.27 |
| 8. | Kami | 3.94 |
| 9. | Yadav | 3.94 |
| 10. | Rai | 2.79 |

11. CBS (2003) also listed 92 languages spoken in the Kingdom of Nepal, of which the first ten account for 92.1% of the total and are shown in Table 1.2. Also, 0.74% of the population belongs to group of people whose language was still unknown.

**Table 1.2: Percentage of Population Distribution by Mother Tongue**

| S.N. | Mother Tongue | Percentage |
|---|---|---|
| 1. | Nepali | 48.61 |
| 2. | Maithili | 12.30 |
| 3. | Bhojpuri | 7.53 |
| 4. | Tharu (Dagaura/rana) | 5.86 |
| 5. | Tamang | 5.19 |
| 6. | Newar | 3.63 |
| 7. | Magar | 3.39 |
| 8. | Awadhi | 2.47 |
| 9. | Bantanwa | 1.63 |
| 10. | Gurung | 1.49 |

12.    The rest include: Limbu, Bajjika, Urdu, Rajbansi, Sherpa, Hindi, Chamling, Santhali, Chepang, Danuwar, Jhangar/Dhangar, Sunuwar, Bangla, Marwari(Rajasthani), Manjhi, Thami, Kulung, Dhimal. Angika, Yakkha, Thulung, Sangpang, Bhujel/Khawas, Darai, Khaling, Kumal, Thakali, Chantyal/Chhantel, Neplai sign Language, Tibbetan, Dumi, Jirel, Wanmbule/Umbule,Puma, Yholmo, Nachhiring, Dura, Meche, Pahari, Lepcha/Lapche, Bote, Bahing, Koi/Koyu, Raji, Hayu, Byangshi, Yamphu/Yamphe, Ghale, Khariya, Chhiling, Logorung, Punjabi, Chinese, English, Newahang, Sanskrit, Kaike, Raute, Kisan, Churauti, Baram/Maramu, Tilung, Jero/Jerung. Dungmali, Oriya, Linghim, Kusunda, Sindhi, Koche, Hariyanwi, Magahi, Sam, Kurmali, Kagate, Dzonkha, Kuki, Chhintang, Mizo, Nagamese, Lhomi, Assamise, Sadhani, and other unknown languages.

13.    The information on the distribution of poor population presented in Table 1.3.

**Table 1.3: Total Households and Poor Households**

| Description | Total HHs | Poor HHs | Poverty Rate |
|---|---|---|---|
| Phase I: Twenty-five Poorest Districts ( Regular Program Districts) | 1,009,927 | 406,510 | 40.30% |
| Mountain | 134,054 | 61,131 | 45.60% |
| Hill | 409,464 | 203,760 | 49.80% |
| Terai | 466,409 | 141,618 | 30.40% |
| Phase II: Fifty additional districts (30 Districts as Regular Program and 20 Districts as Poverty Pocket Approach) | 3,243,293 | 1,003,432 | 30.94% |
| Mountain | 185,833 | 75,926 | 40.86% |
| Hill | 1,573,289 | 507,505 | 32.26% |
| Terai | 1,484,171 | 420,001 | 28.30% |
| Total Nepal | 4,253,220 | 1,409,942 | 33.15% |

14.     PAF activities will include baseline data on vulnerable groups to assist in the impact evaluation. Baseline data will include population, location, culture and belief, language, education, socio-economic conditions, and natural resources and management practices. This baseline data on vulnerable groups will not only be used to assess the impact but also, to the extent possible, used as a reference point in the evaluation of sub-project proposals to ensure they are targeted on vulnerable groups.  The baseline will attempt to cover to the maximum extent the full range of production and marketing activities in which vulnerable peoples are engaged. Site visits by qualified social and technical experts will also be used to complement and verify the baseline.

**3.      Land Acquisition and Resettlement**

15.     Traditionally some of the indigenous castes of the community for example, *Damai, Kami, Sarki* are engaged in occupations other than farming and agriculture. These groups therefore have relatively less land holdings compared to the mainstream castes, which have traditionally been engaged in farming activities. A few marginalized communities, such as *Kamaiyas,* working for the elite groups in the community in various forms of bondage and thus also tend not to own land. In some cases, migration from hilly areas to lowland areas and valleys puts pressure on the lands of lowland groups such as *Tharu*, *Dhimal and Chaudhari*. The migrants often belong to the elite groups with access to good education and have been able to take land away from indigenous and other vulnerable groups. Thus, vulnerable groups tend to have less land than elite groups in the community.

16.     PAF activities will not promote land acquisition and resettlement. However if it becomes necessary to acquire some land, proper compensation will be included. In general, any sub-project requiring land for its implementation will seek voluntary contributions or donations of the required land. These land donations will not only be fully voluntary, but will also not involve physical displacement or any significant adverse impact on incomes of the donor household.

All voluntary land transactions are expected to meet the following criteria:

1.  The land in question will be free of squatters, encroachers or other claims of any liabilities;
2.  Land will be chosen by the community after ensuring that the sub-project will also benefit the land under consideration;
3.  Verification of the voluntary nature of land donations in each case;
4.  Land transfers will be completed through registration, with the ownership being transferred to the community organizations; and
5.  Provision will be made in PAF Board procedures for any future grievances related to the land acquisition.

17.     Lands will not be accepted from such landowners whose holding will be less than the stipulated minimum economically viable size particularly in case of indigenous groups. This size of land might vary from one locality to another. In this case, an agreement of minimum

stipulation size will be determined by the partner organizations and/or community organizations within the local context.

18.    Land to be used may also not be registered with government (*Ailani*) and the possibility that such land may have been occupied by landless (*Sukumbasi*) is high. Normally, *Ailani* land should not be used in the sub-project as such land may be affected by registration problems. All land transactions will be subject to registration (as per market transactions) under the ownership of community organization. If any such land is mandatory then the local authorities such as VDC or DDC should be consulted and ownership be granted to the community organizations.

19.    Field verification will be used for all cases of land purchases to ensure that land has not been taken under psychological, social, and/or economic pressure and that the above obligations and criteria have been fulfilled. Where such land donation involves an indigenous peoples household, the partner organizations and community organizations may wish to seek assistance from local authorities for field verification.

## 4.    Strategy for Local Participation

20.    PAF will support the participation of vulnerable groups in decision making, throughout the project planning, implementation and evaluation. Because of poverty, illiteracy, and exclusion, many communities in Nepalese society still follow traditional practices and beliefs, which also tend to reinforce social exclusion based on caste and ethnicity. Basically, vulnerable groups do not get opportunities to participate in development activities and benefits. Where vulnerable and excluded groups have their own representative organizations that provide effective channels for communicating local preferences, PAF will coordinate and consult with these organizations and leaders. Traditional leaders of those communities occupy key positions for mobilizing people and should be brought into the planning process, with due concern for ensuring genuine representation of the indigenous population. The PAF district social assessments and the social and economic impact assessment toward the end of the project will pay particular attention to participatory processes that ensure genuine involvement of vulnerable groups.

## 5.    Technical Identification of Development or Mitigation Activities

21.    PAF activities could have unforeseen negative impacts on surrounding environments and/or livelihoods of vulnerable groups. District social assessment teams will meet with vulnerable groups and focus groups of target beneficiaries at selected sites to document any negative impacts experienced during the implementation of PAF sub-projects and further consult with these groups to mitigate these impacts, if any, in their own practices.

22.    Indigenous knowledge is often more successful than introducing entirely new principles and institutions. For example, the potential contribution of traditional blacksmith, tailor, tanner, and goldsmith will be considered in planning income generating or skill enhancement activities. An example of the traditional skills inherited by *Dalit* women in Terai region of Nepal is shown in Table 1.4.

**Table 1.4: Traditional Skills Inherited by Dalit Women in Terai Region  (Jha, 2003)**

| Items Type | Items | |
|---|---|---|
| Paper and Bamboo, Jute products | o1 | Basket, Bag, hand made fan, |
| | o2 | Snacks packaging items |
| | o3 | Toys, Tray, mat |
| | o4 | Bamboo Products |
| Agriculture based | o5 | Poultry, Goat raising, pig raising, Buffalo raising |
| | o6 | Dairy |
| | o7 | Vegetable farming |
| Small scale enterprises | o8 | Handkerchief |
| | o9 | Bread, Chocolate |
| | o10 | Flour and spices |
| | o11 | Candle |
| | *o12* | *Bidi* |
| | o13 | Chalk |
| | o14 | Cotton thread items |
| | o15 | Soap and shampoo |
| Others | o16 | Mithila Art |
| | o17 | Beauty parlor |
| | o18 | Hair cutting |
| | o19 | Metal products |
| | o20 | Wooden garments |

## 6.	Institutional Capacity

23.	The following institutions are responsible for Indigenous People's Development at the state level.

Ministry of Local Development
Department of Local Infrastructure Development
Ministry of Education and Sport
Ministry of Social Welfare
Thematic Group on Indigenous Peoples and Linguistic Minorities
National Foundation for Development of Indigenous Nationalities (NFDIN)

24.	Similarly the following non- governmental institutions are also working on the sector.

⋅	Nepal's Indigenous Journalists (NIJ)
⋅	Nepal Federation of Indigenous Nationalities (NEFIN)
⋅	Linguistic Society of Nepal (LSN)
⋅	National Indigenous Women's Federation (NWIF)
⋅	Lawyers Association for Human Rights of Nepalese Indigenous Peoples (LAHURNIP)

25.    PAF will coordinate and seek inputs from these entities, under the leadership of PAF's Senior Social Inclusion Specialist. To the extent possible and where relevant, documentation relating to the implementation of PAF's activities will be made available in local languages. PAF will also select partner organizations and community organizations based on their demonstrated ability to work at the local level, especially among vulnerable groups, and their knowledge of local conditions.

