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RAPTI ZONE RURAL AREA DEVELOPMENT PROJECT
MID-TERM EVALUATION REPORT

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

KATHMANDU, NEPAL

(CONTRACT No. PDC-1406-I-00-2085-00)

AUGUST, 1983

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Prepared for:

U.S. Agency for International Development
Kathmandu, Nepal
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PREFACE

The field work for the Rapti Rural Area Development Project was completed in April, 1983. A preliminary draft report was provided to His Majesty's Government of Nepal and the USAID Mission at that time for their review and comment. Drawing on their comments and suggestions for changes, the report was revised in July, 1983. The views of HMG are included at the conclusion of Part I: Executive Summary.

The Evaluation Team expresses its sincere thanks to the many officials of HMG in Kathmandu and the Rapti Districts. They were unfailingly generous with their time throughout the evaluation period. Also our thanks to USAID Director Dennis Brennan and his staff for their excellent support and thoughtful observations on the report.

August, 1983

I. EXECUTIVE SUMMARY: CONCLUSIONS AND RECOMMENDATIONS

A. The Problem

Development in the rural areas in Nepal in which over 90% of the population live is clearly the highest priority for the country. The mobilization of the rural people in food production and income generating activities is fundamental to Nepal's future. Sectoral programs have a necessary complementary role. Major investments such as in hydro-electric dams may also be beneficial but are some years away. Neither of them will materially improve the living conditions of the majority of the exceedingly poor Nepalese people without effective development programs in the country's seventy-five districts.

Important progress has been made in the orientation of Nepal's rural development programs. The basis for a sound rural development strategy are evident in the Decentralization Act of December, 1982, in a range of activities being tried out in various parts of the country and in the ideas of many of Nepal's professional community. What is required is a concerted move by the Nepalese leaders, with some donor support, to consolidate these ideas and experiences into a practicable development program in the rural districts. The Rapti Rural Area Development project is intended to be part of this process.

Questions have been raised, however, about the feasibility of large multi-sectoral rural development projects and the practicability of decentralization in encouraging broadbased economic growth. What are the long-run prospects for the Rapti project? Can it make a long lasting contribution to Nepal's rural development goals? The project is just beginning to be implemented. It is thus premature to undertake an impact evaluation. The USAID Mission, however, decided that in view of these questions a special evaluation was required to examine the basic assumptions and design of the project and their continuing validity.

The central issue for this evaluation of the Rapti Rural Area Development project is the desirability and feasibility of a rural area development project in Nepal's Rapti Zone Hills region.

B. U.S. Assistance

The Rapti Rural Area Development project was authorized and the Project Agreement signed in August 1980. The project was the outcome of about three years of information gathering, design work and pilot development activities in the Rapti Zone. It was an outgrowth of the HMG's development program strategy which was spelled out in a January 1978 position paper - "A Strategy for Rural Development" and later in a paper "Integrated Panchayat Development Design." AID had itself completed a major study of its own program which was reported in a "U.S. Development Assistance Strategy Assessment - Nepal" June, 1977. Funding for the Rapti project for an initial five years is budgeted at \$33 million (U.S. contribution of \$26.7 million).

The project provides for development programs in the five districts of the Rapti Zone - Salyan, Rolpa, Pyuthan and Rukum in the Hills and Dang in the Terai valley. Assistance to the five districts is primarily in agriculture and livestock, roads and rural works in terms of funding allocations.

Other activities include forestry, soil conservation and renewable resources, cottage industries, education and local institutional development. A project coordination office (PCO) for the Rapti Zone is based in Tulsipur in the Dang Valley District. Two small AID contracts provide U.S. technical advisors who are living in Tulsipur. Five U.S. technicians are currently working with the PCO and one with the Agricultural Development Bank's Appropriate Technology Unit. AID and HMG project financing for district activities is provided through District Treasuries for both minority and district panchayat projects.

There are a number of AID financed activities beginning to take place in the Rapti districts. The Agricultural Development Bank's Small Farmer Development Program and loans to individual entrepreneurs are making positive contributions. New wheat varieties are being adopted; livestock and veterinary services are beginning. Adult education classes are underway. The Appropriate Technology Unit is providing, through private commercial arrangements, some improved household and farm innovations. Cottage industry activity is evident. Rural works projects such as drinking water systems are in place or under construction. Access road construction continues although not without delays. Some institutional development is occurring in district panchayat planning and budgeting work and training of line agency field staff.

C. Evaluation Methodology

The Evaluation Team, in reviewing project assumptions, concentrated its attention on national policies and practices and the local conditions which affect the achievement of the project's objectives. The Team also reviewed the the principal activities being implemented under the project.

A wide variety of project documents, studies and reports were examined. These include, in addition to project documents, studies on other integrated rural development projects in Nepal and on the history and current condition of Nepal's economic, social and political situation.

Most important, the five member Evaluation Team spent twelve days in the project area. It visited four of the five districts traveling by jeep, horse and mostly by foot. There were frequent and extended opportunities to talk with village leaders, local technicians and the villagers themselves as well as to observe local conditions in the Hill Districts and Dang Valley. Numerous meetings were held in Kathmandu with government officials and other knowledgeable about Nepal's rural development.

D. Conclusions

1. An effective rural development program is central to Nepal's long-term development. With 90% of the population in the rural areas and 60% in the Hills region alone, future economic growth will require a broad based mobilization of rural resources in productive income generating activity. This is becoming increasingly urgent with the rapid growth of population, the acceleration of the destruction of the forests, general ecological degradation and growing food shortages.

2. The project is consistent with the HMG's development policies and plans for mobilizing the rural population in national development. Recent government actions in national policy such as the December, 1982 Decentralization Act,

indicate an intent to strengthen the structure and content of local development. There appears to be somewhat more flexibility in encouraging private initiatives and enterprise but incentives are not adequate for creating a broad base of private development activity in the rural areas.

The villagers are impressive in what they have been able to accomplish, largely on their own, in crafting an efficient, intensive farming system from the slopes and valleys of their village areas. They have however, a transition to make in asserting more voice and control in local development activities. They need to become less dependent on government resources and assume greater responsibility for local programs and local resource generation.

3. On balance, the general setting for the Rapti project, in HMG policies and actions is sufficiently favorable for the project to be continued for another two years. The Evaluation Team doubts, however, that the project can make a meaningful and permanent long-term contribution to the development of the Rapti Zone districts unless substantial progress in commitment, planning and action is made by HMG in the five areas of the project setting discussed in the report within the next two years. Progress in these areas is essential to the long-term continuation of the project and its contribution to Nepal's rural development in the Rapti Zone districts. With concerted attention to these issues, there is a good possibility for accelerating economic growth in the districts and a justification for a long-term 10-15 year cooperative program. Without HMG commitment and performance over the next two years, the major investment of Rapti project resources would not likely be beneficial over the long-term and the project should be terminated at that time.

4. The five areas, referred to above in which action is essential are the ecological situation, institutional trends, the household system, the incentive environment and population growth. With HMG commitment to addressing issues in these areas, the Rapti project could provide a valuable action-research and demonstration base for defining the future course of rural development in Nepal. The interaction of policy and administrative action at the national level with project operations in the Rapti Zone can be a valuable learning process.

The five areas are:

(a) Ecological Situation: A major change in strategy, priority and commitment is required to reverse the profound negative impact of the household production system, and development activity in general, on the environment. The basic life support structure of the Hill economy is deteriorating rapidly. An approach is required that will harmonize household production interests with the preservation and development of the environment. Similarly, the protection of the land with trees and ground cover should be an integral part of all development activity in the districts.

(b) Institutional Trends: Several institutional and program arrangements affecting the rural areas require attention.

- The Decentralization Act should be implemented, as now envisioned, in full, giving the districts clear authority, responsibility and capability for their development programs; line agency work in support of the district programs will need to be carefully defined.

- Integrated rural development strategies for the districts are not now evident. They will need to be prepared by the districts under guidelines from the central government. The focus of responsibility in the central government for planning guidelines including indicative budgets, and for reviewing district rural development strategies needs to be clarified. District budget procedures to facilitate district planning should reflect the district organization structure not the functional line agency pattern that is now followed.
- Local private enterprise - individual and group endeavors in production and marketing - should be actively encouraged.
- Government manpower resources will need to be reallocated to strengthen district and village panchayat planning and administration.

(c) Household Production System: This is central to rural development. An increase in household income is the key objective. Rural development strategy needs to be oriented and carefully coordinated, to strengthen the multiple income opportunities of the household in food crops, livestock, fodder, tree crops, off-farm wages and local industry employment.

(d) Incentive Environment: Improvements in the incentive environment in prices, subsidies, markets, transportation and new local private enterprise development are essential for mobilizing economic activity in the districts. Government involvement in marketing such as in agricultural inputs should be sharply reduced. The incentive system for government officials working in rural development requires review for its adequacy and equitable application.

(e) Population: Population growth rates are having an adverse effect on the social and economic situation in the Hills. Family planning programs in close association with maternal child health care require urgent attention.

5. The circumstances which prevail in the Hills of Nepal call for an emphasis on mobilizing local resources and very sparing use of scarce capital. Individual activities in the Rapti districts need to be simple, low cost and labor intensive.

The complex problems of the Hill environment call for intervention in several sectors, sequentially if not simultaneously. Agriculture, animal husbandry, forestry, erosion control, rural off-farm employment, market development, delivery of basic services such as agricultural inputs and extension and possibly functional adult education are all interconnected at the district and household levels. In the Rapti districts, these programs would be most effective as part of an integrated household production system development strategy in village and district panchayat planning. Other programs in agricultural research for the Hills, health and family planning, education, transport, and rural works are required complements but should be implemented in separate projects. Agricultural research and health and family planning are not in the Rapti project but are important to its success.

6. There is no focal point for rural development strategy formulation drawing together and applying successful experience in the country and elsewhere. The Rapti project will require a highly professional technical resource group to assist the districts and the central government in this work. In this way, the project could serve as an action research and demonstration base for Nepal's rural development planning.

E. Recommendations:

Recommendation #1: Address the issues in the five areas outlined in the report. Further in-depth analyses of the issues will be undertaken to provide guides for policy and administrative actions. If conditions in the five areas of policy and program outlined are essentially the same in two years as they are now, the project should be terminated.

Recommendation #2: Reshape the Rapti project to move toward (a) a greater concentration of resources and professional personnel time on developing and introducing a more household and environmentally oriented development strategy; (b) a greater reliance on the district panchayats to plan and carry out local rural works, education, health programs, (c) more attention to identifying and trying out alternative approaches to development in the Hills and the Terai.

Recommendation #3: On individual components of the project:

- (a) recast the plan, priority and commitment to environmental protection and restoration;
- (b) monitor and evaluate carefully the successful Small Farmer Development Program (SFDP) to preserve its character and improve its quality avoiding pressure to overdo a good thing;
- (c) shift agriculture inputs delivery to private groups or individuals;
- (d) step up animal husbandry services but only as part of an integrated strategy that includes fodder production and environmental protection;
- (e) continue adult education programs with additional emphasis on the functional literacy portion of the training sessions;
- (f) continue and expand the Appropriate Technology Unit's program working through private commercial channels, as low cost technologies are developed;
- (g) review the off-farm employment and cottage industry program and design a new strategy for small rural industry designed with particular attention to market opportunities and private or group undertakings;
- (h) complete road construction of both the East-West Highway and the district access roads to Salyan, Pyuthan and Rolpa as expeditiously as possible. For the district access roads, issues of standards and contractor performance should be resolved promptly. Erosion control work and maintenance plans should be accelerated;

- (f) for the rural works program, upgrade and provide intensive training for the District Technical Office staffs (DTO) preparatory to turning over responsibility for projects to the districts. The USAID and PCO should withdraw their involvement. Use of privately leased-constructed office facilities should receive precedence over new government construction;
- (j) review the location, use and investment in the service centers to ensure their positive contribution to local development;
- (k) continue, apart from adult education mentioned above, the modest district education activities in the project until alternative funding arrangements are identified. Health and family planning services should be intensified through other USAID projects. Improved local sanitation is a priority;
- (l) phase out the Project Coordination Office in Tulsipur. Institutional development should be focused on the district panchayats and particularly on the role of the Local District Officer (LDO), without creating another layer of administration. District Treasury operations should continue to be strengthened and greater local resource generation stimulated;
- (m) replace the PCO with a small Technical Resource Service of highly professional and creative personnel. Its function, without line responsibilities, should be to design and test innovative development strategies, supplement district technical expertise, monitor impact of district development programs, plan and promote training activities; and
- (n) review thoroughly the training program for the districts with the objective of improving its quality, quantity, organization and priority.

F. HGM Comments

1. HMGN has long held the view that an effective rural development program is vital to Nepal's national development. This is clearly recognized in Nepal's Sixth Five Year Plan. HMG feels the Rapti Project is one of the most important ventures towards this end.

2. HMG, however, is not in a position to agree with the second conclusion drawn by the Evaluation Team. We do feel that if the project is fully implemented along the lines set forth in the Project Paper, it will definitely help achieve the long term development objective. HMG's rural development policies and the Rapti project stress the five areas identified by the Team as necessary for significant progress. It is also not clear from the report what and how much the Team means by significant progress in these areas where HMG has already made some solid progress.

We agree with the Team that Nepal has to make significant progress in these areas, but the report does not adequately recognize the progress already made. This will be clear from the following facts:

(a) There is no need for a major change in strategy, priority and commitment to reverse the profound negative impact of the household production system. There is already a commitment and priority in our national development strategy. The Sixth Plan in its national policy has spelled out that the "environmental program currently under way will be strengthened and soil erosion in the principal catchment areas of the country will be controlled by means of tree plantation river training and other effective actions to maintain the policy of preventing further deterioration of the already worse situation." Priority has been given to conservation and expansion of water resources, forest and rare animals in the interest of maintaining ecological balance.

HMG, with this high priority, has already started several activities in forestry, soil conservation and watershed management. It is only in recent years, however, that the resources, staff and technical knowledge to address those problems have become available. In the Rapti Project the soil conservation and community forestry programs are being implemented to maintain the ecological balance. However, we cannot expect change in the short span of time, as these are new concepts to the local people. We feel that continuous efforts are needed to make the people realize the need of ecological balance in their area. Improvements will be made for better and more efficient implementation of these programs in the Rapti area, with the valuable support and help from USAID. In this direction, HMG has already set up a National Commission for the Conservation of Natural Resources.

(b) The Decentralization Act is in the process of being implemented in order to give the districts clear authority and responsibility for their development. HMG is fully committed to decentralization of authority to the local bodies. Presently, the by-laws of the Act are being formulated, and the Act will be implemented in the next fiscal year (1983-84). So far the guidelines from center to formulate plan in the district level are concerned, it is assumed that the concerned line ministries under the overall development strategy of National Planning Commission will send in advance the guidelines regarding the budget allocation and the priorities to be given in their sectoral planning. The Rapti Project with its broad objectives will be planned and implemented at the local level as per the decentralization scheme. For this, adjustment wherever needed will be made in consultation with the donor countries also.

(c) We also appreciate the point that an increase in household income is the key objective of the rural development. As the village problems and the farmer's problems are interrelated, an integrated approach is the basic factor in all rural development programs. The Rapti Project document has not ignored this fact as it stresses the need for coordinated effort to increase food crops, livestock, tree crops, off-farm wages and cottage industries. The plan to develop planning, implementation and management through the service center to village panchayats, Ward and User's Committees will provide a congenial atmosphere for more effective support to the farm households. What we need is the continuous and effective effort to coordinate the program of several production support activities during the planning period. Without substantial improvements in services and technical staff at local levels made possible by IRD project, such advances will not be possible. With the help and support of technical consultants from USAID, progress can be made in this area.

(d) We do agree that economic incentives in prices, subsidies, markets, transportation and new local enterprise development is essential for mobilizing economic activity in the districts. The Sixth Plan in its national policy has given a high priority to price policy. To expand the production of principal food crops like paddy, wheat, maize, and lentils along with cash crops like cotton and oilseeds, minimum purchase prices will be fixed and the policy of purchasing some of them that are exportable and import substituting will be gradually enforced. As per this national policy, HMG is fixing each year the minimum price for those commodities so that the farmers may be encouraged to produce more and be guaranteed a reasonable price for their products. The new policy also intends to improve the incentives for private businessmen and producers. So far as incentives to government employees are concerned, the presently constituted central Rural Development Committee is expected to review the present incentive system for its adequacy and equitable application. There are also continuous efforts to provide training for people in the IRD Project areas.

(f) HMG fully agrees with the observation of the Team that population growth rates are having adverse effects on the social and economic situation in the Hills. Recognizing this fact, family planning programs along with maternal and child health programs are being introduced in rural areas where fertility rates are high. Population education is being imparted through various agencies in the area. The National Population Commission is taking various steps to make family planning and population education more effective. The Rapti Project also in its Project Paper has provided for these activities at the district level. Because of inadequately trained manpower and the remoteness of the area, we have not been able to make substantial progress in this area. This is an area where we need a continuous effort. Results cannot be shown after a couple of years of effort. However, we can discuss how the program can be implemented effectively and efficiently.

3. The recommendation to withdraw USAID support after two years, if significant progress in the above mentioned five areas are not made, is a matter of great concern to us. The Rapti Zone Project has been designed with the recognition that the five years of proposed activity must be part of a longer 15-20 years of intense development effort. We believe rural development cannot be on an ad-hoc basis. It should be continued for longer periods to get the results of such efforts. The Team's requirements for significant progress in five areas in two years time seems quite unrealistic. Because of the magnitude of the problems as well as the remoteness of the area, HMG feels that two years to made substantial progress is not adequate or justified. These five areas which the Team has mentioned are areas where we are facing challenge. So we would like to have support and help even after two years to meet the challenges of the area. We believe the joint venture between our two countries would be useful and should be continued to achieve our national development objectives for a longer period of time.

4. Within the Rapti Project

The report has not recognized the positive impact of the project. The project has been able to strengthen the provision of services, facilities and technical skills in the districts. Without the project, this progress could not have happened. The project has been able to increase the number of technical

staff in the Rapti Zone, to train local people and officials, to establish offices and to increase the people's involvement in planning and implementation of the program. Thus the Rapti Project has provided a solid basis to start intensive rural developmental activities. However, we agree that there are several areas where more improvement could be made and for this reason continuation of the project is essential.

HMG has no objection to reorienting and improving the present activities. This is one of the important purposes of the new central IRD Board. Caution should be taken not to confuse the people by changing the program in a short period of time. There would be no problem however, in adjusting certain priorities during the annual plan formulation period. We would like to continue with minor changes as indicated for this coming year and, on the basis of experience gained during this period, the second phase project should be formulated.

Regarding the recommendation about the PCO unit, we would like to stress that the office of the project coordinator is not inconsistent with the decentralization scheme and does not represent a new layer of administrative structure. It will work as an arm of the central IRD Board. It is primarily intended to backstop and provide logistic support to district level offices in plan formulation and implementation and to monitor and evaluate the project. At present the PCO's office appears large in size. Since district technical offices do not have the required manpower, PCO has taken some responsibility to implement the rural works projects. This responsibility of carrying out the rural works projects will be handed over to District Panchayat. The size of the PCO will be minimized. So there is no need to phase out the PCO unit, as it also helps in implementation of the Decentralization Act and in monitoring and evaluating of the project.

The recommendation to provide a small group of high quality technical personnel is quite useful. This group should be a part of the PCO's office since the group's proposed functions are consistent with the PCO's role.

5. About the Rural Works Projects

Regarding the rural works program PCO's office will not be involved in the future in implementation. Rural works programs are based on the basic needs of the people. We consider that these rural works projects fulfill the minimum basic requirements of the poor. So this program should not be phased out. Instead, it should be implemented with more simplified procedures. Prior approval of design and cost estimates by USAID should not be required. This is very time consuming and complicated too. If it is agreeable to USAID we would like to propose that authority to approve the design or cost estimates be given to the PCO or the district technical office.

6. PCO's Office Building

We feel that the huge complex building in the name of rural development is not necessary for the development of the rural poor. HMG has no objection to scaling down the present building construction and suggests to keeping the building construction to a minimum level. The amount saved from this reduction could be used for higher priority areas, as mentioned by the Team.

II. SCOPE AND METHODOLOGY OF EVALUATION

The Rapti Zone Rural Development Project evaluation was requested by the USAID Mission and His Majesty's Government of Nepal (HMG) to assess the assumptions, structure and strategy of the project as it moved into more extensive implementation. Questions have been raised about the feasibility of large multi-sector rural development projects and the implications of decentralization in encouraging economic growth. The Evaluation Team was asked:

- to review the overall design and assumptions of the project and their continuing validity;
- to provide basic recommendations on the future conduct of the project;
- to consider the likely results after the initial five year period and when the project may become self-sustaining;
- to identify ways in which the project can be responsive to HMG and AID policy changes over the last two years; and
- to review the underlying economic analysis, effectiveness of project management and progress to date.

It is recognized that as the project is just beginning to be implemented there could be little useful analysis of project impact. Also, the team was not expected in the time available to prepare detailed statistical analyses of the project situation and operations. Essentially, the Team viewed its task as an assessment of the basic strategy of the project in the context of the overall development setting in Nepal, the conditions in the districts in the Rapti Zone and emerging patterns of project implementation.

The Evaluation Team had the opportunity to review a variety of project documents, studies and reports. These included a very substantial number of reports on the project: program plans, budget documents, implementation plans, fiscal data, field reports, etc. We also had access to a number of insightful evaluations of World Bank, Swiss and UK supported rural development projects, the Asian Development Bank's recent Agricultural Sector Strategy Study, the Ministry of Agriculture's Conference Report on Hill Agricultural Development, and reports on HMG's decentralization plans and the evolution of the Panchayat structure.

The Team had extensive discussions, informal and formal, with many Nepalese government officials, private citizens, and project personnel involved in rural development issues. One general meeting to discuss the project was held with representatives of eleven line agencies under the chairmanship of the Secretary of the Ministry of Panchayat and Local Development. The USAID Mission staff and contractors were a continuing source of information and analysis.

