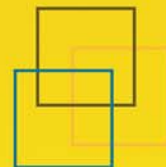
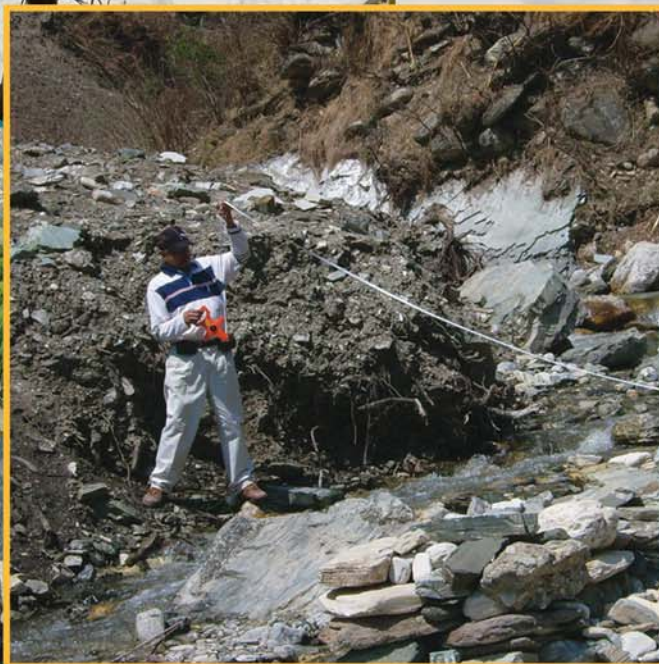
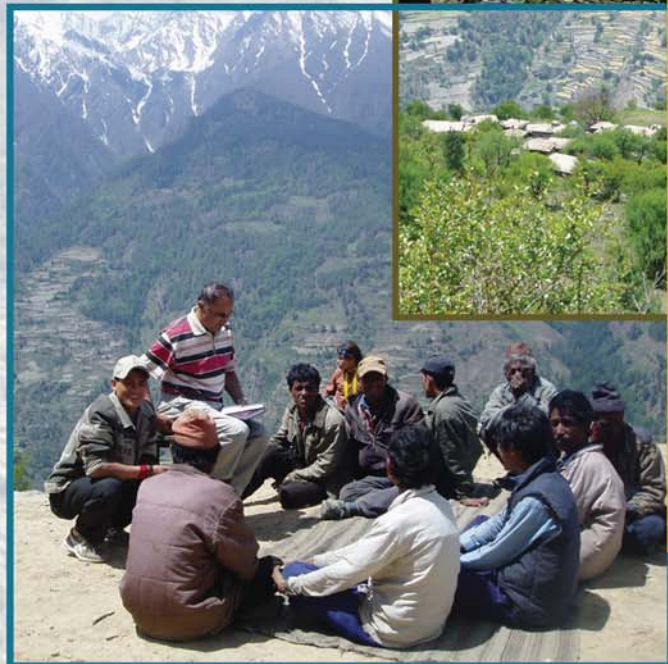


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# Appraisal of the Karnali Employment Programme as a Regional Social Protection Scheme





# **Appraisal of the Karnali Employment Programme as a regional social protection scheme**

**Kirit Vaidya**

in collaboration with

Punya Prasad Regmi

&

Bhesh Ghimire

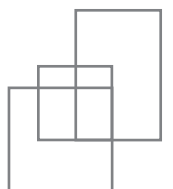
for

Ministry of Local Development, Government of Nepal

&

ILO Office in Nepal

November 2010



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First published 2010

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social protection / decent work / poverty alleviation / public works / economic and social development / Nepal

978-92-2-124017-4 (print)  
978-92-2-124018-1 (web pdf)

*ILO Cataloguing in Publication Data*

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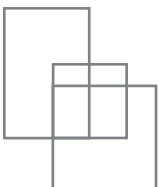
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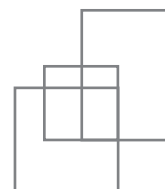
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Printed in Nepal

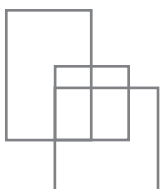


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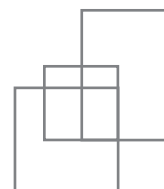
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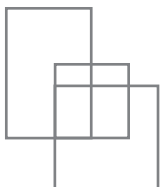
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# List of abbreviations

ADB	-	Asian Development Bank
CCT	-	Conditional Cash Transfer
CMC	-	Coordination and Monitoring Committee (Humla District)
DDC	-	District Development Committee
DFID	-	Department for International Development (UK)
DTO	-	District Technical Officer
EEC	-	Execution and Evaluation Committee (Humla District)
EGS	-	Employment Guarantee Scheme
FGD	-	Focus group discussion
GoN	-	Government of Nepal
GTZ	-	Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation Agency)
HCDA	-	Himalayan Conservation and Development Association
HDI	-	Human Development Index
ILO	-	International Labour Organisation
KEP	-	Karnali Employment Programme
KRDU	-	Karnali Region Development Unit
LDO	-	Local Development Officer
LFS	-	Labour Force Survey
MLD	-	Ministry of Local Development
MOF	-	Ministry of Finance
NDRI	-	Nepal Development Research Institute
NGO	-	Non-government Organisation
NLSS	-	National Living Standards Survey
NREGA	-	National Rural Employment Guarantee Scheme (India)
NTFP	-	Non-timber forestry products
PAF	-	Poverty Alleviation Fund
RAP	-	Rural Access Programme
RCIW	-	Rural Community Infrastructure Works
VAM	-	Vulnerability Analysis Mapping
VDC	-	Village Development Committee
WFP	-	World Food Programme
WUPAP	-	Western Uplands Poverty Alleviation Project



# Preface

Public works programmes combine the objectives of providing social protection through short term paid employment and improvement or preservation of infrastructure and other assets. They are being adopted in different forms by many countries to reach the poorest and most vulnerable who are able to offer their labour while more inclusive and pro-poor longer term growth strategies are taking shape.

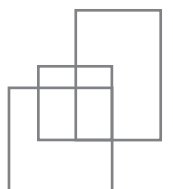
Government of Nepal has identified acceleration of pro-poor and broad-based economic growth as of critical importance for the nation. However, the longer term inclusive growth strategy will take some time to generate higher growth and reduce inequality and poverty. Therefore, in the short term, there is an urgent need for social protection of the poorest and most vulnerable groups. The Karnali Employment Programme is a public works based social protection scheme in one of the poorest parts of Nepal attempting to address the regional dimension of poverty and vulnerability.

Through the Employment Policy Department and the Employment Intensive Investment Programme, the ILO has been supporting governments in over 50 developing countries in increasing the levels of productive employment in infrastructure works and improving access to basic goods and services for the poor. In recent years, ILO's work has also encompassed public works programmes responding to crises and offering social protection on a larger scale.

This study is the outcome of a collaboration between the Ministry of Local Development which is responsible for the Karnali Employment Programme managed by the Karnali Regional Development Unit and the ILO. The study demonstrates the importance of combining institutional, financial and technical elements to ensure that social protection oriented programmes reach the intended beneficiaries and meet the twin objectives of social protection and asset creation.

At the national level, it is hoped that the lessons from the study will contribute to enhancing the continuing work of the Karnali Employment Programme and the design of a comprehensive public protection scheme for Nepal. At the international level, it is hoped that it will contribute to the growing body of knowledge and knowhow on public works based social protection.

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Director  
ILO Office in Nepal





# Acknowledgements

We are very grateful for all the help, support and guidance we received from Mr Kharel at KRDU, Ministry of Local Development, Mr Shengjie Li, Mrs Nita Neupane and colleagues at the ILO Office in Nepal, Mr Chris Dongges at the ILO Regional Office for Asia and the Pacific, Mr Siemon Hollema and colleagues at WFP and DDC, DTO and VDC officials in Jumla, Humla and Kalikot.

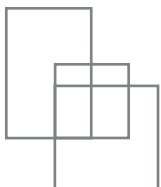
## Exchange rate

The exchange rate in early August 2009 was approximately NR (Nepali Rupee) 76 = \$1.00.

## Financial years

The Nepali Financial Year runs from 16<sup>th</sup> July to 15<sup>th</sup> July.

2063-64	2006-7
2064-65	2007-8
2065-66	2008-9
2066-67	2009-10



# Executive summary

## Introduction to the study

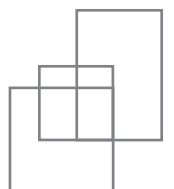
The Karnali Employment Programme (KEP) is a public works based social protection scheme established by the Government of Nepal (GoN) in 2006 in one of the poorest parts of Nepal. The aims of this study are to examine how the combination of institutional, financial and technical elements has influenced the performance of KEP in meeting its objectives. Implementing a programme of this scale and complexity over a short timescale in a region with severe access and communication problems has been a major challenge. The aim of the study is to draw lessons for future policies and implementation rather than be critical of current practice.

Programmes such as KEP are required to balance the objectives of: (a) social protection through provision of short-term employment; (b) creation or preservation of social and economic assets which contribute further benefits, and (c) cost-effective operation. Such schemes also have the potential of creating other benefits such as strengthening local communities and institutions through involvement in local participatory planning and local capacity building.

The study investigations consisted of four main components: (a) a sample household survey; (b) focus group discussions (FGDs) with KEP participants; (c) assessment of administrative and technical capacity and arrangements at the DDC (District Development Committee) and VDC (Village Development Committee) levels to manage KEP, and (d) rapid technical appraisals of a selection of projects completed under KEP. The appraisal encompassed the following dimensions:

- access for all who qualify and wish to participate and the qualifying criteria;
- effectiveness of targeting;
- efficient and effective payment arrangements;
- welfare impact and other benefits of participation;
- asset creation and preservation - effective participatory project planning and project implementation, and
- effective monitoring and auditing.

The findings of the study with respect to the social protection and the asset creation objectives are first summarised. This is followed by a summary of recommendations which have been expanded in section 6 of the report. Given the size and spread of the programme, the study could not encompass the whole programme but had to be based on sample districts, villages, households and projects which were chosen to represent different local and project characteristics. A limitation of the study is that it is based on small samples of households and KEP projects in a small number of VDCs in three districts and therefore the results cannot be generalised over the whole KEP. Nevertheless, the positive aspects and issues of concern the study highlights are relevant for future policy and operations on KEP and similar programmes in Nepal.



## The social protection objective

Over its first three years, KEP has established a platform of institutional infrastructure and processes from which further improvements can be made. The disbursements have been very high and the administration costs deducted by KRDU and the DDCs have been low (about 5 per cent). Therefore about 95 per cent of funds are disbursed for payment to participants and virtually all of these have been spent. However, low administration costs may have implications for effectiveness of implementation which may affect actual payments received by participants and the quality of projects. Survey evidence shows that the programme has come to be widely known as a project with open access to qualifying participants with the combined objectives of income support through public works and creation of assets.

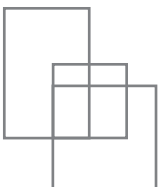
The aspects examined by the study are the openness of access to the programme, the arrangements for payment in return for work and the reliability of payment. At the DDC level, there is evidence of good administrative structures and processes to inform the VDCs and the Wards through the VDCs about the programme and procedures to be followed for participation. Further, public media used to publicise the programme and the structures and processes at the DDC and VDC levels reinforce inclusiveness. The survey evidence shows that 98 per cent of respondents have participated in the past and significantly a similar per cent stated that they would participate next year suggesting that the participants perceive that the benefits of participation outweigh the costs and problems. There is no evidence from the survey of discrimination against Dalits or ethnic minorities.

By far the most important use of income is purchasing more food (85 per cent of households) and non-food items for the household (56 per cent of households). The high incidence of expenditure on food is an indicator of the low living standards of beneficiaries though the relatively low and uncertain income from KEP may limit the scope for spending on other items.

The issues of concern are:

- definition of households and unemployed households which exclude some people wishing to participate;
- low participation by women, and
- actual payments received by households and variations in payment per household.

KEP formally limits participation to one member per unemployed household. Households in which at least one member has permanent or temporary employment in government or NGO or earns from a business are designated as employed. All other households are designated “unemployed” and eligible for KEP participation if they wish. Communal households in which adult children and their spouses live with their parents are common, probably about 30 per cent of all households. Limiting employment to one person per unemployed household is inequitable for the larger communal households. Further, one person with a low paid government job in a communal household would exclude all other members from KEP participation. In informal ways, these problems has been circumvented either by households separating at least for the purpose of registration for KEP or the local community deciding that more than one person from some households or members of “employed” households could participate and share the benefit. In many cases, such informal arrangements work though formal clarification would be helpful



especially if public works as an approach to social protection is to be used on a larger scale in other parts of Nepal.

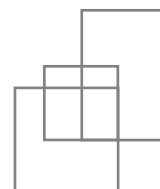
Participation by women is low, about 23 per cent with substantial variations between districts (14 per cent and 20 per cent in Kalikot and Humla respectively). With the one person per household restriction, this may be a matter of choice within the family. Further investigations are needed to determine the nature of any barriers against women's participation and measures are needed for the removal of any such barriers. Comparison with the age composition in the population shows that participation in KEP is not particularly pro-young. Focus group discussions suggest that KEP employment is not particularly attractive for the young because of the short duration of employment being offered.

Payment arrangements and the amount of pay received are matters of concern. Only about 26 per cent of respondents indicated that they were paid on time, though over 40 per cent of delays were less than a month. A matter of greater concern is that 56 per cent of payments are not according to the initial agreement. Apart from any leakages, there appears to be lack of clarity in the relationship between the number of days of work and the amount of pay. The problem is reflected in the gap between the payments households stated they had received during 2007-8 compared with the payment per unemployed household possible from the allocation received by the district.

Some of the above differences may be explained by non-eligible (i.e. "employed") households participating in KEP and splitting of communal households to participate in KEP, but it seems that procedures for disbursement to VDCs and payment to participants need to be tightened with greater transparency on the relationship between the actual labour input and pay. The labour input may be specified in terms of the number of days or completion of specific tasks. The latter is preferable for better performance on asset creation but requires much better technical supervision and administration.

There are also large variations in the effective wage rate paid and total payments to households between VDCs explained by different procedures for allocation of funds followed by districts. In Jumla, the funds were equally distributed between VDCs in the first year of KEP. In subsequent years, the first tranche, about one-third of funds, was allocated equally to all VDCs. The second tranche was dependent on each VDC's performance with respect to reporting on how funds from the first tranche were spent and presenting proposals for further expenditure. The outcome was a highly inequitable distribution per household between VDCs. The approach in Humla was to distribute funds according to the number of unemployed households per VDC to enable equity in the payment per household between VDCs.

In Jumla, there was an attempt to relate payment to performance, a reasonable motive but the outcome was that the benefit received by households was dependent on the administrative performance of VDCs rather than the actual labour input or the willingness to contribute labour input by the households. If social protection is one of the main objectives of KEP and there is no basis for discriminating between eligible households, there should be broad equity in payment per household. Achieving such broad equity requires that there is sufficient productive work of the given number of days for all those who are eligible to participate. Enabling this is an aspect of the asset creation or maintenance function which is considered below.



## Creation and maintenance of assets of value for the community

This objective of the programme is considered to be secondary to the provision of paid employment as a social safety net. This is understandable since the focus in the early years has been on income support for participants. Nevertheless, participants had a clear expectation that payment was in return for work. Monitoring and evaluation procedures are in place to check that work conditions have been fulfilled for full payment and there are examples where payments were withheld because work had not been completed.

However, programme achievement on this objective is weak as indicated by low quality of assets created or high cost in relation to the output and quality of assets created in three out of the six projects which were technically appraised and very limited work on one out of the six projects. The main reasons were:

- inadequate technical input in planning, design and implementation;
- lack of independent checking and verification of estimates, completed works and works in progress by technically qualified persons;
- lack of technically competent supervision;
- inadequate arrangements for relating payment to performance, and
- lack of non-labour inputs.

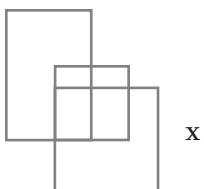
Preparation of KEP project proposals by VDCs requires technical inputs to estimate project work requirements and inputs. The timing of preparation and submission of project proposals each year after the DDC initiates the KEP planning cycle means that projects have to be prepared in a hurry with limited capacity and there is very limited time for the projects and estimates to be checked.

On two of the projects appraised, the performance was good largely because they benefited from collaboration with partners who provided technical inputs and additional funds and met non-labour costs. The underlying problems with respect to this objective are that: (a) the present management structure and processes are oriented towards disbursement of funds rather than enabling technically sound formation and implementation of projects, and (b) technical capacity to support projects is weak. Improving performance will require development of technical capacity and ensuring that different types of projects are implemented at different levels and with appropriate technical inputs.

## Recommendations

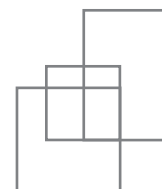
These recommendations are based on the premise that KEP will continue to operate as a public works based social protection programme which will offer a given number of days of employment per target household within the budget allocation which is announced annually. The recommendations have been summarised here with brief notes of explanation (see Section 6 and especially Table 6.1 for further details).

1. Make access equitable for all those who wish to participate (i.e. same number of maximum days for all eligible households who wish to take them up and the same effective wage rate for all participants in the district).



2. Once the annual budget and the number of days of employment per household are known, publish the “entitlement” to the days of employment and the wage rate, the latter to be set at the district level to reflect local labour market conditions. The number of days of “entitlement” and the wage rate to be posted in a public place in every VDC and Ward. It should be made clear that the “entitlement” is conditional upon the completion of the specified work. Making the entitlement equitable and public will increase transparency and reduce irregularities.
3. The asset creation or maintenance function needs to be improved to make the work condition for payment genuine. Developing technical capacity at the VDC and DDC levels is essential to realise this improvement.
4. Improving the asset creation function is a major undertaking which will take time and will have to be undertaken in stages. It should start with pilot projects which will involve developing and testing good practice models for project implementation, training programmes to develop capacity at the DDC, VDC and community levels, developing norms and standards and making funds available for non-labour inputs. The resource commitments are likely to be substantial.
5. Decouple project preparation from the annual KEP cycle and have an inventory of pre-prepared and technically approved projects available for implementation when the funds become available. Apart from easing the bottleneck on technical capacity, there is a greater chance that projects selected and prepared independently of the need to propose them for KEP at short notice will be more focused on the value of the projects to the community.
6. Interpret household to mean nuclear household, i.e. a household with parent(s) and children who are not adults.
7. Eliminate the “unemployed” household criterion of eligibility. Taken together, 5 and 6 will remove the ambiguities and possible resentments that are currently present because of the exclusion of these households. In many cases the issue is resolved amicably at the local level. If the programme is to be extended to other parts of Nepal, removing ambiguity with respect to eligibility is important.
8. Following current practice, keep the wage rate below the market wage rate. Participation in KEP is very high. The most likely explanations for the high participation are lack of other cash earning opportunities and the tradition in many communities of communal participation in projects.
9. The combination of the wage rate and the number of days of employment provided by KEP determine the level of social protection. In setting the wage rate and the number of days of KEP employment, a balance has to be struck between targeting the poorest, an acceptable level of social protection and the cost and feasibility of implementing the programme.

The aim of above recommendations is to make suggestions which would enhance the effectiveness of KEP as a social protection scheme which creates or preserves local assets. KEP could then also offer a good model for extending the programme to adjoining poor districts and elsewhere in Nepal with the prospect of developing an employment guarantee scheme.







# 1. Introduction

## 1.1 The context and study objectives

The Karnali Employment Programme<sup>1</sup> (henceforth KEP in this report) is a public works based social protection scheme in one of the poorest parts of Nepal. It was initiated in 2006/7 and is now in its fourth year. The scheme is financed by the Government of Nepal (GoN) and managed by the Karnali Region Development Unit (KRDU) in the Ministry of Local Development (MLD). The broad aims of this appraisal of KEP conducted on behalf of MLD and ILO are to derive lessons to: (a) improve the operation of KEP as a public works based regional social protection scheme, and (b) contribute to the design of a more comprehensive employment based social protection scheme for Nepal in the context of a wider social protection strategy. This report is focused on the study of KEP and possible lessons for improving it with further work on designing a comprehensive scheme for Nepal to follow.

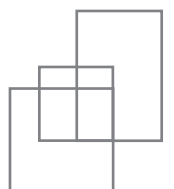
This section starts with a brief introduction to the context of KEP and the urgent need for social protection for the poor and vulnerable in Nepal based on a number of recent appraisals including DFID Nepal (2007), ILO Office in Nepal (2008), National Planning Commission (2007), Samson et al (2008) and World Bank (2006). This is followed by a brief introduction to the Karnali Zone and KEP, an outline of the aspects investigated in the study and the plan of the rest of the report.

Following the end of the civil war and the signing of the Comprehensive Peace Agreement in November 2006, Nepal has been going through a period of political transformation and the peace process with its associated uncertainties and unrest. Alongside these changes, GoN has been addressing the challenges of increasing economic growth and dealing with social and economic inequalities. A decade of political turmoil between the mid-1990s and the mid-2000s had slowed economic growth and hampered pro-poor development initiatives. Nevertheless, Nepal's poverty rate fell from 42 per cent in 1995 to 31 per cent in 2003 (World Bank, 2006). The main drivers of this improvement were remittances by Nepalis working abroad, urbanisation, a falling dependency ratio and improved rural infrastructure and entrepreneurial activity.

There were an estimated 1 million workers abroad in 2004 and their remittances were about 12 per cent of GDP, contributing to an estimated increase in real per capita expenditure of 42 per cent. Agricultural wages increased by about 25 per cent in real terms over the period due to tighter labour market conditions and improvement in access through investment in rural roads. The ratio of the population in urban areas, where poverty was lower to start with, rose from 7 to 15 per cent.

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1. Formerly known as the “*Ek ghar, ek rojgaar*” or “*one household, one job*” scheme for the five districts in Karnali Zone (Dolpa, Humla, Jumla, Kalikot and Mugu).



The larger decline in urban poverty reflects higher education levels, higher economic returns to skills, and wider opportunities for gainful employment. However, the significant improvements outlined above were accompanied by worsening income inequality between 1995-6 and 2003-4 with the Gini coefficient<sup>2</sup> rising from .34 to .41 making Nepal the Asian country with the highest level of income inequality. Further, according to UNDP (2008), the Human Development Index (HDI) in Nepal was 0.53 in 2006, the lowest in South Asia placing Nepal in 145<sup>th</sup> position out of 179 countries ranked by HDI.

Social and spatial disparities based on caste, ethnicity and gender continue to be the dominant features of the Nepalese socio-economic landscape. Among socially excluded groups such as women, landless agricultural labourers, indigenous groups (Janajatis), Dalits, child labourers, bonded labourers and construction workers, poverty incidence is almost double the national average. Further, inequality and human development have distinctive urban-rural, regional and means of livelihood dimensions (World Bank, 2006). Urban poverty incidence in 2003-4 was 9.6 per cent against 34.6 per cent for rural. The regional disparities are of particular relevance for Karnali Zone which is in the mountainous part of the Mid-western Development Region. World Bank (2006) does not provide data for the Karnali Zone but data on Mid-western hills and mountains show that after making allowances for primary sampling units (PSUs) which could not be reached because of remoteness and insurgency, poverty incidence in the Region was 50 per cent, about 60 per cent above the national average.

