

UNCLASSIFIED

Annual Budget Submission

FY 1984

NEPAL



June 1982

Agency for International Development
Washington, D.C. 20523

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AGENCY

FOR

INTERNATIONAL DEVELOPMENT

ANNUAL BUDGET SUBMISSION

FY 1984

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TABLE I NARRATIVE

Table I continues the Mission emphasis on hill development and its essential relation to national growth. Funding accordingly reflects program focus on population and health, natural resource management and rural development, with education in support. Agriculture is the principal project component outside the fields of population and health.

The present mortgage is addressed to the projects agreed upon in FY 1980--Integrated Rural Health/Family Planning Services, Resource Conservation and Utilization and Rapati Zone Development. The total AID contribution to these three projects is to be \$88.4 million of which \$32.6 million has been obligated to date. All three projects will be fully obligated in FY 1986. This schedule cannot be advanced even if all funds at the AAPL are directed in each year to this purpose. The Table I obligations at the AAPL do however reflect the expected disbursement rates for the intervening years.

Present program expenditures are expected to total \$20 million for FY 1982 and had reached \$10 million by the end of the first six months. Disbursements doubled in FY 1981 over the preceding year, \$10 million against \$5 million, and will do so again this year. At the AAPL the \$20 million rate should be sustainable into the outyears. With these expenditure rates, and at AAPL obligations, the pipeline will be reduced to \$30 million at the beginning of FY 1983, \$24 million for FY 1984 and \$20 million going into FY 1985. At that point it will equal annual expenditures.

These disbursement projections however cannot be maintained into FY 1985 at obligations below the AAPL. At the FY 1984 Minimum for example the projections show a drop to about \$15 million in the following fiscal year. This would result from necessary deferrals in FY 1983 to compensate for the lower FY 1984 obligation, plus the effect of the time lag for expending current year funds. This would also compound the adverse effect on expenditures of four on-going projects terminating at the end of FY 1984. Even at the AAPL, and taking into account that as a practical matter not all current year funds are available for expenditure in that year, it will be difficult to maintain the \$20 million level. The Minimum would leave us with at least a \$5 million reduction in FY 1985, a drop that would be only marginally less at the Current.

While obligations at the Minimum or Current would not extend final close-out beyond FY 1986, they would even further reduce

expenditures in the immediately following fiscal year. Reduction to these disbursement levels would reduce the total impact of the program, as disbursements in fact reflect the actual flow of aid resources. The principal effects however would be on the momentum of the program, the flow of resources and on the flexibility to respond to related and supporting program objectives.

Finally, the AAPL obligations and related disbursement rates are inseparable from the conduct of a policy exchange with the Government of Nepal (GON). Our presence and contribution are important, but recognition of this point assumes an equal regard from the AID side for GON needs and a level of resources indicative of that regard. Such policy concerns frequently go beyond the immediate reach of our projects and address broader agricultural issues and other questions. The private sector is a current example. While the AID program at present includes about \$65 million that will flow through the private sector (Nepalese and American), no specific projects are currently identified for private sector assistance as such. There is nonetheless increasing GON encouragement and this is also reflected in American investor interest. At the moment this includes hotel construction, game park development, extraction of strategic minerals and the prospects for a charcoal industry. In addition, talks have been initiated with the GON proposing transfer of the Kathmandu Ropeway to the private sector. The private sector will benefit from our discussions with the GON to the extent that our credibility can be maintained. The AAPL would provide that credibility at minimal cost.

The Table I figures are consistent with the forward funding guidelines.

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TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
 FY 1982 to FY 1984
 (\$ thousands)

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APPROPRIATION ACCOUNT	FY 1982	FY 1983	FISCAL YEAR 1984		
			MINIMUM	CURRENT	AAPL
<u>Agriculture, Rural Dev. & Nutrition</u>					
0102 Institute of Agriculture & Animal Sciences G	1,100	-	-	-	-
0114 Integrated Cereals G	1,980	-	-	-	-
0129 Rural Area Development - Rapati Zone G	1,450	3,800	4,200	4,200	4,550
0132 Resource Conservation & Utilization G	3,450	4,200	4,500	4,500	4,900
0144 PVO Co-Financing Project G	250	500	-	550	800
<u>Population</u>					
0135 Integrated Rural Health/Family Planning Services G	2,871	2,400	2,300	2,300	2,400
0144 PVO Co-Financing Project G	299	-	-	-	-
<u>Health</u>					
0135 Integrated Rural Health/Family Planning Services G	2,911	2,500	2,500	2,500	2,600
0144 PVO Co-Financing Project G	43	-	-	-	300
<u>Education and Human Resources Development</u>					
0146 Radio Education Teacher Training II G	-	100*	-	950	950
SUB-TOTAL FUNCTIONAL ACCOUNTS	14,354	13,500	13,500	15,000	16,500