Most important for the Team's understanding of the project was a twelve day visit to four of the five districts in the Rapti Zone. Two members of the team visited Salyan District and three visited Pyuthan and Rolpa Districts. All members participated in various reviews of the Dang District program although the team's primary attention was directed to the Hill areas. The visits to the districts via jeep, trekking and horseback gave the team an opportunity for numerous

first hand exchanges with all levels of people in the area. We had long sessions with district and village panchayat leaders and representatives, including those representing organized "class" groups such as women, young adults and farmers. Similar discussions were held with the line officers of the several technical agencies represented in the districts. Equally valuable was the time spent talking to farmers - men and women -, laborers, shopkeepers, ex-servicemen, porters, tractor haulage-drivers, and visiting in farm households for tea or meals. There was ample opportunity to observe the condition of the land at several altitudes and the farming and grazing and fodder and fuelwood collection patterns.

The beginnings of project activity were observed in roads, trails and suspension bridges, drinking water systems, new crop variety applications, primary school roofing, water turbines for rice milling, small farmer groups and credit activity, livestock veterinary services and adult education classes.

During the field trips there were occasions for what has been described as "opportunity sampling". They provided an intense micro-perspective on the problems and prospects of rural development in the Hill districts of the Rapti project area.

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III. THE PROJECT SETTING

Before examining the Rapti Rural Area Development Project directly, the Evaluation Team reviewed the setting in which the project is being carried out. There is little prospect that the project can make a meaningful impact on the long-term development of the five Rapti districts, no matter how well it is implemented, if the development strategy, institutional and incentive environments are deficient. Five areas are of importance: the ecological situation, household production system, institutional trends, the incentive environment and population growth.

A. The Ecological Situation

The Rapti Zone Hill area, with 60% of the area's population, is experiencing catastrophic environmental degradation. The accelerated erosion of the land is having a pervasive and profound impact on all aspects of human endeavor and undermining constructive development programs. Progress in development projects will be deluding if the basic life support system in soil fertility, trees and ground cover and water holding capacity continues, if unwittingly, to be destroyed. Hillside farms, so painstakingly terraced, are in many locations abandoned as they are washed away; movement to steeper slopes and higher land has only increased the pace of land degradation. The irrigated land, an important part of most household farming systems, is also being lost to flash flood erosion, siltation and landslides. The availability of fuelwood and fodder is declining rapidly and farm households (normally women) must travel greater distances to find new supplies. Intensive grazing removes the last protective cover. With the loss of trees and ground cover, the water holding capacity of the land is reduced. Springs are reported by the villagers to be drying up. Water for irrigation is less plentiful. Roads and trails, so arduously carved out of the mountainsides, are more vulnerable to washouts and landslides. Desertification is appearing on some hillsides and in the valleys.

Numerous studies and professional observations confirm the crisis situation. One of the most recent, by the Asian Development Bank in its 1982 Agricultural Sector Assessment (Page 34, Vol. II) states:

"Widespread erosion not only negatively affects crop production on a macro level but also affects the entire ecosystem in the hills since severe, prolonged erosion leads to landslides and complete loss of arable land. In order to maintain or increase total crop production, even more unstable land is brought into cultivation. This has resulted in the development of a situation in which man in his quest for survival is causing damage to those very elements which are sustaining him and his livestock, and the struggle for survival goes on becoming more and more unfavorable. The rapid deterioration of the ecological balance of the hill areas and the need to reverse this trend has now begun to be felt. The magnitude of the task and the lack of management capability and resources needed to rectify the situation makes the problem very formidable."

Both population increases, which result in more intensive efforts by the Hill farming communities to maintain their food supply and incomes, and new development activity are accelerating the downward spiral in the interaction of Hill economy and ecology.

The focal point in this crisis is the household production system. At present, this system - farming and livestock practices - is in conflict with environment. There is little self-interest at the household level in preservation and restoration of the forest and ground cover on land outside immediate arable holdings. "The land user, mainly the farmer, is the cause of and the only hope for solving watershed problems in Nepal. The practices needed to prevent or solve the erosion problems can only be carried out on a sufficient scale and with adequate knowledge by the farmers." (Integrated Watershed Management - Nepal FAO - 1980).

The prospects for the Rapti districts are not, however, entirely unfavorable. There is evidence that much of the Hill land has a "high biological resiliency, and natural, inherent recuperative properties" (U.S. National Research Council, 1981 RCU Evaluation). Many areas are still in good condition if further deterioration is prevented. The FAO Watershed Management Study notes: "Good soil structure and loamy textures, relatively high precipitation and warm temperatures during the growing season, and a wide variety of species adapted to disturbed conditions give most landscapes in Nepal high inherent recuperative powers." Hill farm families have demonstrated considerable technical capability in their terracing and irrigation work and are willing to commit their labor and local organization skills where they see it in their interests to do so. There are as well numerous statements of the Government's awareness of the environmental problem and its commitment in its Sixth Plan (1981) and recent budgets to "the control of soil erosion and the conservation and development of forest wealth.."

There are in the laws and development plans evidence of numerous instruments for environmental programs. The National Forestry Plan was published in 1976 and has been the basic policy guideline for forestry in Nepal since then. It provides for:

Panchayat Protected Forests - established through cooperative agreements with local Panchayats in which the panchayats manage and protect the forests with government guidance. The products are available to the community on a purchase basis. A percentage of the profits will be returned to the government.

Panchayat Forests - community owned, and managed under agreements with the government.

Leased Forests - government owned, but available for private use through long term leasing.

Private Forests - involving private enterprises and landowners who wish to convert their land to forests to purchase, plant, harvest and sell their own trees.

Reports on the first two program categories indicate important progress in some districts and acceptance by the village communities. Yet it appears that these instruments are not yet being aggressively and imaginatively employed in a nation-wide program - certainly not in the Rapti Zone. Their application is impeded centrally by questions of donor program "jurisdiction"; in the districts by confusion over area development versus sector approaches in government policy

and administration; and generally by inadequate common interest program strategies among agriculture, livestock, and forestry participants and by persistent attitudes of forest protection and control rather than development among forestry field staff. The fact that the renewable resource component of the Rapti project is one of the weakest and slowest to be implemented partially reflects these larger issues of national program definition and administration.

Forestry, fodder and tree crop development programs are not well integrated with the household production system. Until the household has as much a direct economic interest and involvement in renewable resource development as it now has in food crop farming and livestock, there is little possibility that the adverse environmental trends can be reversed. The harmonization of the small farmer production system with the environment is critical. It possibly can have dramatic consequences in restoring the Hills and increasing productivity. Beyond this, Rapti project prospects would be significantly improved if there were something approaching a national movement to preserve and restore the land. Land protection in trees and ground cover should be an integral part of all development activity in the districts such as in roads and trails and all other construction activity and in school and adult education programs.

In sum, we question whether the Rapti project can accomplish its objectives, and thus should be continued, unless there is a major re-orientation in strategy and acceleration in program implementation in its environmental protection and restoration activities. The focus of these activities should be on the household and village self-interest and income benefit from forest, fodder and tree crop development as they now have in food production.

B. Institutional Trends

Nepal has been blessed with a stable political environment and an atmosphere of external peace over the past decades. Unfortunately, it has not always been possible to take advantage of the stability to advance the country's development owing to other institutional factors and structural constraints.

The government has taken steps from time to time to strengthen the national planning process to develop and use trained cadre for development, and to decentralize decision-making for eliciting people's participation. These actions need to be consolidated and strengthened for rural development program to be more relevant to Nepal's problems. They cannot be determined or guided by short-term expediency, whether bureaucratic or political. Institutional changes, without a clear sense of direction and a vision of the future, can lead to further delusion and even despair among responsible officials and other functionaries especially when the changes are too frequent. There is a feeling in responsible agencies that too little time has been spent in the past in trying out given institutional setups which might have promising prospects. The following analysis presents what may be evolving in terms of institutional development with emphasis on areas for further improvement so that this evolution can proceed in a manner most relevant to the issues and problems facing the people in rural Nepal. Progress in these areas is essential to the achievements of the Rapti project in its five districts.

National Planning

The Decentralization Act, 1982 (2039) for all its welcome features does not settle one contradiction. This has to do with the expected devolution of district planning functions at the level of the district panchayat on the one hand and the perceived need for exercising control to dovetail such "district plans" to the National Plan on the other. The Act stipulates that the National Planning Commission can reject requests for release of funds if a given scheme is not a part of the district plan to be approved by the district panchayat. The National Planning Commission which presumably is authorized to approve the district plan every year may also:

- a) approve a program even if it is not a part of the district plan if it is satisfied that the plan could not be formulated in time.
- b) may approve additional projects on its own if it feels that the district plan submitted by the district panchayat is "insufficient".

In addition, the Act also stipulates that while formulating the district plan, "the district panchayat shall limit itself within the policies and guidelines prescribed by His Majesty's Government for the formulation of plans for various sectors". Who is to provide the policies and guidelines is not clear. Presumably it will be the sectoral ministries. If this is so, who is to examine the linkages and interdependencies particularly with regard to such activities as for example, fodder, fuel, livestock, and the environmental preservation in general which concern at least three ministries. This is important as there are no integrated rural development strategies evident for the districts nor appropriate guidelines. The emphasis on line agency - functional planning and budgeting and on implementation target setting diverts attention from the need for development strategy formulation. The latter is essential for determining priorities and insuring that the local and national resources of the numerous ministries and development agencies are working together toward a common objective. Strategy planning is an evolving, continuing creative process that draws on the experience of operating programs - good and bad - and on practical research. The National Planning Commission may be the logical organization to fill this role. It may require some modification in its approach to planning to address the need for guidance on intersectoral development strategies at district and zonal levels.

Decentralization

We are told that the implementation of the Decentralization Act is some months away. It is to be introduced in next year's (1984/85) budget process. The regulations and procedures that will be set forth will determine in large measure whether decentralization is to be carried out effectively. Annexes C & D provide a detailed description of the panchayat system and translation of the Decentralization Act, 1982. Among the provisions for decentralization, the following are particularly desirable:

- Areas will need to be delineated for which District Panchayats are responsible. Central ministry participation at the level of district responsibility would be restricted to the provision of funds and technical support as necessary. Many current central development program

functions would devolve to the local panchayats. Exceptions in the two most important sectors would be such development activities as research and training in agriculture, and research and training in forestry and large commercial forestry projects. For roads, irrigation, power, drinking water, the demarcation is simpler and can follow traditional patterns. These steps will have to be accompanied by a change in attitude of central ministries and departments; their own organizational structures will have to be revamped and in many cases reduced in terms of manpower. We are aware that the technical competence as well as degree of accountability of the district panchayats is considered suspect in some circles. Whether the check and balance provided at the local level by the introduction of adult franchise on the one hand and provision for a modern audit system on the other will work can be evident only in the future. For the moment the government's decision to decentralize should be implemented in letter and spirit (Annex B summarizes, as an example the principal development activities taking place in the Salyan and Rolpa Districts).

- The National Planning Commission, as suggested above, will have to change its own role and deemphasize its project orientation in favor of a strategy orientation in planning as well as monitoring and evaluation. Our premise is that planning and implementation from the point of view of the villages and household can be best done at the district level with the district panchayats relying heavily upon the village panchayats. Given the need to strengthen the household production systems in the Hills, the job of the central agencies will be to direct their own research, training and support systems in that direction. The concern of the National Planning Commission should be to ensure consistency and complementarity in inter-ministerial activities. Its periodic plans will have to be more indicative than project specific, especially in the view of the difficulties encountered in relating the annual plans to the goals and targets of the periodic plan;
- The Ministry of Panchayat and Local Development (MPLD) has been the lead agency in managing donor supported Integrated Rural Development (IRD) projects but has been impeded in providing substantive coordination by a shortage of technical staffing. Its role may need to be modified. The "Panchayat" side of MPLD will be involved in seeing through the implementation of the Decentralization Act. The Ministry's local development functions are structurally similar to those of other line ministries. The importance of these functions at the central level should be considerably diminished with the implementation of the Decentralization Act. Powers with regard to decision on local public works should be vested with the district panchayat as envisaged and the latter will similarly provide requisite authority to the village panchayats;
- A rural development program will have in it activities that will fall into the jurisdiction of the central levels of HMG as well as district and village level. The local levels will be the responsibility of the district panchayats with funds going to them directly from the District Treasuries. The district level organizations will be an integral part of the district panchayats so that this function can be

discharged. The function of these offices will be to carry out only the district and village level activities. If a central level program needs to be carried out, spatially, in the district or a village, the central department should have a separate unit for this purpose based on the region, zone or the district. The same district office should not be expected to carry out two levels of functions for two different bosses. The only authority that, say, the Agriculture Department can exercise over the district panchayat or its agricultural officer will be through the technical services and advice that it provides. Since, the overall agricultural production situation will continue to be the responsibility of this department, it will no doubt want to attempt to persuade the district and village panchayats to channel their resources to productive activities. For self-sustaining development effort, the activities will also have to be meaningful and beneficial from the point of view of individual households in the villages. It is in the fusion of these interests that the essence of decentralized development lies.

Complementary Local Private Development Activities

Within the panchayat structure there is a need for complementary private activities by a wide range of organizations ranging from small farmer groups and users associations to individuals who form production, processing or service organizations.

The Small Farmer Groups which have been formed and energized by the Group Organizers from the Agricultural Development Bank are busy in a wide range of productive activities from crop production to milling. In some groups the members are already looking for additional activities to create additional income. The advantages of decentralized decision making is borne out by the evident success to date of these groups.

User groups for small irrigation projects and water systems were active in several of the areas visited. They had also diversified to include latrine building and planning productive activities for women freed from time consuming water portage.

The members of the team also talked to individuals who were interested in starting small processing activities. In Salyan, for example, one farmer was already making orange juice from oranges grown on his own farm. He is interested in also buying and processing oranges grown on the farms of other farmers. This type of activity should be encouraged by the government for its potential income and employment generating effects.

These activities at the village level complement the government's more direct activities in support of the district panchayat organizations. The ability to rely on groups such as these in productive activities makes it possible to spread government services more efficiently and permits these groups to mobilize their own resources to increase their income rather than having to use scarce government resources.

Manpower

If for no other reason than to demonstrate its commitment to development, the government needs to streamline and strengthen its manpower development and deployment policy. At the center, frequent changes in personnel in responsible positions have been a part of a long and undeterred tradition. In the district, the problem may be more severe. Many officials in the districts met by the Evaluation Team had been on their respective posts for less than a year.^{1/} Some were about to be transferred already. The government is making an enormous investment in training manpower for development; the establishment of the Administrative Staff College is only one example. But trained people are not utilized in a manner where they can contribute their best.

The Evaluation Team was impressed with the personal quality of individual officials met in the course of its work. There is an impressive reservoir of willing and able minds which should be a good resource for a government committed to development. Largely because of inadequate institutional mechanisms for coordinated efforts, their collective contribution is less than the potential which the sum of these individuals holds. Implementation of the Decentralization Act, including some of the measures recommended here, should mean that the number of employees working in Kathmandu will be reduced. The concerned departments should be encouraged to send their good technical hands to the districts or, if necessary, to their own field offices at the zonal or regional level. For example, the Ministry of Agriculture would not need to maintain its present level of staff at the center once the Decentralization Act becomes a reality. This is an important factor not only from the point of view of manpower deployment. This is essential in order to adhere to the spirit of decentralization as well. One suspects that the past efforts to decentralize have come to naught partly because such measures were not accompanied by cancellation of posts at the center and their transfer to the districts. One cannot effectively decentralize and yet keep the organization and manpower structure at the center as it is.

There is some grievance in the field about the incentive and allowances issues. We understand the difficulty which the government faces in coping with the requirements of several projects across the country which are funded by several donors. There is also the understandable need for uniformity for there is no just reason for discrimination between employees who work in a foreign-aided project and those who do not, if the hardship they have to go through is the same. It is necessary, therefore, that the government makes its policy clear and implement it with justice and speed so that the concerned officials know where they stand.

Government Policy on Integrated Rural Development (IRD)

The concept of the IRD as a programming unit in HMG development plans and organization originated with the World Bank's financed Rasuwa-Nawakot IRD project in 1976 in which features of the then District Administration Plan had to

^{1/} In Salyan District, somewhat more continuity in several of the key positions undoubtedly contributed to the greater effectiveness of development activities in the district.

be reconciled with the need for a central place for project management, especially financial control and donor reimbursements. The Project Coordination Office (PCO) is characteristic in varied forms, in all the seven IRD projects covering 25 districts (21 are active). Out of the interaction of the government and the donors has therefore evolved the IRD as a distinct HMG planning and management principle in government development policy. The Rapti project is a hybrid arrangement in that it works directly through the line agencies to the districts and has a large PCO as well. The recent Decentralization Act places the primary responsibility with the district and village panchayats for rural development. This decision raises the question whether the IRD structure continues to be required along with the panchayat structure. While some national programs do cover IRD areas, there are instances, we have noted, where national programs are not undertaken in IRD areas because the IRD areas are limited to one donor. At the same time, donor projects are not active in all sectors. More important, there has evolved with each donor highly varied pattern of program management that either bypasses, or is only partially associated with, the district panchayat planning and management system. Should not donor rural development projects then be built around the government's political and administrative structure rather than, as it appears, shaped by donor project management requirements? In this context, we have proposed that the Rapti PCO be phased out as an administrative unit in favor of a more direct relationship with district panchayats. Some alternative arrangements are outlined later in the report.

C. Household Production System

The production system in the Rapti Zone is centered on the household and local village community. It is a production and decision-making unit in which both husband and wife and other household members are all vital parts of the daily tasks of maintaining basic subsistence and trying to increase income. It is a complex production operation with multiple cropping - wheat, maize, rice, on widely separated hill and valley, irrigated and non-irrigated land. Livestock buffalo, cows, goats, chickens are very much part of the immediate domestic scene - with stall feeding common. Occasionally there are some fruit trees and vegetables. Where opportunities permit, there is non-farm income in wages from construction labor or portage or from some cottage industry work in sewing, weaving or basketry. Volunteer labor on community projects is also expected. This is the base of the production system. It is this complex of activities on which rural development planning must build.

Some suggest that the objective can be only to raise the subsistence level. We are convinced that at least for the middle income group (annual per capita income of about \$50.00)^{1/} the objective must be to generate in the household a high enough net income to support non-farm producers of a wide range of goods and services if long term development is to occur in the Rapti Zone. This can only be achieved if the several production support activities - crops, livestock, horticulture, trees crops, off-farm wages from occasional labor and local industry employment - are carefully coordinated in mutually reinforcing development strategies. This is not now the situation.

^{1/} Estimated at 1979/80 prices - Rapti Project Paper.

The current situation surrounding the household production systems is daunting particularly in the seriousness of the population-arable land situation. Ownership of land is highly concentrated (nationally 10% of households control 60% of farms of five hectares and above in size while 54% of households, each with less than one hectare, control only 11% of the land). The situation apparently is better in the Rapti Zone, but the ownership there is still skewed. In the Dang District many Tharu have in fact lost their land prior to and during land reform. Nationally one in four farmers cultivates land under some form of tenancy or share cropping arrangement. While in the Terai some 23% of families are landless versus only 1% in the Hills. The national situation seems to apply to the Rapti Zone generally speaking; population densities are very high. Nationally, they are 24, 379 and 103, respectively per square kilometer for mountains, middle Hills and Terai, with the middle Hills (with only one-third of land but some 60% of the population) having 1,493 people per arable square kilometer. This population density per hectare of arable land far exceeds that of Pakistan, Bangladesh or India. The result is an average of household holdings in the Hills of less than 0.5 hectare versus 1.5 in the Terai. These facts are very grim particularly in view of the dynamics of the evolving crisis: population is continuing to grow and the land base for agriculture, livestock and forestry is continuing to deteriorate.

But the situation is exacerbated still further. Agricultural production is increasing at a slower rate than population. A recent World Bank Report notes: per capita production in the Hill areas declined in absolute terms reducing real incomes of the majority of the population in the country.

Local production systems in the Hills are already quite diversified and intensive by international standards (though less so by Asian standards) hence providing less scope for accelerated growth. Though the ICP program and the related Cropping Systems Research Program within the Ministry of Agriculture are important steps in the right direction, the livestock and forestry components are still largely left out so that there is not that much emphasis on farming and production systems research at the household level. Wage labor and cottage industries are emphasized but they are not integrated into a household production system which will provide a minimal income/subsistence base. The accuracy of the oft-quoted figure that "farm household adults are underemployed for over 60% of each year's work time" is highly questionable, especially in the case of women. Only 7.5% of the rural labor force finds employment for monetary wages. There are few current opportunities for rural household adults to find wage labor.

There are, however, a number of factors favorable to the household production system. Cultivated land in the four Hill districts of Rapti Zone amounts to 7% of the total land area (5% of high hills; 9% of low hills). This means that there is ample land for developing a forestry-livestock component within the household production system. The current diversification and intensification of production systems at the household level, and the recent spread of wheat and of new varieties of maize (especially in the Hills) shows that the local farm families are ready to accept new ideas. The success of the SFDP shows that small farm families can be grouped into units large enough to make use of extension services and receive such necessary inputs as credit, improved

seed and fertilizer. Finally, the government's plan to devolve planning, implementation, management and evaluation to the district and village panchayat, ward, and user units can provide a favorable environment for more effective support to the farm households responsive to their needs.

The Nepal Hills consist of innumerable microenvironments where cultigens have evolved over centuries in response to local conditions. Still, there is need for farming systems research as well as for seeds, inputs, and technologies that combine with livestock rearing to further intensify an already highly intensive form of land use. This research must be decentralized in keeping with the range of ecological as well as social conditions. Some specific research thrusts can be identified:

- Crop research has been oriented to wheat, maize, and rice. At this point more information is needed on barley and millet which can tolerate reduced moisture.
- More needs to be known about intercropping and its impact on yields. In one area of Salyan a survey showed that farmers intercropped with soybeans on the more marginal plots to ensure that there would be at least some output (maize or soybeans).
- The problem of declining soil fertility is being addressed by an attempt to distribute subsidized chemical fertilizers. This is too costly a strategy and still does not reach most farmers, particularly in the Hills. Alternatives should be developed to include improved supplies of compost and green manure.
- On-farm water management requires further technical and managerial analysis.
- Other new crops, including oil seeds such as rape and peanuts, need to be examined for a possible role in farming systems.
- Crop marketing requires more attention.