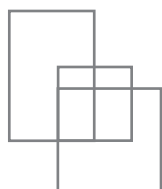
Poverty incidence is also related to the means of livelihood. Households headed by agricultural wage labourers remain the poorest in Nepal (55 per cent poverty incidence) though proportion of agricultural wage labourers fell from 12 per cent in 1995-6 to 6 per cent in 2003-4. People who are self-employed in agriculture (63 per cent of the population in 2003-4) also tend to have a higher than average poverty incidence. Most people in Karnali Zone are self-employed in agriculture. Their poverty incidence is likely to be much higher than the national average for self-employed farmers because of limited cultivable land, remoteness, poor access and very few markets in the region.

GoN's Three-Year Interim Plan (p21 in National Planning Commission, 2007) identifies the acceleration of pro-poor and broad-based economic growth as a critical strategy for achieving national policy objectives. The Joint Government-Donor Growth Task Team identified investments in labour market reforms, social protection, information and communications technology, migration, tourism and broader economic reforms as important aspects of an inclusive development strategy.<sup>3</sup> Such inclusive development is important for addressing the inequalities, an important objective in itself. It is also of broader importance since lack of opportunities for disadvantaged

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2. *The Gini coefficient is one of the most widely used measures of income inequality. It can be best explained with the help of a Lorentz curve which shows the cumulative percentage of income on the vertical axis and the proportion of households on the horizontal axis. The Gini coefficient is the ratio of the area between the 450 line and the Lorentz curve and the area between the 450 line and the vertical and horizontal axes. A Gini coefficient of 0 means that the Lorentz curve is the 450 line implying complete equality (e.g. 40 per cent of households with lowest incomes have 40 per cent of total income). A Gini coefficient of 1 would mean complete inequality (i.e. one household has all the income with the remaining households' income being zero).*

3. *Joint Meeting of Donor-Government Growth Task Team, DFID Nepal, Kathmandu. 11 February 2008.*



groups intensifies social grievances, increases potential for conflict and further undermines prospects for economic inclusion (World Bank, 2006).

According to National Living Standards Survey (NLSS) 2003-04 (Central Bureau of Statistics, 2004), open unemployment rates were low, 3.1 and 2.7 for males and females respectively. However, underemployment is high. About 24 per cent of those employed work for 19 hours or less per week. The high underemployment rates indicates lack of capacity of the local economy to provide productive employment opportunities for the growing labour force (ILO Office in Nepal, 2008). In particular, underemployment among the unskilled labour force, which has no or little formal education, is high. The 7 million youths aged between 15 and 29 constitute a large proportion of this group.

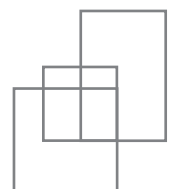
Women are at a particular disadvantage in obtaining decent and productive employment. According to the 2001 census, women comprise 44 per cent of the economically active population. However, only 8 per cent of the women in the labour force receive equal remuneration for their work, 63.4 per cent are unpaid and the remaining women are self-employed. Women are concentrated in the agriculture sector, which is largely informal, where they account for 62 per cent of the working population.

The longer term objective of the inclusive growth strategy will take some time to generate higher growth and reduce inequality and poverty. Therefore, in the short term there is an urgent need for social protection of the poorest and most vulnerable groups. Recognising this need, the GoN has shown a strong interest in developing a social protection strategy for the most disadvantaged. KEP is a social protection initiative to address the regional dimension of poverty and vulnerability through public works<sup>4</sup>. A number of recent and current projects have labour intensive public works components which contribute to social protection through temporary employment. Examples include the Rural Community Infrastructure Works (RCIW) Programme, Rural Access Programme (RAP), the local infrastructure component under the Poverty Alleviation Fund (PAF) and other projects financially and technically supported by a number of agencies including ADB, DFID, GTZ, ILO, World Bank, WFP and domestic and international NGOs.

## 1.2 Introduction to the Karnali Zone, KEP and study aims

The previous section has highlighted the need for social protection, especially for the most disadvantaged and vulnerable groups and regions as a part of the inclusive growth strategy. This section provides a brief introduction to the Karnali Zone and to KEP as a public works based social protection scheme for the zone. Karnali Zone<sup>5</sup> is the largest of the fourteen zones in Nepal with an area of 21,351 square km, which is approximately 14.5 per cent of the total area of the country. Its population at the time of the 2001 Census was only 309,084, about 1.4 per cent of the total population of Nepal.

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4. *In the 2008-9 financial year, GoN made a commitment of NR 1.75 billion to provide 10 million person days of paid employment (100 days of work for 100,000 persons) in rural infrastructure works in all 75 districts (Finance Minister's Budget Speech to Parliament for the Fiscal Year 2008-2009 on 19th September 2008 and interview with Mr. Krishna Baskota, Secretary (Revenues), Ministry of Finance.)*
  5. *Nepal is divided into 14 administrative zones, which are divided into 75 districts. The 14 administrative zones are grouped into five development regions. Karnali Zone is in Mid-western development region. The five districts in Karnali Zone are Dolpa, Humla, Jumla, Kalikot and Mugu.*



Karnali is one of the least developed zones in the country, mainly because of its topography, climate, and poor physical infrastructure. Other local income earning opportunities are limited and therefore most people depend for their livelihoods on agriculture and remittances from members of households who go out of the zone in search of employment. Because of the high altitude and cold climate, only one harvest per year is possible except in well irrigated river basins.

Another problem is access. Out of the five districts in the zone, only two (Kalikot and Jumla) have road access to the rest of the country though the road is poor and open for only part of the year. All five district centres have small airports but services to them are very unreliable and the air strips are frequently unusable because of the unstable mountain climate. In the ranking of the 75 districts in Nepal according to the Human Development Index<sup>6</sup>, the Karnali Zone districts are ranked 67<sup>th</sup> (Dolpa), 68<sup>th</sup> (Humla), 70<sup>th</sup> (Jumla), 73<sup>rd</sup> (Kalikot) and 75<sup>th</sup> (Mugu). The rankings are broadly reflected in the Central Bureau of Statistics (2003) rankings of districts based on 28 socio-economic indicators representing health, education, agriculture, employment, demography and access to basic facilities<sup>7</sup>. Box 1.1 sketches the socio-economic of the two broad types of districts in the Zone.

### Box 1.1 Thumbnail sketches of two districts in Karnali Zone

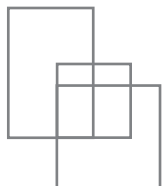
The five districts in Karnali Zone could be broadly put into two categories - two districts (Jumla and Kalikot) with higher population densities and no border with Tibet and three districts bordering Tibet with more mountainous terrain and lower population densities (Dolpa, Humla and Mugu).

Jumla is the fourth largest district in Karnali Zone with an area of 2,531 square km. In 2001 the district had an estimated population of 89,427 persons and a population density of 35 persons per square km. The estimated growth in population between 2001 and 2008 was 14 per cent. Jumla is ranked 70<sup>th</sup> in the HDI ranking of the 75 districts in Nepal. Agriculture and livestock are the principal means of livelihood. About 86 per cent of households in the district have been designated "unemployed". Agriculturally, the most productive part of the district is the valley of the Tila River with its well developed irrigation systems. Red rice produced in the valley is well known all over Nepal. Generally, because of traditional farming methods and adverse weather conditions, agricultural productivity is low. There is potential for expansion of harvesting of medicinal plants and horticulture, especially growing apples. A severe constraint is transport. The district is connected with the rest of Nepal via the Karnali Highway which is usable in the dry season only and an airport which is open when weather conditions permit.

Humla is the second largest district in Nepal situated in the north-west corner of the country with an area of 5,655 square km. The population in 2001 was estimated to be 40,595 with a density of 7 persons per square km. Growth in population between 2001 and 2008 was estimated to be the same as in Jumla. In the HDI ranking of the 75 districts in Nepal, Humla ranks 68<sup>th</sup>. Agricultural production is constrained by the limited availability of cultivable land and adverse weather conditions leading to the district suffering from perennial food deficits. There is potential for harvesting non-timber forestry products (NTFPs), especially medicinal plants. The district has no motorable access with any other part of the country. There is an airstrip at the district centre though it is often closed by weather conditions.

6 *Nepal Human Development Report 2004.*

7 *On the composite index of socio-economic indicators, the rankings of the five districts are Jumla 68th, Kalikot 69th, Dolpa 70th, Humla 74th and Mugu 75th.*



KEP was initiated as the Karnali Zone “Ek ghar, ek rojgaar” scheme in the 2006-7 financial year. The objective of the programme was initially stated to be to provide 100 days of guaranteed wage employment in a fiscal year to at least one family member of every household who wishes to do unskilled manual work. The allocated budget has been sufficient to provide a much lower number of days of employment (see Table 1.1 below). The aim of KEP is to reach very poor households badly in need of cash. A household in which at least one household member has permanent or temporary employment in government or NGO or earns from a business is designated as employed. All other households are designated “unemployed” (KRDU, 2007) and therefore eligible for participation in KEP. Targeting based on this definition of “unemployed” households has raised some issues which are discussed later.

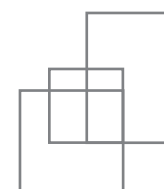
<b>Table 1.1</b>		Approximate KEP allocations, 2006-7 to 2009-10 and estimates of number of days of employment			
Year	2006-7	2007-8	2008-9	2009-10	
KEP funds <sup>(1)</sup> (NR)	180,000,000	200,000,000	220,000,000	225,000,000	
Allocation per unemployed household (NR)	2,925	3,250	3,575	3,656	
Total number of days of work @ NR 200 per day	877,500	975,000	1,072,500	1,096,875	
Total number of days of work @ NR 250 per day	702,000	780,000	858,000	877,500	
Number of days of work per unemployed household @ NR 200 per day	15	16	18	18	
Number of days of work per unemployed household @ NR 250 per day	12	13	14	15	

*Note (1): Administration cost of 2.5% is deducted from this amount before calculating the total number of days of employment and allocation per household. The deduction for administration cost has been increased to 3% in 2008-9.*

Table 1.1 shows the approximate allocations of funds to the KEP for the fiscal years 2006-7 to 2009-10. According to KRDU, there are an estimated 63,000 households in the five districts in Karnali Zone. Of these, about 60,000 (just over 95 per cent) are identified as unemployed households and eligible for participation in KEP. In 2006-7, the budget was NR 18 crore (NR 180 million or about \$2.25m at an exchange rate of NR 80 to the \$). By disbursing the funds directly to VDCs for spending on small projects, KEP has been very successful in using up the budget every year. The table shows that at a wage rate of NR 200 per day, which appears to be the wage rate that has been offered in most cases in the three districts in which the study was carried out<sup>8</sup>, the total number of days of work which could be generated is 877,500 person days and the number of days per person is 15<sup>9</sup>. The number of days of employment at the higher wage rate of NR 250 would clearly be lower.

<sup>8</sup> The wage rate in each district is fixed by a district wage fixing committee.

<sup>9</sup> KRDU and DDC administration costs have been deducted.





From 2007-8, the programme has been known as the Karnali Employment Programme, As Table 1.1 shows, there were increases of about 10 per cent in the KEP budget in 2007-8 and 2008-9 and a more modest increase for the current year (2009-10). Nevertheless, it is clear that the funds allocated are far less than would be required to generate 100 days of employment per unemployed household and therefore 100 days of employment should be seen as a long term aspiration rather than a realistic target for the near future. Even if funds are available for such an expansion, it may not be appropriate and manageable given the institutional and technical capacity in the districts. This question is considered in more detail in later sections.

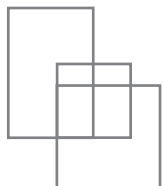
A further issue of note is that the calculations in Table 1.1 are based on the assumption that all the KEP budget after deducting administration expenses has been spent on labour in the first three years as required by KEP. This constraint ensures that the cash received by participating households is maximised but clearly has implications for the effectiveness of the asset creation and preservation objectives of KEP. It is understood that it is now possible for KEP to collaborate with other agencies and projects which could contribute technical support and non-labour inputs, though the non-labour input costs cannot exceed 25 per cent of the total cost of any KEP project. The approach to determining the levels of non-labour inputs required for KEP projects and modes of collaboration with other agencies which may contribute resources for non-labour inputs and provide technical support need attention. GoN policy is to devolve project implementation as far as possible to Village Development Committees<sup>10</sup> (VDCs). While some projects can be implemented at VDC and Ward levels with limited technical support others require more technical input and are more suited to implementation at higher administrative levels. These aspects are considered in later sections.

KEP is an ambitious programme given the context and therefore there are bound to be problems at the early stage which need attention. This has been acknowledged in the Ministry of Finance (MOF) social sector document which notes that some major challenges remain in the effective implementation of KEP. The problems identified are “lack of manpower at district technical office and absence of elected local bodies” and “lack of coordination, monitoring and supervision” leading to “difficulties in approving and implementing programs”, lack of support from the centre to implement local level projects, lack of information especially about feasible labour-intensive projects in remote areas and low budget allocation in comparison with potential projects (MOF, 2008).

The aims of this study are to examine how the combination of institutional, financial and technical elements has influenced the performance of KEP in reaching the intended beneficiaries and meeting the twin objectives of social protection and asset creation. Some of the issues to be examined, identified in this introduction are: (a) the institutional and technical capacity needed for implementation and any further expansion; (b) eligibility criteria for households to participate; (c) financing and management of non-labour inputs for asset creation and maintenance, and (d) the potential for collaboration with other agencies and NGOs. Since KEP intervention is through the labour market, an understanding of this market and the underlying socio-economic

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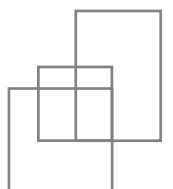
10 For local government functions, districts are divided into villages with Village Development Committees (VDCs) being responsible for administration and coordination of communication based projects. Villages are in turn sub-divided into Wards.



conditions is also needed to evaluate the impact and effectiveness of KEP. The focus of the study is on drawing lessons for future policies and implementation based on a small sample of projects in two districts, a sample survey of participating households in a small number of selected locations in three districts and discussions with district and VDC level officials in selected locations. A limitation of the study is that it is based on samples as indicated above. Therefore the results cannot be generalised to the whole of KEP.

### **1.3 Organisation of the rest of the report**

The first part of section 2 summarises lessons from international experience on public works based social protection followed by an outline of the study framework, methodology and plan for the study. Section 3 reports findings on the institutional and management aspects of KEP implementation. Section 4 sets out findings on the characteristics of beneficiaries and assessment of impact of KEP on them and section 5 reports on the appraisal of the technical aspects of project implementation based on an appraisal of a sample of projects in two districts. The study conclusions and recommendations are set out in section 6.



## 2. Lessons from international experience and study framework

### 2.1 Brief review of international experience<sup>11</sup>

Employment generating public works programmes are one form of safety net for the poor in low and middle income countries. The broad category they fall into are conditional cash transfers<sup>12</sup> (CCTs) since payment is typically in return for unskilled or semi-skilled work on public works projects. The term “safety net” came into use in this context during structural adjustment programmes at times of crises (World Bank, 2001). In this context, the terms “safety net” and “social protection” are sometimes used interchangeably though a distinction can be made between safety nets providing support of last resort while the term “social protection” encompasses safety nets as well as policies and measures to reduce the vulnerabilities of target groups and their dependence on the safety net. Both the terms are used for public works programmes in this report.

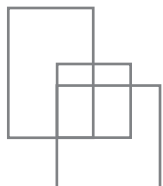
Public works programmes may either be set up to alleviate the acute effects of crises on the livelihoods of the poorest and most vulnerable or as longer term programmes in response to chronic levels of unemployment, underemployment and associated poverty (McCord, 2008). Programmes in response to crises often have to be set up in a hurry with very little preparation under difficult circumstances. Therefore, CCT as a safety net objective tends to dominate and participants are likely to engage in “make-work” activities to satisfy the work conditionality required to ensure effective targeting, typically with low quality asset creation or preservation outcomes.

Public works programmes to address chronic underemployment and poverty aim to provide social protection through sustained income transfers while creating or maintaining economically or socially valuable assets. They entail significant and sustained government expenditure commitments over some years to supplement the incomes of participants. The sustained income generation and asset creation would also be expected to have second-round effects. A sub-category of long-term public works programmes are employment guarantee schemes (EGSs) which offer guaranteed paid employment of a certain number of days in an year at a given wage rate to all those who wish to take advantage of it, though often there are further restrictions such as employment being limited to one person per household for budgetary reasons.

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11 This brief review draws on a number of references including Coady, Grosh and Hoddinott (2004), Mehrotra (2008), Ministry of Rural Development, India (2008), Ninno C, Subbarao K and Milazzo A (2009), Subbarao (2001) and Smith and Subbarao (2003).

12 We focus here on schemes in which payments are in cash. There are similar programmes in which payment may be in food or a combination of food and cash. CCT is one form of conditional transfer. Non-work conditions have also been used, e.g. cash payment in return for fulfilling the requirement that beneficiary households continue to send children to school.



It is clear from the introduction to KEP in the previous section that KEP is intended to be a geographically targeted public works based programme to provide income support. It is not an employment guarantee scheme because it does not guarantee a given number of days of employment and a given amount of pay but the intention is to include all qualifying households. The number of days of employment which could be provided is limited by the budget as noted in the previous section.

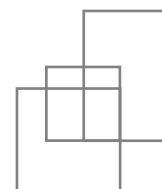
Ensuring satisfactory and balanced performance on the twin objectives of social protection and asset creation is challenging, especially since very often such programmes are implemented in contexts in which institutions and technical capacities are weak. Setting up and operating long-term public works programmes with or without employment guarantee is complex requiring a combination of adequate resources, appropriate management structures, effective planning and administrative processes and adequate technical inputs. If such programmes are not effective in creating or preserving assets, the cost of providing social protection could be high and alternative approaches to social protection may be preferable. Based on international experience, the rest of this section sets out the features needed for an effective employment guarantee scheme. It starts by setting out the national level policy aspects followed by the more specific policy objectives of an employment guarantee scheme and the necessary features of design and operations.

The review in this section helps to identify the framework for appraising the KEP. Reference is made to India's National Rural Employment Guarantee Act (NREGA) in this section because it is one of the best known employment guarantee based social protection programmes recently set up. NREGA was passed in mid-2005 and the programme was initiated by Government of India (GOI) in the first 200 districts in February 2006. A further 113 districts were added in the financial year 2007-8 and all the rest in 2008. While it is a national scheme, it is implemented at the state level with the establishment of National Rural Employment Guarantee Schemes (NREGS) in each state. The Indian programme will be referred to as NREGA in this report.

However, reference to NREGA as a comparator for KEP should be heavily qualified. NREGA follows a long history in India of a range of programmes providing employment through public works at the national and state levels including the Maharashtra Employment Guarantee Scheme at the state level. Appraisals of these programmes have revealed a number of weaknesses which include:

- ❑ their limited scope and scale in relation to the number of people requiring social protection and the level of protection provided to those who participated;
- ❑ high proportions of beneficiaries not from the poorest section of the population;
- ❑ low participation by women;
- ❑ planning dominated by government bureaucracies with little community participation;
- ❑ low quality of assets created, and
- ❑ numerous irregularities leading to a substantial proportion of expenditure not reaching the poor.

NREGA incorporates lessons and experience of decades of learning in its design and implementation but even NREGA is finding ensuring the quality of assets created a challenge because of shortage of technical personnel on the ground (Mehrotra, 2008).



Box 2.1 sets out the aspects which need attention in establishing and operating a public works based social protection scheme. Initiation of a public works based social protection scheme starts with a commitment at the national level to provide the safety net. Such programmes require significant commitments on the part of the government to sustain a significant level of expenditure and to put in place or facilitate the processes and human resources required for effective operation. Affordability is concerned with the financial resources while feasibility is concerned with the much more complex question of making the scheme work. Affordability will clearly affect the extent of the commitment. Since public works projects and employment guarantees are amenable to being limited to regions, this could be one of the ways in which the scale could be limited as is the case with KEP.

### **Box 2.1** Public works programmes as social protection

#### National policy and commitment:

- Scale and affordability
- Longer term commitment
- Devolved implementation and development of capacity

#### Objectives

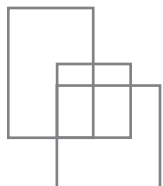
- Short-term welfare impacts – employment, poverty alleviation, consumption smoothing
- Complementary benefits and activities
- Asset creation and preservation – local community and larger
- Community “spirit” and capabilities

#### Design and operations features

- Effective targeting
- Universal reach and open access
- Efficient and effective payment arrangements – transparency and accountability
- Participatory project identification and planning – community and wider levels
- Effective project implementation
- Project and programme implementation – effective monitoring and auditing – transparency and accountability

The financial commitment could be a limited one, for example to provide a given amount of resources for the programme, or a more open ended one which guarantees a specified number of days of employment per household for all those who claim the entitlement. Clear communication to the implementers and beneficiaries of the commitment and how it is to be executed is essential to establish credibility. Further, while the resources are typically provided by or through central government, devolving implementation to local government and communities is important to ensure that the projects are responsive to local needs and conditions, and reflect local priorities and their implementation can be effectively monitored at the local level.

Through NREGA, GOI has made a commitment to the provision of a given level of social protection to all those who need it. NREGA defines employment as a right enshrined in an Act and



offers a guaranteed 100 days of employment each year to one unemployed worker from any rural household on the creation of community assets and paid at the minimum wage rate for the relevant state<sup>13</sup>. If employment is not provided to an applicant within a given number of days, a cash payment is made to the applicant which is effectively unemployment insurance.

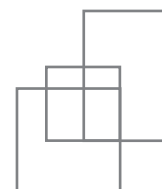
The commitment involves a continuing allocation of budgets for the scheme at GOI and state levels. Clear communication of the commitment and the mode of operation to the stakeholders are important especially since implementation is complex and involves a number of levels of government.

The benefits which well managed public works programmes can deliver are summarised below.

- ❑ They provide transfer benefits to the poor where transfer benefit is the wage rate, net of any costs of participation incurred by the worker. In countries or regions with high rates of unemployment and underemployment, transfer benefits supplement the incomes of the poor.
- ❑ They may also confer consumption-smoothing or stabilization benefits depending on the phasing of the work. If the work is scheduled during agriculturally slack seasons, it will not conflict with demand for labour in agriculture. Further, to the extent that agriculturally slack seasons are also lean seasons for poor households, for example for households of agricultural workers, income from programme employment would provide income smoothing.
- ❑ They are amenable to geographic targeting. Poor areas and communities can benefit directly from the program (i.e. the transfer and consumption smoothing benefits), and indirectly from the physical assets created and maintained, thus combining the social protection and improvement of long-term growth prospects in poor regions.
- ❑ They construct or maintain much-needed infrastructure of economic and social value. The infrastructure could be local and small scale and of direct relevance for the immediate community or larger projects offering wider benefits. Lessons from international evidence show that projects with an emphasis on employment generation and social protection find satisfactory implementation of infrastructure asset creation and preservation difficult.
- ❑ Infrastructure projects which respond to the local community's priorities and are amenable to construction by the local community with limited technical support and supervision work better. Examples include repairs of small irrigation canals and tracks and construction of community buildings. Larger projects such as construction of roads are very suitable for employment generating public works programmes but they require a significant proportion of non-labour and technical inputs and should be implemented at a higher administrative level than the local community.