## 7.    Implementation Schedule

26.    Implementation of the VCDP will correspond to implementation of PAF throughout its project. Sustainability of the VCDP will also depend on sustainability and effectiveness of PAF itself.

## 8.    Monitoring and Evaluation

27.    Strong monitoring and evaluation is an important component of PAF. As discussed later in this guideline will include baseline monitoring, social and poverty impact assessments, and monitoring of participatory processes. PAF will include in its staff a Senior Social Inclusion Specialist, whose task will be to develop and implement a strong monitoring, evaluation and learning element regarding PAF's ability to operate in line with this VCDP.  Evaluation reports will be made available to the public.

## 9.    Cost Estimates and Financial Plan

28.    The costs and financial plan to implement the VCDP are those of PAF itself.   All requirements discussed above, are included in the costing of PAF activities during the PAF project.


## INTRODUCTION

1.    Poverty Alleviation Fund (PAF) advocates demand led community-based approaches to poverty alleviation.  It emphasizes targeting the poor as mentioned in the VCDP (Refer: Poverty Alleviation Fund: Vulnerable Community Development Plan/Operational Guideline and VCDP) with special emphasis on women and the vulnerable groups including the *Dalits*, ethnic minorities and other socially excluded groups. PAF is an apex umbrella institution working through partner organizations (PO) including NGOs, private sector, civil society, community organizations, and local government agencies (VDC/DDCs). The operational manual outlines the procedures to be followed by the PAF in addressing the needs and livelihoods of women, *Dalits*, ethnic minorities and other poor and vulnerable groups. It has demonstrated its effectiveness in getting resources to the poorest and most excluded groups in rural areas.  The operational manual was first prepared with series of consultative meetings with different stakeholders from the government, NGO, Civil Societies, the World Bank, PAF and Private Sector and the Consultants and further updated based on practical operational experiences gained  while implementing programme in six pilot districts.

2. The Operational Manual/Guideline has been updated based on experiences gained during programme implementation for more than two years in the field to address the needs in the context of additional grant financing of an amount of SDR 16.9 million (US$ 25 million equivalent) for programme expansion covering all poor 25 districts categorized into "C" category by CBS/NPC) to scale-up project activities to 19 more districts to that of previously received a grant of US$15 million for the pilot projects ongoing in six of the least developed districts.

3. A "Programme Implementation Guideline (*Karyakram Sanchhalan Nirdeshika*)" has been prepared and adopted particularly prepared for the use of PO to implement programme in the field. It has covered necessary concepts, approach, process, policy/strategies, instructions including forms and formats to facilitate CO for implementation of the demand let community driven targeted programme/activities for poverty alleviation through holistic approach. Through process approach, it has been updated and refined periodically on field based practical experiences and feedback.

## 1.    Objectives

4.     The PAF aims to enable the poor, women and the vulnerable groups to gain access to resources for their productive self-employment, to encourage them to undertake income-generating activities for poverty alleviation and improved quality of life. To this end the objectives of the PAF are to:

- Improve the income of the poor and vulnerable groups;
- Empower the poor especially women and vulnerable groups;
- Increase the access of poor communities to infrastructure for improving their livelihoods;
- Strengthen institutional capacities of the PAF, its partner organizations (PO) and communities (CO) to undertake and sustain poverty alleviation efforts;
- Mobilize and coordinate internal and external resources to finance poverty alleviation programs;
- Develop a system of poverty monitoring and evaluation; and
- Advise the government on effective policy/program for poverty alleviation.

## 2.    Eligible Beneficiaries

5.     The target population for the PAF is the poor rural and urban communities with a special emphasis on women, *Dalits,* ethnic minorities and other vulnerable groups, underserved districts and communities of poor people that lack essential infrastructure and have high rates of under/unemployment. The PAF will adopt two approaches to reach its target population. The first approach is geographically based and will target underserved districts and VDCs and within these the target groups. The second approach, which is not geographically based, will provide financial support to organizations representing target groups for programs to address their needs or to initiatives with particular innovative ways of addressing the needs of the target population.

## 2.1    Targeting the District

6       Under the first approach the PAF, in the initial years as a pilot testing phase, identified 6 pilot districts with lowest composite index based on 28 socio-economic indicators of human development and poverty compiled during the census 2001 by the Central Bureau of Statistics (CBS, 2003). Accordingly the districts identified for the pilot-testing phase are Darchula, (Far-Western Region), Mugu and Pyuthan (Mid-western Region), Kapilbastu (Western Region), Ramechhap (Central Region) and Siraha (Eastern Region). This provided an opportunity for learning experiences based on regional, ecological as well as socio-economic and cultural diversities.  The first years' successful implementation and increasing demand lead to include 19 additional districts (Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Dolpa, Doti, Humla, Jajarkot, Jumla, Kalikot, Mahottari, Rasuwa, Rautahat, Rolpa, Rukum, Sarlahi and Sindhuli) to implement from this Fiscal Year (FY 2006-07). With this, PAF covers all the 25 districts from Group – C categorized as most deprived districts by CBS/NPC based on 28 poverty related social-economic indicators (CBS, 2003). As the PAF further gains experience and community capacity to demand services raises it will expand its operation in other districts subsequently.

## 2.2.    Reaching the Poor Communities

7.       VDCs within the selected districts are prioritized based on district level poverty information and partner organization operating/working locally will be identified 20-25 VDCs among the poorest in the district based on district level poverty information will be selected based on a District Baseline and Social Assessment that will also assess the social situation in the selected VDCs and availability of potential Partner Organizations operating locally.  After the VDCs are selected, a local level consultation with the stakeholders involving VDC, the community, vulnerable groups, CBOs and civil societies will disseminate the "rules of the game" and receive feedback on local issues to be taken into consideration.  PAF will reach to the target communities (see Annex -1: Criterion – Reaching the Poor) through its targeting process adopting a set criterion of social mapping. A community wellbeing ranking of each household in a identified settlement will be done by the community themselves through participatory way under facilitation of PO. (Refer: Programme Implementation Guideline).

8.       Under the second approach, the PAF will support innovative proposals and special programs from organized vulnerable groups/communities such as the *Kamaiya*, victims of conflict/widows, etc. directly based on the track record of the organization and eligibility of their sub-project proposals from anywhere in Nepal.  Only a small portion (10%) of project support will be channeled through this approach.

## 3.      PAF Approach

9.       PAF embodies the following approach in its project support:

- To empower poor women and vulnerable groups by putting funds directly under their control in group bank accounts.
- To ensure that these groups, in view of their need, can select and develop sub-projects (small productive activities) by taking various possibilities into consideration. They will not be restricted to use project funds for specific activities alone. However, the activities on which funds are utilized must fulfill the objectives of the PAF. The community will be

free to seek technical support from government and non-government individuals/organizations.

- To ensure group participation, the decision making process will be closely monitored and approval of sub-projects will be given only when decision-making process is democratic, healthy and participatory in nature.
- To develop full participation and a feeling of ownership, create credibility and foster a culture of local financing, cost recovery and user charges, i.e. community cash and kind contributions for sub-projects implementation, operation and maintenance will be required.
- To strengthen local governments at the district and village levels by involving in the participatory planning, technical backstopping, and monitoring of group activities.
- To support capacity building of local governments through training and cross visits.
- To ensure transparency, widespread dissemination of information, communication and learning about the PAF performance, successes and failures.

## 4.    Components of PAF Portfolio

10.    PAF portfolio will consist of four components: a) social mobilization; b) capacity building and skill development; c) income/employment generation activities; and d). community infrastructure projects.

## 4.1    Social Mobilization

11.    Poor communities are willing and have the potential to improve their living conditions. Social mobilisation (SM) unleashes their potential by enabling them to get organised, generate resources and learn skills through training.  However the PO involvement should not exceed to the levels of hand holding and making decisions on behalf of the CO.  Partner organization (PO) specialized in the field of social mobilization can facilitate the community groups to:

- Trigger and realize this potential by selecting genuine cadres from beneficiary who can provide development vision in the community and selfless leadership to the community organization;
- Assist in identifying and prioritizing their needs;
- Assist in preparing sub-project proposals and plans;
- Assist in procuring services for sub-project implementation and maintenance;
- Mobilize resources to implement sub-projects
- Provide technical support to implement the CO sub-projects
- Assist in monitoring group participation and contribution of sub-projects.

12.    Eligible POs are community-based organization (CBOs), local government (VDC/DDC), local NGOs, local private business and individuals who meet established criteria (see eligibility criteria).

13.    Social mobilization for poverty alleviation is a continuous process. In this process the community groups undertake a series of activities to build capacity at the grassroots and enable beneficiary community to undertake community level social and economic activities identified through participatory planning processes. PO will carry out the social mobilization work in the

identified settlements to mobilize target communities adopting social mobilization guideline developed by PAF (Refer: Social Mobilization Guideline and Programme Implementation Guideline). This provides bonding between community members to build capacity of the grassroots institutions in mobilizing resources. Such activities include physical infrastructure, such as water supply, micro-irrigation, rural energy, rural roads etc. These activities will be supported through grants and community's own resources on a cost-sharing basis provided they enhance productivity and improve income. The approaches may be holistic or targeted. However, it should ensure participation of all. The process of social mobilization will be flexible in terms of the duration and type of activities depending on the level of community organization and readiness. The project will ensure a minimum but adequate effort of social mobilization required for effective implementation of sub-projects.