The provision of agricultural extension services to farmers has provoked consideration discussion in Nepal. Below the level of the Agricultural Development Officers (ADO), the actual components of the system are as follow:

- Junior Technician (JT) and Junior Technical Assistants (JTAs) - There are not enough to go around but some of them are quite competent.
- Agricultural Assistants - In the Dang District where there is about 1 JTA to every two panchayats, each JTA is assisted by 1 to 2 AAs. These are local people who take short courses followed by 3-4 day refresher courses. They are paid 50 Rupees a month for which they perform various tasks - such as conducting seed trials, helping to organize farmer days, and giving advice to farmers.
- Leader Farmers - They take short courses which may be crop specific. After the courses they take demonstration kits back to their fields which contain fertilizer and/or new seeds. Ideally they discuss their crops and techniques with neighboring farmers.

- Tukis - An innovation of the Swiss Integrated Rural Development project - somewhat similar to above except that Tukis do not get a salary - they receive a commission on all the seeds or inputs they can sell to their neighbors. The ADB suggest a system of outreach whereby initial contact farmers (those who agree to contact farmers with regard to using inputs etc.) get a commission both for the number of converts to new seed and fertilizer and for number of new contact farmers recruited - continuously augmenting the supply. Clearly, one or more of the above approaches is necessary in rural areas where the JTs and JTAs cannot reach enough farmers. Coordination with forestry and livestock field staff is again a part of this extension planning.

D. The Incentive Environment

Rural development or any major undertaking is heavily dependent upon the system of incentives within which it operates. Many of these are direct economic incentives, but others of major importance include social incentives. One very clear part of the environment in the rural areas is that government is not ever present. In fact, much of the energy and activity of ordinary farmer or member of a household are entirely at their own initiative without any government interference or help. This situation is of course gradually changing. One change is the small farmer groupings which are being established under the auspices of the Agricultural Development Bank. Another change is a different attitude on the part of some government officials at the district and other field levels. They realize increasingly that they are not there to make sure the farmers act properly, but to provide some specific services to them at the farmers request.

Most households attempt to maximize their production of basic foodstuffs to ensure survival. An emphasis is placed on food grains, some combination of wheat, rice and maize, supplemented with legumes and vegetables. In addition, most households raise livestock reflecting the reality that the growing of grains does not provide a sufficient basis for even subsistence let alone any net profit or income. Livestock is a means of saving as well as a means of earning some cash income in order to buy essential products.

Production beyond a subsistence level is very limited. Several factors militate against the cultivation and sale of surplus farm products: 1) farm size has been decreasing steadily, 2) yields have declined with soil deterioration and, most important, 3) the marketing structure of the hills is undeveloped. The lack of established regular or periodic markets is in part a reflection of isolation. Farm households producing a cash crop are forced to hire porters or transport their goods on foot or by horses. A trip lasting from two days to a week may be required to reach the towns in the Terai Valley where most exchanges take place.

The expansion of the market systems requires certain types of interventions. Improved transportation is obviously important and improved tractorable roads (those that can be used a tractor pulling a wagon, or similar vehicles) are a major practical investment for future growth. Also important is the improvement of trails so that horses can use them throughout the year. Finally, market centers can be established which will stimulate trade and eventually become self-sustaining.

An ancillary approach to augmenting household cash incomes is through the expansion of cash crops and cottage industries. These activities will only be successful where a potential market exists or where production does not disrupt the subsistence system. It is also critical that local resources be utilized; wool instead of imported cotton, compost instead of imported fertilizer. Examples of activities that could provide a cash income include the following:

- cultivation of fruit trees such as oranges, lemons or tropical fruits. In some cases the fruits can be dried or processed into juice.
- production of traditional craft items such as the Salyan knives that are made from scrap iron and sold throughout Nepal.
- production of herbs for medicinal purposes - this product has the advantage of being easy to store and transport.

If production of fruits and other products for sale increases to a critical level, then processing plants can be initiated which will in turn stimulate further commercial agriculture. At the present time there are few such enterprises but hydro-powered turbines are beginning to appear which can grind grain and crush oil seeds. Individual entrepreneurs are still most likely to establish a small business to sell imported goods but with credit and other incentives, local skills and capital can be directed into agro-processing and other activities that can be labor intensive.

One of the most successful attempts to overcome the inhibiting factors of isolation, small farmers, lack of credit and government services, and lack of established marketing systems has been the group farm project supported by the Agricultural Development Bank. It is based on providing assistance to groups of land-poor and in some cases landless farmers who adopt an organizational structure that allows them to borrow money for specific enterprises. These groups have experimented with a range of activities from orchards to grinding mills; they are a clear demonstration of the responsiveness of the rural population to opportunities for economic improvement.

Another factor that has to be considered as part of the incentive environment is the pricing of both raw materials and processed goods emerging from the hills. A problem here is the ambiguous role of the Indian economy. Since the policy of the Indian government appears to be to subsidize its urban population at the expense of farmers, this policy becomes imposed, in effect, upon farmers in Nepal as well. This of course sharply limits incentives for production of food grains in Nepal.

The recently completed (December, 1982) Agriculture Sector Strategy Study by the Asian Development Bank provides a number of recommendations on economic policy such as on fertilizer and seed pricing policies, reduction of subsidies, and irrigation service fees. On food prices it points out,

"There is a need to support agricultural prices so that farmers may have greater motivation to increase production, both in the Hills and Terai. For the Hills, a more appropriate policy would be to focus on the supply of food to those who do not have the resources to buy it rather than

to sell it on the open market at unbudgeted prices. This can be done by distributing food grains through food-for-work programs in various projects, especially those relating to reforestation, irrigation, drinking water, etc., undertaken by the village and District Panchayats. Prices in the open market can be left free to rise and provide incentives to the farmers to produce more." p. 145

The ADB recommendations on these and other incentive questions deserve careful consideration and support.

In addition to pricing policy two other major disincentives operate in the countryside. The first is preference on the part of the government to intervene in marketing wherever possible. The Agricultural Inputs Corporation, for example, has in many instances failed to deliver fertilizer and seeds when needed. Other examples abound. The dampening effects of these government corporations can hardly be overemphasized. They include lost opportunities for innovation, imaginative production, and marketing.

A second major problem is directly related and that is a general suspicion of private activities on the part of many government officials even at the field level in the districts and in any other centers having direct contact with farmers. The clearest exception is in the staff of the Agricultural Development Bank which is attempting to foster a direct connection between production of its small farmer groups and private marketing.

Despite these attitudes and the existence of government corporation in many fields, there is no absolute prohibition against private activity except in agricultural inputs and aviation. The airline appears to be relatively efficient: it is also prudent in the areas and the timing of its services. This also means, however, that products are not exported by air even from the more remote airfields to Kathmandu or other centers let alone overseas.

The Rapti project is very much a captive of some of these disincentives as well as incentives. Building bridges to genuine markets and fostering marketing skills would be beneficial in creating a setting in which the Rapti project could operate. The results would be measurable in a relatively short time.

Incentives to Government Officials

Many officials of the Nepalese government who are asked to serve at the district level or even anywhere outside Kathmandu, suffer cultural deprivation in their judgement. There clearly is a preference among almost everyone to remain in Kathmandu. In the government service this is of course exacerbated since the system is highly centralized. Under these circumstance there have to be strong countervailing incentives in order for any reasonably competent person to seek posting outside the capital city or to stay in such a post any longer than absolutely necessary. Current practices such as salary and incentive pay points towards promotion are certainly major elements in attracting such people. Several of the officers we talked to, however, emphasized that housing for their families, education for their children, and training opportunities (particularly abroad) for themselves, are very powerful and sometimes deciding factors in their willingness to serve at a district level or to stay there once assigned. The majority favored training opportunities as the number one incentive.

E. Population and Family Planning

Currently Nepal has just under fifteen million people who live in a total area of about 140,000 square kilometers of land. This means that on average there are over 100 people per square kilometer. Over one-half of the population live in the middle Hill areas. Only about 7 to 9 percent of the Hill land is arable. This results in a population density for arable land worse than that in Pakistan, India or Bangladesh. The rate of population growth is estimated to be about 2.6% per year, one of the highest in the world. In sum, Nepal's demographic situation has been described as among the worst in the world. The situation is bad, but under even the most optimistic assumptions, it is going to get worse in the near future, and unless something is done which has a major impact, deterioration will continue over a long time.

Efforts have been made to launch a family planning program which has an impact in both rural and urban areas. USAID provides major support to these efforts. The overall family planning effort can be described roughly in terms of its affect as follows: out of about three million eligible couples, i.e., fertility age starting from age 15, some 34 percent are interested in family planning help. Unfortunately, the majority of these couples already have four or more children. Of the 34 percent who want assistance or roughly one million eligible couples, only about 7 percent are now receiving such assistance. This amounts to about 70,000 couples. Obviously the impact which the current program is having is far below what is needed. The first priority in the current program is for couples aged 20-29 and second age 30-36. It is indicative that generally the couples above age 29 are the ones most interested in receiving help. This ties back to the point that most of the couples interested already have four or more children. With the number of people now on the land and the rate of growth currently, with the environmental degradation taking place already, pressure of people on the land is bound to create major problems in the future.

It is almost impossible to overstate the urgency and importance of a family planning program which can have an immediate impact in lowering the rate of population growth. The problem is, of course, exacerbated because in Nepal there is no longer much land for future settlement. Some migration will continue from the Hills, but opportunities for such migration are diminishing rapidly.

There are several reasons for the disappointing results under the family planning program infant and child mortality rates are still high, causing many couples to want enough children to compensate for the twenty-five percent, on the average, who will die prior to reaching their adult years. Family planning in close association with maternal-child health care is thus important.

The number of children most couples in Nepal desire appears to be about four. This correleates with the desire of those who have already obtained to receive family planning services. Since there is no formal system of old-age security, some couples wish to have as many children as they can as a means of providing for their older and less productive years. Women also have a generally low status in Nepal and therefore are not as able to make their views known

or obtain services compared to in other countries in a similar economic situation. It has also been assumed that children are still a useful asset in the current economic environment to the extent the amount a child can produce or earn exceeds the costs of child rearing. Children therefore appear a rational economic investment. Males in Nepal marry earlier than is common in Asia. Cultural pressures call for a strong preference for sons which in turn means that if daughters arrive first, the family continues to try to obtain sons.

On the positive side there appear to be no direct religious or cultural prohibitions against family planning as such. There is strong support from the government and both public and private organizations are actively engaged in family planning activities. USAID has a major program underway in this area and the UNFPA has a large program underway also. Transportation, communication and other programs, however, make the spread of family planning services difficult to achieve, particularly in the absence of a massive movement for family planning or an imaginative campaign such as that mounted in Thailand.

The ability of several Asian countries to sharply restrict the population growth rate within a remarkably short span of time in Japan, Korea, Taiwan, Singapore, and Thailand and China, for example, gives the only glimmer of hope. Rapid economic growth in these countries has already been a contributing factor. The necessity for giving the highest possible priority to a major family planning and related health care campaign can hardly be over emphasized.

F. Conclusion on Project Setting

The Rapti Rural Area Development project operates in a setting of national policy and administrative practice. It is, of course, profoundly affected as well by the local setting of topographic, environmental and social conditions. The Team concludes that without a determined, well considered and well motivated effort to address the issues in these areas, there is little prospect for a successful project. The Team's review of the project setting is, of course, preliminary as there was no time nor scope in the evaluation to examine each of the areas in depth. There is merit, however, in having more intensive assessments of each in the context of the project. They would be important in guiding project planning. They would be helpful in thinking through questions of national rural development strategy. With HMG commitment to addressing these problems, the Rapti project could provide a valuable action-research and demonstration base for defining the future course of rural development in Nepal. The interaction of policy and administrative action at the national level with project operations in the Rapti area can be a valuable learning process.

IV. THE RAPTI RURAL AREA DEVELOPMENT PROJECT

A. Origins and Design Process

The Rapti Area Development Project represents the end product of the search by AID and HMG for viable rural development strategies in the 1970s. The specific impetus for genesis of the project was the Mahendra Rajmarg-Tulsipur road and its potential impact on the Dang district and the entire Rapti Zone. A HMG/IBRD/AID team first examined the Dang valley as a possible project site in 1976. Shortly thereafter AID expressed an interest in carrying out area development in the region in keeping with HMG's conviction that this was an appropriate mode for donor assisted activities in rural areas.

The project developed through a series of parallel activities taking place in Washington and Nepal. Without examining all the details, the following stages emerge during the early phase of project evolution:

- 1) A project identification document was developed in the winter and spring of 1977. It included as the project purpose "to increase production and income levels of small producer families and increase their benefits from national and local development projects within specific areas".
- 2) A more detailed project description was prepared in the fall of 1979. The funding level remained at \$17.5 million (\$11.3 U.S. contribution) but the text focused more on participation and institution building, and the provision of technical resources and a "test-bed for experimentation".
- 3) Coinciding with the above activities was the preparation by APROSC (a parastatal research and consulting arm of HMG's Ministry of Agriculture) of Reconnaissance and Prefeasibility Studies. APROSC's documents included material that was similar to the AID project description but in more detail and with a much higher program budget that was to be covered in part by other donors.

By January of 1978, HMG's interest in area-based development had culminated in a position paper entitled "A Strategy for Rural Development" which was circulated within the donor community and later in a paper "Integrated Panchayat Development Design." They emphasized "basic needs, participation, and focusing on the particular microconditions prevailing in an area", and reinforced the directions being taken in the Rapti Zone project description.

The HMG paper gave an impetus to what was authorized in July, 1978. It was to consist of a feasibility study and several pilot field activities. The initial field activities were in sectors where subsequent problems have occurred. They include the establishment of nurseries (which were alleged to have laid a "solid foundation" for the main project) and small rural works. Only four drinking water systems were completed out of a much larger initial complement of rural works activities. Training and the identification of a project coordinator's role also began at this stage as did an initial cottage industries effort. The latter program trained 199 persons in various skills, but as was to be the case later, did not tie training to potential sales and income.

The Design Project also included a baseline study (for monitoring and determining potential project sites) and a feasibility study which provided background information and clarified the needs and potentials of the zone. It confirmed both continuity with the past and changing circumstances which were threatening to undermine this continuity. The study documents a society that was based on the exploitation of a diversity of resources but which has been experiencing a decline in access to resources. As expected, 80% of respondents reported increase in travel time to water, firewood and fodder supplies. Floods, landslides and terrace repair had all increased substantially. More migration was taking place, the highest levels being reported among the marginal and small landowners. These studies were completed in September 1980, but were available in draft form for the preparation of the project paper. The final Project Paper and the formal grant agreement between AID and HMG in August 1980 represent the end of product of approximately four years of information gathering, discussions and negotiations as well as some field activities under the Design Project.

This project paper reflects a thorough analysis but it also reveals some of the difficulties implicit in carrying-out multi-sectoral development in an isolated area with few obviously untapped resources and a stagnant to declining economy.

The final level of project funding was increased to \$33 million (U.S. contribution \$26.7 million). Objectives had also been expanded to place greater emphasis on improved food production and consumption and income generating activities, especially for disadvantaged groups. The project proposed activities that were incremental, that would build on government programs without radical change. Although it was hoped to keep the program flexible so as to take advantage of new opportunities or knowledge, rigidities were created by the need to identify and move toward specific and measurable targets. These two points become important when considering future directions for the project.

B. Beginnings in Implementation and Current Status of of Project Components

There have now been two and one half years of formal implementation since the project agreement was signed in August 1980. Most of the major activities, however, only started up about eighteen months. There has been concern about delays in getting some elements of the project underway. The village and district panchayat leaders were outspoken in their comments on delay concentrating on the rural works and road activities.

There are, however, a number of examples of project activity taking place in the Rapti districts. The Agricultural Development Bank's Small Farmer Development Program is off to a good start. Loans are also being made to individual entrepreneurs such as private grain mills. The introduction of new varieties of wheat is evident in some of the maturing wheat fields observed. There is some sign of livestock breeding and veterinary services. Adult education classes are operating and having an impact on attitudes and skills particularly among women. The Appropriate Technology Unit is active in its design and promotion in the private marketing of a number innovations such as biogas units, water turbine mills, silos, etc. Cottage industry activity is evident in

sewing, weaving, and basketry activities. Rural Works projects are beginning with 58 projects under construction or planned for the coming year. School roofing materials were seen along the trails being carried by villagers to their communities. Access road construction is progressing with some difficulties with local contractors to be sorted out. Training programs are being carried out including the important work on district planning and budgeting. A well thought out project financial management system is working and expenditure rates increasing. AID financed technical assistance advisors are working in the PCO in Tulsipur project headquarters in the Zone. District Treasuries, a vital part of decentralization, are being used to handle project funds directly for a number of activities. The project is well known in the district and was stimulating an awareness of development possibilities and hopes for the future.

The following sections summarize the Evaluation Team's view on many of the activities. Annex A prepared by the USAID Mission gives a detailed report on the status of each component of the project. It is helpful in understanding what is taking place.

V. FUTURE OF THE RAPTI ZONE RURAL DEVELOPMENT PROJECT

A. Summary Assessment and Conclusions

The Evaluation Team, in its review of the project, kept in mind the question of the desirability and feasibility of the project as it has begun to take shape in its implementation.

An effective rural development program is central to Nepal's long term development. With 90% of the population in the rural areas and 60% in the Hills alone, future economic growth will require a broad based mobilization of rural resources in productive income generating activity. This is becoming increasingly urgent with the rapid growth of population, the acceleration of destruction of the forests, general ecological degradation and growing food shortages. It is unrealistic for Nepal's entire future development to be urban based. If the level of living and income is to be improved for Nepal's citizens, rural development programs directly engaging the local population are a necessity. Some increase in income above subsistence is essential to begin to generate an upward spiral in production which will permit further growth in the future. Government services cannot be provided in the Hills based upon growth exclusively in urban areas - the rural areas must pay their own way - or most of it at least. It is for this reason that an emphasis on increased production and income is crucial to any future rural development strategy.

In the context of HMG development policy and plans, the project is consistent with HMG's increasing emphasis on mobilizing the rural population in national development. Recent government actions in national policy such as the December, 1982 Decentralization Act, accent an intent to strengthen the structure and content of local development. The Team heard about numerous policies and plans reflecting a shift towards the interests of the rural population. In some instances, these policies and related legislation have been on the books for some time and are only now beginning to be translated into action. Others are more recent. Bureaucratic inertia, the shortage of trained personnel and the psychological adjustment required for service in the rural areas for the better educated, may impede their implementation. There thus remains the question whether the move toward rural development will proceed expeditiously. The full implementation of the Decentralization Act is still, we are told, over a year away.

While there appears to be somewhat more flexibility in encouraging private initiatives and enterprise - small farmer groups, private entrepreneurs in the production and distribution of agricultural equipment and supplies, the encouragement of commercial bank operations in the field of agriculture - we are still uncertain whether the incentives for small scale private initiatives are adequate to help broaden the base of development activity.

Also, the people in the rural areas themselves have a transition to make in their recognition that they will have a larger voice and control over development activities in their areas. At the same time they will have to accept that greater development activity means less dependency on government resources and greater responsibility for local programs and local resource generation.

The Team was impressed with what the local communities have been able to do on their own in the Hills in crafting an efficient, intensive farming system from the slopes and valleys of their districts. This energy, skill and local organizational ingenuity is one of the most important factors in favor of a successful project. With a carefully constructed local development strategy, technological innovation, and competent professional support and favorable incentives, the extraordinarily difficult task of development in the Hills and Terai can be accomplished. The basic task will require ten to fifteen years.

On balance, we conclude then that the general setting, as it appears to be evolving for the Rapti project, is sufficiently favorable for it to be continued for another two years. We are doubtful, however, whether the project can make a meaningful and permanent contribution over the long-term to the development of the Rapti Zone unless within the next two years substantial progress in commitment, planning and action is made in the five areas in support of rural development already discussed in the project setting. Progress in these areas is an essential complement to the long-term continuation of the project and its contribution to development in the Rapti Zone districts. Continuation of the project without the complementary action in these areas - even if well implemented - will not achieve the development objectives set forth in the project, and more important, in HMG's goals for rural development. With concerted attention there is a good possibility for accelerating economic growth in the area and justification for a long term - 10-15 year - cooperative program.

The following sections outline our observations and recommendations for future project directions and activity. We believe there is merit in modifying the overall project strategy and suggest some possible directions for development in the Hills and the Dang/Deoukhuri Valley.

B. Reshaping the Rapti Project: Observations and Recommendations

Drawing on the preceding discussion and our observations of individual project components, we propose that there be a reshaping of the project. These changes should take into account the limitations inherent in Rapti Zone type situation characterize by isolation, shrinking farm size and environmental deterioration. The circumstances which prevail in the Hills of Nepal call for an emphasis on mobilizing local resources and very sparing use of scarce capital as in numerous construction projects or cottage industries based on imported raw materials.

In order to be replicable and self-sustaining individual activities within the Rapti project need to be simple, low-cost and labor intensive. At the same time, the complex problems of the Hill environment call for interventions in several sectors, sequentially if not simultaneously. The following areas: agriculture, animal husbandry, forestry, erosion control, rural off-farm employment, marketing, the delivery of basic services (to include agricultural inputs and extension) and possibly functional adult education are all interconnected. Rural development requires some mutually reinforcing interventions in each of these spheres of activity. Other programs in health, education, transport, rural works are required but preferably parallel with but not part of the project. The Project Paper envisioned the need for flexibility as the project evolved. Implementation tends to undercut the flexibility. The Team's recommendations support the importance of retaining this flexibility and building into the project the means for more creative innovation.

Taking into account the points made (above) we recommend moving the project towards:

- a greater concentration of resources and professional time on developing and introducing a more integrated household production-environmental development strategy and working out the district area development plans such as outlined as possibilities above;
- a greater reliance on the district panchayat to plan and carry out local rural works, education, and health program.
- more attention to identifying and trying out (action research) alternative approaches to development in the Hills and the Terai.