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<sup>13</sup> *In practice, the average number of days of employment achieved by NREGA is about half of the target of 100 days with wide variations between states.*





- ❑ A spin-off from public works programmes with local participation in establishing priorities, selecting projects and implementation is the development of capacity of local government and local communities to manage their own affairs and implement projects.
- ❑ Programmes can be designed and implemented to encourage participation and empowerment of women and disadvantaged groups.

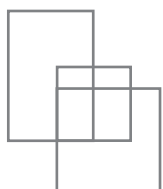
An important issue is the setting of the wage rate which has a number of advantages as a targeting mechanism. If the wage rate is set low enough to attract only the poor to participate, the targeting performance is improved and the administrative costs of targeting are reduced because participants select themselves to join the programme. Normally, the wage rate set to target the poorest will be below the market wage rate for unskilled labour. However if the market wage rate is very low, the welfare benefit of public works pay may be too low and therefore the wage rate may have to be set higher than the market wage rate and other methods of rationing may have to be applied if the demand for jobs on the programme exceeds the employment generating capacity of the programme for budgetary or other reasons. If methods of targeting other than the public works programme is targeted at the very low paid with a higher wage rate, raising the market wage rate may even be seen as beneficial.

To make the targeting effective, it is important to ensure that the intended beneficiaries are fully informed about the programme, the conditions for participation, work requirements and the procedures to be followed to participate. Additional efforts are usually needed to ensure that women and other disadvantaged groups have adequate access to the programme. Any barriers against the disadvantaged may have to be dealt with. For example, in order to encourage female participation, the appropriate form of wage payment is important. For example, women may benefit from piece rates or task-based payment or assigning specific types of tasks. Also, provision of childcare or pre-school services can improve participation by women. Removing barriers may require addressing cultural barriers and setting incentives for the implementers to meet targets on participation by disadvantaged groups and auditing procedures for checking if there are any obstacles to participation.

Efficient and effective payment arrangements are required for three main reasons. The first is that if the payment is not according to the agreed wage rate, the programme objective of supplementing the incomes of poor households is not fully met. The second is that to the extent that the full wage does not reach the participants because of leakages, the cost-effectiveness of targeting the poor through the programme is reduced. The effectiveness is further eroded by the undermining of confidence in the scheme by target groups and therefore unwillingness to participate.

The third is the impact of the disincentive effect of deficient payment arrangements on the asset creation or maintenance objective. To achieve acceptable levels of productivity and quality, the payment should be conditional on the amount of work done, either through piece rate or task rate. However, operating an incentive system requires adequate supervision. If actual payments are less than the agreed payments, productivity and quality will suffer. Delays and uncertainty associated with payment will also have negative effects.

While a lot of attention is paid to the design of projects, whether a programmes succeeds or fails depends on whether project implementation is effective. Because of the core twin objectives of



social protection and asset creation or maintenance, implementation has management and technical aspects which need to be coordinated in a number of areas. For example, ensuring effective and efficient payment arrangements referred to above requires that the arrangements for payment work well but also technical inputs and inspection are involved in setting the work conditions and ensuring that they are fulfilled.

The broad objective of implementation is to deliver the core benefits of the programme (poverty alleviation and asset creation) effectively while enhancing it by achieving other goals such as participation by disadvantaged groups. On the management side, meeting objectives requires systems and processes to ensure that the flow of funds is timely, correct procedures are being followed in selecting and implementing projects and waste and irregularities are reduced. Transparency and participation of stakeholders including the beneficiaries in decision making and monitoring and auditing are also important.

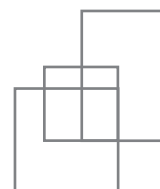
On the technical side, it is necessary to establish and apply norms and designs, provide the appropriate technical inputs into designing projects and estimating inputs and costs, providing technical guidance and supervision during implementation and ensuring that the work has been completed to a satisfactory standard.

An important aspect which has technical and management dimensions is the determination, procurement and deployment of non-labour inputs. For public works projects to produce or maintain assets effectively by labour-intensive methods, some complementary inputs (good quality tools, light equipment and materials) are usually required. The technical aspect is the determination of what tools, equipment and materials are compatible with labour-intensive or labour-based approaches. Devolvement of work to different levels of administration and down to the local community level is essential but implementation capacities are limited making both the management and technical aspects more complex. Implementation capacities in areas requiring such programmes are limited and therefore considerable effort may be needed to develop these capacities.

One aspect which has received some attention is the cost effectiveness of public works programmes where a cost comparison is made between public works programmes and between public works programmes and other safety net devices on the cost of delivering \$1 of benefit to the poor. The poor are defined as those with incomes in the bottom one or two deciles. According to one approach (Ravaillon, 1999), for public works programmes, the variables which affect this cost are:

- (a) labour intensity (the share of the wage bill in total cost);
- (b) targeting performance (the proportion of wages paid to the poor);
- (c) net wage gain (gross wages minus all costs of participation incurred by workers), and
- (d) indirect benefits flowing from the assets created.

The four variables identified above are useful indicators of the performance of public works programmes and can be combined to calculate cost effectiveness. The underlying assumption is that the prime objective is income generation for the poor and the non-labour expenditure on asset construction or maintenance is a cost that has to be incurred implying no or very little value. The implication is that the assets would not have been constructed in the absence of public works scheme funding though some value is ascribed to the assets to be offset against the expenditure.



The nature of assets created, their costs and the types of their benefits have a bearing on the cost effectiveness question. For this purpose, the types of projects implemented could be put in four categories: (a) small community based projects of value to the community which would not have been undertaken without public works programme funding; (b) small community based projects of value to the community which would have been undertaken by the community without public works programme funding but the community chose to undertake them under the programme; (c) projects which are a part of the infrastructure construction or maintenance programmes of line ministries but are being constructed more labour intensively to generate employment, and (d) projects which the districts have chosen to undertake as a part of their development plan.

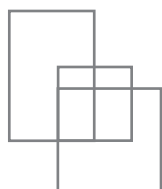
Clearly, (a) and (b) are local community based projects of direct value to the community though arguably, the value of type (a) projects is greater than type (b) as long as the projects have been through a proper appraisal process. Type (b) projects come close to being “make-work” projects which strictly speaking should not be permitted though it is likely that they may have very low non-labour costs and technical inputs. If type (c) projects would have been undertaken without programme involvement, arguably the non-labour costs should not be included in the cost effectiveness calculation. If projects costs are higher with labour intensive operation, there may be a case for compensation for the line ministry and this cost should be taken into account. However, in the Nepali context and especially in Karnali, costs of equipment operation are likely to be high. Therefore, for appropriately chosen public works, the costs of labour-intensive or labour-based options, if implemented effectively could be lower than equipment based costs. For type (d), the situation is very similar to that for type (c).

If cost effectiveness appraisals show that the cost of providing CCT through public works is high, other approaches such as unconditional cash transfers may be considered. However, a comparison of costs may well show that the administrative and implementation costs of other safety net devices may well be higher because of the difficulty of targeting the poorest and most vulnerable groups through cash transfers and other instruments and the low administrative costs and leakages of well designed public works because of self targeting.

## 2.2 Study framework

From the review of international evidence in the previous section, it is clear that KEP is a geographically targeted short-term public works based social protection scheme. KEP does not offer a rights based employment guarantee as NREGA does and attempts to initiate such a scheme in Nepal without adequate preparation and pilot testing would be overambitious at this early stage. It is also clear that programmes such as KEP are required to balance the objectives of: (a) social protection through short-term employment generation; (b) creation or preservation of social and economic assets which contribute further benefits, and (c) cost-effective operation. Such schemes also have the potential for creating other benefits such as strengthening local communities and institutions through involvement in local participatory planning and local capacity building. Achieving these objectives requires sound design, effective management and adequate technical support.

As a framework for the study, Table 2.1 sets out the features of an effective public works based social protection scheme, the approaches adopted to collect such information for KEP, evaluate KEP's effectiveness on each feature and the sections of the rest of the report where each feature



is examined. The study investigations consisted of four main components: (a) a sample household survey; (b) focus group discussions (FGDs) with KEP participants<sup>14</sup>; (c) assessment of institutional capacity and arrangements at the DDC and VDC levels to manage KEP, and (d) rapid technical appraisal of projects completed under KEP. The choice and design of these components was based on the features to be investigated. More information is provided about the study components in the next section.

The first feature in Table 2.1 refers to access to employment offered by the scheme. Whether an employment scheme is effective in reaching the beneficiaries depends on the effectiveness of communicating with the intended beneficiaries on the definition of the target groups and how to access the scheme. Ensuring that there are no barriers to participation by any qualifying individuals or groups (e.g. women and disadvantaged castes and ethnic groups) is also important. The intended beneficiaries are clearly an important source of information on access and therefore Feature 1 has been investigated by questions in the sample survey of households in selected VDCs in three districts complemented by FGDs in the VDCs. Information has also been collected from VDC and DDC officials on arrangements and resources for communication with the residents of VDCs and the public in general about KEP and if there are any indicators of effectiveness of communication.

Public works based social protection schemes can be designed with the wage rate being the sole targeting instrument. In practice, in setting the wage rate, its function as a targeting device is rarely the only consideration. Other aspects to be considered are the implications for programme costs, the welfare effects of programme participants' earnings and whether the wage rate offers adequate incentive to work productively.

If the target group is the poorest section of the population and the wage rate is set too high, it will attract participants who are not in the target group and the proportion of expenditure spent on social protection for the target group will be lower thus reducing the cost-effectiveness of reaching the poor<sup>15</sup>. Other methods of rationing, such as limiting the number of days of employment per household may also have to be used if there are budgetary constraints. Further, if the wage rate is too high, there may be damaging effects on other economic activities by drawing labour away from them<sup>16</sup>.

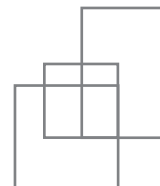
On the other hand, if the market wage rate is very low and therefore the public works wage rate is set too low, the benefits to participants may be very low and the assets created may be of low quality because of lack of incentive to work productively. In India, there is evidence that the Maharashtra Employment Guarantee Scheme and NREGA have contributed to increases in wage rates for agricultural workers, the lowest paid group. In Nepal, there is evidence (World Bank,

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14 *FGDs with non-participants were also proposed but not carried out because the numbers of non-participants were very small in the sample VDCs. The survey questionnaire includes some questions for reasons for non-participation and evidence on reasons for non-participation has been examined.*

15 *The situation is normally more complex because of budgetary constraints. It is also necessary to take account of circumstances specific to Karnali Zone and KEP.*

16 *Though this effect may not be serious if there is high unemployment or underemployment and the number of days of employment offered is small.*



2006) that international migration and remittances have contributed to higher agricultural wage rates. Clearly, there is a need to balance a number of considerations in setting the wage rate.

The household survey and focus group discussions with KEP participants and non-participants supplemented by other evidence on wage rates in Nepal addresses the wage rate issue<sup>17</sup>. The survey questionnaire includes some labour force survey (LFS) type questions on economic activities, wage rates and earnings. Comparison of this evidence with that on income from KEP participation provides a basis for assessing the appropriateness of KEP as a social protection mechanism.

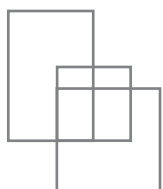
Since cash payment in return for work is the social protection being provided, the third feature in Table 2.2, assuring that payment is according to the agreement and on time, is clearly important. It is also important because if the payment is inadequate and irregular the asset creation or preservation objective suffers. Feature 3 in Table 2.2 is concerned with ensuring that KEP participants, whether working individually or in community groups, know the terms for participation including the number of days of work offered, the task to be performed and the amount and timing of payment. Participants should also receive compensation for the work done as agreed and on time. Questions concerning these aspects have been included in the household survey questionnaire and focus group discussions with KEP participants. Information has been collected at the VDC and DDC levels on how participants are informed of the terms of participation and how payment is managed.

The fourth feature in Table 2.2 is concerned with assessing one of the outcomes, the implications of additional income for participating households. Two effects examined are (a) the use of income from KEP on household welfare (i.e. types of use of income from KEP and its implications for the household), and (b) alternatives to KEP employment (e.g. temporary migration or pursuing other employment and income generation opportunities). Since youth unemployment is a serious problem, the extent to which the young participate in KEP has been examined through the household survey and focus groups.

Features 1 to 4 address the short-term social protection objective. Feature 5 is concerned with activities to develop skills and provide other support for improving livelihoods in the longer term. Participants may gain skills on the job or through training related to the work on the scheme. The scheme may also include complementary components providing vocational training and other support to enable participants to improve longer term employment and self-employment prospects. Given the relatively short duration of KEP employment and its focus on short-term income support through employment, the main complementary activities are likely to be development of skills while working on KEP. The household survey questionnaire and focus group discussions with KEP participants include questions on this aspect. Information has also been sought from VDC and DDC officials and representatives on provision of training and other support.

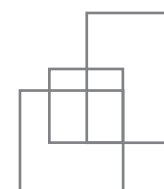
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17 Another issue is that public works employment based social protection is not suitable for households which do not have persons who are able to offer physical labour (disabled or older persons). Two alternative approaches are to: (a) accommodate the disabled and elderly within the scheme by arranging suitable work for them, and (b) set up or bolster parallel schemes of income transfers. Nepal already has small pensions for the elderly and disabled. These could be increased to provide better protection for these groups.



**Table 2.1** Studying the features of KEP as a public works based social protection scheme

Features	Conditions and details	Information sources and study approach
1. Access for all those who qualify and wish to participate.	Effective communication about the scheme and method of participation. Specific actions to remove communication barriers faced by any target groups.	Household survey. Focus groups of KEP participants. VDC officials / representatives. DDC officials / representatives.
2. Targeting to ensure that available resources are directed at the intended target groups.	Self targeting through the wage rate. Therefore importance of appropriate wage rate level. Measures to remove barriers against participation by any groups if necessary.	Household survey. Focus groups of KEP participants.
3. Efficient and effective payment arrangements.	Ensuring that pay reaches the participants (conditional on work) as agreed and on time.	Household survey. Focus groups of KEP participants. VDC officials / representatives. DDC officials / representatives.
4. Welfare impact of participation.	Assessment of impact of earnings from project employment on participating households.	Household survey. Focus groups of KEP participants.
5. Complementary benefits and activities.	Training related to work on the scheme and training and other support for improving livelihoods.	Household survey. Focus groups of KEP participants. VDC officials / representatives. DDC officials / representatives.
6. Asset creation and preservation - effective participatory project planning.	For local infrastructure, local participatory processes for developing a portfolio of projects (generating project proposals and assessing feasibility), prioritising and selection for implementation.	Household survey. Focus groups of KEP participants. VDC officials / representatives. DDC officials / representatives.
7. Asset creation and preservation - effective project implementation.	Technical assessment to (a) ensure that work can be done with the available supervision capacity, and (b) assess requirement for non-labour inputs, tools and equipment.  Provision of technical training and guidance and non-labour inputs if necessary. Planning and scheduling of works.	Household survey. Focus groups of KEP participants. VDC officials / representatives. DDC officials / representatives.
8. Effective monitoring and auditing.	Monitoring progress and performance at local and higher administrative levels. Auditing of processes, resource allocation and outcomes at local and higher administrative levels.	Household survey. Focus groups of KEP participants. VDC officials / representatives. DDC officials / representatives.





As an approach to social protection, public works based schemes are generally considered to be relatively high cost in comparison with other approaches such as cash transfers. More importantly, effectively implemented public works based schemes use an unemployed resource to create or preserve valuable assets. If the longer term economic and social benefits are significant, the net cost of public works based schemes may be low. On the other hand, if such programmes are not effective in creating or preserving assets, the cost of providing the benefit could be high<sup>18</sup>. Therefore, whether KEP is effective in creating or preserving valuable assets is another issue to be examined. Features 6 and 7 in Table 2.2 are concerned with this issue. The aim is to appraise the current situation and propose ways in which the situation can be improved.

Feature 6 in Table 2.2 is concerned with the selection of local projects of value to the community, notably the contribution of local participatory processes in formulating, prioritising and selecting projects for implementation. The household survey and focus groups with KEP participants have obtained information on community participation in developing local projects. Information from VDC and DDC officials and representatives and other informants at the district level have provided their perspective on the subject.

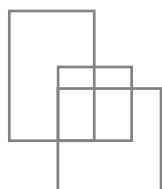
Effective implementation of projects (feature 7) is crucial to meet the objective of productive use of labour. It requires that projects are being implemented with the required level of technical input and to adequate standards. Local community level supervisors may require technical training and support to enable this and non-labour inputs may also be required. The household survey and focus groups with participants provided some general information on planning and implementation at the project level. Interviews with VDC and DDC officials and representatives provided information on policies and practice with respect to project implementation and technical support for projects. In addition, rapid technical appraisals of a selection of projects have been carried out to assess the adequacy of technical input and support in planning, design and supervision and whether the work carried out is of an adequate standard for the type of project. The aim has not been to apply stringent engineering criteria but to appraise projects on whether they have been adequately designed and constructed, are functional and have a reasonable life.

Feature 8 is concerned with effective monitoring and auditing of the scheme and projects under it to ensure that the objectives of a scheme are being met and any corrective steps are taken if necessary. Monitoring progress and performance at the VDC and DDC levels are aspects of the management of KEP within the district and important for achieving the objectives. The aim is to make KEP as transparent as possible. At the VDC level, community audits of processes, resource allocation and outcomes are considered to be important aspects of this transparency<sup>19</sup>.

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18 *Though targeting the poorest and most vulnerable groups for cash transfers requires reliable data at the household level and effective mechanisms for making payments and reducing leakages. Costs of cash transfer mechanisms may also be high as the discussion of international evidence in the previous section indicates.*

19 *Discussion with Mr Kharel, Chief, KRDU.*





<b>Table 2.2</b>		<b>Karnali districts: Population and location features</b>					
District	Population 2001	Area (km <sup>2</sup> )	Population density, 2001 (persons per km <sup>2</sup> )	% of all 5 district population	Assumed growth (%), 2001 - 2008	Population and location features	Rankings out of 75 districts by HDI and CBS socio-economic indicators
Dolpa*	29,545	7,889	3.7	9.6	12.3	Tibet border. Low population density.	HDI 67 <sup>th</sup> CBS 70 <sup>th</sup>
Humla	40,595	5,655	7.2	13.1	14.2	Tibet border. Low population density.	HDI 68 <sup>th</sup> CBS 74 <sup>th</sup>
Jumla*	89,427	2,531	35.3	28.9	14.2	Higher than average population density for Karnali.	HDI 70 <sup>th</sup> CBS 68 <sup>th</sup>
Kalikot*	105,580	1,741	60.6	34.2	12.8	Highest population density and population. South-west part of Karnali Zone.	HDI 73 <sup>rd</sup> CBS 69 <sup>th</sup>
Mugu*	43,937	3,535	12.4	14.2	14.0	Tibet border. Low population density.	HDI 75 <sup>th</sup> CBS 75 <sup>th</sup>
75 districts	23,151,423	147,181	157.3	-	-	-	-
Karnali districts	309,084	21,351	14.5	100.0	-	-	-
<b>Karnali % of national land area</b>			<b>14.5</b>				
<b>Karnali % of national population (2001)</b>			<b>1.3</b>				

**Sources:**

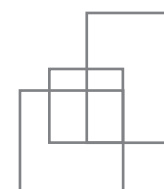
2001 Population Census and [www.statoids.com/ynp.html](http://www.statoids.com/ynp.html) except for “Assumed growth (%), 2001-2008”. Source for this column is VDCs Profile of Nepal database.

**Notes:**

- (1) See section 1.2 for sources of HDI and CBS composite socio-economic rankings.
- (2) The population in some Wards in these districts could not be counted and therefore had to be estimated.

The study has collected information on the perceptions of the local community on auditing and performance of KEP through the household survey and focus groups of KEP participants and non-participants. Interviews with VDC and DDC officials and representatives provided an outline of the monitoring and auditing approaches being used and their perceptions on how well they function. In studying all the features outlined above, account will be taken of the mode of operation of KEP which aims to be flexible to enable local community groups to initiate and implement small projects (costs below NR 150,000)<sup>20</sup> with considerable autonomy.

20 Discussion with Mr Kharel, Chief, KRDU.

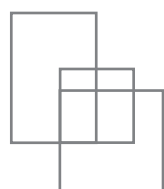


## 2.3 Study plan and selection of study districts and locations

The study framework in section 2.2 identifies the aspects investigated and the study components. Because of time, resource and logistic constraints, it was not possible to include all five districts in the study and in the districts included, there was clearly a need to select sample locations for the survey, focus group discussions and rapid technical appraisals. In order to define the scope of the study, a review of population and location characteristics of the five districts in Karnali Zone was carried out.

Table 2.3 shows a clear distinction in location and population features between Kalikot and Jumla (higher population densities and no border with Tibet) on the one hand and Dolpa, Humla and Mugu on the other (lower population densities, border with Tibet and in general more rugged terrain and poorer transport links with the rest of Nepal). Just over a third of the Karnali Zone population is in Kalikot, just under a third in Jumla and the remaining third distributed between Dolpa, Humla and Mugu. Therefore, to be broadly representative of population sizes and associated characteristics, the districts chosen for the study were Humla (representing the three less densely populated districts), Jumla and Kalikot. The household survey and FGDs were conducted in all three districts while the study of the management of KEP and rapid technical appraisal were limited to two districts, Jumla and Humla, representing a district with higher population density and a more mountainous and remote district with lower population density respectively.

District	VDCs and Wards	Districts	Location within district
Humla	Shreenagar (Wards 1 & 4)	50 survey households and FGD.	About 20 km to the south of district centre, Simikot.
	Kalika (Wards 1 & 3)	50 survey households and FGD.	About 20 km to the south of district centre, Simikot.
	Dandafaya (Ward 3)	Rapid technical appraisal only.	Adjacent to district centre, Simikot.
	Simikot (Ward 2)	Rapid technical appraisal only	VDC with district centre.
Jumla	Kartikswami (Wards 1 & 5)	50 survey households, FGD and rapid technical appraisal.	To the south of district centre, Chandannath.
	Patmara (Wards 3 & 9)	50 survey households, FGD and rapid technical appraisal.	To the north of district centre, Chandannath.
Kalikot	Bharta (Wards 8 & 9)	50 survey households and FGD.	To the south of district centre, Manma.
	Raku (Wards 2 & 4)	51 survey households and FGD.	To the north of district centre, Manma.



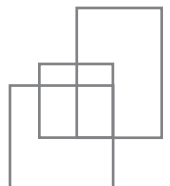
Within each of the three districts, to reflect differing access and socio-economic conditions, as far as possible, locations for the household survey, FGDs and rapid technical appraisal were chosen to represent VDCs and Wards close to the district centre and some distance away from them. Table 2.4 lists the VDCs in which the studies were conducted and indicates their locations within the district. The survey includes a sample of 100 households from each district giving a total sample size of 300<sup>21</sup>. In each VDC, a cluster of 50 randomly selected households from two or more Wards were included in the survey. FGDs were conducted in both VDCs in each district.

Table 2.4 shows the VDCs and Wards within them in which the components of the study were conducted. In all the districts, the household survey and FGD elements were carried out in the same VDCs to enable cross-checking of information and responses. The rapid technical appraisals in Jumla were conducted in the same VDCs as the other two components while in Humla, they were conducted in VDCs close to the district centre because of logistical constraints.