## 4.2    Capacity Building

14.    Capacity building supports, in the form of grants, capacity building of the community groups (CO), PAF and its partner organizations (PO) in order to improve their effectiveness in implementing and monitoring poverty alleviation programs. Capacity building support to the community and partner organizations are tied only to activities supported by the PAF.

15.    Capacity building includes supporting human resource development of the PAF, PO and CO as well as skill development of community in undertaking various income/employment activities such as livestock raising, bee keeping etc. Community groups will be given opportunities to visit successful projects of other areas and learn from their experience. In addition they will be given training of functional and management skills. Capacity building of POs and PAF will include improving management and financial systems, monitoring and training staff in development skills especially in gender mainstreaming, working with vulnerable and socially excluded groups, dealing with conflict situation and the environment. For this the project will procure the services of highly competent HRD service provider.

## 4.3    Income/Employment Generation

16.    Community groups, particularly poorer women and vulnerable groups will be supported through grants to undertake economically viable and sustainable income/employment generating activities. These activities will be chosen by communities and are likely to include activities such as livestock, agriculture, crafts, and forestry, trade and service sectors. The PAF will provide support to community groups for such sub-projects provided they contribute 10 percent in cash. However PAF will maintain discretionary provision in case of groups not able to make such contribution. The CO can use such grant as a revolving fund by lending to its members on the terms and conditions it sets appropriate. The grant will thus be revolved in the community to support other activities in the future. To ensure revolving the fund, the last trench of fund will be made available upon proven evidence of community contribution. Such a mechanism will provide opportunity for sustainability.

## 4.4    Community Infrastructure Project

17.    The main objective of this component is to increase the access of the communities to infrastructure for improving the living conditions particularly of poor women, the vulnerable and socially excluded groups.  This component will support in the form of grant on a cost-sharing basis, small-scale community infrastructure projects (CIP) chosen by the communities themselves. They include:

- Infrastructure that will contribute to improving basic health conditions especially of women, children and vulnerable groups such as drinking water, sanitation facilities, alternative source of energy like biogas, improved stove, etc.
- Infrastructure that will increase agricultural production, cropping pattern and intensity such as community based micro-irrigation (conventional and non-conventional such as drip, sprinkler, technologies, local market facilities etc).
- Infrastructure that will ensure access to the market center for local products such as agriculture roads, trails, culverts and bridges.
- Infrastructure that will enhance human capital such as primary schools, health posts, community hall etc.

18.    The CIPs will be community based and demand driven. Their selection will be determined by the community and their willingness to contribute and participate in the design, planning, implementation and maintenance based on transparent criteria.  The POs will assist communities in organizing groups and preparing community action plan to implement and manage the schemes. The community contributes at least 20 percent of the cost of infrastructure in local labour, material, and cash with exceptions possible for situations of hardship in remote areas.  Thus such a provision for contribution will foster equity consideration to reach hardcore poor and remote communities.  In addition the community will be responsible for the cost of the operation and maintenance (O&M), which will be shared by all the members of the community.

## 5.    Implementation Strategy

19.    The PAF operates like a decentralized apex body financing the community organizations (CO) of the poor with facilitation from partner organizations (PO) as per the implementation process (Refer: Programme Implementation Guideline).  It selects communities and POs based on clearly specified criteria, provides oversights and close monitoring while providing flexibility and autonomy to POs in directly dealing with community situations.   The PAF partner organizations consist CBOs, local NGOs, local private sector organizations, local government organizations (VDC/DDC), or district line agencies that meet the eligibility criteria (see Section VII: Criteria for PO ).  The POs will facilitate community proposals to the PAF and are expected to perform according to the contractual arrangements with the PAF.

20. The PAF will support all or some of the sub-projects proposed by the community based on sub-project selection criteria (see Section V: Criterion for Sub-project Approval).

## II.    THE ORGANIZATION STRUCTURE OF THE PAF

## 1.    Governance

21.     In line with the government's highest commitment to poverty alleviation as the overarching goal and to provide an enabling institutional mechanism, PAF is an autonomous body created under a separate act (previously with ordinance), rule and sub-rules. The 12 member PAF Board includes the Chair, Vice-Chair, representatives from the National Planning Commission, District Development Committee Federation, Village Development Committee Federation, National Women's Commission, National Dalit Commission, and five (including a women) from persons contributing substantially to poverty alleviation in Nepal and from groups, regions which could not appropriately represent in national context. The PAF Board will be mainly responsible for providing policy guidance, program approval and review of PAF activities (Refer: PAF Act 2006).

## 2.     Management

22.     The policies of the PAF Board will be executed by the PAF Secretariat. The Vice-Chair of the PAF Board will act as the Chief Executive while the Executive Director (selected from national search) acts as secretary of the PAF Board and will over see the day today operation of the PAF Secretariat (Refer: PAF Act 2006).  A small cadre of competent professional and support staff will initially manage the PAF Secretariat.  It is envisaged that the PAF Secretariat will initially require a total of 37 professionals including the Vice-Chairperson, an ED, 5 executive officers, 6 officers and 25 portfolio managers**.**  Thirteen support staff including 7 secretarial assistants, 3 runners/messengers and 3 drivers will support the functioning and establishment of the Secretariat.  As PAF gains experience and expands its coverage, it will add staff support in proportion to the volume of work, especially the number of portfolio managers and support staffs. Security, gardening and sanitation arrangement of the secretariat will be contracted. The PAF act provides provision for expanding its regional and sub-regional offices as deemed necessary in the future in which case additional staffing would be required. Appointment of ED and PAF staff will be carried out as per PAF Act 2006 and Rules.

## 2.1     Appointment and Responsibilities of Executive Director

23.     The day-to-day management of PAF secretariat is the responsibility of the ED. The ED is a suitably qualified national of Nepal and is appointed by the Board after being selected through a national search (see *Annex 2*: TOR for ED).  The ED is particularly responsible for:

   a)     Ensuring adherence to the cardinal principles of PAF;
   b)     Establishing values, operational procedures of PAF, and proper administration of its affairs, funds and resources for day-to-day operation;
   c)     Recruiting staff within the financial and other limits set by the sub-rules and approved by the PAF Board;
   d)     Assigning duties and responsibilities to staff, supervision and disciplinary control over their works and conducts including their removal/dismissal;
   e)     Instituting, conducting, defending and abandoning any legal proceedings by or against the PAF and referring any claims by or against the PAF to arbitration; and
   f)     Undertaking any other tasks that may be delegated by the PAF Board and delegating in writing some of the powers as may be necessary to other executive officers of PAF.

## 2.2 Appointment and Responsibilities of Executive Staff

24.     The ED is assisted by a cadre of core executive staff who are senior sector specialists heading the following functional divisions of PAF:

    A).     Community Infrastructure
    b).     Human Resource Development
    c).     Monitoring, Evaluation and Research
    d).     Finance and Administration
    e).     Program Coordination and Communications

25.     The ED, after reviewing the recommendation made by the Selection Committee appointed by the PAF Board, appoints the core executives.  The responsibilities of executive staff are described in the Annex 2:TOR for Executive Staff. The core executives will form the technical appraisal committee (TAC) to advise the ED and the PAF Board through the ED in appraisal, selection of POs and CO's proposals based on the eligibility criteria.

## 2.3 Appointment and Responsibilities of Portfolio Managers

26.     The Portfolio Managers (PM) are appointed by the ED on the recommendation of the Selection Committee and are primarily responsible for initial appraisal of the POs and sub-project proposals of the community organizations (COs), for ensuring contractual compliance by the POs, the COs and the PAF.  The PMs are also responsible to keep, maintain and provide to the management all relevant information pertaining to a number of PO's projects/activities in the communities (see *Annex 2:*TOR for PM). Initially 25 portfolio managers are assigned to cover the 25 districts and the number will be increased as the volume of work expands. The PMs are the main linkage of PAF to the communities and POs for project implementation and are expected to spend at least 60 percent time in the field.

## 3. Organization

## 3.1 Finance and Administration Division.

27.     This division will be headed by a Financial Analyst with at least a post graduate degree in business administration or financial management and 5 years experience in procuring service contracts, financial management and ability to prepare financial and economic analysis reports. The division will be responsible for program budgeting, accounting, procuring services and disbursing funds to COs, POs and SAs, arranging logistical support, updating personnel records and performing other administrative works.

## 3.2 Monitoring, Evaluation and Research Division.

28.     This division will be headed by an M&E Specialist with at least a post graduate degree in Social Sciences (economics, sociology, business, and statistics) and five years experience in designing and operationalizing M&E systems of similar institutions and preparing analytical reports.

### 3.3     Human Resource Development Division

29.     This division will be headed by a Human Resources Specialist with at least a post graduate degree and 5 years experience in designing and operationalizing training programs, organization processes, skill development, income generation, etc. This division is responsible for identifying all the human resource development requirements at the PAF, POs and CO levels, recruit and supervise a HRD Agency and be responsible for sensitization, orientation and training. This division will make training needs assessments, prepare terms of reference to procure services for all software support for the COs and POs.