1. Environment and Renewable Resources

Given the seriousness of the ecological situation in the Rapti Zone as stressed earlier in the evaluation, we are deeply concerned at the slow pace and generally inadequate plans for this part of the project. We urge that there be a major recasting of the plans, including:

- a change in the government's decision that the Community Forestry Program management is excluded from Integrated Rural Development (IRD) program areas.
- priority assignment of 1 DFO and 6 CFAs for each district with suitable financial support, in the Rapti area.
- creative use of the private forests and leased forests provisions of the 1981 Act reoriented to the small farmer and village households.
- close collaboration of the agriculture, livestock, and forestry staffs in working out detailed district panchayat forest, fodder and fruit tree program strategies that generate household and community economic interest in environmental protection and restoration.
- a comprehensive approach to district environment problems integrating erosion control - tree and ground cover planting - in all aspects of local development activity.

The Rapti Zone project could provide an important demonstration of a people oriented environmental development program. It will require some form of awareness campaign. Concern for the environment was almost never raised in meetings with village leaders as a development priority. It will require some pilot planning work in the villages on land use and ownership for tree crop and fodder production.

2. Farming Systems and Related Activities

These activities as elaborated below should be continued and strengthened. They should be focused more clearly in Panchayat strategies on the food production and income generation interests of the household production system.

(a) Small Farmer Development Program: The Small Farmer Development Program (SFDP) with its focus on motivating and supporting private groups of farmers to undertake production activity, is developing into the most dynamic part of the village development program. We observed the enthusiasm of the groups and their willingness to consider additional activities, their value for promoting training and orientation in a wide variety of areas including livestock diseases, health and family planning, adult education, off-farm enterprise initiatives, and the important role of the group organizer as a facilitator and linkage with line agency resources. In the last two years nine new SFDP centers have been opened in the Rapti Zone districts. Two hundred groups have been organized with 2000-2500 members. These members are among the lower income households in the area (less than 950 Rps - \$66.00 income per farm family per year); there were instances where the groups had included the poorest community members, the landless and widows for example. There are a few women's groups.

The project objective is to have five active SFDP centers in each district with 40 groups of 10-15 farm family members. This points to about 15,000 farm families participating in the Rapti area of about 150,000 farm families. The main concerns with this expansion are trained personnel and their supervision, provision of adequate technical and supply support - the latter is a major problem - and marketing problems with the cottage industries activities. The extension of the SFDP activities - which is having a positive influence on the neighboring farm families not participating - can be facilitated through the village agricultural assistants and special training in specific technical subjects for individual group members.

These SFDP groups are fragile and can easily become over extended. The pace of the SFDP should be unhurried with periodic evaluation. The objective should be strong, viable small farmer groups, capable of self-sustaining development activity, not the establishment of a pre-set number of groups within a fixed time.

(b) Cropping Systems: The cropping systems activities are beginning to become evident though in the very early stages. The introduction of new wheat varieties was significant reflecting the willingness of the farmers to try new tested inputs and varieties. The farming system work and the SFDP, however, is seriously impeded by the inability of the Agricultural Inputs Corporation to deliver seed and fertilizer on time. There is some evidence that the private sector could provide an alternative channel for these inputs. A concerted effort should be made to shift a substantial portion of inputs supply to private individuals or groups. Agricultural research for the Hills should be greatly intensified.

(c) Livestock: Livestock products represent one of the most promising and immediate opportunities for improving household incomes, an opportunity which households already select once net incomes begin to rise. Livestock activities under the project are just beginning with more attention evident on veterinary services than on animal husbandry and upgrading livestock quality. The ADB SFDP is providing some useful support in this area. The joint efforts of ADB and the livestock staff should be accelerated. At the same time, this work will have to be closely integrated with the fodder/forestry development mentioned earlier.

(d) Adult Education: The adult education program in functional literacy is proceeding well. There is considerable enthusiasm among the villages for the two-hour, six evenings a week, four to six month program. There was some evidence that the results of the training led to improved employment and greater awareness of self-help opportunities, particularly among women. It is important that the women be encouraged to complete the full six months course as the last two months include instruction in agriculture, forestry etc. The effects of such training tie in, we believe, closely with the household production system development. More specifically they increase the confidence of women to form their own SFDP's and to participate in other production activities with government encouragement.

(e) Appropriate Technology Unit: The unit under the ADB is off to a good start with a number of interesting technological innovations. One of the activity's strengths is its use of private entrepreneurs and groups to manufacture and sell the equipment. Work is currently concentrated on biogas units, water turbine grain-oil mills, grain storage containers, improved beehives, fuel conserving stoves, water jars and solar dryers. The water turbines are particularly popular and result in both private manufacture of the equipment and small private milling operations. Thirteen are now in operation and eighteen additional sites identified. Sixty biogas units have been installed. Though they are expensive, design work is underway for a low cost unit. The work of this program could be expanded as low-cost technological innovations are tested and proved feasible.

3. Off-farm Employment and Cottage Industry Activities

The need for effective sustainable off-farm income generation activities for the Rapti Zone households, particularly in the Hills is critical. As income patterns suggest, any opportunity for moving incomes above the subsistence level rests on the creation of alternative income sources for the village households. Because of this, we are deeply disappointed with the cottage industry program. From what we have observed, there is a lack of imaginative approaches and a reliance on a pattern of conventional activities. There is a heavy use of imported materials with some good exceptions. Markets are not clearly defined and developed. Earning margins are too low. We recommend that a substitute be developed for this component of the project. The Mission and HMG should prepare a new strategy for small rural industry development carefully built on market opportunities and private individual or group undertakings. The USAID study of marketing in the Rapti Zone which is now underway could help point the way to a new approach. The experience of the ADB should be considered. The new requirement for commercial bank investment in agricultural enterprises should be assessed. Contract farming tied to processing plants for fruit tree products and medicinal herbs marketing may be possibilities. Some handicraft work based on local materials with well developed markets may also hold promise. We recognize that this is a difficult area of rural development, but it is vital for income growth in the districts. Perhaps there is a need for facilitators similar to the ADB group organizers to help identify and promote small industrial initiatives.

The World Bank is sponsoring a cottage and small industries project for \$12 million with IDA funds and UNDP technical assistance. This project is in support of five sub-sectors: woolen carpets and garments, cotton handloom

products, metal crafts, forest products, and selected agro-industries. The Bank estimates there is considerable export potential for these products. Since the Bank's project only covers two specific geographic area outside Rapti, it should be looked at with the possibility of using similar techniques in Rapti or perhaps even tying directly into the project for Rapti coverage.

4. Roads and Rural Works

Roads - until recently the Rapti Zone districts were very isolated. It is still only possible with great difficulty to reach the Dang district in the valley by road. The Hill districts are not open to motor vehicles; access is limited to foot and horseback trails. This situation is changing - but not rapidly enough. It is urgent that the East-West highway still under construction be completed as soon as possible.

At present delays on one section of the road force all traffic to continue to use a round-about through India. This situation should not be allowed to continue much longer as it will affect development activity in the Rapti Zone and other areas adversely.

The three roads under the Rapti project should be completed to standards for jeeps and tractor haulage. Decisions on the proper standards must be made promptly so that these roads can be finished and opened in the shortest possible time. With the opening of these roads, at least for eight months of the year, there will be improved access to three of the district panchayat headquarters. The fourth district - Rukum - will continue to be accessible by trails only; there is a great demand for a road to Rukum as well, but this is not in the project.

Maintenance arrangements must also be agreed upon without delay since portions of these roads will have to be rebuilt, in effect, every year. Erosion control is a priority. The roads are highly vulnerable to landslides and washouts. Land stabilization measures need to be accelerated to protect the road. This work is at present not proceeding fast enough. With the completion of these roads, the Rapti project participation in road construction can be brought to an end.

Rural Works - the rural works component of the project involves the construction of numerous small village oriented facilities. There are under construction or planned for the coming year about fifty-eight rural works projects as follows:

- 24 Drinking Water
- 18 Minor Irrigation
- 6 Trails
- 10 Suspension Bridges

The average cost per project is about Rps 250,000 (\$18,000). The most expensive one, a suspension bridge at Rps 500,000 (\$35,000). Six or seven of the projects cost Rps 100,000 (\$7,000) or less. These projects are immensely popular with the district communities. Delays in their implementation were the major complaint made to the Evaluation Team. Their design and implementation involve the five District Technical Offices, the thirty or more technical

service staff in the Project Coordination Office and USAID Mission Technical staff. Funding is provided by direct grants-in-aid under the project to the district panchayats - now about Rps 2,000,000 plus per year per district (\$140,000 - 150,000) with disbursement authorization from District Treasuries by the PCO. The villages provide substantial voluntary labor in transporting and installing these facilities. The primary problem is the adequacy of the technical staffs to design and construct these facilities. The assignment of qualified engineers to the area is lagging. Inadequate time is given to training technical staff because of pressures to get the projects completed. In the larger context of the project objectives, this activity is receiving a disproportionate share of staff time. It diverts attention from the more basic issues the project faces in the production and environment areas. We recommend that, as soon as possible, the responsibility for these projects be turned over to the district panchayats. DTO staffs should be up-graded with engineering skills and given intensive training. The PCO and USAID should withdraw from their detailed reviews. If there is a question of AID funding such activities without direct involvement, then project funding for this purpose should be shifted to other activities and have HMG finance the grants-in-aid rural works activity itself.

There are also numerous small construction projects such as school roofing, godowns, training centers and sub-district service centers. The Team suggests that it would be better to rent more of these facilities (or have private lease-construction) and minimize the burden of constructing and maintaining numerous government facilities.

5. Service Centers

One of the more creative programs in the Rapti Project is the support of service delivery to isolated hill farmers through the mechanism of service centers. Initial project support is limited to five centers per district, with the option of expanding to include all nine centers proposed for each district. Specific interconnected services to be placed in each center have been identified: agricultural extension, credit (ADB representative), rural works, veterinary medicine, and the delivery of agricultural inputs. In some areas additional services are planned to include dispensaries and secondary schools. When completed these centers should enable the rural population to have access to inputs and information that can lead to improved productivity and cash income.

Two suggestions can be made with regard to possible improvements of the service center program. First of all, the current plans call for overly elaborate structures to house the different offices and technical experts. The scale of these buildings should be reduced and local materials should be used to keep expenditures down and allow for replicability. Secondly, the centers should be used to promote marketing and off-farm employment. Periodic markets could be established as well as small processing plants and grinding mills. The carefully considered location of these centers is extremely important if they are in fact to be used by the local people.

6. Education and Health Services

Education - The project includes about \$1.4m for education activities primarily for school improvements, campus teacher training, district level teacher training, adult education courses and scholarships for the poor. There has been some delay in getting the activities underway although adult education courses are beginning to have an impact. The current activities financed directly from the budget controlled by the District Education Officer could be continued in the project until alternative funding arrangements are identified. There is no question that primary education is an important part of rural development and should receive priority attention. Other arrangements should be made for the school roofing and building improvements possibly incorporating them in the grants-in-aid program as an essential part of the district panchayat's responsibility.

Health - Rural health is not part of the Rapti project except for the construction of one or two health posts. From our observations in the area, government health services are severely lacking. Greater reliance on private community and traditional medical services would appear indicated. Family planning services are of little consequence in the area. We do not recommend the Rapti project include health or family planning. We suggest, however, that additional resources of the USAID's health and family planning projects be directed to the area. As a start, there should be a move to address the appalling lack of sanitation in the districts which must be a major cause of childhood mortality and adult sickness. This is primarily a matter of health education and awareness. Is there some non-governmental organization which could work with the district panchayats on this?

7. Project Coordination Office (PCO) and Institutional Development

The Team's views on the PCO and requirements for institutional development are based on:

- the importance of maintaining the focus of rural development planning and implementation in the district and village panchayats as the government is planning under the Decentralization Act. The district panchayat is and must be the first level of aggregate planning and coordination where resources and village plans are balanced;
- ensuring that the district and village panchayats have as much independent technical and administrative capability as possible to plan and carry out local development responsive to the villagers' interests, the importance of District Treasuries with auditing capabilities which are responsible in the administration of public funds;
- the reorientation of line agencies to technical guidance and support responsive to district and village requirements;
- ample latitude, encouragement and support to private initiatives in the villages such as is now evident in the SFDP groups, user groups, local milling and other services entrepreneurs and small manufacturing enterprises;

- the establishment of a highly professional technical service group free of administrative and line operations with the responsibility to work with the districts on development strategy, planning and experimentation, training and impact monitoring.

In line with these views, the Team recommends that the PCO unit be phased out. It has become a large and growing bureaucracy with increasingly self-serving administrative demands. Many of the individual staff members and advisors are committed and working hard at their assignments, but the dynamics of the PCO role is inconsistent with the decentralization process. The PCO is rapidly becoming another layer of local government administration which weakens the independence and opportunity for self-assertion of the panchayats. It is the PCO who comes to Kathmandu to argue for budgets and action on behalf of the district panchayats. We recognize that the PCO concept is a manifestation of government and donor IRD policy. Foreign assistance support to Nepal's rural development should, however, to the maximum extent possible, reinforce the basic lines of the government's rural development strategy - the panchayat structure - and not interpose, or be the reason for, another set of local administrative or national organizational structures. In this connection, we recommend that the PCO office complex construction be deferred. It is now and likely to be a continuing sore point with the panchayats and villagers.

The district and village panchayat professional and administrative staffs should be upgraded. Quality personnel should be assigned for 2-3 year periods with adequate allowances and incentive arrangements. Intensive training programs for all district professional personnel, including local line agency officers, should be undertaken as a matter of great urgency, even if the implementation of various development activities has to be delayed. The project's training program is not moving along well and most important not given priority by the line ministries of the government. The pay off in the long run will be substantial.

We are particularly sensitive to the key role of the Local Development Officers (LDOs) in local development planning and administration. Their positions should be held by top quality dedicated officers, well trained and experienced in local development planning and implementation. The LDO positions should be looked upon as among the most desirable in government service. The LDO should also be supported by at least one other professional on his staff.

The PCO should be replaced by a small group of highly professional and creative personnel without line responsibilities. This group would be responsible for working with the districts:

- to design and test innovative development strategies as a guide to project selection and budgeting,
- to supplement, where required, district technical staff where certain types of expertise may not be available,
- to monitor the impact of district development programs (not implementation and inputs delivery which is the district's responsibility directly with the line agencies),

- to plan and organize, or facilitate a broad range of training activities.

This group should include expertise in community-household production systems, environmental restoration and development (bringing together forestry, fodder, fruit tree expertise) and alternative employment and income development (rural and cottage industries, appropriate technology, etc.). It may be possible to draw into this group the expertise available in the regional centers whose function is unclear. This is provided line administrative responsibilities are not also involved in the transfer.

There is a risk that this technical resource group can itself become another layer of local administration. This risk would seem to be minimal. We have not been able to identify any other point in the government system where the highly important task of district development strategy and technical innovation can be located that views the community and household and panchayats as development units and is relatively free of day-to-day administrative demands.

The establishment of District Treasuries is a major positive step in the decentralization process. We believe it is an important step as is now the practice in some districts, that all funding for district activities, including local line agency projects are deposited, with Ministry of Finance authorization, in the District Treasuries. The institution of district level allocation, disbursements and auditing is important to the strengthening of local initiative and sense of responsibility.

Steps should be taken as provided for under the Decentralization Act, to reestablish effective local tax programs with the proceeds used entirely for village level activities. The panchayats require more resources to strengthen their capacities for self-development with less dependency; the additional local financial involvement also sharpens local attention to the use of panchayat funds. On a number of occasions the local people stated to Evaluation Team members their willingness to be taxed for reliable development inputs (like water for irrigation) provided the money was used for local development.

8. Training

Training programs in Rapti are not centralized -- several types of training are carried out by line agencies, some by the PCO. The following list is not meant to be exhaustive:

(a) Agriculture-training sessions are being held in all the districts for leader farmers. AAs are being trained as well, but in Pokhara. The norm for leader farmers seems to be a three day short course. Participants were almost entirely all male. There is also in-service training for AAs and JTAs. A similar program planned for livestock activities.

(b) Cottage Industries - all districts have programs. The one in Salayan is currently training women in sewing, but other courses have been held in weaving with machines (mainly women), carpentry and bee-keeping. The women in the ongoing course were selected as a result of interviews and all are literate. Selection is more likely to be made by village and district panchayats in most programs.

(c) Literacy classes are being set up through out the Rapti Zone. The functional literacy is much more useful but it appears difficult to find enough technical specialists to teach these courses (i.e., those who are good communicators).

(d) The small rural works division has organized several short courses (two weeks or more) and has three more scheduled for the next few months. The courses have focused on water systems, irrigation and other technical subjects. The primary participants have been overseers, but other individuals scheduled for participation in small rural works have been included. (There has also been a course for site supervisors.)

(e) ADB is continuously carrying out its own training as is the appropriate technology unit.

(f) Training takes place outside of Rapti Zone. A group of women leaders are being sent to Sri Lanka and Bangladesh to study efforts being made by women's organizations in these countries. The PCO engineer plans to spend about 6 weeks at Colorado State University this summer, etc.

Although training seems to be taking place, there is an ongoing struggle in most agencies between the need to train and the need to produce. Government agencies put pressure on personnel to finish projects rapidly (quantity is over emphasized) and training time is often squeezed to a minimum. This is in part the consequence of an excessive preoccupation with targets and expenditures as opposed to impact and quality results. It would be useful to also look at some areas where training is not yet being carried out - as in assisting panchayat members in the development planning and in project implementation.

The Evaluation Team recommends that, in conjunction with the possible re-shapping of the project, there be a thorough review of the training program, - its quality, quantity, organization and priority. This should be a joint review with HMG providing an up-to-date plan and renewed commitment to the training objectives.

C. Some Ideas on Rapti Zone Development

1. A Possible Approach in the Hills

In his 1976 University of California book, Land Ownership In Nepal, Mahesh Regmi advocates village panchayats taking control of all land within the Panchayat including arable and other lands under customary use rights. He then suggests that households use these lands on what amounts to an indefinite share-cropping arrangement whereby 25% of annual crop goes to the Panchayat (which would provide local fiscal revenues) and the rest to the land users. Households could sell their use rights but only to other resident cultivators, hence keeping land within the panchayat. Regmi then goes on to suggest that if this is too extreme a reform, then try it with the so-called 'surplus' panchayat lands that the government acquired under the 1964 Land Act.

At least in some panchayats these 'surplus' lands under government control must be extensive since approximately 93% of the land in the Hills is not arable. Under decentralization, HMG intends to return these acquired lands to the village panchayats although implementation procedures have not yet been worked out.

Using aerial photographs and ground check methods, it should be possible to ascertain which of these lands could support a production system based on trees (for fuel, lumber, fodder, fruits, nuts, and medicinal uses); and livestock.^{1/} Indeed working directly with a particular village panchayat, the people themselves probably already know the potential areas.

The idea would be to obtain the agreement of one village panchayat in each of the four Hill districts to plan, implement, manage and evaluate a household production system which would on the one hand restore forests and ground cover to the Hills, and on the other hand provide an above subsistence living to household members. Procedures, not necessarily in order of priority or phasing, would include:

- Obtaining cooperation of one village panchayat/district.
- With their input from the beginning work out what the land tenure arrangements would be and what the land use system would be.

(a) Land tenural arrangements: Participants from the start would probably want a clear idea of what their use/ownership rights would be to the land in question. How this is resolved might vary from Panchayat to Panchayat although one would hope that somewhat standardized system might be worked out. There are various possibilities, including Regmi's, whereby the Panchayat has residual rights to the land while the household has inheritable use rights along with right to sell those rights within the village panchayat (perhaps with a ward committee or some oversight to prevent land holdings becoming too large). These use rights could be like share-cropping rights with a proportion of the crop going to the Panchayat. Lease hold rights might be considered as an alternative. Full use rights (except right to sell indiscriminately), with land taxation to the village panchayat (by re-establishing a tax system similar to the old Panchayat Land Development Tax) would be a third alternative. These are all possibilities; there may well be better ones.

(b) Coverage: An entire area should be covered by household users. These might be organized into small user groups as with the SFDP groups.

(c) Land use system: This must be dynamic, changing over the years since it will take over five to ten years for some of the tree crops to begin to bear. During the first two or three years the household users might be given assistance, or wages sufficient to meet subsistence needs while they are planting the trees and ground cover.

By year three this type of payment could be reduced or eliminated by bringing on the livestock component of the production system; that is, the newly planted land might be able to sustain some offtake by animals. Since only 1% of households in the Hills are landless, participants would also continue utilizing their old lands. The incentive to join the program would be gaining effective control over land, the productivity of which would be increasing.

^{1/} See aerial photographs and technical information available from the Land Resource Mapping project under Canadian assistance.

Size of holdings could depend on the production system. It should be large enough to provide a beyond subsistence net income once full production is reached. Since such a system (trees and ground cover, cattle, fiber plants, and medicinals) has been worked out for semi-arid India which involves less than a hectare, it should be possible to work out a non-arable dry land Hill component of the household production system where land holdings presumably could be at least several hectares.

(d) The actual nature of the production system would require cooperation between the Ministries of Forests (tree crops and medicinals) and Agriculture (fruit trees and livestock), perhaps with a production systems adviser helping out. Possible components would be:

- indigenous fuel, fodder, and lumber trees
- indigenous nut trees
- exotic nut trees
- deciduous and evergreen fruit trees
- medicinal herbs, shrubs and trees (vast market apparently in India and possible pharmaceutical uses and hence sales to companies like Pfizer, UpJohn and to the Nepalese Royal Drug Company)
- fiber crops like sisal which can be used for local weaving industries
- ground cover providing fodder and protection to the soil

As for animals, the usual mix might be involved with group also having (as a group or through one or two members) a couple of horses for produce transport.

Granted the ecological crisis within the Hills, one would not want to take years for experiments and research. On the other hand, one would not want to involve the people in too high a risk venture (unless the risk to them was reduced by their being salaried or in some other way). One way to proceed would be to have first rate 'tree systems' experts pull together all relevant work in Nepal and in other relevant habitats and experiments - one on the technical side concerning the mix of species, and the other on the socioeconomic side looking into different organizational modes and economics of the operations (on both the production and marketing side).

Since it is probably too late to plant seedlings granted the oncoming monsoon, there is ample time in terms of months to develop a prototype (or prototypes) for implementation at the proper season.