The study team consisted of the international consultant supported by the consultant responsible for the survey and FGDs and a team of enumerators and a civil engineer consultant who conducted the rapid technical appraisal and, in collaboration with the international consultant, collected institutional data at the district and VDC levels in Jumla and Humla. Table 2.5 shows the study programme. Following preparatory work on the study design and planning in February and March 2009, the study team came together in April 2009 to finalise the design of the survey instruments and methodology and initiated the studies in Jumla district. The rest of the fieldwork was completed in April – May 2009.

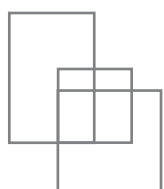
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21 *The actual number of households interviewed was 301 because the sample selected by one of the enumerators in Kalikot included an additional household. Data from the additional household have been included in the study.*



**Table 2.4** Table 2.4: KEP study timetable and activities

Time scale	Activities	Team participation
February – March 2009	Preparatory work for KEP study (design and planning of study and survey instruments).	International consultant
April 2009	Finalise design of households survey and FGD instruments, pilot testing instruments and training enumerators.  Household survey and FGDs in Jumla.  Information collection on institutional aspects at DDC level in Jumla  Test rapid technical appraisal methodology and conduct rapid technical appraisals in Jumla.	International consultant, survey and FGD consultant, civil engineer consultant and enumerators
April – May 2009	Household survey and FGDs in Kalikot and Humla.  Data collection on institutional aspects and rapid technical appraisal of projects in Humla.	Local survey consultant, enumerators and technical consultant
June 2009	Checking and coding of survey data.  Preparation of report on FGDs.  Preparation of reports on rapid technical appraisals.	Local survey consultant, WFP data entry team and technical consultant
July - August 2009	Analysis of KEP study data, review of related issues and report preparation	International consultant



## **3. Implementation of KEP: Institutional and management aspects**

### **3.1 Issues investigated and approach**

Whether KEP is effective in meeting its objectives depends crucially on the institutional arrangements for implementing it and the effectiveness with which it is managed. The focus in this section is on the institutional and management aspects at the district and VDC levels. The annual allocation of funds for KEP is announced in the annual MOF budget as noted in section 1. Based on this budget, KRDU allocates funds to districts broadly based on information on the estimated number of unemployed households provided to KRDU by the districts.

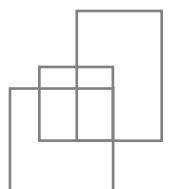
This appraisal is based on information collected at the DDC and selected VDCs in two of the districts, Jumla and Humla, and evidence from FGDs and surveys in all three districts. The information on KEP at the DDC level included: (a) KEP funding received by the districts; (b) types of projects undertaken with KEP funding; (c) the planning processes used in allocating funding to the VDCs; (d) arrangements for technical planning and implementation of sub-projects at the VDC level, and (e) monitoring of implementation. Reports on the international consultant's earlier missions (Vaidya, 2009a and 2009b) provide details and the survey questionnaire. In the next two sections, for each district, institutional and management aspects are covered under three subheadings, KEP management and communication, KEP funds and their allocation and technical support for KEP projects.

### **3.2 Jumla: Institutional and management aspects**

#### **3.2.1 KEP management and communication in Jumla**

A board has been set up to manage KEP in Jumla. In the absence of elected representatives at the DDC level, in the first two years of KEP operation (2006-7 and 2007-8), the board consisted of the Local Development Officer (LDO) as the chairperson and representatives of the six political parties active in the district. From 2008-9, board membership has been broadened to include a representative of a human rights organisation and a NGO. The board makes decisions on the timing and phasing of disbursements of funds to VDCs, setting the conditions and requirements VDCs must meet and the procedures to be followed by VDCs in preparing and submitting project proposals. There is also a DDC level monitoring team which visits each VDC to evaluate projects which have been implemented. If there are disputes about projects and their implementation, the monitoring team visits the VDC to mediate and settle disputes.

Although KEP projects are proposed and selected at the VDC level, the DDC has a strategy to direct KEP resources towards roads and tracks because other sources of funds for investment the transport infrastructure are limited. The modification of KEP rules to permit the programme



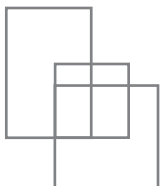
to collaborate with partners who could contribute funds for non-labour components (tools and equipment and materials) and provide technical support offers opportunities for improving the quality of projects.

The DDC Planning Unit is responsible for administration and providing support to the KEP Board. For technical aspects, DDC draws on DTO staff though the role of DTO in relation to KEP is limited (see section 3.3.3 below). The Planning Unit is led by the District Planning Officer supported by the chief of the Planning Unit, an administrator, an accountant and is supported by DTO technical staff. Under the DTO, there are 3 graduate engineers (who do not normally go on site), 2 sub-engineers (overseers) and 4 assistant sub-engineers (sub-overseers), the latter with technical qualification equivalent to 10<sup>th</sup> grade. According to the DTO, there is enough capacity to provide support for larger projects in the district but not the large number of smaller KEP projects.

The planning unit uses a series of forms for record keeping and reporting at the DDC and VDC levels. They include: (a) a form to list names of persons selected for employment by VDCs; (b) a form for users' committees to request KEP employment from VDCs; (c) a form to list projects proposed by users' committees; (d) a list of proposed projects submitted by VDCs to the DDC; (e) a form for recording the agreement between the users' committee and VDC; (f) daily attendance sheets; (g) a form for users' committees to provide information for public audits; (h) a progress report form to be completed by VDCs; (i) a form for making quantity and cost estimates for project works; (j) a project work progress report (running bill) form, and (k) a work completion report form. Therefore, formally a system for project planning, monitoring and making technical estimates exists. There is also evidence at the DDC level of good record keeping.

However, evidence from projects and related records inspected in selected VDCs indicates that the procedures and forms are not being used systematically at VDC and project levels. Project documents and calculations are primarily concerned with estimating quantities and costs and the labour input required. The latter is required to estimate project cost and to set tasks to be completed by participants. Records of attendance of participants were also kept for the projects observed and there is evidence of setting group tasks but whether attendance was for the full day or part of the day and whether the tasks have been completed is not always indicated. It is also not always clear whether estimates of quantities and costs were made prior to implementation. The role of DTO staff in efficient and effective management and technical aspects is very limited. When project estimates are submitted by VDCs, the task of DTO staff appears to be simply to check whether the calculations are correct.

DDC's communication about KEP and other matters with VDCs is through regular monthly meetings attended by all VDC secretaries. At the start of the KEP planning cycle, the DDC informs VDCs about the programme and the deadline for submitting project proposals. VDC officials are required to hold public meetings for generating KEP project proposals. The DDC also uses mass communication media such as FM radio and announcements through the printed press to inform the public about the programme. KRDU at MLD monitors the communications efforts of the districts and rewards the district which has been most successful. In 2007-8, Jumla's publicity efforts were ranked the highest and as a result Jumla was awarded NR 100,000 to be paid as a bonus to the staff involved. In the following year also Jumla is expected to be ranked first on effectiveness in communication.



According to DDC officials and discussions with officials in one VDC, there were no barriers against participation on the basis of caste, ethnicity or sex. However, there are concerns about the definition of households and especially what constitutes an employed household since strict application of KEP rules would not permit participation by members of employed households (i.e. a household in which at least one person has permanent or temporary employment in government or NGO or earnings from a business). An example was given of a household in which a number of adult brothers and their families live communally. If one person in the household has government employment, the income from employment may only benefit the person employed and his/her immediate family with the rest of the extended family seeing no benefit. Therefore excluding members of the wider communal household from participation in KEP seems unjust.

Further, limiting KEP participation to one person per household, irrespective of the size and composition of households also seems inequitable. Women have also raised concerns about their inability to benefit from KEP and gain some financial independence if a man from the household is participating. It appears that a pragmatic approach is being taken at present to attempt to deal with some of these issues. For example, in some VDCs, what counts as a household is being changed to take account of extended families. First priority is being given to at least one member of each unemployed household followed by a second member if resources are sufficient.

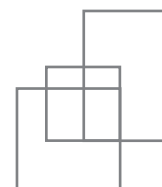
There has also been some communal sharing of payment from KEP between unemployed and employed households in some communities. Rather than taking this ad hoc approach which is likely to vary between districts and VDCs, a standardised and more equitable approach may be preferable.

### 3.2.2 KEP funds and their allocation in Jumla

Table 3.1 shows the KEP funds recorded as received by Jumla DDC in the three years, 2006-7 to 2008-9. In the first year of operation, KRDU asked for information on the population, number of households, their employment status and income. It is understood that the allocations to districts by KRDU continue to be based on the information provided initially. To make an estimate of the allocation per head in Table 3.1, an allowance of 1 per cent for administration cost for 2007-8 and 1.132 per cent for 2008-9 have been first deducted<sup>22</sup>. The remainder is divided by the total number of unemployed households for the year 2007-8. This number was 16,432 out of a total

<b>Table 3.1</b> KEP funds received by Jumla DDC, 2006-7 to 2008-9		2006-7	2007-8	2008-9
Year		2006-7	2007-8	2008-9
KEP funds (NR)		35,600,000	55,600,000	61,800,000
Allocation per unemployed household <sup>(1)</sup> (NR)		2167	3350	3711
No of days of work @ NR 200 per day		11	17	19

22 The administration cost is shared equally between the DDC and VDCs.





of 19,021 households (i.e. 86 per cent of all households in the district were designated as “unemployed”). The allocations show a large increase of 56 per cent between 2006-7 and 2007-8 and a smaller increase of 11 per cent in 2008-9. For 2007-8, comparison of the KEP funds received (less administration cost allowances) with the amount shown as disbursed shows that over 98 per cent of funds have been disbursed, a very high proportion for such projects.

For the fiscal year 2008-9<sup>23</sup>, the DDC received the first instalment of NR 30,000,000 at the beginning of January, i.e. about half way through the fiscal year<sup>24</sup>. However, because of the adverse access and weather conditions in Karnali Zone, districts in the zone have a special dispensation to be able to spend the funds from a fiscal year up to mid-November (end of Kartik) into the following fiscal year.

In 2006-7, the first year of KEP, the DDC divided the total KEP grant equally among all 30 VDCs irrespective of their size, remoteness, population or number of unemployed households. Each VDC receiving about NR 1,182,000. Since this was the first year of the programme and Nepal and Karnali Zone were just emerging from the disruptions caused by the civil war, there was probably no option. Two implications are the unpreparedness of the VDCs to implement projects and the unevenness of distribution of KEP funds per household between VDCs (see Table 3.2 and its discussion below). The issue of quality of work is considered later in this section and in section 5.

For 2007-8, the KEP Board in Jumla changed the allocation procedure in an attempt to improve the performance of KEP. The first instalment of NR 600,000 was made to all VDCs mid-June 2008 onwards. The conditions for receiving the first allocations was that the VDCs compile and submit a list of all unemployed households and submit a list of projects to be implemented under KEP. VDCs were required to hold public meetings to which all households were asked to send a member to discuss project proposals and agree the list of projects, usually Ward by Ward. Representatives of locally active political parties also participated in the meetings. The purpose of the meetings was for representatives of the public to propose projects, discuss them and come up with a list of projects for each VDC, usually by Ward. The first instalment (just under One-third of the KEP budget) was disbursed to VDCs when the list of proposed projects was received by the DDC and approved by the KEP Board.

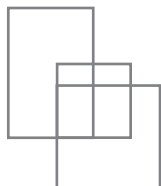
The payment of the second instalment, about four months later, depended on satisfactory reports on progress of work completed and submission of further claims and their acceptance by the Board. A monitoring committee (including members of political parties) was set up to inspect the submissions, visit each VDC and make recommendations on the acceptance or otherwise of the claims for the second instalments. According to the DDC, two VDCs, Kalikakhetu and Patmara<sup>25</sup>, did not meet the deadline for submission of satisfactory progress reports of work done under the first instalments. KEP funds for these two VDCs were therefore limited to the initial instalment of NR 600,000.

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23 *The Nepali Fiscal Year is 16th July to 15th July.*

24 *In previous years, funds were received later because of political uncertainties at the national level.*

25 *Patmara is one of the two districts in which a rapid technical appraisal was carried out as a part of the study. The specific issues related to the implementation of KEP in Patmara are discussed in Section 5.*



In 2008-9, the KEP Board decided to adopt the approach it developed for the allocation of funds in 2007-8. The process of collecting lists of unemployed households and project proposals from VDCs was initiated in April 2009 and the VDCs were given about three weeks to come up with the proposals. The first instalment to be paid subject to receipt of submissions from VDCs, has been increased to NR 1,000,000 for 2008-9 and the monitoring committee will include representatives of NGOs and journalists for greater transparency.

In 2006-7, the allocation between VDCs was equal without regard to demographic or other considerations. In the next two years, the first tranche was allocated equally between VDCs but the second tranche depended on VDCs' performance with respect to the expenditure of the first tranche and meeting reporting criteria. The approach is intended to provide an incentive to VDCs to make better use of KEP funds. However, since the allocation per VDC was not according to demographic criteria (e.g. size of population in unemployed households or number of unemployed households in the VDC), there are substantial variations between VDCs in the allocation per unemployed household as Table 3.2 shows. If the prime objective of KEP is social protection, there should be equity in provision to all qualifying households. The allocation procedure in Jumla does not achieve this<sup>26</sup>.

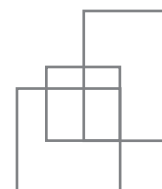
The funds are transferred to the bank accounts of the VDCs who then make their own arrangements for transferring them to users' groups. Typically, users' groups<sup>27</sup> are committees leading the implementation of specific projects at the Ward level though in Kartikswami VDC in which the rapid technical appraisal was carried out, there was a users' committee at the VDC level and users' groups at the Ward level. Users' groups are normally formed at the project proposal stage since they are representatives of the local community who discuss the options within the community and come up with the proposals.

When VDCs receive KEP funds, they make agreements with the relevant users' groups on implementation and payment arrangements. The precise arrangements vary but typically, users' group leaders inform the participating households of the daily wage rate, the total number of days of employment to be provided and therefore the total pay they will receive. The wage rate which has been applied to date in Jumla is NR 200 per day which appears to be close to the market wage rate. The payment to participants is usually made in two instalments, a first instalment after a given number of days of work and the second instalment upon completion of work though there have been instances of the full payment being made before the work has been completed on the understanding that the work would be completed at a later stage.

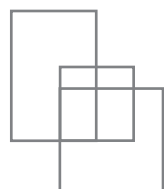
Apart from KEP funds, VDCs have block grants for administrative costs and development activities. Other sources of funds are line ministries, special programmes and NGOs. The VDC Committee, made up of the VDC secretary, representatives of six political parties and line ministry representatives at the VDC level are responsible for planning. The VDC secretary in Patmara indicated that there is a three year plan for the VDC.

26 As section 3.3 shows, Humla DDC has chosen to allocate funds to VDCs to achieve equity.

27 The practice of user' groups proposing and implementing local community based projects is well established in Nepal and commonly used by development agencies and NGOs.



<b>Table 3.2</b> KEP funds allocation by VDC in Jumla						
VDC no	VDC name	No of unemployed households	2006-7		2007-8	
			Allocation of KEP funds (equally distributed)	Per unemployed household	Actual KEP expenditure	Per unemployed household
1	Chandannath	899	1,186,666	1,320	3,100,000	3,448
2	Talium	724	1,186,666	1,639	1,800,000	2,486
3	Kalikakhetu	337	1,186,666	3,521	600,000	1,780
4	Mahat	332	1,186,666	3,574	1,500,000	4,518
5	Lamra	537	1,186,666	2,210	2,000,000	3,724
6	Badki	808	1,186,666	1,469	1,800,000	2,228
7	KartikSwami	299	1,186,666	3,969	2,500,000	8,361
8	Haku	417	1,186,666	2,846	2,300,000	5,516
9	Narakot	534	1,186,666	2,222	1,800,000	3,371
10	Depalgaun	399	1,186,666	2,974	1,300,000	3,258
11	Tatopani	949	1,186,666	1,250	2,000,000	2,107
12	Dhapa	720	1,186,666	1,648	2,400,000	3,333
13	Gajyang Kot	531	1,186,666	2,235	1,450,000	2,731
14	Kudari	856	1,186,666	1,386	2,500,000	2,921
15	Sanigaun	650	1,186,666	1,826	1,800,000	2,769
16	Patarasi	728	1,186,666	1,630	1,800,000	2,473
17	Tamti	711	1,186,666	1,669	3,176,000	4,467
18	Birat	400	1,186,666	2,967	2,400,000	6,000
19	Guthichaur	475	1,186,666	2,498	1,200,000	2,526
20	Ghode Mahadev	334	1,186,666	3,553	1,800,000	5,389
21	Pandawagufa	618	1,186,666	1,920	2,800,000	4,531
22	Patmara	545	1,186,666	2,177	600,000	1,101
23	Malikathat	498	1,186,666	2,383	1,500,000	3,012
24	Kanakasundari	506	1,186,666	2,345	900,000	1,779
25	Chhumchaur	429	1,186,666	2,766	1,800,000	4,196
26	Raralihi	465	1,186,666	2,552	2,300,000	4,946
27	Malika Bota	202	1,186,666	5,875	1,070,000	5,297
28	Dillichaur	846	1,186,666	1,403	1,200,000	1,418
29	Mahabe Patharkhola	465	1,186,666	2,552	1,800,000	3,871
30	Buvramadichaur	218	1,186,666	5,443	824,000	3,780
	<b>Total</b>	<b>16,432</b>	<b>35,600,000</b>	<b>2,167</b>	<b>54,020,000</b>	<b>3,287</b>
	<b>Maximum</b>			<b>5,875</b>		<b>8,361</b>
	<b>Minimum</b>			<b>1,250</b>		<b>1,101</b>



### **3.2.3 Technical support for KEP projects in Jumla**

The District Technical Office (DTO) is responsible for providing technical support to all infrastructure works under DDC including KEP projects and work done by VDCs from their block grants. The DTO also supports government line agencies in the district. DTO technical capacity is too limited to cope with all these demands. DTO's priority is to support district level and bigger projects where more technical input is required. In the first year of KEP operation, DTO helped with technical aspects of the projects where this was sought by the VDCs. DTO was also involved in checking whether the projects were properly implemented.

In the second year (2007-8), DTO role with respect to KEP has been more limited, partly because of the high workload of DTO staff and partly because of a central government directive giving VDCs the authority to plan and implement local projects. Since DTO has not been able to provide the desired level of technical support to KEP, all but four of the VDCs in Jumla have appointed their own technicians who are at the assistant sub-engineer or sub-overseer level. None of these technicians have training beyond the three year course at technical school. They estimate work quantities and costs on projects within the VDC and supervise and monitor projects. There are clearly issues with respect to the technical capabilities of personnel with this level of qualification to estimate works quantities and costs, plan and design projects and supervise their implementation without guidance and supervision. Another issue is lack of independent oversight since the overseers are paid by the VDCs. There is no evidence of any systematic training being provided to persons implementing projects at the VDC level.

## **3.3 Humla: Institutional and management aspects**

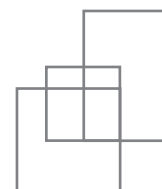
### **3.3.1 KEP management and communication in Humla**

A Coordination and Monitoring Committee (CMC) of 17 members chaired by the LDO has been set up at district level to manage the KEP. Members are representatives of nine political parties active in the district, representatives of some government line agencies<sup>28</sup> and the Monitoring Officer of the Local Development Fund who is the secretary. The District Budget Comptroller is not formally a member but is in attendance. CMC makes decisions on the timing and phasing of disbursements of funds to VDCs and setting the conditions and requirements VDCs must meet and the procedures to be followed by VDCs in preparing and submitting project proposals. The Monitoring Officer is responsible for overall administration and the Saving and Credit Officer is responsible for record keeping. Issues regarding the definition of households and unemployed households mentioned in section 5.2 above with respect to Jumla also arise in Humla and have been discussed later in this section.

The DDC Monitoring Unit (WUPAP) led by the District Monitoring Officer is responsible for the administration of KEP. The Officer is supported by an administrator, an accountant and DTO Social Mobilisers in the field. There is no involvement of DTO in this programme as there is no technical input in KEP projects (see below). As in Jumla, administrative records for KEP are well kept at the DDC level.

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28 *District Education Office, District Agriculture Office, District Veterinary Office, District Forest Office, District Women Development Office, and District Small Cottage and Handicraft Industries Office,*



Communication about KEP and other matters is through VDC secretaries who frequently visit the district headquarters. VDC officials are required to hold public meetings for generating KEP project proposals as in Jumla. The DDC also uses mass communication media such as FM radio and announcements through the printed press to publicise the programme.

According to DDC officials, VDC secretaries and representatives of NGOs, there were no barriers against participation on the basis of caste, ethnicity or sex. In Ward 3 in Dandafaya where technical appraisals of projects were carried out, the users' committee included a Dalit who actively encourages participation of the Dalit community in the programme. Exclusion of employed households and limiting employment to one per household were issues in Humla as well. The issue is resolved in informal ways by including employed households in users' groups and by communal households splitting to register as smaller households.

At the VDC level, the Execution and Evaluation Committee (EEC) chaired by the VDC Secretary manages KEP. Members of the EEC are representatives of locally active political parties, a representative of WUPAP<sup>29</sup>, a representative of NGOs and a teacher. EEC is responsible for preparing lists of unemployment households and submitting them to the DDC, collecting and evaluating project proposals, recommending approval of projects by the EEC, monitoring project activities, conducting public audits, recommending payment for completed works and preparing annual progress reports for submitting to the DDC. At the VDC level, the approach appears to be more formal and structured than in Jumla possibly because access is more difficult in Humla and therefore more autonomy is required at the VDC level.

As in Jumla, there are users' committees or groups at community level leading the implementation of projects at the Ward level. They are responsible for signing agreements; implementing projects, and reporting to the VDC EEC. The funds are transferred to the bank accounts of VDCs who then make their own arrangements for paying the users' groups. Users' groups are normally formed at the project proposal stage since they are the representatives of the local community who discuss the options within the community and come up with project proposals.

When VDCs receive KEP funds, they make agreements with the relevant users' groups under which the groups undertake to implement projects. The payments are made by VDCs to users' groups. The precise arrangements vary but typically, users' groups inform participating households of the daily wage rate, the total number of days of employment to be provided and therefore the total pay they will receive. The wage rate which appears to have been applied to date in Humla is NR 200 per day, though a higher wage rate is being proposed for 2009-10 because of the higher market wage rate and living costs.

As in Jumla (see section 3.2.1), the one member per "unemployed" household rule raises some issues though, as in Jumla, there is evidence of informal arrangements under which members of "employed" households and more than one members of some households are permitted to participate.

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29 Typically a social mobiliser working under WUPAP is the representative and secretary to the committee.

### 3.3.2 KEP funds and their allocation in Humla

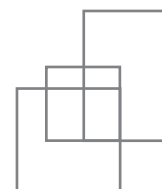
Table 3.3 shows the KEP funds recorded as having been received by Humla DDC in the three years, 2006-7 to 2008-9. As for Jumla, the allocations are based on information provided to KRDU on the population and number of households in the first year of operation. The estimate of allocation per head has been done in the same way as for Jumla in section 3.2. The total number of unemployed households for the year 2007-8 was 7,525 out of a total of 8,191 (i.e. 92 per cent of all households in the district were designated as “unemployed”). The total allocations show changes between the years but the number of days of employment per household the KEP allocation makes provision for at NR 200 per day is relatively stable at 16 to 18. At the higher wage rate of NR 250 per day which may be justified in Humla, the range is 13 to 14 days. Comparison of tables 3.1 and 3.3 shows that if the same wage rate is assumed for both the districts, the number of days of employment offered is about the same in 2006-7 and 2007-8. It appears that the allocation was too low in Jumla in the first year and hence the large increase in Jumla’s allocation in 2007-8.