### 3.4     Community Infrastructure Project Division.

30.     A Civil Engineer with at least a post graduate degree and 5 years of experience in designing and operationalizing community infrastructure projects will head the division.  The division will be responsible for providing technical guidelines and specifications (price, quality, quantity norms) for community infrastructures to be built by the community with support from POs, appraise their proposals and assess PO capacity to perform the task and preparing terms of reference for procuring and overseeing the services from service agencies (SAs) for technical auditing of infrastructure sub-projects.

### 3.5　Program Coordination and Communication Division

31.　This division will be headed by a Social Inclusion Specialist with at least a post graduate degree in social science (anthropology, sociology, rural development) and 5 years experience working with vulnerable groups and conflict situations, coordinating and managing development programs as well as coordinating activities of other agencies similar to PAF. The division will be assisted by Communication Officer, MIS Officer and Portfolio Managers for overseeing the project implementation at the field level.

### III.　COST STRUCTURE OF PAF

32.　The PAF Secretariat will be adequately equipped to function efficiently.  It will have necessary facilities of a comparable institution in the private/NGO sector.  The cost of establishing PAF Secretariat will comprise 1). Investment Cost of the PAF Secretariat; 2). Operational Cost of PAF Secretariat; and Program Cost including support to COs, POs, SAs for undertaking and management of its activities through partnership arrangement.

### 1.　Investment Cost

33.　The investment cost of establishing PAF Secretariat will include a). Vehicles, computers and other office equipments; b). Furniture, fixtures and other assets; c). Training of staff, communications and training material development, evaluation of PAF performance and the impact, technical and financial audit of sub-projects, publicity and information, appraisal, technical support to PO staff, etc.

### 1.1.　Vehicle

34.　The PAF secretariat will be facilitated with current has vehicles (this includes a car for the Vice-Chairperson, the ED, and two four wheel jeep for field work.) In addition, there are 6 motorcycles for the purpose of field.

### 1.2.　Computer, Equipment and Accessory

35.　All professional staff including secretarial staff provided with computer and necessary accessories and software facility, photocopy and reproduction facilities. Generators will be necessary not to disrupt the works of PAF due to frequent load shedding in Nepal.  One complete set of audio-visual equipment will be necessary for monitoring and documenting project activities.  PAF will also plan network all workstation and will add modern equipments as may be required.

### 1.3    Furniture and Fixtures

36.    Furniture and Fixtures include desks, revolving chairs, tables, chairs for office and conference rooms, shelves, sofa sets, carpets, computer tables, racks, filing cabinets and notice/black boards. The number of units will reflect the functional requirement of PAF.

### 1.4    Other Assets

37.    Other assets include bicycle, heaters, fans, calculators, emergency lights, telephone sets, intercom, cameras, vacuum cleaners, and sleeping bags, stationary and supplies etc. which are necessary for the functioning of PAF.

### 1.5    PAF Board Staff Training

38.    The PAF Board members and staff will be sent for short training/observation tours to learn from experiences in other countries with similar programs.  Such trainings have been proved to be useful in motivating staff and Board members to enhance their skills and outputs per the HRD/Capacity Building Strategy.

39.    The PAF will need to develop training materials such as participatory planning, training of PO and CO staff on poverty targeting, preparing poverty profile, and M&E activities and many of these activities would be contracted out to an M&E Agency.

40.    The PAF performance evaluation will be made annually through contractual agreement with monitoring SA.  A multi-disciplinary team of professional will conduct the evaluation.

41.    Likewise PAF will undertake through SAs impact evaluations of its program during the mid-term and at the end of the program in selected communities. Such assessments will enable PAF to learn lessons and make necessary corrections in the future.  Other activities will include technical and financial auditing of cOs and POs programs.  Such assessments will ensure compliance by COs and POs on the technical standards, financial transparency and proper utilisation of fund.

42.    The PAF will promote its activities through public dissemination of information.  These include brochures, radio, newspaper, street plays, print media, TV, and visits.  Cost of information will include information, education and communication (IEC) materials and advertisements as per the communication strategy.

### 1.6   Monitoring

43.    The PAF will conduct through specialized SAs performance monitoring of selected projects to ensure the project activities is being implemented effectively so that the payment can be made accordingly. Accordingly, PAF board member will also be actively involved in monitoring program implementation through periodic field visit in order to obtain first hand experience on project status and performance. Similarly process monitoring of selected COs and POs will be undertaken to ensure effectiveness of methods being used by COs and POs in carrying out their component activities. The PAF will undertake research and development

activities regularly to understand more effective ways of identifying, targeting, monitoring and delivery of services to hardcore poor, women and vulnerable groups.

## 1.7 PO and CO Training

44. Pre-qualified POs and COs will receive orientation on PAF objectives, program support, administrative, financial and other procedural requirements. Annual CO/PO/PAF exchange program will be to share experiences and feed back on project process and performance. Likewise training of CO and PO staff on financial management, participatory planning, social mobilisation, monitoring and evaluation, technical supervision will be arranged as per HRD/Capacity Building Strategy.

## 2. Recurrent Cost

45. Recurrent cost of PAF will include staff salary, travel and daily subsistence allowance, office operating expenses, repair and maintenance and miscellaneous expenses.

## 2.1 Staff Salary

46. The PAF will recruit a cadre of highly qualified and motivated professionals. The salaries of staff will reflect market cost and will commensurate with qualification and experience. The salary scale will reflect salary structure of private sector/NGO or similar undertaking to avoid high staff turnover.

47. The staff salary and benefits will be as per PAF rules and regulations.

## 2.2 Travel and Daily Subsistence Allowance

48. Field allowance will be as per PAF rules and regulations. All the professional staff with the exception of accounts and administration will spend 25-60 per cent of their time in the field depending upon their functional responsibilities.

## 2.3 Office Operating Expenses

49. Office operating expenses will include office rental, utility (water, electricity), insurance, stationary and supplies, telecommunications (telephone, fax, internet, telex), legal expenses, fuel, board meeting cost, postage and handling, banking etc.

## 2.4 Repair and Maintenance

50. Assets such as vehicles, computers and other equipment require timely repair and maintenance in order to be in good working conditions. Vehicles require general maintenance after every 5000 km. Repair and maintenance for other equipment is generally 5 percent of the cost.

**2.5    Miscellaneous Expenses**

51.    A miscellaneous expense to cover all other costs and repairs and maintenance of the PAF secretariat is estimated at 10 percent of the operating expenses.

**3.    Cost Sharing**

52.    The PAF will encourage cost sharing from its partner organizations as well as communities in their efforts towards poverty alleviation whenever feasible. Such a strategy will promote community sense of ownership, project sustainability and commitment of partner organization towards the project.  In this respect the total program cost would be shared between different stakeholders.

53.    The beneficiary community will contribute at least 20 percent of the cost of infrastructure. Likewise the community groups undertaking income/employment sub-projects will contribute 10 percent in cash preferably upfront or before the second tranche is released. The community will also contribute for operation and maintenance cost. The local government (VDC and DDC) will be encouraged to contribute from the DDC/VDC development fund. Similarly POs will be encouraged to mobilize funds from NGOs/INGOs/private sector and other sources such as MPs' Fund where feasible. Such practice will foster PO commitment to community support beyond the project.

**IV. PROCUREMENT AND FINANCIAL MANAGEMENT**

54.    PAF has its own Financial Management Manual to ensure sound financial management system both at the PAF Secretariat and at the community level. (Refer: Financial Management Manual). The manual covers process of planning, budgeting, internal control, internal audit, accounting, reporting and audits. The manual ensures that money spends through PAF are for the intended purpose only.

**V.   COMMUNITY SUB-PROJECTS**

**1.    Eligibility Criteria for Beneficiary Community Organization**

55.    The PAF aims at supporting effective, responsible and accountable community organization (COs) for poverty alleviation that can sustain beyond the project. The COs may consist of community based organizations, user groups, village organizations, self-help women groups, credit groups, youth club, cooperatives, etc. working for collective action.  The CO can be common interest group as small as at least 5 members undertaking income/employment activity or the entire community undertaking infrastructure sub-project. The CO must meet the following criteria:

1) The community must be considered poor or vulnerable under the definition adopted by the PAF;
2) The community should conduct its affairs in participatory manner including women and vulnerable groups; a affirmative action to hardcore poor should be encouraged.
3) The community is responsible for all the actions, CO sub-project implementation including financial liabilities;
4) It must be registered with the project before it can get assistance;
5) It is willing to keep proper record and share with members and public;
6) It has clearly specified purpose, expected life, office bearers, and bank signatories; and
7) Its members are self selected by them.

## 2.    Sub-Projects

56.    The sub-projects are the activities that the PAF will support under the project. Proposals for the same will be developed and submitted by the COs and community groups through the support from POs to PAF. Such CO sub-projects acceptable to PAF will be supported for direct implementation by CO under facilitation and technical support of PO. The sub-project proposals can vary from income-generation to community infrastructure development.