The hope here, of course, is to combine two operations: rehabilitation of hillsides in a way that provides an income at the household level. Unless people have a direct economic stake in the rehabilitation operation it is hard to see how it can spread rapidly. So the key factor is participation. If the forest products-livestock production system makes technical, ecological and economic sense, then presumably it could be replicated rapidly.

In addition to a development approach for the Hills, there is also a need for an approach for the valleys and the interrelationship between the two areas.

2. The Dang/Deokhuri Valley

According to estimates the cultivated land area in the Dang/District is 63,100 ha, most of which presumably is in the two valley areas. This is more cultivated land than in all four Hill districts (estimated at 56,000 ha). Much of this Dang land, however, is only cropped once because of inadequate water supplies within the valley. Hence, probably only 10% of the valley land is irrigated during the dry season, while only some 30 percent may be irrigated during the monsoon. Though existing water supplies can be better utilized, with the irrigated area extended somewhat during both seasons, erosion of water courses and gulying makes canal construction difficult.

The main physical constraint to the Dang Valley achieving its potential as a breadbasket is water. Interbasin transfers most probably will never be economic while tributary storage dams within the basin will themselves flood out valuable Khet land. It appears that there may be potential ground water (including artesian) supplies in the Western Dang Valley. Ground water sources could be explored. Developing whatever supplies are proven would be the next step.

To complement the Hills action program, one idea is to carefully select a village panchayat (with that panchayat's active involvement in the selection process, of course, and then in all subsequent development phases), and then bring existing knowledge to bear on increasing its agricultural productivity and net incomes (on a household basis) through the technical 'package' recommended by ICP, formation of SFDPs (at least one per ward), use of AAs, leader farmers, and a JT in charge to extend existing knowledge to non SFDP farmers and so on.

The idea would be to focus existing technology and organizational modes and extension staff on a single panchayat to see if significant increases in production and net income could be achieved and to see if SFDP organizational modes could be extended to other farmers via leader farmers, AAs, and a JTA. Adult literacy would also be stressed and so on.

Rapti efforts could be used more to help implement regulations (like tenancy ones) which HMG has approved. The Dang effort could play a role here. The idea is to direct this approach at one village panchayat with maximum possible participation at village, ward and small group levels.

A Tharu Panchayat could be selected or one in which Tharu and small Chhetri and Brahmin farmers could co-exist and in which the Rapti effort would also serve as a mechanism for formalizing tenancy contracts according to government law. If the Panchayat did not wish to cooperate, then it would not be selected.

This effort might also include - indeed granted water constraints should include - an effort to rehabilitate and extend the village panchayat irrigation systems as minor irrigation systems. A village panchayat could be picked where strong water user associations exist and can be used.

3. The Deokhuri Valley and the Western Rapti Multipurpose Hydro Project

The Western Rapti is classified as one of Nepal's medium rivers. These rise in the Midlands or the Mahabharat Range, as opposed to the Himalyas where the three major river systems, Karnali, Gandaki and Kosi, rise. Though perennial, the medium rivers have a fluctuating annual cycle.

Dam construction for a multi-purpose project has been under investigation on the Western Rapti for some years, and if dammed, could place the entire Deokhuri Valley under irrigation command.

Though Nepal expects to go ahead with projects like Karnali, financial costs for projects will be vast. If the Western Rapti is also dammed at Namouri, power and irrigation water could perhaps become available by the mid 1990s. If that happens, most of Deokhuri could be irrigated twice annually.

It is estimated that there were 10,000 to 15,000 hectares of good land which could be double cropped through irrigation in the Deokhuri Valley once the dam is built. This valley is one of the most fertile in Nepal. The feasibility studies for the Namouri dam, if undertaken, should include an analysis of the ways in which the local population can benefit from the Western Rapti Project. It is important to emphasize at this point the results of international experience; local populations seem to profit from river basin development only when their interests are dealt with during the feasibility studies.

The valleys and the Terai have provided a safety valve for population pressures in the past. As pressure on the land increases in both hills and valleys these opportunities diminish. Nevertheless, if ground water can be utilized in the Dang Valley to permit much more intensive agricultural production, this in itself could be a source of at least seasonal employment as well as some full time employment on farms in Dang for people now in the Hills. In addition, the secondary effects of increased production and income from triple cropping could result in further increases in employment marketing and processing. Hill people would be attracted to these jobs as well.

ANNEX A: USAID MISSION REPORT ON STATUS OF RAPTI PROJECT

The USAID Mission has provided in this annex a detailed description of each component of the Rapti Project and the Mission's assessment of progress to date, issues and corrective action.

Component: AGRICULTURE EXTENSION AND TRAINING

Implementing Agency: DEPARTMENT OF AGRICULTURE

Component Objectives

Support to this component is expected to increase the capability of Agriculture Development Offices (ADO) to meet farmer demand for extension services (technology) such as improved field and horticulture crops, plant protection and solutions to production problems and constraints. In addition, pilot extension programs, i.e., cropping systems are to be initiated to determine whether organizational and functional changes to extension strategies can be successfully adapted. Activities under this component also seek to improve and strengthen existing technology capabilities through the provision of infrastructure at selected regional, district and sub-district levels.

Progress to date

AID has to date provided funding for general extension activities, including farmer training, farmer field trials, production and method demonstration, crop production contests and farmers tours. In addition, some \$168,300 has been earmarked to finance the construction of an agriculture training center in Nepalgunj. The training center is expected to provide facilities for leader farmer and agri-assistant cadre training activities for persons from the Rapti Zone. Institutional support activities to date include financing of officer training programs and the provision of funding to establish ten agriculture subcenter offices where District Agriculture Offices are expected to concentrate extension and training activities and provide other services to local farmers. Eight service center offices have been established in rented buildings.

The Rapti Project has supported the establishment of an innovative agriculture extension program based on a cropping systems approach. To date, two Panchayats in each hill district and three Panchayats in Dang have been surveyed and the program launched in low-land areas. Each Panchayat has a program consisting of one lowland and one up-land and cropping pattern. Technology for this effort has come through collaboration with the AID funded Integrated Cereals Project (0114) with field support from the Peace Corps. It is hoped that the cropping systems approach can be expanded to include a broader farming systems program which would include activities aimed at developing livestock production, fuel and fodder production, horticulture, crops and secondary food crops. Ultimately, if pilot efforts prove successful, the approach is expected to form the basis for a modified and streamlined extension system. Five BSc. Agriculture graduates have been assigned by the Department of Agriculture to help implement this program.

In addition to local training, three persons are presently enrolled in BSc. Agriculture programs and an additional three persons are presently awaiting departure. Two additional BSc. slots are being made available during the next NFY and another eight slots will be used for short-term training programs in third countries.

Training center construction is now in the construction phase. Construction is expected to be completed by June, 1984.

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Issues and Corrective Action

Project support to this component has included provision for equipping District Agriculture Development Offices, establishment of service centers, small amounts of technical assistance and in-service training aimed mainly at officer level personnel. This support has resulted in an increased capability of the Agriculture Development Office to deliver services to farmers and also improved farmer access to improved on new technology. Increased numbers of extension staff over the last two years from a coverage of 4 village Panchayats to 2.5 village Panchayats by each extension agent has also aided farmer access to service and advice.

One of the problems confronting this component is the generally low level of expertise of extension personnel and their youth. Farmer confidence in the capability of the extension service has deteriorated somewhat with the influx of newly appointed JTA's to each of the Districts. To correct this situation, plans are underway for in-service training programs to be conducted in each of the five districts. These programs will be designed to develop the individual skills of extension agents to assess farmer training needs, design appropriate training programs and to conduct these programs, hopefully using training methodologies which are more conducive and acceptable to the adult leader. A second in-service training thrust will be aimed at district officials where a program designed to develop communication and planning skills is to be implemented. This combination of programs conducted under the project will hopefully address the question of skill and capabilities and also provide some organizational structure under which agriculture development activities can be implemented.

Another problem which this component faces is the extent to which central offices control the planning process and dictate programs to its district offices. This has resulted in the establishment of implementation targets that were frequently out of line with local need and interest and failed to consider the implementation offices overall capability for carrying out programs. Another result of this centrally controlled planning approach is the inaccurate reporting from field offices to central offices regarding achievement of implementation targets. Most offices prefer to report 100% achievement rather than risk severe reprimands from central offices by reporting actual levels of achievement. Although the project does not envision producing any major impact on changes to the present planning approach, Project planning activities will include, whenever possible, implementation targets aimed at addressing local problems and needs. Some success has already been experienced, but at a level too low to have substantial impact.

Another anticipated action is the provision of short and long-term technical assistance to the Project. The aim of long-term assistance is to consolidate the gains made in cropping systems program and the expansion of that program to other village Panchayats. The aim of short-term assistance is the development of an agriculture strategy for the project within 3-5 year and 5-10 year development perspective. The combination of these two forms of assistance is expected to have a positive and major impact on programming and implementation activities supported under the Project.

Component: HORTICULTURE

Implementing: DEPARTMENT OF AGRICULTURE

Purpose and Objectives

The primary objective of this component is the production of vegetable seed and some horticulture crop planting materials for use by the ADO offices in each district. A secondary objective of this unit is the carrying out of research and survey activities designed to identify needs for pocket programs such as ginger and potato production and to develop local farmer technology to support seed production, storage and distribution activities. Commercial seed production is also supported under this component.

Progress To Date

Horticulture activities financed by AID in the Rapti Zone are carried out by the Rukum Vegetable Seed Farm. Activities planned included potato production, fruit tree propagation and distribution, vegetable seed production and approximately \$55,000 of construction for training halls, storage facilities for seed stock, irrigation facility improvement and other small works.

To date approximately 800 kilograms of assorted vegetable seed have been produced for distribution to District Agriculture Offices. A similar production target level is planned for the coming Nepali Fiscal Year. Training programs have been held where twenty farmers were trained as commercial vegetable seed producers. These programs may be expanded during the coming fiscal year.

Issues and corrective action

The vegetable seed production farm is located in a remote hill district and as a result, its programs suffer from a lack of guidance from officials located in Kathmandu and in regional offices in Nepalgunj. Construction in particular has been delayed due to an absence of technicians capable of producing detailed designs for review, approval and funding. Remoteness has likewise delayed the implementation of a potato development effort aimed at the higher hills of Rukum and Rolpa Districts over a five Panchayat area. Until only recently, the farm was prohibited from implementing any extension activities by Departmental policy. A change in this policy now permits farm personnel to become engaged in horticulture extension activities.

Although the remote location of the farm is not easily corrected, surveys are being conducted in approximately five Panchayats to determine whether seed potatoes can be produced locally in sufficient quantity to support an extension program. This strategy, if feasible and adopted, would replace the early idea about portering seed into the target area from supply points in Nepal and India. More frequent visits have been scheduled to the farm by various officials to alleviate administrative and technical problems caused by poor supervision and communication. TSMU engineers from the Project Coordinator's Office have been engaged to undertake survey and detail design work for construction work at the farm. New staff appointments to the farm will have to be arranged if extension activities are to become successful. Discussions between Department of Agriculture and Project Officials must be scheduled to begin addressing this issue.

Component: LIVESTOCK

Implementing Agency: DEPARTMENT OF LIVESTOCK DEVELOPMENT AND
ANIMAL HEALTH

Component Objectives

The Livestock component was originally designed as a complementary effort to the Asian Development Bank Livestock Development Project. The ADB Project was aimed at covering two districts in Rapti Zone plus support for construction of facilities in other districts. As such, benefits accrued from this component could not be assumed at levels similar to those of the crop production component interventions. Project support aimed at development of infrastructure is seen as the primary objective. As staff were assigned to each district and offices became established, that farmers would gain increased access to veterinary services. Improved capability of livestock offices would also provide improvements in their ability to conduct inoculation and disease eradication campaigns to produce improvements in herd health. The extension capability is presently being supported at district and sub-district level through the construction of dispensaries and service centers. Improvements in production are to be made through the distribution of improved classes of livestock.

Progress to Date

The Department of Livestock Development and Animal Health is a relatively new entity, having been established less than three years ago. The Department was split away from the Department of Agriculture and organized to include the old Department's Veterinary arm. As a result, the veterinary division within the new department operates reasonably efficiently, but there is little or no extension capability in many districts throughout the country. In Rapti Zone, prior to the onset of the Project, one veterinary hospital and two dispensaries were the only facilities in operation. These facilities were staffed by veterinary division personnel. The livestock extension program existed then in the form of a single junior level technician assigned to implement extension activities in one district.

AID funding until now has been used to finance distribution of buffalo, cattle, pigs, chickens, goats, asses and fodder and pasture seeds. In addition, training programs aimed at training leader farmers to serve in capacities as para-professional extension agents have been conducted in Dang District. District offices were established in the two districts where no offices previously existed. Veterinary dispensaries are now operational in all five districts. In addition, 12 sub-centers have been established. Plans for construction of three permanent veterinary dispensaries in three districts have been approved with construction already underway.

Pre-service training of extension personnel to be assigned to the Rapti Zone is underway. In addition to local training for farmers and technicians, two persons have undergone short-term training in the Philippines and two await departure. Two persons are presently enrolled in BVSc. programs in India and two persons await departure. Two other officers have either completed short-term program in India or await call forward dates. An additional four officers are expected to undergo academic training next year and an additional four persons will participate in short-term programs in third countries.

Issues and Corrective Action

Of the several major problems facing this component, the poor logistic support provided to field offices by the central office is probably the most severe. The problem is exacerbated since field offices are nearly totally dependent on departmental sources for procurement of veterinary pharmaceuticals, tools and equipment and frequently for the purchase and supply of animals from external sources and from agriculture farms in Nepal. The department has frequently not been able to supply the needed inputs in time nor in the quantities required by field offices. There is no easy solution to this problem. However, it appears that the ADB Livestock Project has now reached implementation phase where large quantities of goods are being centrally procured. Rapti Zone offices have benefitted somewhat, although only minimally from this activity. AID is considering procurement of selected goods for the Department, particularly in cases where there are clear advantages for AID to become directly involved in the process and where direct involvement is a complementary rather than a supplementary effort. Some success at decentralizing procurement operations have occurred, particularly in cases where district offices were granted authority to procure pharmaceuticals. Unfortunately, due to the non-availability of livestock pharmaceuticals, supplies intended for human consumption were purchased and utilized. Attempts at decentralizing procurement authority and coordinating procurement needs are seen as a short-term solution to these logistic problems.

Another issue confronting this component is programmatic in nature. Livestock development activities cannot be ignored in the middle and high hills. High farmer demand for veterinary services and improved livestock breeds indicates the importance of the livestock enterprise in the farming systems. Besides animal traction, livestock are usually a ready source of cash for the subsistence farmer either as meat, stud or as a source of milk, fiber, hides or ghee. It is unfortunate that such an important enterprise also produces severe degradation of vegetation in the hills causing serious erosion. Short of a prohibition on animal rearing in the hills, a strategy for working with farmers must be devised. The production of fodder and the establishment of grazing or forage production are key to this effort. Except for the high hills where sheep are communally grazed, individual farmers must be approached to have the program succeed. Given the present state of Livestock Development Office capability, this effort will probably not occur for some 3-5 years from now. To devise a strategy, the Project expects to utilize technical assistance, possibly in conjunction with the farming systems survey to be conducted under the agriculture extension component.

Component: INPUT SUPPLY

Implementing Agency: AGRICULTURAL INPUTS CORPORATION (AIC)

Component Objectives

AID support to AIC under the Rapti IRD Project was initially conceived as funding for approximately 575 MT of additional multi-purpose godown space for agricultural inputs in the Zone. Three-hundred-seventy-five metric tons was to be in 13 separate 25 MT godowns at the agriculture service center level. The GON contribution was estimated on the basis of two separate sources: 1) approximately 10% of the total would be from the AIC corporate budget for incremental staff and land for godowns; 2) the remaining 90% was from the GON annual transport subsidy

for inputs, estimated at a phased scale of 10, 25, 40, 80 and 100% over the five years of the Project as attributable to the Project. The combination of these inputs, plus increased demand by farmers and improved planning and management generated by the Project would all serve to promote a more adequate and timely supply of improved seed, fertilizer and pesticides in the Rapti Zone.

Progress to Date

Several basic changes in approach, toward the same overall objective, have occurred since the Project design which make comparability somewhat difficult. The following summarizes progress in meeting objectives.

1. The GON provided 66% of the AID estimate of subsidy requirements (total, not Project incremental) in the first year of the Project, and the estimated actual subsidy for year two is 86% of the AID estimated total, suggesting strong continued support by the GON. At the same time, public statements are beginning to suggest a possible lifting of the fertilizer subsidy in the current Sixth Five Year Plan period, and emphasis on private local seed multiplication suggests the subsidy for seed transportation may become less and less necessary.

2. AIC is continuing to increase fertilizer sales in the Rapti Zone by approximately 50-75% each year. One "key indicator" in the PP analyses suggested that fertilizer use in the Zone at the end of the Project should be 5500 metric tons; this year (year two) the estimated actual sales are approximately 1300 metric tons. Performance in delivery of inputs is thus actually near the estimated requirement.

3. The construction program has moved quite slowly and responsibility for construction has shifted. AID is supporting AIC's construction of one 250 MT "service center" level godown in Lamahi, Dang District, which is now complete, and has recently approved plans and tender documents for one 250 MT District level godown at the headquarter of Salyan District. A 500 MT godown will be designed and constructed in Ghorahi, Dang to replace rented space presently being utilized. The proposed 25 MT service center godowns, reduced in number, are now being constructed under the auspices of the Project Coordinator's Office as part of an overall "service center complex". Additional godowns totalling approximately 250 MT are being constructed under the AID/GON "Seed Production and Input Storage" Project, which is quite active in Rapti Zone. The need for input storage in the Zone is thus being met through a slightly different means than originally envisioned.

4. Farmers working approximately 100 hectares of their own land in Dang District are producing certified wheat seed for sale this year in the Zone with monitoring and technical assistance from AIC. 20 farmers in Rolpa District will be trained next August for similar production of higher altitude varieties. Pilot activities in on-farm storage through SPIS and through the Rapti IRD "Appropriate Technology Unit" are also planned for next fiscal year.

Issues and Correction Action

The single greatest problem in this component is the relative inability of local AIC outlets to supply inputs to farmers in a timely fashion. Fertilizer for which there is high farmer demand, is frequently held-up at the Indian border

due to a lack of adequate transport or by local transport agencies who await the onset of the rainy season to move fertilizer stocks to qualify for premium payments. Improved seed supplied through AIC outlets frequently arrives too late to be sold to farmers at planting time. The same seed is stored, then sold the following year, often with resultant poor germination and impure stocks. Improved transportation might be a possible solution. However, it also appears that the key to supplying inputs on a timely basis is improved forecasting of demand and their delivery to the regional AIC outlet in Dang. It is not clear at this time whether the Project can sufficiently influence policy and administrative procedures to produce desired results. For the short run, it is assumed that increased storage capacity in the Zone down to service center level would alleviate input supply problems. However, it is understood that this is not a permanent solution.

Component: CREDIT ACCESS

Implementing Agency: AGRICULTURAL DEVELOPMENT BANK OF NEPAL (ADB/N)

Purpose and Objectives

The "Credit Access" support provided under Rapti IRD is intended to provide the necessary support to ADB/N offices in the Zone to carry out the timely promotion and administration of a much expanded credit program.

This is done partially through supplementing the funds available for lending (See "Credit" A-7), providing targeted support for operation of ADB/N offices in the Zone, and through various approaches to improving the access of potential borrowers to cost effective sources of reliable institutional credit.

Progress to Date

AID has to date provided funding for improved office and field equipment for the seven offices of the ADB/N in the Rapti Zone, and has approved designs and a fixed share of support for the construction of a Zonal Office in Tulsipur, in line with the recent reorganization of the Bank's administrative structure.

Funding initially intended to be provided to the ADB/N for construction of "visiting offices" at a service center (sub-district) level has been shifted to the Project Coordinator's Office, which will supervise the construction of consolidated "service center complexes". The ADB/N, however, is moving ahead with plans to establish two rented "satellite offices" in key production locations coinciding with service center locations in the next fiscal year. Service centers will also provide "visiting offices: space which can be used for periodic lending and collection activities".

Under Rapti IRD funding, 3 ADB/N officers have completed 2 months each of training in the Philippines; 2 officers have completed 2 months training/observation tours in the Philippines and Thailand; one officer is currently attending three months management program in India (PL 480); and 2 officers are awaiting departure for training in India under PL 480 funding, one for a 2 year program and 1 for six months.

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Component: SMALL FARMER DEVELOPMENT PROGRAM

Implementing Agency: AGRICULTURAL DEVELOPMENT BANK OF NEPAL, (ADB/N)

Objectives

The Small Farmer Development Project (SFDP) provides guided credit to small homogeneous groups of relatively poor farmers and landless groups. The SFDP being supported under the Rapti Project is part of a larger national program which was begun in 1975 in Nepal with two pilot sub-projects. Since then subprojects have been set up in more than 50 village Panchayats in the country. Support for the national program comes from an International Fund for Agricultural Development loan and grant of \$13.5 million.

Local group organizers working in each sub-project area are employees of the Agricultural Development Bank of Nepal. They are responsible for identifying and facilitating the formation of potential groups of poor farmers; working with them to come up with potential groups of poor farmers; working with them to come up with potential productive activities; obtaining the necessary technical assistance to undertake such activities; and obtaining necessary loans from the ADB/N.

Progress to Date

The Program in the Rapti Zone consists of ten sub-projects, two in each of the five districts of the zone. In each sub-project a group organizer has organized 10-15 groups of about 10 farmers each; eligible farmers are those whose per capita income is less than Rs. 950 annually and who own less than one hectare of land or are landless. At present the ten sub-projects comprise about 1200 farmers organized into about 120 groups; women are numbers as well. Five more sub-projects are to be established in the zone next fiscal year, one in each district. The sites are being chosen for these new sub-projects, and new group organizers will soon begin training.

Five of the sub-projects in the zone got underway only eight months ago. Much of the group organizers' time has been spent explaining the program to farmers, organizing them into groups, and arranging for assistance from other line agency officers through the district-level sub-project Implementation Committee, which includes officers from the Department of Agriculture, Cottage and Village Industries, Livestock, and others.