<b>Table 3.3</b> KEP funds received by Humla DDC, 2006-7 to 2008-9			
Year	2006-7	2007-8	2008-9
KEP funds (NR)	25,574,000	24,600,000	27,010,000
Allocation per unemployed household <sup>(1)</sup> (NR)	3399	3236	3542
No of days of work @ NR 200 per day	17	16	18
No of days of work @ NR 250 per day	14	13	14

*Note (1): This calculation is based on the number of unemployed households for 2007-8. Administration cost of 1 per cent for 2007-8 and 1.32 per cent for 2008-9 is deducted from the districts allocation of KEP funds before calculating the allocation per head.*

For the fiscal year 2008-9, the DDC received notification that MOF had authorised the disbursement of KEP funds to the district on 14<sup>th</sup> December 2008 but formal authorisation of the allocation of KEP funds which would enable the DDC to start spending from the budget came at the end of February 2009, i.e. eight months into the financial year. The DDC received the entire allocation at the end of April 2009. The delivery of funds varies from year to year making it difficult to plan. For example, in 2007-8, the funds were received in three instalments between December 2007 and April 2008.

The criterion for allocating funds to VDCs in Humla is the number of unemployed households in a VDC. DDC level administration costs and a small budget for income generation and skills development is deducted from the KEP funds received from MLD and the remainder is divided by the total number of unemployed households. The allocation for each VDC is then the total number of unemployed households in the VDC multiplied by the calculated allocation per





household<sup>30</sup>. Table 3.4 shows the outcome of the allocation of KEP funds to VDCs based on the number of unemployed households. As would be expected, the allocations per household are uniform between the VDCs with the exception of three VDCs in Humla which failed to submit their proposals to the DDC in time. The uniform per household distribution in Humla contrasts sharply with the allocations in Jumla (Table 3.2). If the objective of KEP is social protection, the Humla approach is an equitable way of distributing the funds and arguably preferable to the approach adopted in Jumla. The comparison between the approaches adopted in Jumla and Humla and the outcomes are discussed in more detail in section 5.4 below.

For the fiscal year 2008-9, the DDC received the entire fund committed by the government on 30<sup>th</sup> April 2009. The DDC released 30% of the fund to all VDCs on 3<sup>rd</sup> May 2009. The KEP board has decided to use all funds allocated for infrastructure for this year in road construction.

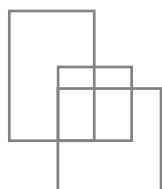
Funds are transferred from the DDC to VDCs in instalments. The first instalment (approximately 30 per cent) is released once VDC projects are approved at the DDC level following recommendation by the EEC to CMC. Subsequent instalments are released upon satisfactory progress and recommendation of the VDC Execution and Evaluation Committee. For the final payment each VDC has to produce three documents: (a) public audit report; (b) recommendation of the VDC Coordination and Monitoring Committee, and (c) attendance sheet listing project participants. The VDC also has to prepare an annual progress report on KEP projects and submit to the DDC at the end of each fiscal year. This report is required for the VDC to receive the first instalment for the next year.

Fund transfer from the VDC to the users' committee is done at the request of the users' committee supported by a recommendation of the VDC Coordination and Monitoring Committee. Users' groups are responsible for implementing the project and informing the participating households of the daily wage rate, the total number of days of employment to be provided and therefore the total pay they will receive. A variation on this model in which KEP funds were used as a community contribution to the cost of a drinking water supply system, was found in one of the VDCs in which the rapid technical appraisal was undertaken (see section 5).

At the VDC level, the process for gaining approval of proposed projects and obtaining KEP funds from the DDC follows a number of steps. The process starts from the household survey and compilation of lists of unemployed households. Members of unemployed households form a users' committee in each Ward, identify the project to be implemented and submit project details to the VDC. The VDC submits project details to the DDC in the prescribed format with the recommendation of the EEC. There is no requirement to undertake a technical inspection or prepare designs or estimates of inputs and costs for the approval of projects. Nor is there a need to make any technical evaluation of the works for the payment of instalments. The 17 member CMC approves projects and authorises payment if the request is accompanied by a public audit report, recommendation of the EEC and an attendance sheet. The funds are transferred to the bank accounts of the VDCs who then make their own arrangements for transferring them to users' committees which are typically responsible for implementing projects. Record keeping at the VDC level is variable depending on the capacity of the VDC secretary and staff.

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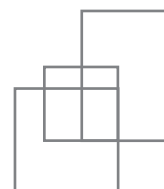
30 *Checking the DDC records on the number of household against records at two VDCs shows that the allocation at DDC level was based on dated information.*





**Table 3.4** KEP funds allocation by VDC in Humla

VDC no	VDC name	No of unemployed households	2006-7		2007-8	
			Allocation of KEP funds (equally distributed)	Per unemployed household	Actual KEP expenditure	Per unemployed household
1	Maila	678	2,368,324	3,493	2,292,396	3,381
2	Shreenagar	603	2,045,978	3,393	1,980,806	3,285
3	Kalika	473	1,605,888	3,395	1,564,546	3,308
4	Rodikot	402	1,363,985	3,393	1,287,204	3,202
5	Thehe	386	1,309,694	3,393	1,235,972	3,202
6	Simikot	363	1,230,255	3,389	1,162,302	3,202
7	Sanideou	341	1,157,012	3,393	1,091,882	3,202
8	Jair	321	1,089,151	3,393	1,027,842	3,202
9	Darma	313	1,062,008	3,393	1,002,226	3,202
10	Shyada	304	1,031,471	3,393	973,408	3,202
11	Dandafaya	286	970,397	3,393	915,472	3,201
12	Raya	283	960,322	3,393	906,166	3,202
13	Lali	253	858,428	3,393	810,106	3,202
14	Madana	246	834,678	3,393	787,692	3,202
15	Kharpu Nath	225	763,425	3,393	720,450	3,202
16	Limi	201	681,992	3,393	743,602	3,700
17	Chhipra	201	681,992	3,393	643,602	3,202
18	Khagal Gaun	200	678,600	3,393	640,400	3,202
19	Hekpa	194	658,241	3,393	621,188	3,202
20	Gothi	184	617,526	3,356	589,168	3,202
21	Muchu	173	586,988	3,393	553,946	3,202
22	Mimi	168	570,023	3,393	537,936	3,202
23	Sanya	159	539,487	3,393	509,118	3,202
24	Melchham	137	459,936	3,357	438,674	3,202
25	Barai	163	221,223	1,357	521,926	3,202
26	Baragaun	149	202,270	1,358	477,098	3,202
27	Shreemastha	166			547,542	3,298
28	Total	7,572	24,549,294	3,242	24,582,670	3,247
	Maximum			3,493		3,700
	Minimum			1,357		3,201



### 3.3.3 Technical support for KEP projects in Humla

The DDC has a pool of 19 technicians<sup>31</sup> capable of providing technical support for implementation of KEP. Out of the 19, three are engineers. The rest are sub-engineers and asst. sub-engineers. Since KEP is administered through WUPAP which also has engineers on its staff, there is sufficient capacity to support and supervise KEP projects. Meetings with DTO and WUPAP staff confirmed this. In spite of this capacity, there is no technical input in KEP projects in Humla. The VDCs do not have their own technicians and technical support is not provided by the DDC or DTO. It appears that in Humla some perceive KEP to be an unemployment benefit with little emphasis on the asset creation objective.

Monitoring of project implementation is very limited both at the DDC and VDC levels. Payments are made simply on the basis of submitted documents without inspection of projects. Neither DDC nor VDC staff are fully aware of the actual work at site.

## 3.4 Comparison of districts and summary of main findings

This section brings together the main findings on the institutional and management aspects of KEP investigated in Jumla and Humla. There are some similarities between the districts as well as some sharp contrasts. The similarities are:

- good administrative record keeping at the DDC level;
- very similar procedures for preparing project proposals (but without designs and input and cost estimates in Humla);
- no significant barriers against participation on the basis of caste or ethnicity;
- concern about exclusion of members of unemployed households and one per household limit on participation from large communal households, and
- capacity limitations at the VDC level.

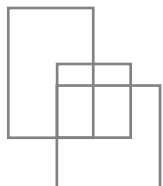
Two major differences are:

- the basis of allocation of KEP funds to VDCs, and
- complete lack of technical input in project design, implementation and monitoring.

In Jumla, there is an attempt to improve implementation by relating allocation of funds to performance on preparation of project proposals and requiring estimates of quantities of work and costs to accompany project proposals. The resulting allocation procedure leads to large variations in the allocation of KEP funds per household between VDCs and there are deficiencies in technical implementation because VDC level technicians are not sufficiently well qualified and junior and there is no support from the DTO. In Humla, there is no technical input at all, in spite of there being some technical capacity at the district level but there is equitable distribution of funds between VDCs.

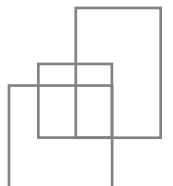
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31 DTO – 11, WUPAP – 3, RCIW – 3, and DRILP (*Decentralised Rural Infrastructure and Livelihoods Project*)



A matter of concern is that both districts have declared their intention to use KEP funds for road construction next year which should not be done without some technical input, good work organisation and supervision and some non-labour inputs.

The timing of funds received by the districts and disbursed to VDCs is also an issue along with the annual selection of projects only commencing when the annual implementation cycle starts. An overriding concern with respect to effective implementation is the lack of local staff with technical and administrative skills. An attempt has been made to address this concern in section 6.



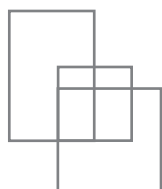
## 4. Characteristics of beneficiaries and assessment of impact of KEP on them

### 4.1 Characteristics of survey households

This section broadly follows the framework set out in Table 2.2 to examine the features of KEP as a social protection scheme. It is mainly based on evidence from the household survey and FGDs and reports on the implications of KEP for beneficiaries. The section starts with a brief sketch of the characteristics of households and their means of livelihoods. No detailed analysis has been done to relate KEP participation with household characteristics at this stage because of the very high KEP participation rates by households in the sample. Table 4.1 shows that the average size of households in the sample is 6.5. About 16 per cent of households have 10 or more members. The larger households are typically communal households with the older parents living with one or more of their adult sons and their wives and grandchildren. Household composition, especially of larger households, is an important question for KEP since access to KEP employment is limited to one person per household. Nine per cent of households are female headed.

Size (number of persons)	Frequency	%	Cumulative %
1 or 2	10	3.3	3.3
3 to 5	119	39.7	43.0
6 to 7	77	25.7	68.7
8 to 9	46	15.3	84.0
10 or more	48	16.0	100.0
Total	300	100.0	

Table 4.2 shows the caste or ethnicity of households by district. The variations between districts are because of differences in composition of the population between the locations where the surveys were carried out. The variations are more marked at the VDC and Ward levels as would be expected. It is worth noting that all Dalit, Janjati and “Others” households participated in KEP. Virtually all households (99 per cent) own and/or cultivate land. Table 4.3 shows the approximate size distribution of land cultivated which is often in more than one parcels. Majority of households own or cultivate some upland and some lowland parcels and there is a small amount of renting in and renting out of land. About 72 per cent of households cultivate 2 hectare or less and 92 per cent less than 3 hectare. A variety of crops are grown but the most important are maize, rice, wheat and millet which are typical crops for this part of the country. Most households owned some livestock with over 85 per cent owning a small number of cows, over 40 per cent owning chickens and well over a third owning buffalo and goats.



<b>Table 4.2</b> Caste and ethnic breakdown of sample by district					
Household caste / ethnicity					
District	Brahmin / Chhetri	Janjati	Dalit	Others	Total
Humla	82	6	12	0	100
Jumla	91	1	8	0	100
Kalikot	68	0	25	7	100
Total	241	7	45	7	300
% of total	80	2	15	2	100

Questions on income and expenditure on households would have provided important insights on household characteristics. However, such questions were excluded because the survey had to be conducted over a short period of time and obtaining reliable income and expenditure data is generally more difficult and requires more interview time and repeat visits. Instead of questions on income and expenditure, respondents were asked for some qualitative and subjective indicators of living standard. These included questions on the construction material of the home, ownership of certain assets and whether and for how long adults or children in the household go hungry. The intention was to relate a household's decision on participation in KEP to these indicators. However, given the virtually universal participation in KEP (see section 4.3 below), this appraisal was not feasible.

<b>Table 4.3</b> Size distribution of farms of sample households						
District						
	Humla	Jumla	Kalik	Total	%	Cumulative %
Less than 1 ha	0	0	71	71	24.0	24.0
1 to 2 ha	73	47	24	144	48.6	72.6
2 to 3 ha	19	38	0	57	19.3	91.9
3 to 4 ha	5	6	0	11	3.7	95.6
4 to 5 ha	1	5	0	6	2.0	97.6
5 to 6 ha	0	3	0	3	1.0	98.6
More than 7 ha	1	1	2	4	1.4	
Total	99	100	97	296	100.0	

Only 13 out of the 300 responding households indicated that they had sufficient food throughout the year. Table 3.4 shows the responses to the question on the number of months for which households do not have sufficient food. The table presents a very discouraging picture though this evidence should be taken as a general indicator and precision should not be ascribed to it given the subjective nature of the responses. There is however corroborating evidence from World Bank (2006) on malnutrition in the Mid-western hills region of Nepal where 56.3 per cent of children were found to be underweight, 54.2 per cent showing signs of stunted growth and 9.3 per cent were "wasting". There are also concerns for this part of Nepal because of high food prices and food deficiency.

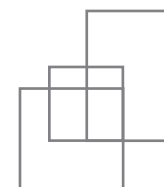


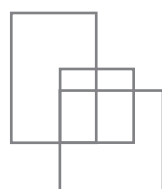
Table 4.4	Number of months in the year with insufficient food			
	District			
	Humla	Jumla	Kalik	Total
1 - 2 months	8	1	4	13
3 - 4 months	27	12	4	43
5 - 6 months	29	38	18	85
7 - 8 months	16	22	21	59
9 - 10 months	12	22	43	77
11 - 12 months	0	0	10	10
Total	92	95	100	287

## 4.2 Access to KEP and participation

An essential requirement of public works programmes as social protection schemes is that there is effective communication to ensure that its existence and method of participation are known to the whole population and there are no barriers against participation by any sections of the qualifying population. In a zone such as Karnali with very low population densities and difficult terrain and communications, ensuring access to KEP for the whole population is likely to be challenging. The arrangements for communicating with VDCs and communities within them and enabling their participation were discussed in the previous section. In this section, we use evidence from the household survey and FGDs to report on effectiveness of communication from the perspective of the community. Table 4.5 shows that virtually all the households in the sample knew about KEP. It appears that communication about the existence of KEP has been effective.

The July–November 2008 round of the World Food Programme (WFP) Vulnerability Analysis Mapping (VAM) survey questionnaire included some questions on the awareness of and participation in KEP for the Karnali sample. In the WFP sample, 28 per cent of respondents had not heard about the scheme. It is possible that our results may overstate knowledge about KEP in the population because enumerators would have mentioned KEP when explaining the reason for the interview. It is also likely that the programme has become better known since then. The evidence in section 3 suggests that there have been increased efforts to publicise the programme and the multiple methods of communicating and informing are likely to have reached all but the remotest communities.

Table 4.5	Had you heard of the Karnali Employment Programme?		
	Whether the respondent had heard of KEP		
District	Yes	No	All respondents
Humla	99	1	100
Jumla	100	0	100
Kalikot	99	1	100
Total	298	2	300



As Table 4.6 shows, by far the three most important sources of information about KEP across the districts are VDC officials, word of mouth and public media. These are broadly consistent with the district level account that the main method of communication about KEP and other matters with villages and communities is through VDC officials. In Jumla, there are regular monthly meetings of VDC secretaries while in Humla VDC secretaries frequently visit the district headquarters. Those who do not learn about KEP directly from VDC secretaries hear about them indirectly by word of mouth. Public media may also be the original source of information for those who hear about KEP from word of mouth. The greater reliance on word of mouth than on VDC officials in Humla may be because it is much more sparsely populated than the other two districts. However, it is clear that the message about KEP has got through, meeting one of the conditions for open access.

<b>Table 4.6</b> From which source did you hear about the programme?							
Source of information about the programme							
District	VDC official	Government campaign	Political campaign	DDC/DAO	Public media (radio/newspaper)	Word of mouth (friends/neighbours)	Total
Humla	10	8	5	0	22	54	99
Jumla	54	0	5	0	18	23	100
Kalikot	44	2	0	1	21	31	99
Total	108	10	10	1	61	108	298

Table 4.7 shows that providing paid employment and improving local facilities were perceived to be the two most important objectives with a much greater emphasis on provision of paid employment than improving facilities. A small proportion (about 7 per cent) see KEP as purely a cash transfer programme with most of those with this perception being in Humla. Very few see KEP as a skill development programme and most in the “Other” category are “Don’t knows”. About 20 per cent of respondents indicated that they had acquired some skills while working in the programme. Virtually all skill acquisition was claimed to be on the job without any training.

<b>Table 4.7</b> Perceptions of the main objective of KEP						
What do you understand to be the main objectives of KEP						
District	Cash transfer/grant	Providing paid employment	Improving local facilities	Skill development	Word of mouth (Friends/neighbours)	Total
Humla	16	53	15	2	13	99
Jumla	4	74	19	1	2	100
Kalikot	1	52	45	2	0	100
Total	21	179	79	5	15	299

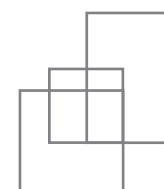


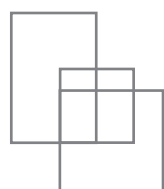


Table 4.8 shows the number of households from which at least one member attempted to participate and at least one participated. Clearly most of the households wished to participate and were able to. This result is corroborated by the earlier WFP VAM survey. The reasons given by the few households for not attempting to participate were the expected ones, “household members too busy with other work” (2), “no need for extra income” (2) and “not worth trying because no chance of participating” (1). The reasons for failed attempts to participate were “more difficult for women to participate” (2) and “too few jobs for the persons wanting them” (1). While the numbers failing to participate are small, the difficulty for women to participate, albeit for a very small number of respondents, is a matter of concern especially in the context of low participation of women on KEP. Table 4.9 shows that, across the three districts, less than 25 per cent of participants were women. This is especially a problem in Humla and Kalikot in which participation is below 20 per cent.

<b>Table 4.8</b> Participation in KEP			
At least one household member attempted to participate			
District	Yes	No	Total
Humla	95	2	97
Jumla	96	4	100
Kalikot	100	0	100
Total	291	6	297
At least one household member participated			
District	Yes	No	Total
Humla	97	1	98
Jumla	94	5	99
Kalikot	100	0	100
Total	291	6	297

*Note: There are some discrepancies in the table (e.g. more households appear to participate than attempted to participate because of missing values).*

<b>Table 4.9</b> Women’s participation in KEP					
		District			Total
		Humla	Jumla	Kalik	
Male	Number	78	59	85	222
	%	80.4	62.8	85.9	76.6
Female	Number	19	35	14	68
	%	19.6	37.2	14.1	23.4
Total	Number	97	94	99	290
	%	100.0	100.0	100.0	100.0

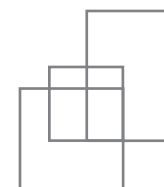


Unemployment and underemployment among the young is a major problem in Nepal. One possible benefit of KEP is that by providing short-term employment to the young, it might reduce migration. Table 4.10 shows the age composition of participants and the age composition of the whole sample (last column). The comparison shows that KEP employment is not particularly pro-young. Evidence from FGDs suggests that the duration of employment is too short to induce the young to participate in KEP as an alternative to migration or looking for other employment opportunities. The one person per household restriction and lack of other employment opportunities may also explain why older persons from the household join KEP thus blocking participation by the young. The one per household restriction could also be one possible reason for the low proportion of women participating.

<b>Table 4.10</b> Age Composition of KEP participants						
What do you understand to be the main objectives of KEP						
Age groups		District			Total	% in sample
		Humla	Jumla	Kalikot		
15 – 19	Number	9	6	2	17	
	%	9.3	6.4	2.0	5.9	17.4
20- 30	Number	35	35	25	95	
	%	36.1	37.2	25.3	32.8	32.1
31 – 40	Number	21	25	30	76	
	%	21.6	26.6	30.3	26.2	21.7
41 – 50	Number	19	17	22	58	
	%	19.6	18.1	22.2	20.0	11.8
51 +	Number	13	11	20	44	
	%	13.4	11.7	20.2	15.2	17.1
	Number	97	94	99	290	
	%	100.0	100.0	100.0	100.0	100.0

Table 4.11 shows that the one person per household rule is largely followed. More than one person per household participating may also be explained by the lack of clarity in defining a qualifying household and a number of members of households sharing work on a project.

<b>Table 4.11</b> Number of participants per household					
District	1	2	3	7	Total
Humla	93	2	0	0	95
Jumla	87	4	2	0	93
Kalikot	93	4	1	1	99
Total	273	10	3	1	287

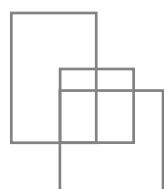


In response to the question on whether the household would attempt to participate in KEP next year, out of 288 valid responses, 282 (97.9 per cent) were positive. Given the respondents perceptions about the problems with KEP, delays in payment and discrepancies between agreed and actual pay (see below) the willingness to participate in KEP indicates that the income provided by KEP is clearly needed.

Methods of participation	Number	%
Formation of a community group to propose a project to be done by the group	291	93.3
Job offered for a given number of days on a project	20	6.4
Other (specify)	1	0.3
Total	312	100.0
<b>Basis of payment</b>		
	Number	%
A lump sum payment for completing the whole project after completion	306	98.1
Total	313	100.3

Table 4.13 shows the methods of participation and basis for payment which also have implications for operational aspects. Formation of community groups is the dominant method of participation. This is to be expected since formation of users' groups and committees is the normal method for proposing and undertaking community based projects and VDCs ask the communities to use this mode for KEP. While this is an appropriate mode for small community based projects of direct value to the participants, it may be less so for larger projects of wider importance. If district level strategy is to focus more on roads, a purely community based model may not be appropriate. For larger projects, work organisation could be through groups but much better technical supervision and setting and checking of tasks and relating pay to performance would be required.

District	Whether pay received on time			Pay according to the agreement		
	Yes	No	Total	Yes	No	Total
Humla	32	67	99	16	83	99
Jumla	2	101	103	43	60	103
Kalikot	46	65	111	71	40	111
Total	80	233	313	128	163	291



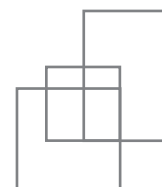
The dominant method of payment, a lump sum payment for completing the work, is also in keeping with the dominant method of participation. Evidence from FGDs indicates that payment is often in two instalments, the first after a specified number of days of attendance and the second after completion. There are two important considerations here. The first is whether the full payment reaches the participating households. It is possible that the responses that payment is not according to agreement (Table 4.13) and that the actual pay per day (imputed from participants' responses on the number of days of work and payment received) is lower than the intended wage rate could in part be attributed to this method of payment. The second concern is whether there is adequate provision for checking that the work has been completed satisfactorily before full payment is made. This is difficult to do for group work without adequate technical guidance and supervision.