## 2.1 Types of Sub-projects

57.    Broadly, subprojects are to be decided by communities. However it is expected that they would fall under the following categories:

**Social infrastructure** i.e. basic health, sanitation, primary education, infrastructure, water supply, etc.
**Economic infrastructure** i.e. community micro-irrigation, community forestry, etc.
**Income generating** i.e. vegetable, livestock raring, crafts based on traditional skill, trading, services including eco-tourism, etc. that will increase the income of the CO members.
**Skill Enhancement** i.e. proposals that will improve the skill or knowledge of the community member's particularly in empowerment and livelihood improvement such as legal procedures, latest agriculture practices of certain crops, horticultural practices etc.
**Common service related infrastructure** i.e. agro-processing units, marketing infrastructure for agriculture and livestock products.
**Innovative technical proposals from POs** i.e. innovation in the time saving technology, demonstration of innovative techniques of crop production, innovative techniques of micro-irrigation like drip irrigation etc.
**Multi-community proposals** i.e. agricultural roads, community irrigation, trail improvement, village/district level information center, etc.

## 3    Negative List of Sub-projects

58  The following sub-projects/activities will not be funded by the PAF:

- Individual projects;

- Consumption activities;
- Facilities which do not increase the productivity of the poor such as facilities for political or labor organizations, or religious buildings;
- Resettlement or construction on private land unless there is consensus among all;
- Land acquisition except voluntary;
- Sub-projects not screened for environmental impacts;
- Activities likely to cause damage to wildlife sanctuary or involves indiscriminate removal of plant, animal or mineral produce from a sanctuary;
- Activities located within a national park;
- Construction/rehabilitation of a dam (old or new) of 10 meters or more height;
- Agricultural activities that do not incorporate integrated pest management (IPM) approaches;
- Sub-project that intends to use banned pesticides, agrochemicals in WHO Classes IA, IB and II;
- Subproject that involves manufacturing, sale, stocking, distribution or exhibiting sale of permissible pesticides without a license;
- Activity that could damage cultural property.

This negative list of sub-projects will be reviewed and updated periodically.

## 4 Criteria for Sub-project Approval

59. The following criteria will apply for the approval of community infrastructure sub-projects by the PAF:

### (A) Target Related

- Sub-project should be demanded by and benefit at least 80 percent of the target population including vulnerable groups identified above.
- Sub-project should be such that it can ensure participation of all in the community at every level i.e. sub-project identification, design, implementation and maintenance.
- Sub-project should preferably provide opportunity for more employment to local people among women and the vulnerable groups.
- Sub-projects should be included in district development plan where applicable.

### (B) Technical Soundness Related

- Sub-project should be technically sound, simple and manageable by the community.
- Sub-project should have adequate, financial, technical and institutional provision for implementation and maintenance.

### (C) Financial Appropriateness

- Sub-project should adopt sound policies and working procedure showing transparency and economy.

- The cost of sub-project should not exceed NRs.3,000 per capita (this, however, will not be applicable to sub-projects in remote areas).
- The cost of the sub-project should be directly proportional to the number of beneficiary in the community.
- The members of the community should agree to contribute at least 20% of the total cost of the project in cash, kind and labor with exceptions possible for situations of hardship in remote areas.
- The community should agree to contribute to its operation and maintenance.
- Preference should be given to rehabilitation, extension or modernization/upgrading of schemes rather than building new ones.

## (D) Environment Related

- The environment screening process should be adopted (Refer: Environmental Assessment for PAF Activities) for each sub- project proposal.

- People should not be involuntarily displaced and settled at different place; no land can be purchased without the consent of its owner; and there should be no dispute on the change of land use.

- Sub-project should not affect environment adversely, and if so, project must indicate its appropriate remedy (Refer: Environmental Assessment for PAF Activities).

## 5.    Pricing of Funds

60.     The PAF will prepare price, quantity and quality norms for the sub-projects to be supported. The prices will reflect market conditions under the prudent shopping practices.  The PAF management is responsible for suggesting and updating the prices of goods and services for sub-projects.  Any revision to the prices will be approved by the PAF Board.

61.     The terms of Partnership between PAF and the CO will be as follows:

- Community organization should meet CO eligibility criterion and should be registered with PAF support.
- Proposals for sub-projects should be initiated by the community and should identify the type of sub-projects and the beneficiaries, describe the works and services to be financed by beneficiary and PAF.
- The beneficiary should identify and approve the community infrastructure projects through participatory and open process;
- The community should sign sub-project financing agreement with PAF in which the CO responsibilities are clearly defined;
- Community should contribute at least 20 percent of the cost of infrastructure in terms of cash, labor and local material with exceptions possible for situations of hardship in remote areas and 10  percent in cash for income/employment activities;
- The community should implement subproject within stipulated time and budget;

- Community should open two separate bank accounts (non-operating account and operating account) to be operated by at least two representatives and maintain all records of receipt and payments;
- Community should use their own human and local resources and not sub-contract subproject works;
- Community should submit its work for supervision and certification for quality adherence by PO or PAF;
- Community should be fully responsible for operation and maintenance of sub-projects.

## VI.    PARTNER ORGANIZATIONS

### 1.    Eligibility Criteria for Partner Organization

62.    Partner Organizations (described earlier) that are involved in poverty alleviation through income generating activities, social mobilization and community infrastructure are selected based on transparent selection criteria.  In order to be eligible for support from the PAF, potential PO will have to meet the following eligibility criteria established by the PAF.

- The PO should be registered under existing laws of Nepal such as Society Registration Act, NGO Registration Act, Company Registration Act, Local Governance Act, Cooperative Act, etc.

- It should have at least two years track record of successfully involved in income-generation activities, social mobilization or small-scale community infrastructure.

- It should be involved in participatory development practice at the grass roots level and has the capacity to interact with target groups in a relationship of trust and expand its outreach.

- It should maintain a proper accounting system supported by balance sheet and profit/loss account statements.

- It should be financially sustainable.

- It should not be discriminatory politically and based on gender, caste, ethnicity, affiliation, etc.

63.   The PO should be locally based and should have worked in a number of communities. Its main role is to create a favorable environment in the communities and provide information about PAF rules and programs, assist in the formation COs through participatory wealth ranking, assist in conducting base line survey; facilitate sub-project proposals for activities to be undertaken by COs; provide technical support; assist COs in establishing linkages with the banks, government offices, markets, etc; provide need-based training; and support monitoring and recording of CO experiences.

## 2.    Expression of Interest and Short Listing Partner Organization

64.    The PAF will solicit expression of interest from potential POs through advertisement in the major national, regional and local newspaper as well as other media such as radio, television etc. (where applicable) or direct contact.  The ED is responsible for inviting the expressions of interest.  The program co-ordination and communication division with support of core executives through TAC will prepare the draft advertisement that includes application procedure, eligibility criteria, etc. The PAF shall allow at least one month for potential POs to submit expression of interest.

65.    Upon receipt of the expressions of interest by the PAF, the program coordination and communications division will start within a week initial processing of the application on the following basis:

- The expression of interest of all POs who are found to be eligible will be forwarded to the concerned portfolio manager or core executive within two weeks and will act as a process leader,  If core executive acts as process leader, s/he will be assisted by portfolio manager and if portfolio manager acts as process leader, s/he will be assisted by concerned core executive staffs.

66.    The designated process leader with support from TAC will assess the expression of interest as following (see Annex – 3: Format for Short listing of POs)

### 2.1 Desk appraisal
67.    The purpose of desk appraisal of is to determine whether the organization applying for support from the PAF is a sound potential partner.

- The process leader may recommend any changes to be made in the proposal from the PAF's point of view and may identify information that needs to be validated through a field appraisal.
- The process leader will assess within two weeks that the PO meets eligibility criteria based on information provided for further field verification; With inputs from relevant executive staff the process leader through Programe Coordination and Communication Division is responsible for providing the report and recommendation to the TAC.
- The TAC is responsible for approving the desk appraisal report and recommendations and authorizing field appraisal, issuance of regret letter or other course of action.

### 2.2 Field Appraisal

68    The purpose of undertaking field appraisal of a potential partner organization is to validate information provided by the PO, assess their ability to relate to target groups in a relationship of trust, check the success of previous activities. The validation procedure will utilize the format prepared by PAF and ensures the following:

- Conformity with criteria in case of first time POs;

- PAF will also verify, where necessary, through independent agency or local communities the PO ability to work through community facilitators including the women, vulnerable and socially excluded groups.

- Performance record in case of repeater POs

- The availability of fund based on information furnished by Finance and Accounts Division;

- The process leader through Programe Coordination and Communication Division is responsible for providing report and recommendations on field appraisal to the Technical Appraisal Committee (TAC) for short listing of potential Partner Organization.

69.    Upon completion of the above assessments, the process leader through Programe Coordination and Communication Division will recommend to the Technical Appraisal Committee (TAC) the short listed names of POs.  The short listing of POs will encompass the following:

- o  The process leader will finalize the short listing within 14 days

- o  The TAC upon recommendation of process leaders will finalize the list of potential POs from which proposals will be sought by PAF for submission to the PAF Board for final approval.

- o  The shortlist of POs will be finalized within 3 months of closing date of expression of interest and the ED will invite potential POs approved by the PAF Board for proposal according to the guidelines of PAF.

### 3.    PO Proposal for Partnership

70.    The potential POs will submit proposals for social mobilization, capacity building and other entry point activities along with strategy for working with community (Refer *Annex - 2*: Guidelines for Proposal for Social Mobilization, capacity Building by PO). The PO will assist community to prepare CO sub-project proposal for seeking support, facilitate in implementation, provide technical assistance and monitor during implementation.

71.    The process leader will verify the proposals from the PO for completeness in line with the PAF guidelines. The POs with complete proposals will be sought for partnership.