In Rapti Zone, small farmer groups have begun construction of an irrigation canal and have earned money by transporting fertilizer from the Terai to the Hills. They have begun receiving loans from the Agricultural Development Bank of Nepal for the purchase of fruit trees, goats and buffalo. Just as important as the loans, however, is the training that they have started to receive: training in adult literacy, vegetable gardening, agriculture, animal care, beekeeping, and cloth weaving. Much of this training has been provided by other line agency officers in the districts, therefore achieving one of the objectives of the program: enabling small farmers to take better advantage of existing government services.

Problems

The main problem with the otherwise successful SFDP lies at a policy level. If this approach is to be applied in many areas of the country it is essential that it become as close to self-supporting as possible -- that interest and principle loan repayments cover at least the direct costs of loans and some portion of the costs of the organizers. Varying levels and types of subsidies provided thus far to the program have allowed this issue to be avoided at the national level. Because of this local managers and organizers do not generally see a strong need to balance costs and returns of the programs. Supplementary subsidies for various targeted activities further compound this problem.

Component: CREDIT

Implementing: AGRICULTURAL DEVELOPMENT BANK OF
NEPAL, (ADB/N)

Purpose

Rapti IRD Project Credit funds for the ADB/N was intended to provide incremental credit in support of increased agricultural and livestock production, small farmer group activities, and rural industries of the Project period. The amount of assistance provided will not meet even incremental credit needs in the Project area, but represented the amount available within a tightly budgeted Project.

Progress to Date

To date, the existing ADB/N loan volume (pre-project) of approximately \$730,000 has been maintained in the Zone. The GON assumed equity in the ADB/N with approximately \$575,000 of AID funds in September, 1981, and approximately \$500,000 of this has been lent in the Zone.

At this time, hard data is not available on distribution of loans from the AID fund. It is now anticipated that between 25 and 40 percent of funding has gone to rural industry, particularly water turbine powered milling and processing operations.

A second tranche of funding totally approximately \$515,000 is earmarked and will be provided pending satisfactory use of and reporting on the first tranche of funding.

Problems

1. Credit in Rapti Zone has suffered from problems common throughout Nepal over the last three to four years. Three successive years of intense national political activity resulted in decreasing levels of loans made and quite low repayment and collection rates. A partial recovery began last year, coupled with the ADB/N receiving additional sources of capital for an accelerated loan program. Half year reports for the current year reflect improved loan performance and greatly improved repayment and collection rates.

2. Although interest rates were increased last year, a complex set of interest rates varying by loan purpose and type of borrower remains in effect. Thus while base rates are realistic, assuming reasonably efficient lending operations, many

types of loans for some types of borrowers remain subsidized. This creates an environment which is unnecessarily complicated and in which borrowers almost inevitably feel that specific interest rates are arbitrarily unfair. It must also lead to a situation in which funds borrowed for favored purposes are directly or indirectly diverted.

This problem is not unique to the ADB/N since interest rate levels are controlled by the National Bank. Continuing and consistent discussions of this problem with the government are required.

3. Timely reporting on a mutually agreeable basis on the utilization of credit funding provided under the project has been a problem. Since local level record keeping and management is generally good, this is viewed as a resolvable problem within the near future.

Component: IRRIGATION

Implementing Agency: DEPARTMENT OF IRRIGATION HYDROLOGY
AND METEOROLOGY

Purpose

The Rapti Project provides support for the construction of an estimated 1250 hectares of irrigation systems larger than those normally undertaken by local communities. These are generally still small systems, averaging 50-100 hectares in the hills and 200-400 hectares in Dang. Systems proposed for project support are first identified by districts, then reviewed for suitability by the Project Coordinator's Office. Pre-feasibility studies are carried out by Department of Irrigation staff assigned to Rapti Project work. This office was established in January 1981.

Progress to Date

The first years operation of this program produced little results due to poor management of the new office and its inexperienced technical staff. More recent personnel changes and an increase in technical staff resulted in one small system being approved for construction and the completion of 22 pre-feasibility studies.

Progress during the current financial year has been excellent, largely resulting from efforts of a new, experienced engineer to direct the program. Three systems have had final designs completed and should shortly be under construction. Two of these involve the improvement of portions of existing systems (approximately 450 hectares in Dang, 300 hectares in Pyuthan). The third involves the construction of a new system in Salyan (approximately 180 hectares).

Additional prefeasibility and final surveys are or will shortly be underway.

Problems

1. Reasonably normal problems with the procurement of equipment and supplies have arisen, and will probably continue to be encountered and dealt with. Once schemes begin construction, again predictable, problems with construction contractors and materials procurement will arise.

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2. The selection of schemes for survey, design and construction within relatively limited project funding will become an increasing problem, particularly in view of the considerable importance attached to irrigation. Continuing expectations of major project investment in schemes in Dang will also have to be dealt with. Both of these problems can be best dealt with by a continuing assessment of regional water resource potential, and a relatively early targeting of remaining funds between hill and inter-Terai schemes.

Component: FORESTRY, DEPARTMENT OF FOREST

Implementing Agency: DEPARTMENT OF FOREST

Purpose and Objectives

The forestry component of the Rapti Zone Project is designed to support existing HMG programs in community forestry and afforestation, whose activities include nursery construction and maintenance, seedling plantation, extension work, and construction of offices and quarters. The program is intended to contribute to the conservation of forest resources through better forest management at the village and district Panchayat level.

Progress to Date

After a slow start, the program is beginning to show some promise of making progress. Divisional Forest Officers, one in each of the tree forest divisions in Rapti Zone, are now at their posts. Working with a short-term expatriate technician, they have begun establishing Panchayat nurseries. Earlier, during the design phase of the Project, two divisional nurseries and plantations were established.

Workplans for next year's program are being completed, containing more realistic targets than in the past and reflecting USAID's intent to support mainly community forestry activities, rather than the Department of Forest's (DOF) regular program of large-scale, fenced plantations with little public participation.

Construction of some offices and quarters for DOF staff may finally begin; the Coordinator's Office has produced the designs and cost estimates that were long lacking.

Problems

Procurement by the three forest divisions of materials and supplies should be better coordinated and done more efficiently in bulk; the PCO, the DOF and USAID have begun to tentatively explore how this can be done.

The regular program of the DOF is hampered by a lack of staff, namely rangers and assistant rangers, several of whose posts are unfilled or unmanned. More serious, for the Project, is the shortage of staff trained in community forestry; not only is the number of rangers and assistant rangers inadequate, but the extension work required of them in community forestry is a significant departure from their traditional roles as policemen and enforcers. There may be a conflict inherent in asking them to carry out both kinds of work, but this view is not yet shared by all DOF officials.

Additional staff, specially trained and designated as Community Forestry Assistants, have been requested, but their availability is uncertain.

Component: SOIL CONSERVATION

Implementing Agency: DEPARTMENT OF SOIL CONSERVATION AND
WATERSHED MANAGEMENT (DSCWM)

Purpose and Objectives

The Soil Conservation program of the Rapti Zone Project is intended to alleviate and correct some of the environmental degradation in the Zone. This is to be accomplished through: physical measures such as building check dams; biological measures such as reforestation; the education of villagers in better land use practices; the gathering of more accurate meteorological data through instruments; and the preparation of Panchayat-specific land-use plans.

Progress to Date

The DSCWM staff, working in three districts, have built check dams and retaining walls for erosion control; built a nursery and revegetated 22 ha. of hillside; and engaged a contractor to produce land-use plans for two village Panchayats.

They are ordering weather-measuring instruments for a meteorological station, and audio-visual materials for a conservation education program aimed at farmers and students. Two DSCWM officers have been trained overseas in watershed management, one in India and one in Philippines. Work continues on the construction of an office and quarters for the DSCWM in Tulsipur.

Problems

The conservation education program for the current fiscal year was late in getting underway, pending the arrival of technicians from other projects to assist in the planning. The plans are now complete, however, and materials and equipment are being procured.

A second series of land use plans are scheduled for this year, and bids for the contract have been received. There have been delays, however, in obtaining ministry approval of the final award of the contract. Nonetheless, the award is expected soon, and the field work for the land-use plans is expected to get underway before the monsoons.

Inadequate staffing continues to be a problem. The number of persons assigned to the project is far short of what is needed to carry out the full program; soil conservation assistants and other trained technicians are still scarce, and have to be competed for with other projects. The DSCWM is already aware that staffing will largely determine the success of its program in Rapti Zone.

Component: EDUCATION (INCLUDING ADULT EDUCATION)

**Implementing Agency: MINISTRY OF EDUCATION & CULTURE THROUGH
DISTRICT EDUCATION OFFICES**

Purpose

Project support in education is intended to alleviate locally perceived problems in primary through secondary school operation and selectively support the introduction and expansion of formal and non-formal literacy programs. It is expected that this type of support and expansion of basic formal and non-formal literacy and education will positively affect both educational levels, employment potential and participatory skills.

Progress to Date

Progress against major program targets is presented in the accompanying table. There was no support for education programs during the first financial year of the project. Support during the second year was only partially effective due to funding release problems and delays. Support during the current year was also delayed (the only case within the project this year) while disagreements on programming and budgeting were resolved.

In general, the purely local aspects of the program -- school improvement and scholarships/stipends for students -- have proceeded reasonably smoothly. District level teacher workshops require more planning and external support than originally anticipated and should increase in effectiveness with the support of the recently appointed zonal coordinator for education programs. Campus teacher training also requires better coordination between regional and national level training institutes and locally selected and nominated candidates.

Adult Education courses have been reasonably successfully conducted at levels in excess of what was initially anticipated. This is largely due to strong national emphasis on such programs. The qualitative level of these programs is less easily assessed. A preliminary sample assessment, however, indicated better than expected correlation between reported and actual attendance.

The critical functioning of District Education Committees in planning and establishing priorities for the use of project support appears to be improving. This should be further facilitated by the introduction of the Decentralization Act.

Problems

1. Continuing divergence of national and district/local level perceptions of priorities has created problems in planning, budgeting and implementing this project component. It is expected that this will be improved with the implementation of decentralization and the establishment of the zonal level coordinator for education programs.

2. Qualitative assessments need to be made of specific programs receiving support in the Zone. These should serve both to provide a measure of program effectiveness and to identify what changes need to be made to improve program effectiveness.

Component: APPROPRIATE TECHNOLOGY UNIT

Implementing Agency: AGRICULTURAL DEVELOPMENT BANK OF NEPAL, (ADB/N)

Purpose and Objectives

The Appropriate Technology Unit (ATU) is an entity of the ADB/N and is headed by an ADB/N manager, who is assisted by an expatriate advisor on contract to AID.

The ATU acts as an intermediary between many firms and groups in Nepal and elsewhere who are working on new technologies and the people in Rapti Zone who might benefit from those technologies. Another function of the ATU is conducting adaptive research, modifying village-level technologies that have been developed elsewhere to the conditions found in Rapti Zone.

Many new devices and processes have been developed that might be useful to the rural people in the Zone; often, however, people are either unaware of these innovations or are unable to take advantage of them without further adaptation of the technology, training in their use, or help in financing. The ATU is attempting to bridge those gaps.

Progress to Date

The ATU staff have carried out pre-feasibility studies of water turbine sites, helped farmers obtain loans for biogas plants, and built and tested new models of biogas plants and low-cost attachments.

An expatriate ceramics specialist, hired on a short-term basis, is working with local potters to make improved wood-burning stoves and to demonstrate them to villagers. Other activities by the ATU include: training local artisans to make improved grain storage bins and improved beehives; testing a solar dryer, and testing an improved millstone in a local mill.

The ATU has conducted a training course in biogas plant maintenance for biogas plant owners, and in beekeeping, and has sent its staff on a two-week tour of other appropriate technology sites in Nepal. In addition, its manager and advisor spent six weeks visiting a number of appropriate technology centers in other Asian countries.

For the time being, the ATU is housed in rented space in Tulsipur that includes a display room and training hall.

Problems

The ATU is understaffed; its annual programs, particularly its extension and training work, have been hampered by the inability of the ADB/N to provide the trained staff that are needed. Discussions are continuing with the ADB/N about this.

The ATU has a considerable amount of latitude and technical and financial resources available to it to tackle problems and projects as they are identified. This latitude, however, stems in part from some uncertainty within the ADB/N as to the exact role and responsibilities of the ATU within its organization; this uncertainty needs to be resolved by the bank.

Bank officials and others in the Project seem to sometimes view the ATU's program budget as a potential source of subsidies for small projects in Rapti Zone, citing the (more liberal) subsidy policies of other donor agencies as precedents. We will continue to explain and follow AID's policies regarding subsidies when the issue arises.

Component: COTTAGE INDUSTRIES

**Implementing Agencies: DEPARTMENT OF COTTAGE & VILLAGE INDUSTRIES
(TRAINING, OVERALL PLANNING) COTTAGE INDUSTRIES
& HANDICRAFTS EMPORIUM (P) LTD. (INPUT SUPPLY)
AGRICULTURE DEVELOPMENT BANK OF NEPAL (CREDIT)**

Objectives

Project support to cottage industries is based on the assumption that alternative employment for landless or near landless rural people is necessary to improve income and productivity levels.

Progress to Date

No funding for cottage industries was provided during the first financial year of the project (2037/38) since concerned agencies had funds remaining from the Design Project (367-0133) (Under that project about 150 people were trained in cotton weaving, semi-automatic sweater knitting and carpentry. An additional 50 people received shorter one month skill development courses in carpentry, blacksmithing, beekeeping and leatherwork).

During the current and past year the following numbers of people have received training:

| <u>Type of Training</u> | <u>Duration</u> | <u>No. of Persons Trained</u> | | |
|-------------------------|-----------------|-------------------------------|----------------|-------------|
| | | <u>2038/39</u> | <u>2039/40</u> | (estimated) |
| Cotton Weaving | 3 months | 72 | 48 | - |
| Woolen Weaving | " | 12 | - | - |
| "Dhaka" Weaving | " | - | - | 16 |
| Hosiery | " | 22 | 10 | - |
| Carpentry | " | - | - | 15 |
| Leather Works | 1 month | 23 | - | 15 |
| Carpentry | 1 month | 10 | - | 15 |
| Blacksmith | 1 month | 15 | - | - |
| Beekeeping | 1 month | 40 | - | - |
| Entrepreneur | 5 months | - | 28 | - |
| Sewing | 3 months | - | 32 | - |
| Dyeing | 1 month | - | 10 | - |
| | Total | 194 | 128 | 61 |

The major addition to training this year is stronger emphasis on basic business skills required to apply the cottage industry training received in a profitable manner. This is done in conjunction with specific skill training or upgrading courses. The Department of Cottage Industries training and development functions have recently been assumed by the Cottage Industries Board.

The Emporium opened three sub-centers in the hill districts under Design Project funding. A fourth sub-center was established last year. These outlets sell both raw materials and some simple machinery to complement the training provided by the Department. These items are generally not sold through the private sector at the present time and are sold at cost plus a 5 percent markup to cover transportation. Material sales are financed by a revolving fund composed of both Emporium and Project funds. Because of disagreement on buying policies project support has not been provided to the revolving fund used by the Emporium to purchase finished products.

ADB/N loans to cottage industries have generally increased from a slow start. There is now better joint planning between cottage industry trainers and the ADB/N, and recent policy changes by the Bank permitting chattle mortgages (up to a limit) for the purchase of needed tools and equipment will facilitate access by borrowers without other collateral.

Problems

1. The scale of the current program is small in comparison to the potential need for off-farm employment. At the same time the focus of the current programs on products for the existing local market in the project area limits both the scope of potential skills and the profitable levels of production possible.
2. Limited subsidies still exist in the loans available for cottage industries and in the selling prices of raw materials (for more remote hill districts). Removal of these would at least assure that those who continue to practice the skills received under such programs do so because they are receiving some return and/or prefer practicing these skills to alternative forms of employment.

Component: RURAL ROADS

Implementing Agency: DEPARTMENT OF ROADS

Purpose

Rapti Project support to the Department of Roads is for the improvement and protection of some 200 kilometers of minimal roads connecting three hill district centers with Dang Valley. These three roads have primarily been locally constructed and each has been jeepable at some point in time. One road (to Pyuthan) and parts of the other two are currently jeepable and tractorable. The objectives of project support are to widen the earthen roads to about 5 meters, carry out biological stabilization and protection works along the road corridors.

Progress to Date

No support to this component was provided in the first financial year of the project, 2037/038 (1980/81). Progress during last year was slow due to delays in the preparation of designs and estimates and problems in mutually agreeable contract award procedures (See problems below). Despite these delays approximately 20 km of road improvement and widening was undertaken last year. A nursery to support protection and stabilization work was also established during the past year.

Approximately 27 km of widening and correction work is expected to be completed during the current year. In addition approximately 4 culverts and other minor structures will be completed. Biological protection and revegetation work will be carried out on approximately 20 ha of land along the road corridor. Funds were also made available to the department for the purchase of 37.5 mt. of gabion wires during the current financial year.

Problems

1. The major problem facing this component stems from Department of Roads claims over recent months that the funding provided is entirely inadequate to carry out any meaningful improvements on the length of road proposed. It is believed by AID that this in large part is due to inability to agree on suitable standards for such low volume roads and on cost effective construction approaches. It may also be necessary to reduce the length of road being assisted in a sensible manner.

In order to address this problem (as part of a broader issue of suitable standards for similar hill roads in Nepal) a review/consultancy team will be contracted with during the next months to investigate and make recommendations on the most effective use of the current funding.

2. A problem which has affected the progress of this and other construction components supported by the project is the pressure to award contracts to the lowest bidder under HMG procedures. This is true even when bids are so low that it appears impossible for the contractor to carry out the work being bid on. Both Roads and other departments assert that audit procedures make it extremely difficult to exercise the provisions in HMG contracting regulations to award to other than lowest bidders. Attempts to work out mutually agreeable procedures to deal with this situation have thus far been largely unsuccessful.

Component: SMALL RURAL WORKS

Implementing Agency: LOCAL DEVELOPMENT OFFICE/
PROJECT COORDINATION OFFICE

Purpose and Objectives

Small rural works include project support for drinking water systems, small irrigation systems, small bridges, trail improvements and other projects. Projects are to be selected by local communities and sanctioned by district assemblies prior to receiving Rapti Project support. Each construction activity to be funded under the project must have adequate plans and cost estimates prepared, reviewed and approved before support is provided. Project support is in the form of materials not locally available, which are procured and provided through the Project Coordinator's Office; and cash support for skilled labor, some unskilled labor and other selected local costs. Additional contributions to these projects are in the form of local contributions of labor and materials.

Funding for this component was provided during 2037/038 (1980/81) through district offices; funding was split (construction/materials during 2038/039 (1981/82) between districts and the PCO; and consolidated to provide more budgeting flexibility in 2039/040 (1982/83) under the PCO.

Progress to Date

Progress in this component has been slow due to organizational problems, a lack of technical manpower at the district and Project Coordinator's Office level, and the imposition of design and cost estimating requirements higher than usually adhered to at the district level. A total of 10 small rural works projects were approved late in 2037/038, but almost all of the funding for these projects was "frozen" at the end of the financial year before it reached the districts. These funds did reach the districts during the past financial year and some 3 projects were completed. The remainder of these projects are or have been completed during the current year.

A total of 19 such projects were approved for construction during the past year. Materials for many of these projects reached the districts in addition to construction funds. Some 3 projects were completed, with the remainder under completion during the current year.

An additional 3 projects have been approved during the current year. Planning and budgeting for the coming financial year has stressed the completion of all outstanding projects before initiating new projects.

Problems

This has probably been the most controversial component of the project, receiving the most local and national political attention and being one of the most delayed. For many local and national leaders the entire Rapti Project is judged in terms of rural works. A recurrent criticism is that the main cause for delay is the requirement for AID approval of designs and cost estimates. (This requirement is based on U.S. legislative requirements governing AID assistance to construction projects). Experience to date under the Project with rural works projects which have been approved and funding released indicates that equal or longer delays occur in implementation, particularly if projects have been poorly designed and estimated.

Problems in the past led to several attempts to accelerate these projects. These have included the contracting of local A & E firms to carry out designs more quickly, the strengthening of both district and PCO technical staff through additional personnel and training of existing personnel, and the changes in budgeting and training of existing personnel, and the changes in budgeting procedures to allow for more flexible funding once projects are approved. These steps have helped, but not sufficiently to eliminate delays.

Part of the basic problem with this component is that some of the initial assumptions on which it was based have proven erroneous. It was initially thought that it would largely provide partial assistance to small, locally manageable projects.

Projects proposed by districts for support, however, have been for the most part medium to large in size. Such projects require better design, more external technical assistance and in general receive relatively less local support in terms of labor and materials contributions.

Further careful review of the structure and objectives of this component is required.

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Component: INSTITUTIONAL DEVELOPMENT

Implementing Agency: LOCAL DEVELOPMENT OFFICE/DISTRICT
PANCHAYAT SECRETARIAT

Purpose

This component provides for support to the district level administration, the provision of selected infrastructure, technical equipment and training. During 2037/038 (1980/81) small rural works funds were under this category, but were shifted from last year to the Project Coordinator's Office.

Progress to Date

Project support during the first two years work have been limited to minor support of LDO and DTO activities, the provision of some office and technical equipment and the carrying out of local training programs. Design work has been completed for district level godowns and training facilities to be constructed this year. Programs relating to these facilities and other district level planning and training efforts will also be initiated.

Beginning from the current financial year separate support has been provided to district technical offices which are administratively under the LDO. This is continued during the coming year.

During the coming year additional financial and technical support will be provided to LDO's and the district panchayat secretariates in keeping with their considerably expanded role under the Decentralization Act.

Component: PROJECT CUORDINATOR'S OFFICE

Implementing Agency: MINISTRY OF PANCHAYAT AND LOCAL DEVELOPMENT
(MPLD)

Objectives

The Project Coordinator's Office came into existence in January 1980 with the appointment of the Coordinator, and funding under the Design Project (367-0133). By January 1981 it had a staff of 2 full-time employees and a part-time accountant. Its staff currently exceeds one hundred. Under current GON policy and project design, the PCO is intended to provide coordination, guidance and support to all implementing agencies under the project in carrying out project activities. Working from the Zonal Headquarters in Tulsipur, the various sections of the PCO provide assistance in planning and monitoring, financial reporting and accounting, procurement and logistics, engineering and construction, and training. U.S. Technical assistance advisors work in the PCO in four of these areas.