*Transition Funding for Radio Education Teacher Training I (0123)

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Country/Office
NEPAL

TABLE IV PROJECT BUDGET DATA

NUMBER	PROJECT TITLE	OBLIGATION DATE		LIFE OF PROJECT COST		CUM PIPELINE AS OF 9/30/84	FY 1982		FY 1983		1984 AAPL	FUNDED TO MO/YR	FY OBLIGATIONS			ITEM #	
		INITIAL	FINAL	AUTH	PLAN		OBL	EXP	OBL	EXP			1985	1986	1987		FUTURE YEAR
		ESTIMATED U.S. DOLLAR COST (\$000)															
	Agriculture, Rural Dev. & Nutrition																
0102	Institute of Agriculture & Animal Sciences	G	1974	1982	5,501	5,501	1,815	1,100	900	800	-	9/84	-	-	-	-	-
0114	Integrated Cereals (PC)	G	1975	1982	7,970	7,970	1,207	1,980	1,200	1,000	-	9/84	-	-	-	-	-
0118	Seed Production & Input Storage (PC)	G	1978	1978	4,031	4,031	3,414	-	900	1,100	-	8/84	-	-	-	-	-
0119	Trail Suspension Bridges (PC)	G	1979	1979	3,000	3,000	2,519	-	1,600	600	-	6/83	-	-	-	-	-
0129	Rural Area Development - Rapati Zone (PC)	G	1980	1986*	26,700	26,700	7,724	1,450	2,300	4,100	4,550	9/85	4,900	3,600	-	-	-
0132	Resource Conservation & Utilization (PC)	G	1980	1986*	27,498	27,498	5,552	3,450	4,200	4,500	4,900	9/85	5,510	3,500	-	-	-
0133	RAD/RCU Design Project (PC)	G	1978	1978	2,900	2,900	114	-	-	-	-	8/81	-	-	-	-	-
0134	Agriculture Resource Inventory	G	1980	1980	2,400	2,400	2,242	-	650	500	-	9/85	-	-	-	-	-
0144	PVO Co-Financing (OPG, U,R)	G	1982	1986*	250	3,540	-	250	50	250	800	9/85	1,290	700	-	-	-

FY 1984 ANNUAL BUDGET SUBMISSION

Country/Office NEPAL

TABLE IV PROJECT BUDGET DATA

NUMBER	PROJECT TITLE	C/L	OBLIGATION DATE		LIFE OF PROJECT COST		CUM PIPELINE AS OF 9/30/81	FY 1982		FY 1983		ESTIMATED U.S. DOLLAR COST (\$000)					ITEM #	
			INITIAL	FINAL	AUTH	PLAN		OBL	EXP	OBL	EXP	1984 AAPL	FUNDED TO MO/YR	1985	1986	1987		FUTURE YEAR
498-0251	Bio-Gas Research (OPG, I, R) Sub-Total	G	1979	1980*	150	150	42	8,230	30	8,500	10	12,860	10,250	12,200	14,580	15,500	-	-
0096	Population Population/Family Planning	G	1967	1979	9,576	9,410	216	(152)	60	-	-	-	-	-	-	-	-	-
0130	Population Policy Development	G	1979	1979	2,000	2,000	1,805	-	420	-	600	-	-	-	-	-	-	-
0135	Integrated Rural Health/ Family Planning Services (PC)	G	1980	1986*	16,200	16,200	2,165	2,871	2,900	2,400	2,900	2,400	2,400	2,600	3,030	-	-	-
0144	PVO Co-Financing (OPG, U, R) Sub-Total	G	1981	1987*	1,250	1,099	200	3,170	80	2,400	150	3,650	2,400	2,900	3,030	3,300	300	-
0126	Health Integrated Health Services	G	1976	1979	2,177	1,974	114	(2)	110	-	-	-	-	-	-	-	-	-
0135	Integrated Rural Health/ Family Planning Services (PC)	G	1980	1986*	18,000	18,000	4,641	2,911	3,030	2,500	3,200	2,600	2,600	2,900	2,390	-	-	-
0144	Co-Financing (OPG, U, R)	G	1981	1987*	1,250	843	300	43	70	-	100	300	300	-	-	200	-	-
498-0249	Volunteer Village Health Workers - Jumla (OPG, U, R)	G	1979	1979	498	498	270	-	60	-	180	-	-	-	-	-	-	-
498-0249	Comprehensive Rehabilitation for the Disabled & Blind (OPG, U, R) Sub-Total	G	1979	1979	360	360	143	2,954	60	2,500	70	3,550	2,900	2,900	2,390	3,200	-	-

Beneficiaries:

The initial beneficiaries will be the 15,000 primary school teachers in the rural areas of Nepal. The non-formal education broadcasts will reach a much wider audience. Primary school children will be the real beneficiaries.