Table 4.13 shows that there are issues related to receiving payment on time and according to agreement. Only about 26 per cent of respondents indicated that they were paid on time, though the apparently very poor performance on timely payment in Jumla drags the overall performance for the whole sample down. Further, over 40 per cent of delays were less than a month. About 56 per cent of payments are not according to agreement. Evidence from FGDs indicates that the main issue is payment being lower than the agreed amount. However, it is necessary to qualify this statement. There is lack of clarity in the relationship between the number of days of work and the amount of pay. This is elaborated further below when discussing the number of days of work and pay per day.

The notional wage rate for KEP employment has been NR 200 per day though in principle each DDC can set its own wage rate<sup>32</sup>. The more remote districts such as Humla are considering setting a higher wage rate because of the higher cost of living and market wage rate in these districts. The actual wage rate paid and the number of days of employment differ widely because of the manner in which contracts are negotiated and the participants paid (see Tables 4.14 and 4.15).

Number of days	Districts			Total	% of total	Cumulative %
	Humla	Jumla	Kalikot			
1 - 50	1	0	1	0.3	0.3	
6 - 10	74	13	31	118	37.7	38.0
11 - 15	25	18	9	52	16.6	54.6
16 - 20	0	9	3	12	3.8	58.5
21 - 25	0	12	62	74	23.6	82.1
26 - 30	0	38	1	39	12.5	94.6
31 +0	12	5	17	5.4		
Total	99	103	111	313	100.0	

32 As noted in the previous section, each district has a wage fixing committee.



**Table 4.15** Estimated pay per day of work on KEP in the last year

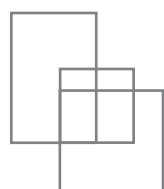
Daily pay	Districts			Total	% of total	Cumulative %
	Humla	Jumla	Kalikot			
Below 50	0	58	6	64	20.4	20.4
51 - 100	28	15	49	92	29.4	49.8
101 - 150	48	8	29	85	27.2	77.0
151 - 200	22	14	1	37	11.8	88.8
201 - 250	0	3	26	29	9.3	98.1
251 +	1	5	0	6	1.9	
Total	99	103	111	313	100.0	

The reported mean number of days of work per person on KEP is 18 and the reported mean pay per day is NR 111 implying mean pay per worker of about NR 2000. Since more than 95 per cent of households have only one person participating, this is also a reasonable estimate of the payment per household.

A word of caution on this conclusion is necessary. The technical appraisal of selected projects indicated that there was often a discrepancy between the number of days of work indicated by participants and the actual number of days of work recorded in official documents. There are a number of possible reasons for this and the question will be considered in more detail in the next section. With regard to the number of days of work reported, it is likely that the number of full days of work has been over-reported by participants and therefore the effective wage rates may have been higher.

Table 4.16 shows households' use of income from KEP. The respondents could indicate more than one uses. The last column shows the number of households' use of income as per cent of the total number of households responding. Since 297 households responded to this question, 252 households using at least some of this income to purchase food gives the 85 per cent of households in the last column. Purchasing food clearly emerges as the most important use of income. Using additional income to purchase food is a well recognised qualitative indicator of poverty, especially when combined with the evidence on months of insufficient food (see Table 4.4). Kalikot has the largest proportion (96 per cent) of households using some income for purchasing food. This is consistent with the much higher incidence of food deficiency in Kalikot indicated in Table 4.4.

The next most important use is purchasing non-food items for the household (56 per cent of households) with a sharp drop in percentages of households using income for inputs for farm or business and paying debt. Meeting commitments for children's schooling was the most important item in the "other" category. In general, the additional income is used for consumption needs rather than items with longer term impact. This is at least partly because of the low living standards of households. Another possible reason is that the actual amounts received from KEP employment are low and perceived to be uncertain and therefore longer term commitments based on them are avoided.



Use of income	Districts			Total	% of households
	Humla	Jumla	Kalikot		
Purchased more food	74	82	96	252	84.8
Purchased non food items for household	85	32	49	166	55.9
Purchased inputs for farm or business	8	6	11	25	8.4
Saved to use when needed	1	11	0	12	4.0
Paid debt	2	2	6	10	3.4
Other	10	1	1	12	4.0

With respect to targeting, a question of some importance is participants' preferences with respect to wage rates and number of days of work. Tables 4.17 and 4.18 respectively show the most preferred and least preferred options between combinations of relatively high pay for a smaller number of days and lower levels of pay for longer periods. The combinations have been chosen so that the total earnings from lower wage rates and more days of employment are higher than those with higher wage rates and fewer days of employment. Table 4.17 shows that the two most favoured options are high wage rate for fewer days and low wage rate for a much larger number of days, the latter amounting to higher total income from the employment. Arguably, this table distinguishes between persons with higher opportunity cost of labour who prefer to work for a shorter period of time and those with lower opportunity cost of labour who prefer to work for a longer period of time at a lower wage.

Districts		Most preferred option				Total
		Daily pay Rs 240 for 15 days (Total Rs 3600)	Daily pay Rs 150 for 30 days (Total Rs 4500)	Daily pay Rs 100 for 55 days (Total Rs 5500)	Daily pay Rs 80 for 85 days (Total Rs 6400)	
Humla	Number	36	14	3	34	87
	%	41.4	16.1	3.4	39.1	100.0
Jumla	Number	19	7	1	18	45
	%	42.2	15.6	2.2	40.0	100.0
Kalikot	Number	57	17	7	19	100
	%	57.0	17.0	7.0	19.0	100.0
Total	Number	112	38	11	71	232
	%	48.3	16.4	4.7	30.6	100.0

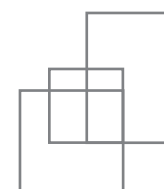
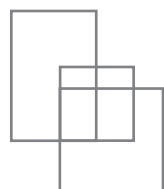


Table 4.18 shows the least preferred option and Table 4.19 cross-tabulates the most preferred and least preferred options. The least preferred options are again the highest pay per day and the lowest pay per day. The cross-tabulation in Table 4.19 confirms the clear division between those who prefer the high pay over a shorter period of time with the low pay being the least preferred. For those who prefer the lower daily pay over a longer time, high pay for fewer days is the least preferred options. The evidence suggests that there is scope for using the wage rate for self-targeting if this is necessary. Before attempting such targeting, further work is required to relate the daily wage preferences to the characteristics of households.

<b>Table 4.18</b> Least preferred pay per day and number of days option						
		<i>Most preferred option</i>				
Districts		Daily pay Rs 240 for 15 days (Total Rs 3600)	Daily pay Rs 150 for 30 days (Total Rs 4500)	Daily pay Rs 100 for 55 days (Total Rs 5500)	Daily pay Rs 80 for 85 days (Total Rs 6400)	Total
Humla	Number	34	8	6	38	86
	%	39.5	9.3	7.0	44.2	100.0
Jumla	Number	19	2	9	13	43
	%	44.2	4.7	20.9	30.2	100.0
Kalikot	Number	17	48	17	18	100
	%	17.0	48.0	17.0	18.0	100.0
Total	Number	70	58	32	69	229
	%	30.6	25.3	14.0	30.1	100.0

<b>Table 4.19</b> Most preferred and least preferred daily pay and number of days options cross-tab						
		<i>Least preferred combination</i>				
		Daily pay Rs 240 for 15 days (Total Rs 3600)	Daily pay Rs 150 for 30 days (Total Rs 4500)	Daily pay Rs 100 for 55 days (Total Rs 5500)	Daily pay Rs 80 for 85 days (Total Rs 6400)	Total
Most preferred combination						
Daily pay Rs 240/15 days/ Total Rs 3600		0	48	8	54	110
Daily pay Rs 150/30 days/ Total Rs 4500		12	0	15	10	37
Daily pay Rs 100/55 days/ Total Rs 5500		2	4	0	5	11
Daily pay Rs 80/85 days/ Total Rs 6400		56	6	9	0	71
Total		70	58	32	69	229



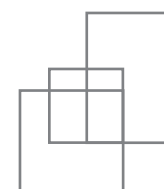


KEP is an intervention in the labour market and therefore to obtain a broad understanding of the local labour market conditions, some labour force survey type questions were included. One of the questions inquired about the economic activities of members of households 15 years or older in the last seven days (see Table 4.20). As would be expected in a rural economy, the most common economic activity was “work on the household’s farm”. The total number of persons 15 years or above in the sample households was 1129. The count of total number of economic activities engaged in is much larger than the number of persons 15 years old and above. In rural economies, people engage in more than one activities, often combining any work on the farm and other informal activities with cash earning opportunities when they arise. The percentages in the last column are in relation to the total number of 15 years or older persons in the sample.

Table 4.20	Economic activities of sample household members in the past seven days <sup>(1)</sup>				
	<i>Least preferred combinaiton</i>			All districts	% of all 15 years or olde
	District				
	Humla	Jumla	Kalikot		
Business	14	16	16	46	4.1
Work for wage, salary or commission	56	154	119	329	29.1
Work on farm	331	227	330	888	78.7
Fishing / hunting / gathering	4	58	20	82	7.3
NTPF	1	2	0	3	0.3
Public works programme	10	72	12	94	8.3
Other	9	30	0	39	3.5
Total	425	559	497	1481	

Note (1): Includes economic activities of a small number (about 3 per cent) of persons below 15 years mainly on the household farm.

It appears that 888 persons were engaged in farm work (868 were 15 years or older) for some time during the seven days preceding the interview. Small proportions were engaged in business but the relatively large numbers and percentages of those engaged in “work for wage, salary or commission” is noteworthy. Further examination of the data shows that 182 households in the sample had at least one person who worked for a wage, salary or commission during the seven days preceding the interview. The mean daily wage rate was about NR 200 per day. It is likely that a substantial proportion of this paid employment was on a short term or casual basis. Nevertheless, this level of participation in the labour market makes it difficult to retain the unemployed household criterion for eligibility for KEP.



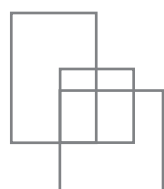
### 4.3 Implementation and asset creation issues

Table 4.21 reports on the implementation problems perceived by respondents (more than one options could be indicated). Low wages was the most frequently indicated problem indicated by more than two-thirds of respondents. This, in combination with “too few days of employment” (mentioned by more than half the respondents) indicates that there is a strong demand for more support through programmes such as KEP. The willingness of most households to participate in KEP in the future supports this conclusion. “Delayed availability of funds” in Table 4.21 reflects the delays in payment reported in Table 4.13. Over 40 per cent of respondents recognise “insufficient technical support, supervision and accountability” as problems.

	District			Total	%
	Humla	Jumla	Kalikot		
Insufficient technical support	34	49	40	123	14.8
Delayed availability of funds	48	65	51	164	19.7
Insufficient supervision and accountability	46	33	47	126	15.2
Too few days of employment	13	58	90	161	19.4
Low wages	66	71	67	204	24.5
Other	17	32	4	53	6.4
Total	224	308	299	831	100.0

Table 4.22 shows the types of projects on which respondents have worked. There are variations between the districts with road construction dominating in Jumla but overall, road construction appears to be the most important activity. There is also a large number of projects which fall in the other category. Evidence from FGDs and technical appraisal shows that “other” projects include a wide range of smaller community projects such as mule tracks, drinking water supply, wooden bridge construction and even work on apple orchards and livestock keeping, though the last two are not strictly public works. In Jumla, there is a strong emphasis on road construction and in Humla, the DDC has decided to concentrate KEP funds on roads in the next fiscal year. This raises questions about the technical input required to plan and construct roads which is discussed in the next section.

District	<i>Types of projects</i>				Total
	Roads	Irrigation	Building schemes	Other construction	
Humla	41	34	0	24	99
Jumla	74	2	0	27	103
Kalikot	40	0	2	68	110
Total	155	36	2	119	312



## 5. Technical appraisal of projects

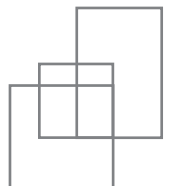
### 5.1 Introduction to the technical appraisal

The previous section has examined the targeting of direct beneficiaries of KEP (i.e. households which obtain payment in return for contributing labour). This section reports on the asset creation outcome. As noted earlier, if such programmes are not effective in implementing projects and creating sound assets, the additional cost of providing social protection through temporary employment may not be justified when compared with other methods of social protection. Therefore, whether KEP is effective in implementing projects of economic or social value is an important consideration.

A rapid technical appraisal has been carried out of a selection of projects undertaken during the first two years of KEP operation in two VDCs each in Jumla and Humla districts. The appraisals have not attempted to apply stringent engineering criteria. They have formed a judgement on whether the projects have been adequately designed and constructed for the purpose and have an acceptable life given the level of investment. Each project was visually inspected and its construction was discussed with those concerned with project implementation. The persons consulted in the field included VDC technicians (for VDCs in Jumla) and representatives of users' groups and committees responsible for implementation to determine the type of work done. Measurements were taken to estimate the approximate volumes of work involved. The aim was to appraise:

- the nature, size, type and approximate quantity of work which would have been involved;
- whether the project has been completed;
- the technical skills required to implement the project;
- whether there is evidence of any technical input in planning and implementation and the quality of the technical input;
- whether there is evidence of materials used and the quality of materials used;
- the condition of the asset at the time of inspection, and
- evidence of maintenance of the asset after construction.

In reaching conclusions on the technical aspects, evidence from the technical appraisal is supplemented by information from district level discussions in Jumla and Humla and FGDs and household surveys in all three districts. While the focus is on technical aspects, these cannot be totally separated from the institutional, management and funding aspects. Before reporting on the technical aspects of selected projects in detail, it is worth reiterating the qualification made in the introduction that the aim in appraising specific projects is not to dwell on any shortcomings of current practice and how specific projects were managed and implemented but to draw broad lessons for future policies and implementation. It should also be noted that implementing a programme of this scale and complexity with the speed with which it was put in place in a region with severe access and communication problems is difficult. Even without these difficulties, the implementation would have been daunting. Further, it is estimated that some 900 projects



at the ward level are implemented each year under KEP. The sample of projects inspected was of necessity small and therefore the conclusions should be interpreted as identifying some issues requiring attention rather than being representative of all projects implemented.

## 5.2 Jumla district: Technical appraisal of KEP projects

### 5.2.1 Projects appraised in Jumla

Patmara and Kartikswami are the VDCs in which projects were visited and appraised. In Patmara, a single project was examined. In Kartikswami, effectively all the projects were examined since the road connecting all the Wards is being developed in sections by the Wards. Each of the case studies starts with a brief introduction to the VDC.

### 5.2.2 Rehabilitation of the canal intake for a micro-hydro power scheme in Patmara

Patmara is one of 30 VDCs in Jumla situated about 2.5 hours walk to the north of the district headquarters. The population of the VDC is about 3,500 persons in 610 households. Of these, 544 households have been designated “unemployed” according to the KEP criterion. At the time of the study, 7 NGOs and INGOs had projects in Patmara. The VDC has implemented 10 micro-projects under KEP in the first two years of KEP (total expenditure of NR 1,781,894).

The project inspected was rehabilitation of the canal providing the water flow to a micro-hydro scheme in Ward 3. The site was visited with members of the Ward construction and users’ committees and the VDC technician.

About 9 years ago the people of Ward 3 in Patmara VDC installed a 10 kw micro-hydro power plant with financial and technical support from Canadian agencies, CECI (Centre for International Studies and Cooperation) and CBED (Community Based Economic Development). All 120 households in the Ward use the electricity generated for lighting. In August 2008, a landslide blocked the only canal providing the water supply to the power plant which stopped functioning as a result.



Picture 1: Intake site of canal for micro-hydro scheme, Patmara

The beneficiaries of the scheme formed a users’ committee and submitted a request to the VDC for support to rehabilitate the intake canal for the power plant. The VDC technician prepared an estimate of NR 320,626 for the cost of works which was submitted to the DDC as a project to be implemented under KEP. The work was started in August 2008 and completed after about a month.



Formally, the DDC asks the DTO to check the estimates before approving the project, especially since the total estimate was above NR 150,000. In this case the estimate was not formally approved. Discussions with DTO staff indicated that even where estimates are approved by the DTO, this is typically done on the basis of submitted estimates and any design information because DTO does not have the capacity to inspect the sites of proposed projects. There is also a central government directive to give greater autonomy to VDCs to implement projects within them. The DDC has a monitoring panel which visits every VDC to inspect projects. It appears that this panel had some concerns and this may explain why Patmara did not receive the second instalment of KEP funds (see below).

The DDC disbursed the first instalment of NR 600,000 to Patmara VDC along with the same level of allocation to all VDCs in Jumla<sup>1</sup>. According to VDC records, the VDC disbursed NR 108,900 to the Ward in September, 2008 from the first instalment of funds from the DDC. It was also noted that in fiscal year 2006-7, NR 234,127 of KEP funds were allocated to improve the same canal.



Picture 2: Power house, Patmara micro-hydro scheme

From the technical appraisal and discussions with the VDC technician and members of the Ward committees, it was possible to establish that two types

of works were undertaken. The first was clearing of about 100 cubic metres of debris (earth, rock and vegetation) that obstructed the canal. The second was dry stone masonry of about 35

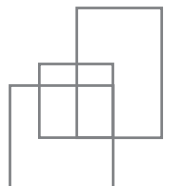
cubic metres around the intake and other sections of the canal. No engineering input was involved and work was done by participants using their own tools and local materials.



Picture 3: Measurement of canal repair works

Based on the quantities of works estimated by the study team and GoN unit rates, the cost estimate submitted by the VDC appears to be very high. There are also some discrepancies in the information on the labour input. According to members of the Ward committees, 116 households contributed a minimum 30 days to complete the job and each household received NR 800 from KEP fund (i.e. a total NR

<sup>1</sup> See section 3.2 on the institutional arrangements for managing KEP in Jumla district.



92,800) equivalent to a very low wage rate of NR 26 per day. However, VDC records show that 91 households contributed 9 days of work each and 9 households contributed 3 days each and the VDC paid NR 108,900 for the project implying a daily wage rate of about NR 130 per day. This is precisely the kind of discrepancy which may be reflected in the low declared daily wage rates observed in the previous section though, in this case, the daily wage rate calculated from VDC records is well below the intended NR 200 per day.

A work completion report with a cost of Rs 231,426 was prepared by the VDC technician and submitted to the DDC. The aim was to provide a report on expenditure undertaken from the initial allocation of NR 600,000. However, according to the DDC, the report was not submitted before the deadline and therefore Jumla DDC did not provide any funds to the VDC in the second round of allocations<sup>2</sup>. The actual quantity of work done and cost estimates based on this cannot be reconciled with the initial cost estimate which in turn is significantly different from the cost estimate in the completion report. Further, these cost estimates do not match with the amount paid to the beneficiaries. The community reports and VDC records on labour inputs and amount paid to the beneficiaries also do not match.

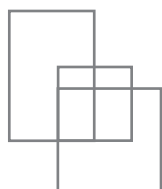
This small project was of direct benefit to the community in the Ward since it benefited from restoring the electricity supply. This is precisely the type of small project that can be implemented by the community with limited technical support using locally available material and the project was implemented relatively effectively. However, there were clear problems associated with making realistic estimates of the quantity of works and their costs, the amount of labour input and disbursement of KEP funds to the beneficiaries.

Among possible reasons for these discrepancies are (a) the practice of undertaking projects first and relying on later allocations to meet the costs because of delays in receiving funds, and (b) technical and management capacity at the VDC level. On the latter, VDC technicians have typically received three years of basic training up to 10<sup>th</sup> grade level and are at Assistant Sub-Engineer or Sub-Overseer level. While they have the competence to oversee work under supervision, they do not have the capacity to design civil engineering projects. In this case the VDC technician, who is a junior member of VDC staff employed on one year contracts, had to prepare works estimates and completion reports and provide advice to the community on the works.

### 5.2.3 Rural road construction in Kartikswami

Kartikswami VDC is situated to the south of district headquarters across Tila River. There are 543 households and 2182 persons living in the VDC. Of these, 283 households have been designated “unemployed”.

<sup>2</sup> Patmara was one of two VDCs in Jumla which did not qualify for the additional allocation.





Picture 4: KEP road/track project in Kartikswami

The projects being undertaken under KEP in the VDC are sections of a single road along the river connecting all the Wards. The VDC Secretary reported that when KEP was initiated in 2006-7, an open VDC meeting was organised to identify the projects to be implemented with the help of this funding. The meeting decided that a road connecting the Wards was a priority and that the VDC would continue to use KEP funding to work on the road. The VDC is about 6 km long east to west along the Tila River. The road would run parallel to the river passing through all the Wards in the VDC. The plan is to connect the

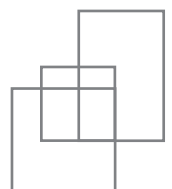
VDC with the adjoining VDCs. At one end, the track could link up with a rural road constructed under RCIW if linking road sections are completed in Depalgaun and Garjyangkot VDCs. If and when a bridge is constructed across Tila River, the road would link up with the Karnali Highway.

A VDC level users' committee comprising representatives of all the Wards was formed to implement the work. In each year since 2006-7, KEP funds have been used to work on the road. However, discussions at the DDC indicated that there was a district level policy to use KEP funds for investment in roads as far as possible since there is an urgent need to improve access and funding from other sources is not available for roads. Therefore, it is likely that VDC level decisions in Kartikswami and other VDCs were influenced by district level guidance. It appears that, while the decision to choose the project was at the VDC level and there is a users' committee at the VDC level, the implementation of works on sections of the road is at the Ward level.



Picture 5: Road/track section damaged because of poor drainage structures, Kartikswami

To implement KEP work in each of the two years, lists of “unemployed” households in all Wards were prepared and the users' committee signed an agreement with the VDC. KEP funds for 2006-7 were disbursed to the committee in mid-September 2007 and the first instalment for the year 2007-8 was released in mid-August 2008. Given that the financial year runs from mid-July to mid-July, the funds reached the VDC after the end of the financial year in both years. The funds could be disbursed and spent late because Karnali Zone has a dispensation to spend money from





the budget up to November after the end of the financial year. This is quite late in the year and coincides with the rainy season with households being busy with farming though it is possible to undertake work in October and November before the winter sets in.

The road being upgraded follows the existing pedestrian track. Sections of the track appear to have been widened from about 1.5 metres to about 5 metres. At the time of the inspection in April 2009, it was possible to see evidence of some earthworks and widening of varying quality on some sections. The widened track had not connected with VDCs on either side.



Picture 6: Incomplete segment of road/track, Kartikswami

Technically, the sections which have been widened can be described as a non engineered earthen “road” following the existing pedestrian track without sub-grade, foundation, sub-base, camber and attention to gradient. There is

no evidence of an engineering survey or design prior to construction and the precise length of the road has not been measured. There are no retaining walls, side drains and cross drains along the road. Work is incomplete in several places because of obstructions such as irrigation canals, hard rock, residential areas and property disputes.

There are bills of quantities, cost estimates, running bills and work completion reports for some sections but they do not specify reference points on road sections. It appears that these documents were produced to report quantities of work completed to the DDC rather than as a part of planning and implementation. For a selection of sections examined, observations of work done, records of payments made and information from the beneficiary community do not match and there was one instance of full payment for incomplete work with the expectation that the work would be completed later.