Progress to Date

During the past year the PCO carried out the planning and budgeting workshops for the current NFY, including the organization of two training sessions/workshops for some 60 district level officers; initiated and largely completed the domestic procurement and distribution of approximately \$150,000 of construction materials for small rural works projects; organized financial reporting and reimbursement systems now in operation for all implementing agencies (including district level

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training in four of the five districts); began to provide technical assistance for the design and implementation of construction projects in the districts, including initial review of designs and plans; designed and carried out pilot implementation of an overall project monitoring system.

The Project Coordinator's Office was fully established by the end of last year and at least minimally staffed in all sections. The main staffing deficiency was in engineering positions. This was temporarily corrected with local contract engineers and was largely solved by the posting of HMG engineers in the beginning of the current year. The significant increase in the PCO budget this year reflected its assumption of disbursement authority for all project supported rural works and construction activities to be carried out in the zone under MPLD.

During the present year the PCO has carried out one workshop in Tulsipur for planning and budgeting for the coming year, followed by district level training sessions on planning and budgeting procedures. This was followed by meetings in each of five districts with the district panchayats to review and approve plans and budgets for the coming year. Financial management and accounting assistance has continued to be provided to all implementing agencies, and revised project and AID funding and reimbursement procedures (together with the establishment of district treasuries) have resulted in a considerably improved fiscal operation. It is expected that in excess of Rs. 3,000,000 in material procurement will be carried out by the PCO in support of local construction projects.

Improved project planning and monitoring formats and procedures have been introduced to all implementing agencies under the project. These should result in more timely and useful progress reporting from the current year. The technical unit has carried out designs and design reviews of a number of rural works and other construction projects, in addition to managing several A & E contracts for the design of rural works and service center construction projects. One training program for district overseers has been held on drinking water systems and another program to train local rural works site supervisors. An additional program will be held to train district overseers on irrigation system design and construction.

During this year the PCO began publication of a newsletter on the project and other development activities in the Rapti Zone, and has continued distribution of a brief newsletter on financial and accounting matters. It is expected that coordinators for agriculture and education will be appointed during this year to work with or through the PCO in improving zonal planning and implementation for these areas.

Problems

The basic problem for the PCO since its inception has been its uncertain role and future. At the time of initial project design there was considerable central HMG resistance to the idea of any coordinating body at the zonal level. This, until recently, had weakened and some agencies began to place more stress on the zonal level as a more effective support level for districts than the development region. Current thought appears to be shifting back to the idea of regional or central support of districts.

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The PCO was originally intended to provide coordination, support and technical assistance in areas where it did not appear that this would be forthcoming from regional or central levels. This design judgment was based both on more than a year's experience with the Design Project and an analysis of current institutional capability and performance. There is still little likelihood of effective central or regional support (as contrasted with the issuing of directives and targets) in many of the areas of technical expertise and institution building required at the district level.

This is not to argue that such support and assistance should not be possible in the future, but it clearly does not exist at the present time. For all of the delays which the Rapti Project has encountered, these would have been far worse if there had been no PCO. During the process of shifting greater responsibility and presumably technical expertise to the district level it will be critical to balance preferable long-term organizational arrangements against what is realistically possible at a given point in time. The roles and functions of the PCO (and other IRD Coordinator's Offices) as a transitional unit must be assessed in this framework.

ADDITION TO PROGRESS SUMMARY OF THE RAPTI PROJECT

NEW INITIATIVES UNDERWAY IN THE PROJECT (APRIL 1983)

The following points summarize new initiatives currently or soon to be underway within the Rapti Project which are not specifically identified in the progress summary previously presented. These, in most cases, are efforts within current programs.

1. As part of a ten day training program to be held in the end of April for overseers from district technical offices and the PCO, three and one-half days will be devoted to a recently developed approach to field assessments of the technical and management aspects of existing irrigation systems. This material will be presented by a team of two Cornell University researchers and their Nepalese staff who have been carrying out research on the organization and management of local irrigation systems in Nepal. It is hoped that similar work can be expanded with assistance from the Water Management Synthesis II Project in the future.
2. In addition to the current Peace Corps volunteer engineer working on local irrigation systems in the PCO, it is expected that the Rapti Zone will receive one additional volunteer this summer to work with a district technical office. This volunteer will be part of a small group of volunteers who will be trained in part by the volunteer currently serving with the PCO.
3. Four recently arrived forestry volunteers will be assigned to the three divisions of Rapti Zone to work on and strengthen the Community Forestry program being supported by the Project. This program has recently been accelerated after almost two years of extremely slow implementation through the assistance of a short-term PADCO consultant. This consultant will provide some inputs to the training of the new volunteers and will also provide them with initial field orientation. The program being supported under the project will largely follow the structure and policies of the national Community Forestry Project being supported by the World Bank.

4. A woman Peace Corps volunteer who has been investigating woman's programming opportunities in the Zone is now in the process of beginning a pilot program in Dang District paralleling the Women's Priority Sector Credit Program being carried out in selected districts with UNICEF support. Training for this program is about to begin in Kathmandu. This program will basically work with the commercial banks in Dang District who are carrying out priority sector programs -- area concentrated loan programs for poor farmers and residents -- to provide targeted organization and assistance for the participation of women in these programs. The pilot effort in Dang will be funded through the PCO budget with the support of the local commercial bank branches and the national organizers of the UNICEF supported program.

5. A training program for youth leaders (HMG recognized Youth Organizations) is in the process of HMG review for support during the current and coming financial year. This program would provide guidance and support to leaders of these organizations in the five districts of the Zone in organizing local development projects and smaller group and productive efforts.

6. Because of the continuing lack of agreement on road standards and approach to upgrading the 200 kilometers of hill tracks being supported under the Rapti Project, the RAD Office recently agreed with the Roads Department that a joint consulting effort was necessary to recommend a mutually agreeable approach to this work. It is expected that this effort will include at least one non-Nepali and will focus on an economically justifiable approach to upgrading and building low standard hill roads. The scope of work for this effort will include first looking at the most reasonable use of the funds currently available, followed by a fuller treatment of the roads currently being supported without a rigid financial limit.

ANNEX B: DISTRICT PANCHAYAT DEVELOPMENT PLANS: ROLPA AND SALYAN

The HMG's planning and budget system is on a functional and line agency basis. There is thus no point in the government where the development plans for each district are viewed as a unit let alone as an integrated development plan. The district panchayat leaders and the Local Development Officers do have in their offices charts on implementation schedules. But again it was not possible to obtain any well thought out statement of program objectives and plans for the district, only functional components by line agency - and these latter were not always complete. There are district committees for agriculture, education, etc. which are beginning to meet the need for local coordination in planning and implementation.

The following summarize development activities and projects planned and approved for the Rolpa and Salyan districts during the current fiscal year (FY 1982/83). The funding amounts shown are the levels approved in the national budget for specific programs in these districts. Since this listing was compiled from both the Rapti project and central government documents may exclude some programs and does not in all cases show specific budget amounts that are not broken out by district in the source documents.

Although this listing is similar to what a district plan would look like, it was not formulated or used as such. It currently represents a listing of initially centrally determined programs reviewed at the district level under the Rapti project efforts. Other projects, primarily rural construction, requested and approved by village and then district panchayats are also included. The large amount shown under HMG Grant-in-Aid is reallocated at the district level for a large number of small district and village level projects. A detailed listing of these is currently not available.

In addition to the HMG and Rapti Project (USAID) funding sources identified for this list of activities, additional funding is known to be provided by UNICEF (drinking water systems and SFDP) and the Netherlands Leprosy Relief Association (hospital).

SALYAN DISTRICT FUNDS ALLOCATION FOR FY 1982/83 DEVELOPMENT ACTIVITIES

| | <u>RUPEES (DOLLARS)</u> | | <u>OTHER</u> | <u>TOTAL</u> | |
|---|-------------------------|---------------|--------------|------------------|------------------|
| | <u>HMG</u> | <u>AID</u> | | <u>Rs</u> | <u>\$</u> |
| - Agriculture | 208,000 | 533,000 | | 741,000 | (52,183) |
| - Livestock | 140,000 | 469,000 | | 609,000 | (72,887) |
| - Agricultural Inputs | 80,000 | 583,700 | | 663,700 | (46,739) |
| - Small Farmer Development Program | | 290,500 | | 290,500 | (20,458) |
| - Credit Access ADB/N | 117,427 | 58,000 | [UNICEF] | 175,427 | (12,354) |
| | -- | 343,500 | [(N/A)] | 343,500 | (2,490) |
| - Forest | 400,000 | 790,830 | | 1,190,830 | (3,861) |
| - Education | -- | 617,000 | | 617,000 | (43,451) |
| - Appropriate Technology Unit | -- | 150,000 | | 150,000 | (10,563) |
| - Cottage Industries | 266,000 | 132,000 | | 398,000 | (28,028) |
| - Cottage Industries Emporium | -- | 70,000 | | 70,000 | (4,930) |
| - Roads | 130,000 | 4,111,000 | | 4,241,000 | (298,662) |
| - PCO/Rural Works: Institutional Development | | (1,376,000) | | (1,376,000) | (96,901) |
| School Roofing Materials | | (250,000) | | (250,000) | (17,606) |
| Rural Works: New | | (1,585,000) | | (1,585,000) | (116,620) |
| Rural Works: Carry-over | | (716,500) | | (716,500) | (50,458) |
| - Service Center | | 171,000 | | 171,000 | (12,042) |
| - HMG Grant/Rural Works | 2,138,000 | -- | | 2,138,000 | (150,563) |
| - 3-Small Irrigation Feasibility Study | N/A | | | N/A | |
| - Feasibility Study of SB | N/A | | | N/A | |
| - Design & Fabrication* at Luhan | 400,000 | | | 400,000 | (28,169) |
| - Construction of DWS (two)** | 1,000,000 | | | 1,000,000 | (190,423) |
| - Construction of DWS (three)** | | | 410,000 | 410,000 | (28,873) |
| - Survey Study of Design of Small Hydro-Electricity Project | 100,000 | | | 100,000 | (7,042) |
| - Fifteen Bed Hospital | <u>1,900,000</u> | | | <u>1,900,000</u> | <u>(133,803)</u> |
| | Rs. 6,879,427 | Rs.12,247,030 | Rs.410,000 | Rs.20,252,957 | \$1,426,265 |
| | ***** | ***** | ***** | ***** | ***** |

* SB - Suspension Bridge

** DWS - Drinking Water System

Activities under funding headings (Rolpa)
(They are essentially the same for Salyan)

Agriculture: Production Program in rice, wheat, maize, millet; extension program including result demonstrations (60), Ag. Fair (2), farmers Tour (2), Farmers Days (1), Grow More Contest (3), Leader Farmer Training (44), Agric. Asst. Training (2), J.T.A. Training (5); Horticulture Apples and Pears.

Livestock: Veterinary Sub-centers (3), distribution of bulls (2), buffalos (2), Pigs (5), Chickens -, Rams (4), Goats (4), ass (2); Natural Insemination Cows (60) Buffalo (50); Fodder Development distribution of grass seedlings (1000), fodder plantation (2 ha); Establishment of Breeder, Local Male Animal Selection, Livestock Health treatment, Training and Extension, Credit, Vet. Hospital.

Agricultural Inputs Corp.: Office facilities (1), seed selection equipment, training of private dealers and local farmers, sales of fertilizer, seed, agricultural tools, pesticides.

Small Farmer Development: Saibang village (Training and Social Activity): vegetable seed distribution, adult education, agricultural production, conservation, animal rearing, study tours. Jedbang village: adult education, health and family planning, agricultural production, rural works, cottage industry

ADB Credit Access: Office equipment, loan investment targets in cereal crops, ginger, livestock, canal/pond, biogas, water turbine, fruits, cottage industry, loan collections.

Forestry: Forest demarcation (75 ha), nurseries (4), Panchayat afforestation (45 ha), protected forest afforestation (23 ha), divisional afforestation (20 ha), forest maintenance, village nursery store, seedling distribution (16,000)

Education: Educ. District Office, school (improvements), 32 teacher training (20), workshop (38), scholarship (140), adult Education (52 centers)

Appropriate Technology Unit: ATU Office, Water turbines design strategy, improved Chulos design, grain storage demonstration.

Cottage and Village Industry: Training in weaving, dying, leather, entrepreneurship, sub-center purchasing and raw material supply.

Project Coordinator Office: Service Center, District Training Center, Godown Construction, school roofing materials, rural works (Drinking Water (4), Irrigation (1), Suspension Bridge (4), mule track, HMG grant-in-aid, feasibility studies.

Heath-Roha Hospital.

ANNEX C: DECENTRALIZATION ACT, 1982
(Unofficial Translation)

Ministry of Law and Justice

Nepal Rajapatra, Vol. 32, No. 36 (Extraordinary) Marga 6, 2039 (November 2, 1982).

The following law enacted by His Majesty King Birendra Bir Bikram Shah Dev on the advice and with the approval of the national panchayat has been published for the information of the public.

Law No. 19 of 2039 (1982)

(Royal Titles).

A Law Enacted to Make Provisions Relating
to Decentralization

Preamble: Whereas it is expedient to ensure wide public participation in the appropriation of resources and balanced distribution of the fruits of development with the objective of establishing a society free from exploitation so as to promote people's welfare as envisioned by the partyless democratic panchayat system;

Whereas it is expedient to establish an effective system for the formulation and execution of plans at the local level according to the situation of regions and areas, and promote at the local level itself efficiency needed for the performance of such tasks so as to derive maximum advantage out of the country's geographical, economic and cultural diversity in the task of national development, inasmuch as the talent, potential and requirements (of regions and areas) differ according to such diversity;

Whereas it is expedient to develop democratic practice from the lowest levels of the partyless democratic panchayat system and ensure institutional growth of local panchayats so as to enable them to think in terms of all-round development of the people of their respective areas and assume responsibilities;

And whereas it is expedient to decentralize authority in order to enable the people to take decisions and make arrangements themselves on matters relating to their day-to-day needs and matters affecting public life;

Now therefore, His Majesty King Birendra Bir Bikram Shah Dev has enacted this law on the advice and with the approval of the national panchayat.

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Chapter 1

Preliminary

1. Short Title and Commencement

- 1) This law may be called the Decentralization Act, 1982.
- 2) Section 1 f this act shall come into force at once, and other sections shall come into force from the date prescribed by his Majesty's Government by notification in the Nepal Rajapatra.

2. Definitions

Unless otherwise meant with reference to the subject or context, in this act:

- a) Local Panchayat means the village, town and district panchayats.
- b) District Development Plan means the development plan mentioned in Section 6.
- c) Office-bearers means the Chairmen, Vice-Chairmen and members of village, town and district panchayats, employees of district level government offices connected with development who function under the general guidance of district panchayats, and the employees of local panchayats.
- d) Member of the National Panchayat means the elected or nominated member of the national panchayat. The term includes members of the national panchayat from the concerned districts who occupy the post of Prime Minister, Deputy Prime Minister, Minister, Minister of State, or Assistant Minister or Chairman or ViceChairman of the national panchayat, if any.
- e) Prescribed or as Prescribed means prescribed or in the manner prescribed in rules framed under this act.

Chapter 2

Decentralization of Responsibility and Power

3. Responsibility and Power of Local Panchayats

- 1) The responsibility to operate all district-level development activities to be undertaken in a district for the development of the district and for the general interest and welfare of the local inhabitants shall be vested in the local panchayat under this act.
- 2) The power to formulate development plans and construction projects of all types to be undertaken or operated at the local level under the district development plan, collect appropriate resources, supervise, operate and evaluate plans shall rest in the local panchayat under this act.

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4. Functions, Duties and Power of Local Panchayats

For the purpose of this act, notwithstanding anything contained in current law, the functions, duties and powers of village, town and district panchayats and assemblies ward committees of village and town panchayats and of the office-bearers and members of local panchayats shall be as prescribed.

5. District-Level Offices to Exist as Branch Offices

The district-level development-related offices of His Majesty's Government mentioned in Schedule 1 shall exist as branch offices of the district panchayat secretariat.

Provide that the power vested in such offices or in chiefs of such offices under current law, except in matters relating to formulation and operation of development projects, shall not be subject to the control of any other office or office-bearer.

Chapter 3

Development Plans of Local Panchayats

6. District Development Plan

The plans to be formulated by His Majesty's Government according to need at the central or regional level shall be operated by His Majesty's Government. In addition, there shall be a district development plan which shall be a combined form of the plans to be operated at the local level by the district-level development related offices of His Majesty's Government through the district panchayat with the resources received from His Majesty's Government, and the construction and other projects of all categories to be implemented by local panchayats at the local level through their own resources or the resources and grants received from His Majesty's Government.

7. Periodic Plans to be Formulated

Each district panchayat shall be required to prepare a periodic plan for the development of the district under its jurisdiction.

8. Formulation of District Development Plan

- 1) Each year every district panchayat shall be required to formulate a district development plan for the next fiscal year within the prescribed time-limit on the basis of the periodic plan prepared under Section 7.
- 2) The district development plan mentioned in Sub-Section (1) shall be formulated as an integrated district development plan by combining the resources and materials available from the following sources:
 - a) District panchayat's own labor, resources and materials.
 - b) Grants to be obtained by the district panchayat from His Majesty's Government or other institutions.

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- c) The amount of expenses to be incurred and investments to be made in various sectors by His Majesty's Government in the concerned district for the implementation of district-level development plans.
- 3) Subject to the policies and guidelines prescribed by His Majesty's Government as those to be followed while formulating plans for different sectors, the plans received from village and town panchayats shall be regarded as the main basis while formulating the district development plan under Sub-Section (2).
- 4) It shall be the responsibility of the National Planning Commission to ensure the cooperation of all the concerned circles in formulating or directing the formulation of the district development plan in each district.
- 5) The appropriate organ of His Majesty's government shall be required to make available to district panchayats the policies and guidelines to be provided by His Majesty's Government under Sub-Section (3), and particulars of expenditure and investment to be made by His Majesty's Government for the next fiscal year under Clause (c) of Sub-Section (2), within the prescribed time-limit during the current fiscal year.
- 6) The National Planning Commission shall not approve any plan or program which has been formulated by an institution in any district for the purpose of district-level development works without preparing a district development plan, or in such a way that it contradicts the district development plan; and the expenditure to be incurred thereon.
 - a) In case the National Planning Commission is satisfied that local panchayats have failed to formulate the district development plan in time, it may approve the district development plan presented by the appropriate organ for the concerned year, and the expenditure to be incurred thereon.
 - b) In case the district development plan submitted by any district panchayat is considered inadequate from the viewpoint of the overall development of the district, the National Planning Commission may approve additional projects.

9. Priorities to be Followed While Formating District Development Plan

The district development plan shall be ordinarily formulated on the basis of the following priorities:

- a) Projects which provide direct benefits to the general public, and which fulfill minimum needs.
- b) Projects which help in increasing agricultural production.
- c) Projects which can be implemented through local resources and skills.
- d) Projects which help in increasing productivity and employment opportunities.

- e) Projects which have been assigned priority in national-level plans.
- f) Projects which help to protect the environment.

10. Plan Formulation Committee

Every district panchayat shall be required to form committees as mentioned in Schedule 2 for the purpose of formulating district development plans. The functions, duties and power of such committees shall be as prescribed.

11. Formulation of Final Draft of Projects

- 1) After the committees formed under Section 10 have formulated their respective programs the Local Development Officer shall convene a joint meeting of all committees in order to prepare a balanced and integrated district development plan by comparing the program formulated by one committee with the one formulated by another and reviewing the programs.
- 2) The meeting convened under Sub-Section (1) shall be presided over by the member of the national panchayat representing the concerned district. In the case of the district which has more than one national panchayat member, it shall be presided over by each of them for one year by rotation according to the alphabetical order. The national panchayat members who are not presiding over the meeting shall attend joint meetings of committees as members. In the absence of the national panchayat member who is required to preside over joint meetings of committees, another national panchayat member shall preside over it according to the alphabetical order.

Provided that in case national panchayat members cannot attend any joint meeting of committees because of the national panchayat session, or any other factor, the Chairman of the concerned district panchayat shall preside over joint meetings of committees.

- 3) Once a plan is finalized and decision made accordingly at a joint meeting of committees, the draft of such plan shall be forwarded to the district panchayat.
- 4) After holding necessary debate on the draft of the plan presented before the meeting of the district panchayat under Sub-Section (3), and also determining the order of priorities of projects, it shall forward it to the District Assembly for final approval. Such plan shall be deemed to have been approved once it is approved by a meeting of the District Assembly.

12. To Function as Executive Officer

The Local Development Officer shall be required to function as executive officer of the district panchayat in respect to the formulation, implementation and evaluation of the district development plan.

13. Formulation of Town Development Plan

- 1) Every town panchayat shall be required to formulate a periodic plan for the development of the town under its jurisdiction.

- 2) Each year every town panchayat shall be required to formulate a town development plan for the next fiscal year within the prescribed time-limit on the basis of the periodic plan prepared under Sub-Section (1).
- 3) The town panchayat shall formulate the town development plan mentioned in Sub-Section (1) treating the projects demanded by each ward as the main basis with due consideration to the town panchayat's own labor, resources and materials, and the grants to be obtained from His Majesty's Government. The priorities indicated in Section 9 shall be taken into consideration while formulating a plan in this manner.
- 4) For the purpose of formulating the town development plan under this section, the town panchayat may form necessary committees including, as far as possible, experts in relevant subjects.

14. Formulation of Village Development Plan

- 1) Every village panchayat shall formulate a periodic plan for the development of the village under its jurisdiction.
- 2) Each year every village panchayat shall formulate a village development plan for the next fiscal year within the prescribed time-limit on the basis of the periodic plan prepared under Sub-Section (1).
- 3) Subjects to the guidelines and directives received from the district panchayat, every village panchayat shall prepare a village development plan under Sub-Section (1), with due consideration to its own labor, resources and materials, and the economic, material and technical cooperation to be available from His Majesty's Government, treating the projects demanded by each ward as the main basis, and keeping in view the priorities indicated in Section 9.