## VII.     ESTABLISHING PARTNERSHIP

### 1.     Meeting Eligibility Criteria.

72.     The POs should meet the eligibility criteria of the PAF.  The eligibility criteria for establishing partnership are reviewed by the TAC as per the criteria approved by the PAF Board and agreed with any donors with whom such understanding has been reached.  They are operationalized, interpreted and enforced by the ED.

### 2.     Meeting Price and Quality Norms.

73.     The proposed activities by PO should be within the price and quality norms established by the PAF.  The pricing of activities are reviewed by the TAC and approved by the Board.

### 3.     Compatibility with PAF Strategy.

74.     The operational strategies of POs proposals are in line with the operational guidelines of the PAF.  The strategy of the PAF is formulated by the ED and the executive staff

### 4.     Compliance with PAF Policies and Procedures.

75.     TAC is responsible for determining compatibility of PO's proposals with strategies of the PAF.
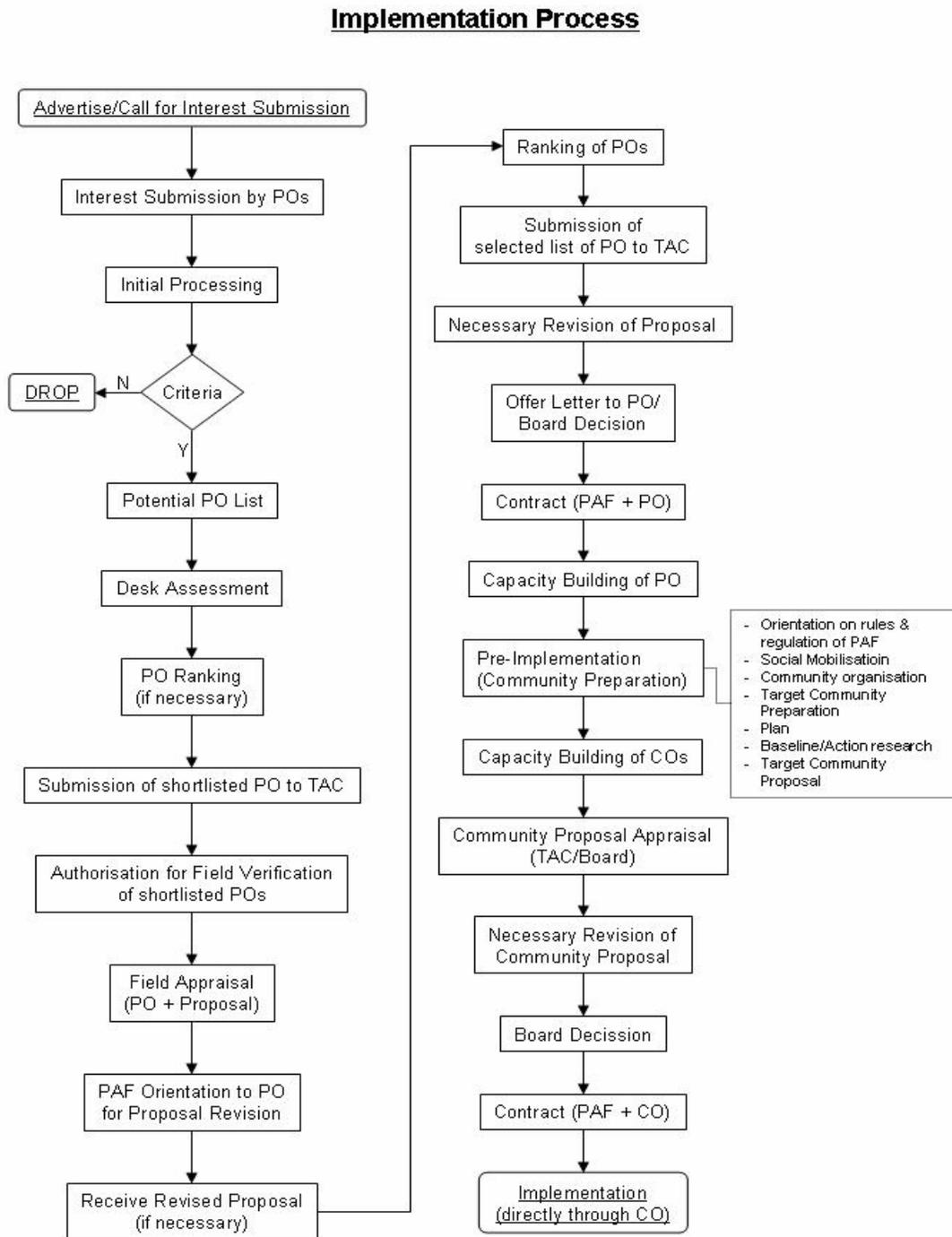
76.     TAC is responsible for assessing a potential PO's operational policies, procedures, human and other resources.

77.     TAC is assisted by portfolio managers who are responsible for appraisal, negotiation and contracting with POs.

78.     The ED can delegate his/her authority to process leaders for establishing partnership with individual PO.

## VIII.    IMPLEMENTATION PROCESS

79.  Following implementation process chart represents the PAF scheme cycle and
 Appraisal process.

### Implementation Process

```
Advertise/Call for Interest Submission
                │
                ▼
Interest Submission by POs
                │
                ▼
Initial Processing
                │
                ▼
DROP ◄──N── Criteria
                │ Y
                ▼
Potential PO List
                │
                ▼
Desk Assessment
                │
                ▼
PO Ranking (if necessary)
                │
                ▼
Submission of shortlisted PO to TAC
                │
                ▼
Authorisation for Field Verification of shortlisted POs
                │
                ▼
Field Appraisal (PO + Proposal)
                │
                ▼
PAF Orientation to PO for Proposal Revision
                │
                ▼
Receive Revised Proposal (if necessary)
```

```
Ranking of POs
                │
                ▼
Submission of selected list of PO to TAC
                │
                ▼
Necessary Revision of Proposal
                │
                ▼
Offer Letter to PO/ Board Decision
                │
                ▼
Contract (PAF + PO)
                │
                ▼
Capacity Building of PO
                │
                ▼
Pre-Implementation (Community Preparation)
                │
                ▼
Capacity Building of COs
                │
                ▼
Community Proposal Appraisal (TAC/Board)
                │
                ▼
Necessary Revision of Community Proposal
                │
                ▼
Board Decision
                │
                ▼
Contract (PAF + CO)
                │
                ▼
Implementation (directly through CO)
```

Pre-Implementation (Community Preparation):
- Orientation on rules & regulation of PAF
- Social Mobilisatioin
- Community organisation
- Target Community Preparation
- Plan
- Baseline/Action research
- Target Community Proposal

### 1. PO Proposal Appraisal

80.     The process leader will verify the proposals from the PO  for completeness in line with the PAF guidelines. The POs with complete proposals will be sought for partnership. (see *Annex - 4*: Guidelines for Proposal for Social Mobilization, Capacity Building by PO). The appraisal for PO proposals for approval will consist the following and can be carried out simultaneously into PO short-listing.

### 1.1 Preliminary Appraisal.

81.     The purpose of preliminary appraisal of written proposal is to determine their completeness in line with the PAF Guideline (Refer: *Annex-4*: Guidelines for Proposal for Social Mobilization, Capacity Building by PO).  The proposals considered substantively complete will be appraised by the PAF in consultation with the potential PO.  Proposals considered suitable but incomplete may be assisted by the PAF portfolio manager/process leader in completing the proposal in line with the Guidelines and format. With inputs from relevant core executives if necessary (through TAC), the process leader will report for recommendation on the preliminary appraisal to the TAC through Programe Coordination and Communication Division.

### 1.2 Desk Appraisal

82.     The purpose of desk appraisal of written proposals is to determine whether:

   The organization applying for support from the PAF is a sound potential partner; and the budget, implementation plan and justifications provided in the proposals by the PO constitute an attractive partnership proposal for funding in line with partnership arrangement (see *Annex- 5*: Format for Appraisal of Proposal).

83.     With inputs from relevant executive staff (through TAC) the process leader is responsible for providing the report and recommendation through Programe Coordination and Communication Division to the TAC in line with the format.   The process leader may recommend any changes to be made in the proposal from the PAF's point of view and may identify information that needs to be validated through a field appraisal.  S/he is also responsible for engaging and supervising the resources required for desk appraisal including any consultants that may be required for carrying out social and environmental analysis and financial/economic appraisal.  The TAC is responsible for approving the desk appraisal report and recommendations and authorizing field appraisal, issuance of regret letter or other course of action.

### 1.3 Field Appraisal.

84.     The purpose of undertaking field appraisal of a potential partner organization is to validate information provided by the PO, assess their ability to relate to target groups in a relationship of trust, check the success of previous activities, and agree changes in the proposal submitted by the organization in line with PAF interest.  The validation procedure will utilize the format prepared by PAF.

85.     The process leader is responsible for providing report and recommendations on field appraisal through Programe Coordination and Communication Division to the TAC.  Portfolio managers will assist the process leader in this.

86.     The report will identify information that has been validated during the field appraisal, identify changes that have been agreed with the PAF by the POs, elaborate the changes to be included in the offer letter by the PAF to PO.