Host Country and Other Donors:

GON support provided to the current radio education project will continue for the new project. Also, UNESCO support to the In-School Program will continue and reinforce this project.

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		Country/Office				NEPAL		
RANK	PROGRAM ACTIVITY		ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)		
	DESCRIPTION					INCR	CUM	
	<u>New and Continuing Projects</u>							
1	367-0135	Integrated Rural Health/ Family Planning Services	O	G	PN/HE	4,800	4,800	
2	367-0132	Resource Conservation & Utilization	O	G	FN	4,500	9,300	
3	367-0129	Rural Area Development- Rapati Zone	O	G	FN	4,200	13,500	
4	367-0144	PVO Co-Financing Project	O	G	FN	550	14,050	
5	367-0146	Radio Education Teacher Training II	N	G	EH	950	15,000	
6	367-0144	PVO Co-Financing Project	O	G	FN	250	15,250	
7	367-0135	Integrated Rural Health/ Family Planning Services	O	G	PN/HE	200	15,450	
8	367-0132	Resource Conservation & Utilization	O	G	FN	400	15,850	
9	367-0129	Rural Area Development - Rapati Zone	O	G	FN	350	16,200	
10	367-0144	PVO Co-Financing Project	O	G	HE	300	16,500	
11	(Local Currency Projects: Number of Projects - 2; Value \$3,600)							

TABLE V PROPOSED PROGRAM RANKING

The CDSS directs AID purposes toward development of the hills and balanced growth for the country at large. The Table V ranking records these purposes. Conduct of the program in addition reflects relationships among population and health, the natural resource base and agricultural productivity. It also recognizes the essential supporting role of education and basic communications.

These purposes are addressed in the first instance by three main projects: Integrated Rural Health/Family Planning Services, Resource Conservation and Utilization (RCU) and Rapati Zone Development. These have first priority in the ranking and all funds are assigned to them at the Minimum.

The Current ranking reflects the supporting character of related projects, the opportunity to continue successful activities which offer large return and reinforce the basic strategy, and the need for a balanced program response. To take the last of these first, our ability to sustain disbursements of \$20 million rests on maintaining a mix of projects with different implementation dynamics. The front-end costs of succeeding projects occur at a time when disbursements in the larger projects level off. They also come before these projects enter a possible second phase. The momentum that results is important to the total program. Secondly, neither the Rapati nor RCU projects is self-sufficient, nor for that matter is the health and family planning project. Present projects in Radio Education and Suspension Bridges contribute in important supporting respects to all three. In addition, each of these two programs represents a successful project scheduled for termination in FY 1983. This success, recorded by recent evaluations, offers the opportunity for a continuity which builds on the present program. Coupled with these considerations is the reinforcing character at limited cost of both these projects to the larger purposes reflected in the CDSS.

Taking all these factors into account, the Table V ranking includes Suspension Bridges and Radio Education at the Current. The Bridges project is shown under the present PVO Co-Financing project but that is only an option at this stage. We will review the question of whether it should be done through this mechanism or carried out as at present under a direct bilateral project. In that assessment the additional costs of working through a PVO will be balanced against the benefits of confirming increased PVO participation. On the Radio Education project, as Table IV points out, \$100,000 is provided in FY 1983 for transition with full funding recorded in Table V at the Current level.

Full first year funding for Suspension Bridges is reflected at the AAPL, followed by allocations to the three main projects. The final entry shows an assignment under the health account to continue present PVO activities now funded under health and population.

The AAPL ranking with additional amounts for the three main projects records the principal consideration that funding at the higher rank of Radio Education and Suspension Bridges does not affect either the full funding or disbursement schedules for the larger projects. Even if all AAPL and Current funds were directed to these three, they could still not be fully funded before FY 1986. Assignment of the relatively small amounts involved to the two continuation projects does not alter that date. The three main projects remain the principal priority for resources. Continuation of the subsidiary projects however is a valid consideration, particularly looking beyond the FY 1984 horizon.

With one important exception, FY 1984 will mark the final year of our present direct support to the agricultural sector. The exception is the continuation of a PVO grant to the Agricultural Development Council (ADC) for assistance to the GON Ministry of Agriculture in research, planning and monitoring, and in training. As shown in Table IV this grant is funded in FY 1982 and FY 1983 for over 30 months with a final obligation in FY 1985. Coupled with the ADC program however are projects in Integrated Cereals, Seed Production and Storage, and in assistance to the Institute of Agriculture and Animal Sciences. Each of these terminates in FY 1984.