15. Scrutiny and Clearance Committee

A Scrutiny and Clearance Committee shall be formed in the prescribed manner for the purpose of scrutinizing and clearing construction, related projects under the development plan of the local panchayat.

Explanation : For the purpose of this section, the term "scrutiny and clearance" includes performance audit.

16. District Supervision Committee

- 1) A District Supervision Committee, consisting of national panchayat members, the Chairman and the Vice-Chairman of the district panchayat, the Chief District Officer, the Local Development Officer, and an engineer from the Public Works Section or, in his absence, the person who performs his functions, shall be formed in each district. The Local Development Officer shall also function as the Secretary of the District Supervision Committee.
- 2) Every meeting of the Supervision Committee formed under Sub-Section (1) shall be presided over by the national panchayat member representing the concerned district. In the case of the district which has more than one national panchayat member, it shall be presided over by each of them for one year by rotation according to the alphabetical order.

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Provided that in case national panchayat members cannot attend any meeting because of the national panchayat session, or any other factor, the Chairman of the concerned district panchayat shall preside over it.

- 3) For the purpose of supervision of the district development plan and ensuring economic and fiscal discipline in the course of its implementation as well as of initiating appropriate action in the event of any errors being detected in the execution of the district development plan, the District Supervision Committee shall have such functions, duties and powers as may be prescribed.

7. Service Centers

- 1) For the purpose of making available material and technical cooperation in regard to the development work of village panchayats lying within each area of the district panchayat, His Majesty's Government may establish one Service Center in such a way that it is located generally in the center of such area.
- 2) The Service Center established under Sub-Section (1) shall be the lowest organ of His Majesty's Government responsible for providing assistance to village panchayats in matters relating to local development.
- 3) The functions and duties of the Service Centers shall be as follows:
 - a) To provide necessary services in the formulation, implementation and review of plans for the development of village panchayats.
 - b) To help in the establishment and smooth operation of consumers committees in village panchayat areas.
 - c) To make available such technical services as may be necessary to enable village panchayats to operate their development programs.
 - d) To help ensure the availability of necessary financial and material resources for village panchayats.
 - e) To make periodic reviews of the development efforts of the village panchayats.
 - f) To take the problems and needs of the village panchayats to the higher level, and arrange for their inclusion in plans.
 - g) To encourage competition among village panchayats, lying within the area of the district panchayat, in developmental matters and arrange area-level meetings, conferences, and seminars of panchayats and inspection visits to enable them to exchange view on each other's experiences and problems and on ways to solve them.
- 4) Other functions, duties and powers of the Service Centers shall be as prescribed.

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18. Review Room to be Maintained

- 1) Every local panchayat shall be required to make arrangements for a review room. Charts of the annual programs relating to the development plan of the concerned panchayat, detailed particulars relating to progress report, etc, shall be prepared and exhibited on an up-to-date basis in such a review room.
- 2) Every 6 months, the office-bearers, members and employees of the concerned panchayat shall sit down at the review room and review the development work of their respective areas.

19. Formation of Consumers Committees and Functions, Duties and Powers Thereof

- 1) The local panchayat shall hold a meeting of persons expected to benefit from any plan to be operated by the local panchayat at the place where such plan is proposed to be operated, and after ascertaining their views, form a Consumers Committee consisting of not more than five persons from among themselves as prescribed by the concerned panchayat.
- 2) The functions, duties and powers of consumers committees shall be as prescribed.

Chapter 4

Financial Arrangements

20. Collection of Panchayat Development and Land Tax

- 1) Every village or town panchayat shall write to the district panchayat asking for the collection of panchayat development and land tax in the village or town panchayat area under its jurisdiction subject to the following conditions:
 - a) It must have prepared the plan or scheme concerning the purpose for which the amount collected in the form of such tax will be spent.
 - b) It must have worked out approximate estimates of the total expenditure required for completing the plan.
 - c) It must explicitly mention the sources from which the total amount of expenditure required for the plan is to be obtained and the estimated percentage of such expenditure required to be met through the panchayat development and land tax.
 - d) It must explicitly indicate what arrangements have been made for maintaining accurate accounts and records of the proceeds of such tax.
 - e) A two-thirds majority of the total membership of the concerned village or town assembly must have approved the proposal for raising such tax.

- 2) In case the district panchayat receives a written request under Sub-Section (1), it shall conduct investigations, and if it is satisfied that the concerned panchayat has fulfilled all the conditions mentioned therein, it shall write to His Majesty's Government asking for the imposition of such tax in such village or town panchayat area.
- 3) While raising the panchayat development and land tax, the concerned village or town panchayat shall prepare and maintain records of lands within its area, as well as correct statistical records remaining the yields of lands of particular categories, and forward a copy thereof to the district panchayat.
- 4) Out of the amount raised as panchayat development and land tax under this section, five percent shall be deposited with the consolidated fund, ten percent with the district panchayat fund, and the remaining eighty-five percent with the concerned village or town panchayat fund.

21. Power to Raise Contributions

- 1) The local panchayat may, subject to Sub-Section (2), raise contributions. Provided that such contributions shall not be raised in the form of taxes.
- 2) A detailed plan and program on which the amount of contribution is to spent shall be prepared, and passed by a two-thirds majority of the total membership of the concerned village or town assembly, and then approved by the district panchayat, if contributions are to be raised in the village or town panchayat area; and in case the contributions are to be raised by a district panchayat this must be approved by a two-thirds majority of the total membership of the district assembly. The amount of contributions raised in this manner shall be spent only on such plans or programs, and accounts of income and expenditure shall be published for the information of the public.

Provided that in case it becomes necessary for any village or town panchayat to raise contributions up to Rs 5,000, the village or town panchayat itself; and in case it becomes necessary for a district panchayat to raise contributions up to RS 10,000, the district panchayat itself, may decide to do so.

22. Collection of Dues as Government Arrears

In case any person fails to pay any tax, charges, fees, etc. prescribed or imposed by the local panchayat, the same shall be recovered by the District Office as if those were government arrears.

23. Allocation of Grant by Local Panchayat

The local panchayat itself shall allocate the amount of the grant received from His Majesty's Government for different purposes.

24. Amounts to be Spent in Specified Sectors

The amount sent by His Majesty's Government for the purpose of district level work shall not be spent in any sector other than the one for which it is actually meant, nor shall it be spent in such a way that it falls short of the amount specified for that sector.

25. Limitation on Administrative Expenses

Local panchayats shall not spend on administrative work more than the specified percentage of the amount raised from taxes, charges, fees, duties contracts, etc., or the amount of contributions or the amount granted by His Majesty's Government for development purposes.

Chapter 5

Arrangements Regarding Audit

26. Audit of Accounts of Local Panchayats

- 1) The internal and final audit of accounts of income and expenditure of local panchayats shall be made annually.
- 2) The internal audit of accounts of local panchayats shall be done by His Majesty's Government or by a person designated by it.
- 3) The final audit of accounts of district panchayats and town panchayats shall be done by the Auditor-General's Department, while the final audit of accounts of village panchayats shall be done by a person designated by the Auditor-General.

27. Audit Report

- 1) On the completion of the final audit of accounts of the local panchayat, the auditor shall submit one copy of the audit report each to the Auditor-General's Department, the appropriate panchayat, the concerned District Supervision Committee, and, in the case of the district panchayat, or the town panchayat, to the appropriate ministry, within a period of three months.
- 2) After receiving the audit report under Sub-Section (1), the concerned panchayat shall convene a meeting of the concerned assembly within three months and submit the report for discussion.
- 3) After the audit report is submitted, the meeting of the concerned assembly shall regularize such cases of irregularity pointed out in the report as it can regularize to the extent it can do so according to current law. In the case of other irregularities which it cannot clear in this manner, the secretary of the concerned panchayat shall refer them to the appropriate person for appropriate action to ensure clearance thereof.

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- 4) All such irregularities as cannot be cleared under Sub-Section (3) shall be referred to the Zonal Commissioner in the case of the district panchayat or town panchayat, and to the Chief District Officer in the case of village panchayats for the purpose of recovery (of amounts involved in such irregularities).
- 5) After receiving a request for the clearance of irregularities under Sub-Section (4), the concerned Zonal Commissioner or Chief District Officer shall act as follows:
 - a) In case of corruption, initiate action according to the provisions of the anti-corruption law.
 - b) In the case of need to recover arrears from any person, initiate action to recover the same as if those were government arrears.

Chapter 6

Miscellaneous

28. Power of His Majesty's Government

In case it so deems necessary in public interest, His Majesty's Government may order or direct the reduction, withdrawal or rescission of any tax, charge, fee, duty, raised or levied, or any contract entered into by any local panchayat, after obtaining a clarification from the local panchayat, and, if it so deems appropriate, explaining the reasons for doing so. It shall be the duty of the concerned panchayat to comply with such order or directive.

29. Delegation of Powers

- 1) His Majesty's Government may, by notification in the Nepal Rajapatra, delegate all or any of the powers vested in it under this act to any office-bearer, institution, committee or employee.
- 2) The district panchayat may delegate any of the powers vested in it under this act to any village panchayat or town panchayat with or without prescribing any conditions. The district panchayat may withdraw at any time the power so delegated.
- 3) The district panchayat, the town panchayat or the village panchayat may delegate any of the powers vested in it to any member of the concerned panchayat or to any committee or sub-committee of members or to any employee. The concerned panchayat may withdraw at any time the power so delegated.
- 4) The Chairman of the district panchayat or of the village or town panchayat may delegate any of the powers vested in him to any member of the secretary of the concerned panchayat. The Chairman of the district panchayat or of the village or town panchayat may withdraw at any time the power so delegated.

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30. Delegation of Powers Under Other Current Law

His Majesty's Government may, by notification in the Nepal Rajapatra, delegate any of the powers vested in it under other current law to any local panchayat or to any office-bearer of the local panchayat.

31. Delegation of Judicial Powers to Local Panchayat

- 1) His Majesty's Government may delegate in the prescribed manner powers to any village or town panchayat to hear and dispose of minor cases of local nature other than the cases which have to be disposed of under the 1961 State Cases Act.
- 2) An appeal against the decision made by a village panchayat or town panchayat after hearing any case under Sub-section (1) may be filed with the prescribed authority.
- 3) The procedures to be followed by the adjudicating authority and the appellate authority under this section shall be as prescribed.

32. Employees to be Under the Administrative Control of District Panchayat

The Local Development Officer and the chiefs of the offices mentioned in Schedule 1 shall function under the general administrative control of the district panchayat and the arrangements in respect to such administrative control shall be as prescribed.

33. Government Attorney to Tender Advice

The government attorney shall tender advice if sought by the district panchayat in the event of any legal hitch arising in the course of performance of its functions.

34. Power to Frame Rules

His Majesty's Government may frame rules to implement the objectives of this act.

35. Power to Remove Obstacles

If any obstacle arises in the implementation of this act, His Majesty's Government may, by notification in the Nepal Rajapatra, issue an order to remove such obstacle, and such order shall be deemed to be part of this act.

36. Action to be Taken Under This Act

On matters provided for in this act or the rules framed hereunder, action shall be taken accordingly, and in other matters, action shall be taken in accordance with current Nepal law.

Schedule 1
(Pertaining to Section 5)

District-level Development-related Offices

1. Offices relating to education and culture.
2. do. health and population.
3. do. agriculture and irrigation.
4. do. works and transport.
5. do. water supply and hydro-electricity.
6. do. forest and soil conservation, and environment.
7. do. industry, commerce and tourism.
8. do. fuel.
9. do. local development and social welfare.
10. do. Sajha and cooperatives.
11. Other offices connected with development.

Schedule 2
(Pertaining to Section 10)

Plan Formulation Committee

a) Agriculture and Irrigation Committee

- 1) Two persons designated by the district panchayat from among its members ... Member
- 2) Chairman of the District Working Committee of the Nepal Peasants Organization ... Member
- 3) Chairman of the District Working Committee of the Nepal Women's Organization ... Member
- 4) Chairman of the District Working Committee of the Nepal Adults Organization ... Member
- 5) Chairman of the District Working Committee of the Nepal Ex-Servicemen's Organization ... Member
- 6) District Chief of the Agriculture Development Bank ... Member
- 7) Land Reform Officer ... Member
- 8) District Chief of the Agricultural Inputs Corporation ... Member
- 9) Livestock Development Officer ... Member
- 10) District Irrigation Officer ... Member
- 11) District Cooperative Officer ... Member
- 12) Agricultural Development Officer ... Member-Secretary

b) Works and Maintenance Committee

- 1) Two persons designated by the district panchayat from among its members ... Member
- 2) Chairman of the District Working Committee of the Nepal Youth Organization ... Member
- 3) Chairman of the District Working Committee of the Nepal Adults Organization ... Member
- 4) Chairman of the District Working Committee of the Nepal Ex-Servicemen's Organization ... Member
- 5) Officer of the District Public Works Section ... Member-Secretary

c) Industry, Forestry and Soil Conservation Committee

- 1) Two persons designated by the district panchayat from among its members ... Member
- 2) Chairman of the District Working Committee of the Nepal Ex-Servicemen's Organization ... Member
- 3) Chairman of the District Working Committee of the Nepal Workers Organization ... Member
- 4) District Chairman of the Chamber of Commerce and Industry ... Member
- 5) District Industry Officer ... Member
- 6) District Forest Officer of District Cottage Industry Officer designated by the district panchayat ... Member-Secretary

d) Health and Population Committee

- 1) Two persons designated by the district panchayat from among its members ... Member
- 2) Chairman of the District Working Committee of the Nepal Women's Organization ... Member
- 3) Chairman of the District Working Committee of the Nepal Youth Organization ... Member
- 4) Chairman of the District Working Committee of the Nepal Ex-Servicemen's Organization ... Member
- 5) District Chairman of the Nepal Red Cross Society ... Member
- 6) District Chairman of the Children's Organization ... Member

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- 7) Officer of the District Family Planning Office ... Member
- 8) District Health Officer ... Member
- e) Education Committee
- 1) Two persons designated by the district panchayat from among its members ... Members
- 2) Chairman of the District Working Committee of the Nepal Adults Organization ... Member
- 3) Chairman of the District Working Committee of the Nepal Youth Organization ... Member
- 4) Chairman of the District Working Committee of the Nepal Ex-Servicemen's Organization ... Member
- 5) District Chairman of the Nepal Red Cross Society ... Member
- 6) District Chairman of the Children's Organization ... Member
- 7) Officer of the District Family Planning Office ... Member
- 8) District Health Officer ... Member-Secretary
- e) Education Committee
- 1) Two persons designated by the district panchayat from among its members ... Members
- 2) Chairman of the District Working Committee of the Nepal Adults Organization ... Member
- 3) One person designated by the district panchayat from among guardians, educationists and social workers ... Member
- 4) One person designated by the district panchayat from among lecturers of the campuses within the district ... Member
- 5) One person designated by the district panchayat from among head masters of secondary schools within the district ... Member
- 6) One student designated by the district panchayat among from students of secondary schools within the district ... Member
- 7) District Education Officer ... Member-Secretary

Note:

- 1) National panchayat members, the Chairman and the Vice-Chairman of the district panchayat, the Chief District Officer and the Local Development Officer of the concerned district shall be the members of each of the aforesaid committees.
- 2) Meetings of each committee shall be presided over by district panchayat members for one year each by rotation according to the alphabetical order.

ANNEX D: DESCRIPTION OF THE PANCHAYAT SYSTEM
(Excerpts from RCU Project Evaluation, 1983)

The seventy-five districts of Nepal are subdivided into approximately 4,000 (1983) village and town panchayats (territorial units). These village and town panchayats are at the bottom of the pyramidal structure of representative government in Nepal, known as the "panchayat system". The term "panchayat" traditionally connotes the deliberation of elders, but in the development of the modern political system in Nepal, the term has been adopted to refer to the mechanisms of using directly elected and representatively elected executive committees for reflecting the views of the people in political decision making. The preamble of the constitution of Nepal (1962) states that the panchayat system is based on the traditional system of the life of the Nepalese people and it encourages the promotion of two basic principles: the people's participation and the decentralization of power.

Each district has a district panchayat (executive committee) headed by the district panchayat Chairman. The district is divided into nine divisions (chetra). Each division is represented by one member on the district panchayat indirectly elected by an electoral college made up of all the Village Assembly members from all of the village panchayats (territorial unit) within the division. Thus, a district panchayat will consist of nine members representing the nine divisions plus the District Chairman and the Vice Chairman who are all elected by all of the electoral college members from the entire district. The district panchayat also has ex-officio members drawn from the six constitutionally designated "class organizations," special interest groups including the women's organization, the youth organization (for males below 40 yrs. of age), the adult organization (for people over 40), the ex-serviceman's organization, the farmer's organization and the laborer's organization. The district's representative to the Rastriya (national) panchayat is also a member.

The District Assembly, a kind of legislative body which approves the budget and development programs for the district, meets twice a year. It consists of the district panchayat members and the Pradham Panchas (chiefs of all the village-level panchayats) and Vice Pradham Panchas of all the village panchaya within the district.

Each village level panchayat (the territorial unit), which may contain a number of villages or hamlets, has a village or town panchayat, the executive committee headed by the Pradham Pancha. Each village-level panchayat is divided into nine wards. In each ward, a ward committee will be formed, consisting of five elected representatives. All are elected at large, but one of them is elected specifically to be the chairman of the ward committee and to serve as ward's representative on the village-level panchayat (executive committee). This body meets frequently (approximately once a month) to carry out judiciary, planning and implementation functions including the mobilization of people for villagelevel development activities. This village level panchayat is assigned a secretary, paid by the national government (HMG) through the Ministry of Panchayat and Local Development. The secretary is responsible for keeping the records of the village panchayat including accounting records, minutes of meetings, collecting data at village-level (i.e. population census, forest, land use, etc) as well as serving as advisor and assistant to the Pradham Pancha. He also serves

a liaison function between the district and the village panchayat. The village panchayat consists of nine ward chairmen, the Pradhan Pancha, the Vice Pradhan Pancha, plus ex officio members representing the six "class organizations" mentioned above.

The Village Assembly consists of members of the village panchayat plus the ward committee members.

The Village Assembly, like the District Assembly, usually meets twice a year. Its primary functions are to review the budget prepared by the village panchayat concerning the expenditure or revenues acquired through local fees or fines and district subsidies, including expenditures programmed for development activities within its jurisdiction. Programs under national government funding will not be reviewed by this assembly.

Given this political structure, it is apparent that the district chairman who is indirectly elected by a rather large constituency of village-level leaders must mobilize resources for development from the line agencies and distribute them to different divisions and village panchayats of the district if he is to maintain his political power. He is also subject to criticism and scrutiny concerning the just distribution and proper implementation of projects and programs within the district's jurisdiction.

Decentralization Achievements and Prospects

During the last thirty years, the system of government and public administration of Nepal has evolved from an extremely centralized, autocratic oligarchy to one containing more representative, democratic procedures, tools and forms. The system of district and village level panchayat organizations, described above, illustrates a key aspect of the current system resulting from that evolutionary process towards greater political and administrative decentralization.

A brief discussion of legislative mandates for political and administrative decentralization is necessary to understand the problems and prospects for the evolution of increased levels of popular participation in local decision making and control over resource management.

In 1964, a Local Administrative Act was passed by the national Rastryias Panchayat and signed by the King. Its purpose was to extend a greater HMG administrative presence at the district level, following reorganization of the political divisions of Nepal to create smaller, more manageable districts responsive to central government policies. The district panchayats and assemblies at that time while established to represent the people, were charged with largely ritual functions. The 1964 Act served to spur a growth of available services at the district level, but also eventually created rivalry between district administrators and political leaders. The District Chairman, under the act, seemed to be in charge of district administration, excluding law order but, in fact, the appointed officers were essentially answerable to their line agency hierarchy.

In 1978, HMG issued a written policy statement, "Integrated Panchayat Development Design", to channel district-level development activity through the district and village panchayats. To support this policy, the Ministry of Panchayat and Development (MPLD) was created to promote institutional development through local

institutions. But the existing legislation did not provide sufficient tools to institute changes in the power balance between administrative and political leaders at the district level. Therefore, in late 1982, the Decentralization Act was approved, giving greater authority and responsibility to village, town and district panchayats for operating all district-level development activities, formulating development plans and construction projects of all types, collecting and appropriating resources as well as supervising and evaluating plans. The act also provides that certain administrative, district level offices of HMG would exist as branch offices of the district panchayat secretariat under the executive management of the district chairman. Offices specified were district level offices of (1) education and culture, (2) health and population, (3) agriculture and irrigation, (4) public works and transport, (5) water supply and hydroelectricity, (6) forest, soil conservation and environment, (7) industry commerce and tourism, (9) local development and social welfare, (10) cooperatives, and (11) "other offices connected with the development."

Although the implementing regulations of this Act have not yet been issued, it is clear that this Act requires the administrative officers and the political leaders of a district to work together to formulate and coordinate annual plans and budgets for activities in the district. The mechanisms for this cooperation instituted in the Act are five multi-sectoral plan formulation committees presided over by a member of the district panchayat selected by that body to serve on the committee: (1) Agriculture and Irrigation Committee, (2) Public Works and Maintenance Committee, (3) Industry, Forest and Soil Conservation Committee, (4) Health and Population Committee, and (5) Education Committee. The membership of each committee, specified in the Act, includes a mix of elected, appointed and ex officio members drawn from political, administrative and "class organizations."

The formation of such committees for inter-sectoral coordination is a welcome step in the decentralization process. However, it should be borne in mind that the committee mode of operation and decision making presupposes openness of public communication, recognition of appropriate expertise and egalitarian interaction among members. Given the (slowly) traits widely held by various economic strata, ethnic groups, genders and occupational groups, it will take some time to institutionalize an optimal use of these committees.

The Decentralization Act, 1982, can be interpreted as the culmination of the policy initiative articulated by HMG in the Sixth Five-Year Plan which recognized was a necessary and previously ineffective element the role of people's participation in integrated rural development activities. The central government acknowledges that development activities have so expanded at the district level that it is impossible and inefficient administratively to maintain tight, centralized control. Furthermore, the Act recognizes the fact that in order for development activities to be continuously sustained, local organizations must be mobilized to incorporate the input of representatives of the people.



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