**1.4 Ranking of Potential PO**.

87.     Ranking criteria will be applied in order to make selection of most effective POs and their proposal of social mobilization so that PAF resources are allocated to most successful undertakings in efficient and equitable manner. The potential POs will be ranked after completing the desk and field appraisals.  The ranking of POs will be based mainly on the quality of staff and past record.  The ranking of potential POs will be undertaken within the guidelines prepared by the PAF (see *Annex- 6*: Format for Short listing of POs).

88.     The process leader through Programe Coordination and Communication Division with support of other divisions is responsible for ranking successfully appraised partner organizations and providing a report to the TAC in the format prescribed by the PAF.  The highest ranking shall mean the appraised organization is likely to meet the quality of implementation consistent with the PAF objectives, are more likely to be sustainable and likely to yield desired impact in alleviating poverty.  The PAF resources at any time will be allocated in accordance with the ranking of PO.

**2. CO Proposal Appraisal**

89.     CO will be organized, register with PAF and prepare their proposal with the assistance of PO. The process leader will verify the proposals from the CO for completeness in line with the PAF guidelines. The COs with complete proposals will be sought for partnership. (see Annex - 2: Guidelines for Proposal for Social Mobilization, Capacity  Building )

**2.1 Preliminary Appraisal**.

90.     The purpose of preliminary appraisal of written proposal is to determine their completeness in line with the PAF Guideline (see *Annex -7*: Format for CO Sub-project Proposal format ).  The proposals considered substantively complete will be appraised by the PAF in consultation with the potential PO.  Proposals considered suitable but incomplete may be assisted by the PAF portfolio manager/process leader in completing the proposal in line with the Guidelines and format. With inputs from relevant core executives if necessary the process leader will report for recommendation on the preliminary appraisal to the TAC through Programe Coordination and Communication Division.

**2.2 Desk Appraisal**

91.     The purpose of desk appraisal of written proposals is to determine whether:

The budget, implementation plan and justifications provided in the proposals by the CO constitute an attractive partnership proposal for funding in line with partnership arrangement (see *Annex-8*: Format for Appraisal of Proposal) and CO applying for support from the PAF is a sound potential partner.

92.     With inputs from relevant executive staff the process leader is responsible for providing the report and recommendation to the TAC through Programe Coordination and Communication Division in line with the format.  The process leader may recommend any changes to be made in the proposal from the PAF's point of view and may identify information that needs to be validated through a field appraisal.  S/he is also responsible for engaging and supervising the resources required for desk appraisal including any consultants that may be required for carrying out social and environmental analysis and financial/economic appraisal.  The TAC is responsible for approving the desk appraisal report and recommendations and authorizing field appraisal, issuance of regret letter or other course of action.

**2.3 Field Appraisal**.

93.     The purpose of undertaking field appraisal of the sub-project is to validate information provided by the CO, assess the demand-driven participatory process of sub-project preparation, assess their ability to undertake the sub-scheme and agree changes in the proposal submitted by the CO in line with PAF interest.  The validation procedure will utilize the format prepared by PAF.

94.     The process leader is responsible for providing report and recommendations on field appraisal through Programe Coordination and Communication Division to the TAC.  Portfolio managers will assist the process leader in this.

95.     The report will identify information that has been validated during the field appraisal, identify changes that has been agreed with the PAF by the COs.


**IX.     SELECTION, CONTRACTING AND DISBURSEMENTS**

**1.     Letter of Offer and Revised Proposal**.

96.     On completion of field appraisal and ranking of successfully appraised POs the process leader is responsible for drafting the offer letter.  The offer letter will elaborate the changes agreed between the PAF and the POs proposal including changes in implementation plan and the budget, specify the date by which the PO will submit a revised proposal, stipulate terms and conditions on which grants to be provided by the PAF including the pricing, structure of financing, and disbursements (see Annex - 9:  Memorandum of Agreement Between PAF and PO). The fund flow mechanism will be covered in the financial management guideline in detail.

97.    Similarly, on completion of field appraisal of CO proposals, the process leader through Programe Coordination and Communication Division submit to the TAC.

98.    The ED is responsible for taking the draft offer letter to the PAF Board for approval. Once approved the ED is responsible for notifying the PO and / or CO of the Board decision. The process leader is responsible for assessing the revised final proposal and notifying the PO and / or CO  of the final decision of the Board approval.

## 2.    Contracting Conditions

99    The PAF may impose any conditions to POs before entering into a legally binding contract (see Annex -9:  Memorandum of Agreement Between PAF and PO) to ensure timely and successful implementation of the programs.  It would be a product contract with the special conditions that include provision of approved dead lines for activities to be completed (mile stones) on which the disbursements of funds will be tied up, conditions under which the offer will lapse and contract terminated etc.

100.    The ED is responsible for finalizing the partnership arrangement. These arrangements will be reflected in the terms of partnership with PO.

101.    The terms of partnership (see  Annex -7: Terms of Reference to PO)  between the PAF and the PO will be as follows:

- The PO will declare its commitment to the objectives of the project and undertake its implementation with sound financial standards and practices and with qualified and experienced management.
- The PO will establish and maintain satisfactory procedures and operational policies for supervision and monitoring of sub-projects to ensure satisfactory achievement of the project's objectives.
- The PO will perform all its obligations under the financing agreement and not take or concur in any action that will have the effect of assigning, amending, abrogating or waiving the financing agreement or any provision thereof.
- The PO will promptly inform PAF of any conditions which interfere/threatens the accomplishment of the performance by PO of its obligation under the financing agreement.
- The PO will provide PAF all records, documents and information with respect to grants made through it.
- The PO will provide PAF quarterly status report indicating inter alia the aggregate amount of financing provided under community infrastructure projects and any other reports at regular intervals specified by PAF.
- The PAF will have the right to suspend or terminate partnership agreement upon failure by the PO to submit quarterly report within a month, annual audited financial statement within 3 months in the format prescribed by PAF.

102.     The PAF may impose any conditions to COs before entering into a legally binding contract (see *Annex- 10:* Memorandum of Agreement Between PAF and CO ) to ensure timely and successful implementation of the PAF supported CO sub-projects.  It would be a product contract with the special conditions that include provision of approved dead lines for activities to be completed (mile stones) on which the disbursements of funds. Upon approval of the CO sub-project fund will be disbursed directly to the CO's Non-operating account and subsequently transfer to CO's Operating Account with fulfillment of milestones.

103.     The ED is responsible for finalizing the partnership arrangement with CO. The ED may delegate his/her responsibilities to process leader for finalize the partner arrangement with CO. These arrangements will be reflected in the terms of partnership with CO.

104.     The terms of partnership between the PAF and the CO will be as follows (see Annex -11 : Terms of Reference to CO):

- The CO will declare its commitment to the objectives of the CO sub-project and ensure community contribution, mobilize community participation, undertake its implementation and maintain transparency.
- The will be responsible to develop and update community action plan (CAP) for timely implementation of CO sub-project and ensure objectives be achieved.
- The CO will form purchasing sub-committee among its members and ensure timely procurement with participatory sound procurement plan.
- The CO will perform all its obligations under the agreement and not take or concur in any action that will have the effect of assigning, amending, abrogating or waiving the financing agreement or any provision thereof.
- The CO will promptly inform PAF directly or through respective facilitating PO of any conditions which interfere / threatens the accomplishment of the performance by CO of its obligation under the agreement.
- The CO will provide PAF directly or through respective facilitating PO all records, documents, information with respect to grants made through it.
- The CO will provide PAF monthly/trimesterly progress status report and any other reports at regular intervals specified by PAF directly or through respective facilitating PO indicating inter alia the aggregate amount of financing provided under income generation and community infrastructure CO sub-projects.
- The PAF will have the right to suspend or terminate or discontinue agreement upon failure by the CO to submit project completion report with financial statement within a month with social audit and financial audit within 3 months in the format prescribed by PAF.

## 3.     Fund Disbursement

105.     All disbursement for social mobilization, capacity building grants to POs will be made through crossed cheque, after signing the MoU with PO. PAF will disburse the entire fund directly to the CO accounts (for sub-project implementation) in the district commercial bank through crossed cheque as per the MoU with CO.  All disbursements from the PAF to CO will be kept in two separate designated bank accounts (non-operating and operating accounts: see

Financial Management Manual for detail). The CO will access the funds in two to three tranches. The designated accounts of COs will be operated under two authorized joint signatures and will be regulated as follows:

- the process leader is responsible for preparing disbursement plan in consultation with PO and the COs and will be made according to disbursement plans incorporated in their contracts.
- the disbursement plan shall specify all inputs, outputs and deliverables and must be submitted to PAF by a given date.
- the process leader is responsible for recommending suspension in disbursements if PO and CO deviates significantly from the inputs, outputs, operational policies etc.
- on the recommendation of the process leader, the ED will decide whether the disbursement to PO and COs will be suspended or renewed if the PO and CO rectifies reasons for suspension of disbursements.

## X.    IMPLEMENTAITON

106.    PAF programme will be implemented in line with VCDP (Refer: Poverty Alleviation Fund: Vulnerable Community Development Plan / Operational Guideline and VCDP) in the selected VDC (Refer: VDC Prioritization) following set norms and procedure (Refer: Programme Implementation Guideline*) taking care of environmental aspect (Refer: Environmental Screening Guideline)  by maintaining transparent financial management (Refer: Financial Management Manual).

## XI.    HUMAN RESOURCE DEVELOPMENT

107.    For human resource development and capacity building of PAF staffs and POs/COs will be carried out as per HRD/Capacity Building Strategy (Refer: HRD/Capacity Building Strategy).