For the fiscal year 2006-7, the VDC received NR 1,181,894 from the DDC<sup>3</sup>. In 2007-8, the VDC received NR 2,500,000 of KEP funds making a total of NR 3,681,894 over two years. VDC records show a disbursement of NR 4,231,605 to the users’ committee for road construction. The amount additional to the KEP allocation spent on road construction was from the regular VDC budget. Of the approximately 6 km of road length, it is estimated that some incomplete works have been done on about 4 km. Since about NR 4,232,000 has been spent to date on these incomplete works, the cost per km is about NR 1,057,900 (about \$13,900) per km. The track produced to date is not comparable with engineered rural roads with necessary drainage. The cost of engineered rural earth roads in the mountainous areas of Nepal is in the NR 2.5 to 3.0 million (about \$33,000 to \$39,500) per km range and those with more durable surfaces is higher.

<sup>3</sup> The total KEP allocation for the district was distributed equally between VDCs in 2006-7 as noted in section 3 above.

If it is assumed that all the KEP funds allocated to the VDC have been paid out to unemployed households, the payment per household is about NR 15,000 over two years or about \$100 per year. At a wage rate of NR 200 per day, the payment is equivalent to about 38 days per year per unemployed household. If no distinction is made between employed and unemployed households and therefore all households benefit from KEP employment, the payment per household is about NR 7,800 over two years or about \$50 per year. At a wage rate of NR 200 per day, the payment is equivalent to about 19 days per year per unemployed household.

Kartkswami VDC has undertaken a large and ambitious project which would generate substantial benefits, especially if it is completed to a reasonable standard and the road links up with adjacent VDCs and other routes. The funding level is also significant with the VDC contributing additional funds from its own allocation. However, the outcome at the time of the study was an incomplete track. With good management, technical support and supervision, substantial additional expenditure on labour, materials and tools and access to light equipment, good progress could be made.

### 5.3 Humla district: Technical appraisal of KEP projects

#### 5.3.1 Projects in Humla

Projects in Dandafaya and Simikot VDCs in Humla were visited and inspected. In Dandafaya, the projects were construction of a drinking water supply system and a school. In Simikot, the projects were restoration and maintenance of stone steps and construction of a compound wall for a community building which has not yet been constructed. The rapid technical appraisals in both VDCs were carried out in the middle of May 2009.

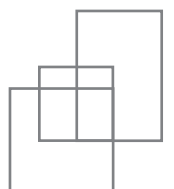
#### 5.3.2 KEP fund contributions to projects in Dandafaya VDC



Picture 7: Ward No. 3 in Dandafaya VDC

Dandafaya is one of 27 VDCs in Humla to the west of district headquarters. The VDC has a population of 1,626 and 325 households (of which 286 households are designated “unemployed”). There is a nine member Execution and Evaluation Committee (EEC) at VDC level chaired by the VDC secretary. The other members are representatives of political parties active in the VDC, a WUPAP representative, a Dalit representative, a woman, and a social worker. This committee is responsible for preparing the list of “unemployed” households and submitting it to the DDC; collecting and evaluating project proposals; recom-

mending approval of projects; monitoring implementation; conducting public audits; authorising payment, and preparing annual progress reports to submit to the DDC.





In the financial year 2006-7, a contribution to the construction of a drinking water system was made from KEP funds. In the next financial year, work was done from KEP funds on the playground of a school being constructed.

### ***Dundafaya Ward 3 drinking water project.***

There was a need to restore drinking water supply for Ward 3 as the system built several years ago was not functioning. Initially, the community of 55 households had planned to repair the existing system but the Himalayan Conservation and Development Association (HCDA)<sup>1</sup> agreed to build a new system with financial support from the Fund Board<sup>2</sup>. The cost estimate for the project was about NR 1,700,000. HCDA provided the required materials and skilled labour equivalent to about NR 953,000.00. The community had to collect local materials<sup>3</sup> and supply unskilled labour<sup>4</sup> equivalent to NR 747,000.



Picture 8: Technical consultant's meeting with community members in Ward 3, Dandafaya



Picture 9: Reservoir tank for drinking water system, Dandafaya

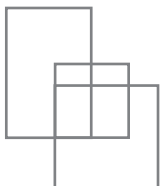
A users' committee of five members (including one woman and a representative of the Dalit community) was formed to execute the project and coordinate activities with HCDA, the implementing partner. The project was started in December 2006 and completed in September 2007. Major components of the project were the intake, reservoir tank, pipeline, break pressure tank, and 12 tap stands. The pipeline is about 4,000 metres from intake to the last tap stand and about 300 metres of pipe drainage passing through the settlement.

<sup>1</sup> HCDA is a NGO set up in 1994 to support the people of the Himalayan region in Nepal through social development projects.

<sup>2</sup> The GoN Rural Water Supply and Sanitation Fund Development Board, commonly referred to as the Fund Board, under the Ministry of Physical Planning and Works promotes and financially supports the development of demand-led rural water supply and sanitation services. The second project (2004-9) is supported by the World bank (IDA) and DFID.

<sup>3</sup> Sand, stone and gravel.

<sup>4</sup> Transportation of materials, pipeline trench digging and labour required for construction of intake, reservoir, BPT and tap stand.



The project was well supervised by a qualified technician and skilled persons were employed to undertake technical tasks. As a consequence, the quality of work is very good and the system is functioning well. The project trained one of the beneficiaries to maintain the project in the future. Besides, the community has raised a water supply maintenance fund of NR 20,000 to purchase minor fittings.



Picture 10: Well functioning tap, part of drinking water system, Dandafaya

For the small and poor community, the required local contribution of NR 747,000 was high. Therefore, the community decided to use the Ward's whole allocation of KEP funds on the drinking water project. The KEP input reduced the community burden by NR 131,680 bringing the community contribution down to NR 615,320. Of the total cost, the Fund Board contribution was about 56 per cent, input from KEP funds was about 8 per cent and the community contribution about 36 per cent.

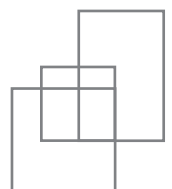
All 55 households (about 250 persons) were involved in building the water project, though only 39 households were registered in the list of unemployed. This is in keeping with the long tradition in the community of working together for the common benefit. According to the chairperson of the users' committee, residents of the Ward usually work on local projects communally. Excluding some households from KEP projects would have affected the community adversely and made it more difficult for all households to cooperate on other projects.

This project is evidently successful in a number of respects. Technically, the system is well built and functioning well with provision for continuing maintenance. The project clearly differs from the standard KEP model to date. The KEP contribution is small in relation to the total expenditure and complements funds and technical expertise supplied by partners (the Fund Board and HCDA). In addition, the beneficiary community had to raise some funds as a part of their contribution. Because of the direct benefits of the completed project to the community, drinking water supply, KEP funds were used to reduce the cash contribution that the households had to raise. The project suggests one possible model for effective KEP project implementation.

### ***Dandafaya Ward 3 school project***

There was no school near the Ward and the children in the cluster had to walk about 45 minutes to go to school. The community received grants of NR 500,000 from WUPAP<sup>5</sup>, NR 25,000 from

<sup>5</sup> WUPAP (Western Uplands Poverty Alleviation Project) is a programme under MLD for improving livelihoods in the far and mid-western regions of Nepal for improving livelihoods. It is supported by the International Fund for Agriculture Development (IFAD).



the DDC and NR 25,000 from the VDC to build a primary school. The community collected stone as their contribution. At the time of the inspection, the school was almost complete. The work had stopped because roofing sheets were not available locally.

The school building was constructed with technical support from WUPAP. Drawings and estimates were prepared by WUPAP technicians who visited the location from time to time to monitor progress and quality. As a consequence, the quality of construction is reasonably good.



Picture 11: Newly built school and playground, Dandafaya

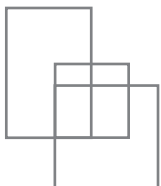
KEP funds were used for levelling the school grounds. The payment received by the community from KEP funds for this work was NR 94,300. It was estimated that about 125 cubic metres of gravel mixed soil excavation and levelling and about 18 cubic metres of dry stone masonry work have been done in preparing the school playground. Based on GoN norms, the estimated labour input for the works is 321 person days. The cost of works seem to be reasonable at the prevailing daily market wage rate for unskilled labour in the district which is in the NR 300 to 350 range.

This is another project which is different from the standard KEP model. The work done with KEP funds is a part of a larger project and the overall project benefited from the technical input provided by WUPAP. The administration in Dandafaya VDC has also shown considerable flexibility in enabling the use of KEP funds more effectively, in combination with funds and technical assistance from other sources.

### 5.3.3 KEP projects in Simikot VDC

The district headquarter is situated in Simikot VDC which has a population of 2,338 persons in 503 households. There are 363 households which have been designated “unemployed”. The VDC has implemented 17 small KEP funded projects. The rapid technical appraisal was carried out in Ward 2 in the VDC. As in Dandafaya VDC, there is an Execution and Evaluation Committee (EEC) at VDC level. The committee is chaired by the VDC secretary, the other members being representatives of political parties active in the VDC, a WUPAP representative, a NGO representative and a teacher. The responsibilities of the EEC are the same as those in Dandafaya VDC.

According to VDC records, improvement and construction of new steps was done in Ward 2 in financial year 2006-7. In financial year 2007-8, the KEP project in Ward 2 was site levelling and construction of a boundary wall for a community building.





### **Simikot Ward 2 construction and maintenance of stone steps**



Picture 12: New steps constructed in 2006-7 under KEP in Simikot

Ward 2 in Simikot VDC chose to use KEP funds to rehabilitate stone steps near a shrine and community water spout. There are 469 persons in 76 households in the Ward. Of these, 56 households were designated “unemployed”. According to the VDC secretary, the Ward received NR 187,600, equivalent to NR 3,350 per unemployed household<sup>6</sup>. A users’ committee, formed in the Ward to execute the work, signed the agreement with the VDC and implemented the work.

The chairman of the users’ committee reported that the payment was received in two instalments and persons from households which were not designated

“unemployed” participated in the project and were paid for the participation. Therefore, the actual payment per household was less than NR 3,350. Information on how much each household was paid was not available.

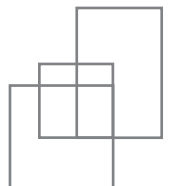
There was a 2 metre wide access to the village with some missing and loose stones. The KEP project put forward by the Ward was to renovate the existing steps and to construct new ones. The repair work was over a length of about 10 metres and the new construction was about 15 metres long. There was no technical input in this project which was done by the community according to their own ideas. There was no monitoring by DDC and VDC level committees but papers were produced to comply with the procedure for the payment of instalments.

The total volume of stone works was about 30 cubic metres. The new steps were not well built and uneven. Stones were loosely placed and moved when people walked over them and it was observed that the new step is not well used by people. Cattle either use the old steps or avoid the steps completely. The new steps do not appear to be necessary. The cost of the works at the prevailing market price for labour was estimated to be about NR 94,300 which is about half the KEP funds received for the work.

### **Simikot Ward 2 compound wall for a community building**

The VDC disbursed NR 164,640 at the rate of 2,940 per household for 56 households. The lot with piles of stone in the photograph (Picture 13) is the site to be made into a compound for a community building which has not yet been constructed. The chairperson of the users’ committee

<sup>6</sup> Equivalent to about 10 days of employment at the rate of NR 300 per day or about 17 days at the rate of NR 200 per day.



stated that the ground had been levelled and the wall made and partial payment for the work had been made by the VDC. On inspection, there appeared to be no sign of excavation and levelling of the compound though there is a ridge of rock around some parts of the compound. The stones piled on the site were apparently privately owned.

According to the VDC secretary, the VDC has paid the full amount for the project. The chairman of the users' committee stated that only one instalment at the rate of NR 560 per unemployed family (NR 31,360) had been received.



*Picture 13: Plot for a community building to be levelled and enclosed by a stone wall, Simikot*

This case study illustrates a number of failures. There is a discrepancy between the VDC and the users' committee on what has been paid, very little work appears to have been done on the project and at the time of the appraisal, the beneficiaries had received just over one-quarter of the intended payment.

## 5.4 Technical aspects: Summary and findings

While the number of rapid technical appraisal case studies undertaken was small, they indicate a range of types and sizes of projects and how they were managed. They also show examples of good practice as well as problems. Nevertheless, it should be noted that the appraisals were ex post making approximate estimates of quantity of works based on visual inspection and some onsite measurements and their comparison with available project documents. Therefore, the results of this exercise do not provide a comprehensive appraisal of technical implementation of works on KEP. Table 5.1 summarises the findings of the technical appraisals in sections 5.2 and 5.3. The table shows that two of the six projects appraised had been completed satisfactorily and at reasonable cost. It is significant that on both these projects, there was adequate technical planning and supervision. Collaboration with other agencies was important in circumventing the technical capacity constraint at the DDC and VDC levels and the provision of additional resources and non-labour inputs.

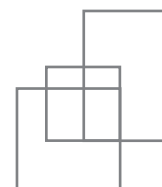
On the other projects, the nature of project requirements and problems were rather different. Three of them (canal intake, stone steps and compound wall) were small projects which could be managed at the VDC level with limited or no technical input. The canal intake project was satisfactorily completed but the estimated costs and inputs were too high. The stone steps project was not well executed and too expensive and the compound wall project was incomplete. The road construction project in Kartikswami was very ambitious with very little technical input and no non-labour content.



Table 5.1 Summary of rapid technical appraisal by project	
Project	Summary findings
Canal intake for micro-hydro scheme, Patmara.	Small manageable project requiring limited technical input. Satisfactory work. High work and cost estimates. Dispute about number of days of work and payment.
Road construction, Kartikswami.	Large ambitious project for VDC level and a large commitment of KEP and VDC funds. Patchy incomplete low quality work. More funds, technical support and non-labour inputs needed to complete.
Drinking water supply, Dandafaya.	Project requiring substantial non-labour inputs and technical support. KEP funds are a small community contribution to project costs. Satisfactory work and reasonable cost estimates. Technical supervision and input provided by partner. Provision for continuing maintenance.
School grounds, Dandafaya.	Part of a larger project (school construction) requiring non-labour inputs and technical support provided by partner. KEP work limited to clearing and levelling of school grounds. Satisfactory work and reasonable cost.
Stone steps, Simikot.	Small manageable project. Low quality work. High cost in relation to the volume and quality of work.
Community building compound wall.	Small manageable project. Incomplete work. Not possible to determine whether cost is reasonable as work not started and no plans. Dispute about whether full payment has been made.

The information obtained from FGDs in the three districts broadly supports the conclusions on the technical problems of implementation. The main comments in the Jumla FGDs were:

- Work was of low quality because the only inputs were unskilled labour and locally available materials which did not have to be purchased.
- There was little or no technical guidance or supervision. Therefore, each group did the work according to their own ideas and not according to the technical requirements.
- No technical training was provided to participants.
- Occasional monitoring was done by VDC officials and the final evaluation was done by the DDC monitoring team.



There were similar comments from FGDs in Kalikot though some participants thought that in their experience implementation had been good and according to technical requirements. Monitoring and evaluation were not always done according to form with the VDC technician taking responsibility. The comments in Humla mirrored the above observations. In addition, there had been no monitoring or evaluation of the projects<sup>7</sup>.

The main problems identified from the technical appraisal are the classic ones of:

- ❑ lack of planning, insufficient attention to project design and inaccurate estimates of costs because of lack of technical capacity at the VDC level, lack of technical support for VDCs and absence of independent verification of VDC level designs and estimates;
- ❑ low quality implementation because once projects and payment have been agreed, the work is left to be completed by groups with limited supervision, technical guidance or supervision;
- ❑ no incentive or supervision to ensure that each participant works for a specific amount of time or performs a specified task, and
- ❑ monitoring during the project and evaluation at the end are done largely by persons who are not technically qualified to appraise whether the quality is satisfactory and costs reasonable.

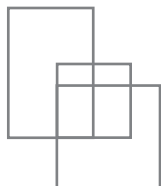
In order to ensure that KEP resources are being used productively, planning, technical input and monitoring are essential whether the projects being undertaken are small community based or larger. Generally, smaller community based projects of direct value to the community will require less technical input and no or limited non-labour inputs. Monitoring could also be largely left to the community since they are direct beneficiaries of the project and would be concerned about the quality and value of the outcome. However, it will be necessary to verify at the DDC level that the estimates of works, labour inputs and costs are reasonable.

Larger projects, such as road construction, require altogether more technical support and supervision in planning, design and implementation. Whether such projects could be implemented effectively at the VDC level depends on their specifications, the technical input, resources available and whether agreements with participants and supervision enable efficient operation and good quality work. In principle, short roads of low specification could be constructed by communities at the VDC level. Larger projects not directly under VDCs could be implemented under KEP but the basis of participation of communities is likely to be different. More important roads and projects such as drinking water supply and buildings require non-labour inputs. It is now possible to collaborate with other agencies which could contribute funds for non-labour inputs and provide technical support. A more coherent approach to developing such collaboration is needed.

Another aspect which needs addressing is the timing of project preparation. The current practice in most VDCs appears to be to hold meetings to propose and select projects after the funding for the year becomes available. Before submitting the proposals, an estimate is made of the bill of quantities and cost estimate to submit to the DDC. This leaves a very short time to propose, select and prepare projects. If a stock of projects has been prepared and approved in advanced, this constraint would be eased.

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<sup>7</sup> FGDs in Humla were in Shreenagar and Kalika, two relatively remote VDCs.



The DDC should support VDCs to prepare a portfolio of technically sound projects. The preparation would involve the processes of selecting and prioritising the projects with community participation on the understanding that they would be implemented as and when resources become available. A longer term plan for implementing projects dependent upon continuation of KEP could also be made and the plan revised from time to time if necessary, especially if new priorities emerge. The community may also choose to take account of district level priorities and plans in choosing and prioritising VDC level projects. Having a stock of prepared projects in advance would also give more flexibility to collaborate with NGOs and other agencies which tend to make longer term implementation plans.

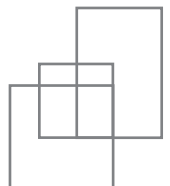
An important part of the preparation of project proposals in advance would be to ensure that they are technically sound. The level of technical input required will vary between types of projects but since technical capacity to design, implement and monitor projects is severely limited, most VDCs will need technical support for designing and implementing projects. The design should take account of the technical soundness of projects, estimates of unskilled labour requirements, need for complementary inputs and, given these requirements, whether it is feasible to implement the project.

Provision of technical support for project preparation and supervision while the project is being implemented clearly has staffing and resource implications at the district and VDC levels. However, if the project planning cycle is not tied to the annual budget cycle, project preparation could be spread over a longer period and district level technical staff would not be faced with high demands for their input over a short period of time. When the annual budget is known, the VDCs would be in a position to put forward well designed and planned projects for implementation under KEP. This is one area where effort is required at the MLD level with international support to provide training and appropriate designs and working methods for small infrastructure works. EIIP ILO is very well qualified to be one of the agencies to provide technical assistance in this area.

The standard model is for the DDC to make funds available to the VDCs to then allocate them to users' committees which propose projects to be implemented by users' groups. For a small Ward or community, the KEP allocation may be too small for a meaningful project though there is the option of working on a project over a number of years. Even without this constraint, some VDCs may not have the capacity to come up with projects to provide sufficient number of person days of employment. Possible consequences of this combined with insufficient technical input are: (a) variations in the benefits between VDCs, and (b) the tendency to inflate the number of person days required for a project to demonstrate that the work justifies the payment.

An option to be considered is much greater flexibility in the types of KEP projects and the levels at which they are implemented. Five types of projects are suggested here:

- ❑ Type 1 – Standard VDC or Ward based small projects such as repairs of small canals or clearing a school playing field which may require very little technical input and are of direct benefit to the local community.
- ❑ Type 2 – Larger Ward and VDC based projects such as tracks or roads which may require somewhat more technical inputs and which are of direct benefit to the local community and the rest of the VDC.



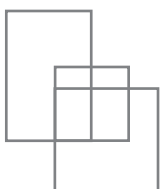
- ❑ Type 3 – DDC level projects such as construction or maintenance of roads and canals implemented by labour-based or labour intensive methods which are of wider benefit for parts of the district.
- ❑ Type 4 – Other line ministry infrastructure works implemented by labour-based or labour intensive methods.
- ❑ Type 5 – Collaboration with NGOs and other agencies on local community based or larger projects.

The potential participants would then have a choice between working on a community based project or an alternative project close to home. Development of an approach offering a range of different types of projects is complex and involves collaboration with other organisations. Table 6.1 recommends that this flexible model should be developed over the long term after assessing feasibility and pilot testing in the short-term.

Complementary inputs (light equipment, materials and good quality tools) are required for all but the smallest local projects. There are two options with respect to obtaining complementary inputs. The first option is to allocate funds for non-labour inputs to complement the KEP budget to be spent on labour. Technical input at the project development stage will be required to ensure that projects are well designed with specification of complementary inputs as necessary. KEP projects would primarily be labour-intensive or labour-based but for effective and efficient implementation, use of light equipment, tools and materials may be required to a greater or lesser degree depending upon the activity. Procedures would have to be developed to bid for complementary resources and guidelines would be required to determine the appropriate levels of complementary inputs.

The second option is to develop and implement projects in collaboration with NGOs and other agencies which may meet the costs of complementary inputs (i.e. the Dandafaya model). Such an option has another attraction in that the collaborating agencies or NGOs may have the capability to provide technical input for design, guidance and supervision as in the Dandafaya model.

If KEP can be strengthened in the ways outlined above, especially on asset creation, it will not only improve in its effectiveness as a public works based social protection scheme for Karnali but also offer a good model for extending the programme to adjoining poor districts and become part of pilot programme encompassing other parts of Nepal with the prospect for developing a national employment guarantee scheme.



## 6. Overview, conclusions and recommendations

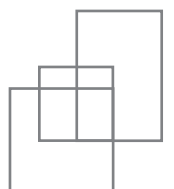
### 6.1 Overview and conclusions

This section draws together the main conclusions from the appraisal of KEP in previous sections followed by recommendations for possible improvements and enhancements. A qualification is that these conclusions and recommendations are based on findings from studies in three districts and even within the three districts, VDC level investigations were confined to limited locations. Given these limitations, the results cannot be generalised over the whole KEP. Nevertheless, the positive aspects and issues of concern the study highlights are relevant for future policy and operations on KEP and similar programmes in Nepal.

KEP was initiated less than four years ago to provide much needed support in one of the poorest and remotest parts of Nepal. In a number of respects, it has made good progress and has established a platform of institutional infrastructure and processes from which further improvements can be made. The disbursement of funds has been very high and the administrative costs at the KRDU and DDC levels have been low, though the low administrative costs suggest that the level of monitoring, administration and technical support are too low and contribute to the implementation problems identified. KEP has come to be widely known as a project with open access which combines the objectives of income support through public works and creation of infrastructure assets. However, the patchy performance on the asset creation objective is cause for scepticism among some participants who perceive it as cash transfer only.

Representatives of other agencies and NGOs involved in development initiatives at the district level express concern about the limited development impact of KEP. In this respect, it is important to reiterate that KEP is a social protection device to provide short-term income support to complement longer term development strategies. It does however have the potential for contributing to development if the asset creation aspect is effective.