As pointed out previously, none of the three main projects is self-sufficient. In particular, RCU and Rapati depend upon crop yield increases, agricultural technologies and extension support. Agricultural policy, planning, research and education are essential components to growth in food production in the country generally. The institutional strengths and initiative of the agricultural agencies apply equally to rural production in the hills and Terai.

During the outyears we will need to develop a project to continue that assistance, to build on the foundations already set down. Each present project has had some success in achieving long-term institutional results and offers opportunities to capitalize on years of experience. Our planning takes full account of the mortgage, our disbursement projections and our contingent plans for continuation of the main three projects. Although no funding is requested in FY 1984, we record our plans now because they reflect part of our present program, support the applied effort of each of the projects at Table V and reinforce the purposes stated in the CDSS. We would do no more than continue that.

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TABLE VIII

FY 1984 PROPOSED					
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	
U.S. DIRECT HIRE	1,755	-	1,250	24.0	
F.N. DIRECT HIRE	185	-	-	53.0	
CONTRACT PERSONNEL	95	75	-	XXXXX	
HOUSING EXPENSES	245	-	-	25.0	
OFFICE OPERATIONS	1,555	110	130	XXXXX	
TOTAL	3,835	185	1,380	XXXXX	
RECONCILIATION	1,565	XXXXX	XXXXX	XYXXX	
MISSION ALLOWANCE	2,270	XXXXX	XXXXX	XXXXX	

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TABLE VIII

	FY 1984 MINIMUM				FY 1984 CURRENT			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	1,650	-	1,200	23.0	1,755	-	1,250	24.0
F.N. DIRECT HIRE	185	-	-	53.0	185	-	-	53.0
CONTRACT PERSONNEL	95	75	-	XXXXX	95	75	-	XXXXX
HOUSING EXPENSES	190*	-	-	24.0	245	-	-	26.0
OFFICE OPERATIONS	1,330*	110	115	XXXXX	1,555	110	130	XXXXX
TOTAL	3,450	185	1,315	XXXXX	3,835	185	1,380	XXXXX
RECONCILIATION	1,500	XXXXX	XXXXX	XXXXX	1,565	XXXXX	XXXXX	XXXXX
MISSION ALLOWANCE	1,950	XXXXX	XXXXX	XXXXX	2,270	XXXXX	XXXXX	XXXXX

* All NXP deleted

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TABLE VIII

	FY 1982				FY 1983			
	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS	TOTAL	TRUST FUNDS	AID/W FUNDED	UNITS
U.S. DIRECT HIRE	1,754	-	1,324	26.2	1,808	-	1,252	24.0
F.N. DIRECT HIRE	159	-	-	60.5	176	-	-	57.0
CONTRACT PERSONNEL	64	64	-	XXXXX	73	65	-	XXXXX
HOUSING EXPENSES	202	2	-	25.4	214	-	-	27.0
OFFICE OPERATIONS	1,133	137	110	XXXXX	1,491	175	120	XXXXX
TOTAL	3,312	203	1,434	XXXXX	3,762	240	1,372	XXXXX
RECONCILIATION	1,637	XXXXX	XXXXX	XXXXX	1,612	XXXXX	XXXXX	XXXXX
MISSION ALLOWANCE	1,675	XXXXX	XXXXX	XXXXX	* 2,150	XXXXX	XXXXX	XXXXX

*Includes \$ Funded L.C. Cost:

U.S. DH	None
F.N. DH	175
Contract	None
Housing	175
Office	550
Total	\$900

\$1 Equals Rs. 13.1

TABLE VIII: WORKFORCE AND OPERATING EXPENSES

Table VIII records an immediate FY 1983 FTE reduction in US direct hire (USDH) staff and a more gradual reduction in Foreign National Direct Hire (FNDH) staff with greater use of service contracts and PSCs. These figures are consistent with the personnel schedule on the bottom of Table I and the ABS guidelines.

In addition to guard service, the AID Mission is now using non-personal service contracts for all building maintenance, vehicle maintenance and drivers. The FNDH level will continue a downward trend from an FY 1981 level of 64 to a projected level of 53 at the end of FY 1984. This will be partly offset by an increase in FN PSCs and non-PSC services. USDH will continue on a programmed reduction toward an FY 1986 goal of 25 positions and an FTE level of 22.

The Mission allowance figures for FY 1982 and FY 1983 are consistent with the levels established by ASIA/DP in January 1982. Considering inflation, the FY 1984 Mission allowance at the Current and Proposed (both the same) is virtually the same as FY 1983 reflecting the downward trend in personnel. The dollar amount of the FY 1984 Minimum is slightly under 90 percent of the Proposed level.

The figures in Table VIII include funding for the lease/purchase of the AID Mission compound which AID/Washington has approved in principle. Depending on the final negotiated cost, the final annual payment would be about FY 1983.