108.    Based on comparison of market salary structure, restructuring salary and fringe benefit packages will be done in a yearly basis to recommend to the PAF board for sustaining and retaining its staffs.

109.    Organization management survey will be done periodically to know the volume of works and needs of recruit new staffs accordingly.

## XII.  MONITORING AND EVALUATION

110.    Monitoring and evaluation play an important role in ensuring efficient implementation, and in providing a basis for reflecting on PAF experience in subsequent operations. PAF considers monitoring and evaluation as key function in assessing progress on poverty alleviation. It includes a simple but a comprehensive package of M&E tools extending from community to the PAF level (Refer: Participatory PAF  M&E System).

111.    The proposed monitoring and evaluation system will include the following:

## 1.    Baseline Information

112.    In order to understand changes brought about by the project interventions overtime, baseline information will be established by the COs with support from PO. It will facilitate comparison of "before" and "after" the project situations (see *Annex - 12*: Baseline variables and related indicators).

113.    The PAF will procure the services of baseline survey agency (SA) to conduct baseline study with community participation in the collection of information on the socio-economic, geo-physical and natural resource conditions of the project communities to validate proposals. The PO can collaborate in the process. This will be benchmark information for the comparison of progress resulting from project's interventions.

## 2.    Compliance Monitoring

114.    Compliance monitoring will be carried out to oversee whether various stipulations of the project implementation stated in the proposals have been in compliance as planned. PAF will monitor whether all the monetary transactions made with the POs and COs have actually been incurred according to milestones achieved.  Service agencies involved in financial monitoring will be engaged in the compliance monitoring of POs and COs on the basis of periodic reports (see *Annex- 13*: Compliance monitoring of PO).

## 3.    Performance Review

115.    The performance review will examine the tasks accomplished and problems faced in the course of implementation of project activities and processes (PAF at the apex level and the POs at the community). It will involve technical review of the implementation of project components. The information derived from compliance monitoring will also be useful for this monitoring.

116.    The performance review will also analyse perception of beneficiaries about the facilities provided and the satisfaction towards the delivery of services. It will identify direct relations between the inputs provided and outputs stipulated during the project planning. The SAs specializing in technical auditing of sub-projects will be contracted out for such services.

## 4.    Process Monitoring

117.    The PAF will verify, through field visits by its staff and SAs specialized in process monitoring, that the operational policies and the procedures for implementation are being followed by the POs and COs. It will also review project quarterly reports. Together with the PO and COs, the PAF will agree improvements in the operational policies and procedure to improve the delivery and enhance equity and sustainability of the project.

## 5. Impact Evaluation

118.    In line with the baseline information, PAF will conduct or commission SAs specialized in impact evaluation to assess the impact of the project activities, inputs and services on target beneficiaries in terms of changes in their incomes, assets, and other indicators of well being. It will also examine the adoption and sustainability of project interventions (see *Annex- 14*: Outline for Impact evaluation).

119.    Beneficiaries will be involved in self-monitoring and evaluation of sub-project activities, process and their impact using participatory tools such as scorecards.

## 6. Sub-Project Specific Indicators

120.    Some of the project specific indicators (see *Annex- 15:* PAF Project Logical Framework) for monitoring will be as follows:

### 6.1    Physical Infrastructure

·    Number of sub-projects supported and completed (by type).
·    Number of beneficiaries covered (by different categories of poor and vulnerable).
·    Proportion of contributions shared by PAF and the community
·    Nature of cost shared by the community (cash and kind).
·    Unit cost of the completed work (cost per unit).
·    Provision for the operation and maintenance of the system developed.
·    Duration of time lapsed from receiving the proposal for various subprojects to its implementation and disbursement of funds.

### 6.2    Social Mobilization / Capacity Building

·    Number of groups and committees formed.
·    Proportion of male, female and vulnerable group members participating in planning, implementation and maintenance of the projects at the CO level.
·    Number of persons trained (by skills and subject areas related to implementation of poverty alleviation activities).
·    Duration of time lapsed from initial contacts to formation of community groups

## 7. Management Information System

121.    At all levels (PAF, PO and CO), effective flow of information will be maintained. Major areas of information flow will include: the nature and sequence of activities implemented, inputs provided, sources from which the inputs are derived, outputs expected, target beneficiaries and mechanisms adopted for the interaction with key stakeholders. The PAF will elaborate and standardise the working procedures as per the operational modalities followed by the partner

organisations. This will be improvised as PAF gains experience in time. The MIS system will consist of the following:

## 7.1    Input Monitoring

122.    The PAF will track the deployment of inputs, financial and human resource as stipulated in the implementation arrangement with the POs and COs through quarterly progress reports and field visits on sample basis by its staff and SAs.  For the aspects to be verified under the monitoring of inputs (see *Annex- 16*: Outline for Input monitoring).

## 7.2    Output Monitoring

123.  The output monitoring will be based on clear standard of performance set against simple indicators consistent across POs and COs and provided in quarterly status report on the outputs delivered in pursuance of the agreed plan.  Through field visits by its staff and SAs, PAF will on sample basis verify the delivery of outputs. For the aspects to be verified on monitoring of outputs (see *Annex- 17*: Outline for output monitoring). Input and out put monitoring will be linked with financial monitoring (Refer: Financial Management Manual for detail).

124.    The Monitoring and Evaluation Division at PAF will be made responsible for generating, storing and disseminating all the information with support of Portfolio Managers.  Different media sources (such as print media and audio-visuals) as appropriate will be applied to disseminate information of lessons learnt by the PAF.

## XIII.  REPORTING

125.    All the agencies (PAF, PO and CO) concerned with the implementation of PAF activities will be required to produce reports at different levels. The Monitoring and Evaluation Division of PAF will provide standard guidelines to the partner organizations (See *Annex - 1*: TOR for Monitoring and Evaluation Officer and Management Information System Officer). These guidelines will be provided during the signing of agreements between PAF, PO and CO and will be followed through by portfolio managers.  This will also form a part of compliance monitoring.

126    The PAF Secretariat will report to the PAF Board and GoN about the progress, particularly the achievements made in reducing poverty and effectiveness of strategies adopted. The POs will report to PAF on how funds were utilized and what were achieved with emphasis on institutions developed and poor people served by different sub-project activities.   Similarly, the COs will report to the POs, for each project, details on number of families served and progresses made at the community level. Reporting requirements will be made simple but adequate to meet the project purpose yet not over burdening to PO and COs to divert their efforts/energy away from effective implementation of the project. The types of report to be produced include the following:

## 1.    Trimester/Annual Report

127.    Consolidating information contained in the trimesterly reports, the annual report will analyze the utilization of resources and outputs generated against the stipulations made in the implementation plans. It will also include beneficiary and institutions involved, best practices identified and lessons learnt.

128.    The report will cover relevance of the project to reduce poverty, cost effectiveness and potential for sustainability. It will also include implementation procedures, processes modified and comparison of progress made against the original plans.

## 2.    Technical report

129.    The technical report will cover the inputs deployed and outputs delivered every quarter. It will contain both problems encountered and success accomplished against the activities agreed by the implementation plan. The report will mention both intended and unintended results including future plans to solve the issues identified.

## 3.    Financial report

130.    Financial reports will be prepared indicating budgetary and actual expenditures every trimester. This will mention the total budget available (funds received), up-date on expenditures made (funds disbursed for various subprojects) and the remaining balance (including information on the cash position). PO requires reporting PAF on monthly basis as per financial format (Refer: Financial Management Manual).

## 4.    External Audit Report

131.    PAF will have its account audited as per PAF rules and regulations, on an annual basis.

132.     All the agencies involved in PAF activities (e.g., POs and COs) are required to have their accounts audited through a registered auditor or after the completion of the project. PAF will arrange to carryout the sample audit of POs and COs using registered audit firm every year (refer Financial Management Manual, rules and regulations).

## 5.    Impact Evaluation Report

133    The impact evaluation report will focus on effectiveness of the project interventions in improving the living conditions of the poor.  These will asses the extent of poverty reduction from project interventions.

## 6.    Other Occasional Study Reports

134.    Depending upon the need, PAF will commission other issues based occasional studies. Such studies will facilitate improvements in constraints facing project implementation.

## 7. Project Completion Report

135. All POs will prepare project completion report before the end of the contract. This report will focus on major inputs provided, results achieved and lessons learned for future. For an outline of the project completion report (see *Annex - 18*: Outline of the Project Completion Report).

## 8. Reporting

136. The PAF will prepare trimesterly and annual reports that include:

- Targets and achievements for the reporting period.
- Income and expenditure (including contribution of counterpart fund and receivables).
- Major lessons learned.
- Factors and processes that affected the achievements.
- Future plans.

For the list of reports to be prepared at different levels (see *Annex - 19*: List of Reports to be Prepared at Different Levels).

## XIV . COMMUNICATION

137. PAF maintains internal and external communication for information dissemination and knowledge sharing for wider public outreach as per the communication strategy (Refer: Communication Strategy).

## XV. GRIEVANCE PROCEDURE

138. In case of grievances and dispute of settlements between the PAF and PO, the PAF and CO, and PAF and other partners, a tri-partite meeting between the PAF, the party involved in dispute and the government representative will try to resolve the disputes. However if the tri-partite meeting is unable to settle the dispute, it will be resolved according to the prevailing law of land.

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