At a broad level, a further problem is the high expectation which was built up because of the announcement at the launch of the programme that the ultimate objective is to provide 100 days of employment. While this may be a desirable long term objective, in the short term achieving this objective is not feasible because of budgetary limitations and lack of administrative and technical capacity to implement the much larger programme it implies. There is clearly a need to manage expectations through clear communications. The rest of this section focuses on the findings on the two core objectives of KEP as a public works programme.



### ***Objective 1: Social protection through short-term employment***

At the DDC level, there is evidence of good administrative structures and processes to inform the VDCs and Wards through VDCs about the programme and participation procedure. Further, media are used effectively to publicise the programme. The structures and processes appear to ensure inclusion. There is no evidence of discrimination against disadvantaged castes or ethnic minorities. By far the most important use of income is purchasing more food. There are two possible explanations which are not mutually exclusive. The first is that the high incidence of expenditure on food is an indicator of the low living standards of beneficiaries. The second is that the payments received from KEP employment are low and their continuation uncertain and therefore households cannot commit to large expenditures or longer term investment based on this income source. Based on the first explanation (i.e. the high incidence of expenditure on food as an indicator of low living standards) the targeting of Karnali Zone is justified.

There are however the following issues of concern:

- definition of households and eligible households;
- participation by women and the youth, and
- actual payments received by households and variations in payment per household.

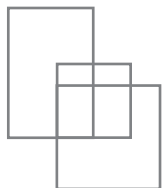
Evidence from FGDs and technical appraisals has highlighted the problem of defining households. Communal households in which adult children and their spouses live with their parents are common. While 46 per cent of sample households had 5 or fewer members, about 31 per cent had 8 or more members. Examination of survey data shows that a large proportion of these were communal households. In addition, the size of the household in itself is a consideration from the point of view of equity.

Further issues are concerned with criteria for participation, notably the unemployed household criterion for eligibility and the limitation of participation to one person per household irrespective of the size and composition of households. As noted earlier, a household in which at least one member has permanent or temporary employment in government or NGO or earns from a business is designated as employed. All other households are designated “unemployed” (KRDU, 2007). An obvious problem that this definition raises, when combined with the composition of households, is that in a communal household one person with a low paid government job would exclude all other members from KEP participation. Large communal households are also limited to participation by one person per household.

Evidence from KRDU, DDC and VDC level discussions, the household survey and technical appraisals indicates that at the local level, these issues are resolved in informal ways by the community deciding that all households, including “employed” households, should participate and share the benefit. There are also cases of larger communal households separating at least for the purpose of registration for KEP or more than one person per household permitted to participate from some households. Formal clarification of rules here would be helpful especially if public works as an approach to social protection is to be used on a larger scale in other parts of Nepal<sup>8</sup>.

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<sup>8</sup> See the next section for suggestions on rules.





Participation by women is low, about 23 per cent, with substantial variations between districts (14 per cent and 20 per cent in Kalikot and Jumla respectively). With the on person per household restriction, this may be a matter of choice within the family. Further investigations are needed to determine the nature of barriers against women's participation and measures are needed for their removal.

Another issue is high proportion (56 per cent) of KEP participants stating that they were not paid according to the agreement. These responses are supported by the comparison between the payments households stated they had received during 2007-8 compared with the allocations per unemployed household possible from the KEP funds received by the district. The payment per household in Humla and Jumla is 60 per cent of the theoretical allocation per household. Adjusting for all households participating (i.e. not just unemployed households) and an assumption that the number of households participating may have been 15 per cent higher, partly because of households splitting to participate in KEP and partly because of recent natural growth in the number of households, still leaves a large discrepancy.

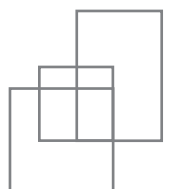
### ***Objective 2: Creation of assets of value for the community***

This objective of the programme is considered to be secondary to paid employment by the participants. This is understandable since the focus in the early years has been on income support for participants. Evidence from the technical appraisals, survey and FGDs indicates that participants had a clear expectation that payment was in return for work though in the first year of the programme this may have been difficult to observe in all cases. There is also clear evidence that the work condition had to be fulfilled for full payment and there are examples of payments being withheld because work had not been completed. There were a few instances of full payment with the expectation that work would be completed at a later stage.

However, based on the technical appraisal of a small number of projects, evidence from discussions at the DDC and VDC levels and survey evidence, programme achievement on this objective appears to be weak resulting in low quality or high cost in relation to the quality and amount of work in three out of the six technical appraisals. The main reasons can be summarised as:

- inadequate technical input in planning, design and implementation;
- lack of independent checking and verification of estimates, completed works and works in progress by technically qualified persons;
- lack of technically competent supervision;
- inadequate arrangements for relating payment to performance, and
- lack of non-labour inputs.

It has been noted in the previous section that the sample of projects inspected was small in relation to the total number of projects implemented. The above conclusions have been based on an ex post technical appraisal of a small number of projects making approximate estimates of quantity of works requirements and their comparison with available project documents. Therefore, the results of this exercise do not provide a comprehensive appraisal of technical implementation of works on KEP. They should be seen as indicative of issues which need to be addressed in strengthening the KEP.





Further, the intention of this study is not to be critical of current practice on a programme which has performed creditably in difficult circumstances but to draw lessons for improving implementation and future policies including expansion of the role of public works as a mode for providing social protection in Nepal.

The underlying problems are that: (a) the present management structure and processes are oriented towards disbursements of funds rather than ensuring technically sound implementation, and (b) technical implementation capacity is weak. It should also be noted that meeting the twin objectives social protection and asset creation is difficult as studies of past public works programmes in India and elsewhere have demonstrated.

On two of the projects appraised, the performance was good largely because they benefited from collaboration with partners who provided technical inputs and additional funds and met the non-labour costs. Improving performance will require development of technical capacity, ensuring that different types of projects are implemented at different levels and with appropriate technical inputs. Specific recommendations on these aspects are made below.

## 6.2 Recommendations

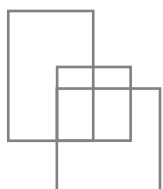
Table 6.1 summarises the main findings and recommendations for improving and enhancing KEP, relating them to the eight features set out on Table 2.2. The recommendations are separated into short-term actions and longer term development. Comments and elaborations on some of the recommendations in the table are provided below. The recommendations are based on the premise that KEP will continue to operate as a public works based social protection programme which will offer a given number of days of employment per target household within the budget allocation which is announced annually. Therefore an important design requirement is that access to programme benefits should be equitable (see the top two cells in the “Short-term improvements / enhancements” column in Table 6.1).

In principle, once the budget and therefore the number of days of employment per household are known, each household which qualifies and wishes to participate should be given the opportunity to work for the same number of days and should receive the level of benefit commensurate with the labour input it chooses to put in<sup>9</sup>. In practice, such precisely defined equity may be difficult to achieve but broadly the aim should be to make the distribution of number of days and pay per day as even as possible.

Ensuring such broad equity requires a number of measures. The first is addressing the definition of a household and an unemployed household. NREGA has encountered this problem and for the purpose of the programme, defined the household to be a nuclear household, i.e. parents and their children who are not adults living together. The distinction between employed and unemployed households should also be removed and the wage rate set somewhat below the market wage rate.

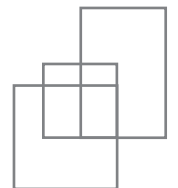
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<sup>9</sup> *In practice, the wage rate may vary to reflect local labour market and cost of living conditions.*

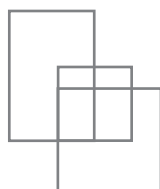


**Table 6.1** KEP study: Summary of findings and recommendations

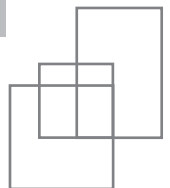
Features	Current situation	Short-term improvements / enhancements (1-2 years)	Longer term development (3-5 years)
<p><b>1. Access for all those who qualify and wish to participate.</b> Effective communication about the scheme and method of participation. Specific actions to remove communication barriers faced by any target groups.</p>	<p>Good communications through a range of channels. Open access for qualifying households.</p>	<p>Use communications channels to increase transparency, i.e. public announcement of “entitlement” to the number of days of employment and wage rate subject to satisfactory work.</p>	<p>Continue improving transparency through communication.</p>
<p><b>2. Targeting to ensure that available resources are directed at the intended target groups.</b> Self targeting through the wage rate. Therefore importance of appropriate wage rate level.  Measures to remove barriers against participation by any groups if necessary.</p>	<p>Karnali targeted as a region. Very high participation rate  either because of poverty and lack of other cash earning opportunities  or wage rate too high in relation to the work requirement.  Exclusion of members of employed households.  Limited access by members of communal households.  Low participation rate for women.</p>	<p>Improve equity between participants (work towards achieving broadly equal number of days of KEP employment and pay).  Ensure rate remains below market wage rate. Make a start on improving the asset creation function to make the work requirement genuine rather than nominal.  Include all employed households.  Define households as nuclear households.  Investigate reasons. Remove any barriers e.g. through provision of facilities and type of work.</p>	<p>Improving equity requires changes in management and the asset creation function which is a long term project.  Improving the asset creation function is a long term project.</p>



Features	Current situation	Short-term improvements / enhancements (1-2 years)	Longer term development (3-5 years)
<p><b>3. Efficient and effective payment arrangements.</b> Ensuring that pay reaches the participants (conditional on work) as agreed and on time.</p>	<p>Not working well at present. Late payment.</p> <p>Payment apparently less than agreed.</p>	<p>Investigate the problem to find out where the bottleneck is and the reasons for the delay and resolve.</p> <p>Specify the amount of pay and the work required clearly. Indicate if there are any additional conditions (e.g. if receipt of funds is subject to evaluation and approval).</p>	<p>More lasting improvements linked with improving management and payment systems and the asset creation / maintenance function.</p>
<p><b>4. Welfare impact of participation.</b> Assessment of impact of earnings from project employment on participating households.</p>	<p>KEP is an additional cash earning opportunity. Main impact is increase in current consumption, especially food. Limited long term impact.</p>	<p>Increase commitment of resources to increase the number of days of employment. Strengthen the asset creation / maintenance capacity.</p>	<p>Increase commitment of resources to increase the number of days of employment. Strengthen the asset creation / maintenance capacity.</p>
<p><b>5. Complementary benefits and activities</b> Training related to work on the scheme and training and other support for improving livelihoods.</p>	<p>Very limited at present. Contribution to community cohesion. Development of skills on the job.</p>	<p>Assess training needs. Initiate a training and work experience programme for technicians (project planning, making works, input and cost estimates, supervision) and community members (setting out, measuring, supervision).</p>	<p>Develop a training programme for engineers, technicians and community members on planning, implementing and supervising small infrastructure works.</p>
<p><b>6. Asset creation and preservation - effective participatory project planning.</b> For local infrastructure, local participatory processes for developing a portfolio of projects (generating project proposals and assessing feasibility), prioritising and selection for implementation.</p>	<p>A participatory planning process is in place but reactive and with short response time with respect to KEP (i.e. Wards asked via VDCs to propose projects within a short period of time). Wards may come up with “make-work” projects or inflated projects to claim their KEP “entitlement”.</p> <p>Or a project may be “imposed” e.g. road construction.</p>	<p>Decouple project proposal from the KEP planning and implementation cycle. Pre-prepare a stock of project proposals with technical specifications and input and cost estimates – independently checked and verified to be implemented when KEP funds are disbursed. Pilot test in a few VDCs in the short-term.</p>	<p>Replicate decoupling and pre-preparation on a large scale with any modifications based on pilot testing.</p>



Features	Current situation	Short-term improvements / enhancements (1-2 years)	Longer term development (3-5 years)
<p><b>7. Asset creation and preservation - effective project implementation</b>                      Technical assessment to (a) ensure that work can be done with the available supervision capacity, and (b) assess requirement for non-labour inputs, tools and equipment.                      Provision of technical training and guidance and non-labour inputs if necessary.                      Planning and scheduling of works.</p>	<p>Output is low quality and/or high cost in relation to the quantity and quality of work, except where there is collaboration with partners who contribute technical support and non-labour inputs (very few projects at present).                       Either no technical input or low technical input.</p>	<p>Initiate and test good practice models for planning and implementing community based projects of different sizes and requiring different levels of technical and non-labour inputs.                       The planning to include design, estimates of works, inputs and costs and independent verification.                       Implementation to include measuring and setting out as necessary, specifying tasks to be performed within given time and supervision.                       Test present norms and standards and modify as necessary.                       Make an assessment of the technical inputs and capacity needed for implementation.                       Assess the feasibility of alternatives to community based projects for inclusion in KEP.                       Ring-fence some funds for non-labour inputs and test procedures for allocating them to projects where needed</p>	<p>Build on the short-term testing to expand the application of good practice models.                       Modify existing norms or develop new ones.                       Develop and initiate a plan for improving implementation capacity based on short-term experience.</p>
<p><b>8. Effective monitoring and auditing</b>                      Monitoring progress and performance at local and higher administrative levels. Auditing of processes, resource allocation and outcomes at local and higher administrative levels.</p>	<p>Monitoring and evaluation processes in place. Also provision for public audits.                       Practice is patchy.</p>	<p>Needs to be more systematic and to include technical inspection of work in progress and completed projects.</p>	<p>As for short-term.</p>



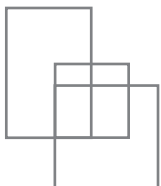
Households should register with VDCs in advance of the annual KEP cycle. If projects are to be implemented at the VDC level as has been the practice to date, the allocation of funds to VDCs should be according to the number of qualifying households as has been the case in Humla but not in Jumla. Once the budget is known, each household's entitlement will be known and the number of days of employment and related payment could then be communicated to the VDC and Ward levels and should be made publicly available. To ensure that it is clearly understood that the payment is not simply a cash transfer, the condition of satisfactory work on a project should also be publicly announced. Making this announcement will increase transparency and enable beneficiaries to raise questions about any gaps between their "entitlement" and the actual amount they receive.

The above recommendations suggest improvements with respect to clarification of eligibility criteria, establishment of equitable entitlement per household and increased transparency to increase awareness of the entitlement. They will also serve as inducements to tighten up the administrative and disbursement procedures at the DDC and VDC levels and reduce the apparent gap between the allocation per household for the district and the amount reaching the beneficiaries. They do not address the question of developing and implementing technically sound projects.

A problem with the "asset creation and preservation – effective participatory project planning" aspect in Table 6.1 is the timing of the project cycle. Starting the project cycle at DDC and VDC levels after the annual budget has been received is very late. In practice, there are further delays before the DDC asks the VDCs to make project proposals and VDCs are required to submit proposals within a short period of time, typically 3 to 4 weeks at most. Since technical capacity is limited at the DDC and VDC levels, preparation of project proposals over a short period of time would put severe pressure on this resource. As the table indicates, it also means that VDCs and Wards have to identify, prepare and propose projects at short notice reacting to the request from the DDC. To overcome this constraint, it is recommended that project preparation at the VDC and DDC levels is decoupled from the annual budget announcement and disbursement of funds.

The DDC should support VDCs to prepare a portfolio of technically sound projects. The preparation would involve the processes of selecting and prioritising the projects with community participation on the understanding that they would be implemented as and when resources become available. A longer term plan for implementing projects dependent upon continuation of KEP could also be made and the plan revised from time to time if necessary, especially if new priorities emerge. The community may also choose to take account of district level priorities and plans in choosing and prioritising VDC level projects. Having a stock of prepared projects in advance would also give more flexibility to collaborate with NGOs and other agencies which tend to make longer term implementation plans.

An important part of the preparation of project proposals in advance would be to ensure that they are technically sound. The level of technical input required will vary between types of projects but since technical capacity to design, implement and monitor projects is severely limited, most VDCs will need technical support for designing and implementing projects. The design should take account of the technical soundness of projects, estimates of unskilled labour requirements, need for complementary inputs and, given these requirements, whether it is feasible to implement the project.



Provision of technical support for project preparation and supervision while the project is being implemented clearly has staffing and resource implications at the district and VDC levels. However, if the project planning cycle is not tied to the annual budget cycle, project preparation could be spread over a longer period and district level technical staff would not be faced with high demands for their input over a short period of time. When the annual budget is known, the VDCs would be in a position to put forward well designed and planned projects for implementation under KEP. This is one area where effort is required at the MLD level with international support to provide training and appropriate designs and working methods for small infrastructure works. EIIP ILO is very well qualified to be one of the agencies to provide technical assistance in this area.

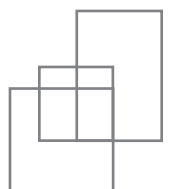
The standard model is for the DDC to make funds available to the VDCs to then allocate them to users' committees which propose projects to be implemented by users' groups. For a small Ward or community, the KEP allocation may be too small for a meaningful project though there is the option of working on a project over a number of years. Even without this constraint, some VDCs may not have the capacity to come up with projects to provide sufficient number of person days of employment. Possible consequences of this combined with insufficient technical input are: (a) variations in the benefits between VDCs, and (b) the tendency to inflate the number of person days required for a project to demonstrate that the work justifies the payment.

An option to be considered is much greater flexibility in the types of KEP projects and the levels at which they are implemented. Five types of projects are suggested here:

- ❑ Type 1 – Standard VDC or Ward based small projects such as repairs of small canals or clearing a school playing field which may require very little technical input and are of direct benefit to the local community.
- ❑ Type 2 – Larger Ward and VDC based projects such as tracks or roads which may require somewhat more technical inputs and which are of direct benefit to the local community and the rest of the VDC.
- ❑ Type 3 – DDC level projects such as construction or maintenance of roads and canals implemented by labour-based or labour intensive methods which are of wider benefit for parts of the district.
- ❑ Type 4 – Other line ministry infrastructure works implemented by labour-based or labour intensive methods.
- ❑ Type 5 – Collaboration with NGOs and other agencies on local community based or larger projects.

The potential participants would then have a choice between working on a community based project or an alternative project close to home. Development of an approach offering a range of different types of projects is complex and involves collaboration with other organisations. Table 6.1 recommends that this flexible model should be developed over the long term after assessing feasibility and pilot testing in the short-term.

Complementary inputs (light equipment, materials and good quality tools) are required for all but the smallest local projects. There are two options with respect to obtaining complementary

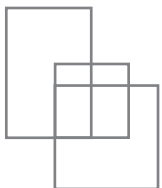




inputs. The first option is to allocate funds for non-labour inputs to complement the KEP budget to be spent on labour. Technical input at the project development stage will be required to ensure that projects are well designed with specification of complementary inputs as necessary. KEP projects would primarily be labour-intensive or labour-based but for effective and efficient implementation, use of light equipment, tools and materials may be required to a greater or lesser degree depending upon the activity. Procedures would have to be developed to bid for complementary resources and guidelines would be required to determine the appropriate levels of complementary inputs.

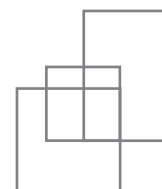
The second option is to develop and implement projects in collaboration with NGOs and other agencies which may meet the costs of complementary inputs (i.e. the Dandafaya model). Such an option has another attraction in that the collaborating agencies or NGOs may have the capability to provide technical input for design, guidance and supervision as in the Dandafaya model.

If KEP can be strengthened in the ways outlined above, especially on asset creation, it will not only improve in its effectiveness as a public works based social protection scheme for Karnali but also offer a good model for extending the programme to adjoining poor districts and become part of pilot programme encompassing other parts of Nepal with the prospect for developing a national employment guarantee scheme.

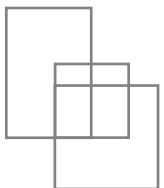


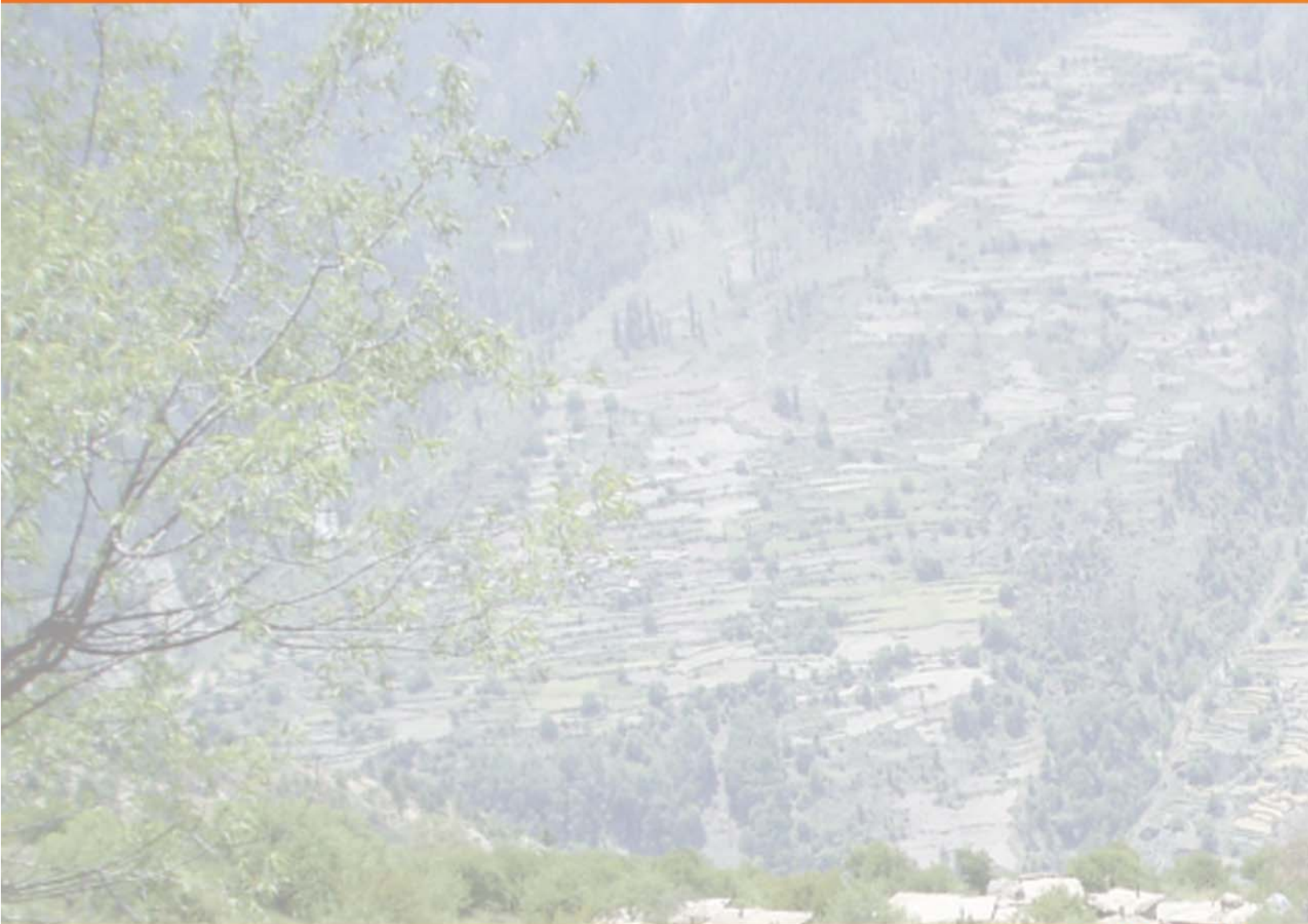
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