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PD-AAT-392
ISN=45122

January 22, 1982

Mr. Heet Singh Shrestha
Additional Secretary
Foreign Aid Division
Ministry of Finance
His Majesty's Government
Bag Durbar, Hari Bhawan

Dear Mr. Shrestha:

In accordance with our prior conversations, enclosed are USAID prepared management reports on the Rural Area Development (Rapti), Resource Conservation and Utilization and the Integrated Rural Health/Family Planning (Services) Projects. The reports are intended to reflect the status of the projects as of mid - FY 2038/39 in a manner and form that would be useful to a busy executive.

Please let me know if you would care to discuss the reports either before or in preparation for the joint Ministry of Finance/USAID review of the status of these three projects which you have previously proposed.

Sincerely,

Thomas L. Rose
Assistant Director

Best Available Document

RESOURCE CONSERVATION AND UTILIZATION PROJECT
(USAID's No. 367-0132)

Status as of the Middle of Financial Year 2038/39

The Resource Conservation and Utilization Project (RCUP) is a multi-sectoral effort to halt and reverse deteriorating environmental trends in the Kali Gandaki and Daraundi watersheds of Mustang, Myagdi and Gorkha Districts. The project is applying in these catchment areas an integrated program of improvement activities in reforestation, range management, alternative energy, agriculture (including horticulture and livestock development), watershed management and other associated fields. Also, the project is helping His Majesty's Government to establish an Institute of Renewable Natural Resources within Tribhuvan University and a Training Wing within the Ministry of Forest and Soil Conservation. These two organizations will provide trained personnel for both the RCUP and the government's resource management programs in general.

The Grant Agreement was signed on August 31, 1980, with five-year life of project funding contributions of $27,498,200 and $5,060,500 from the U.S. and Nepalese governments, respectively. The first year thereafter was occupied in organizational matters, the meeting of conditions precedent, the negotiation of the technical assistance contract, and the start-up of the training program, etc. During FY 2037-38, the first release of funds, from USAID/Nepal to the Ministry of Finance (MOF) and from MOF to the line agencies in the field, was accomplished.

Several problems are impeding the progress of RCUP. Among these, the most severe appear to be: (1) difficulties in implementing working capital procedures (2) delays in transmitting funds to the field application sites, (3) delays in securing permanent slots for needed field personnel, (4) difficulties in recruiting qualified personnel, (5) delays in submitting reimbursement claims for accrued field expenditures, (6) delays in processing and obtaining necessary approvals for various sub-project and construction plans, and (7) delays in the acquisition of needed commodities. Special, on-going attention must continue to be given to the amelioration and/or improvement of these problem areas.

During the current HMG fiscal year (2038-39), some progress is being made in the assignment of personnel by the participating HMG departments and agencies but many positions remain vacant. The recruitment and assignment of expert (SFCID) personnel under the technical assistance contract is nearing completion. Six Peace Corps Volunteers (three Foresters and three Soil Scientists) have been assigned to the Daraundi and Kali Gandaki catchment areas. Three expatriate experts of the SFCID technical assistance team will soon move to resident field assignments in Gorkha, Beni and Jomsom.

The overseas training program is continuing with twenty participants studying in the U.S. and nine in India. In-country training programs are underway at both IRNP and MFTW. District

Conservation Coordination Committees in all three Districts have been activated. A National Conservation Coordination Council has also been inaugurated and is meeting periodically to discuss issues and establish policies and priorities. Catchment field offices have been established in all three districts.

To date, SECID has prequalified 5 design firms and will soon award contracts for the A&E design of approximately 30 of the 164 buildings it will construct for the project through local contracts. It is expected that 7 buildings will be under construction at the end of FY 038-39. Priority has been given to the construction of office space and residential quarters for line agency staff in the catchment areas. SECID has also awarded A&E design contracts for 11 tree nurseries and irrigation and water supply systems which will be constructed by line agencies and will proceed on A&E design work for approximately 30 units scheduled for construction next fiscal year.

During the current fiscal year (2038-39) project expenditures will be on the order of $6.8 million. Of this amount, about $550 thousand will be expended thru the HMG budget and approximately $6.25 million will be by direct USAID payments.

Provided the problems cited above are addressed and resolved or at least reduced, it is possible for the project activities to both expand and accelerate during HMG FY 039-40 with a full

technical assistance team aboard and most of the organizational arrangements in place and functioning. A good momentum will have to be achieved in order to avail the project of the considerable enthusiasm (and high expectations) being generated among local communities who are learning through the project about the advantages of new approaches to the improvement of their natural and human resources. Field activities planned for FY 2039-40 include but are not limited to the establishment of 7 panchayat nurseries, 60 hectares of panchayat forest and 1300 hectares of panchayat protected forest, improvement of 5 kilometers of trails; and construction of 4 catchment ponds. These activities will be carried out by the Department of Soil Conservation and Watershed Management. Several other activities including crop demonstration trials, vegetable garden programs and community livestock projects will be carried out in each of the districts by appropriate department personnel.

It is anticipated that project expenditures during fiscal year 2039-40 will be approximately $6.5 million of which about $1 million will be thru the HMG budget and the balance by direct USAID payments.

20 January 82

PROJECT: RCUP

PREPARED: 18 January 1982

PLANNED AND ACTUAL HMG BUDGET RELEASES

FY 2038/39

(Rs.000)

AGENCY	1st QUARTER		2nd TRIMESTER		3rd TRIMESTER	
	PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL
DSCWM	2120	1675	2268	0	2233	
Dept. of Forest	1094	889	1136	0	1097	
DWSS	93	26	72	0	63	
DIHM	36	71	38	0	32	
MPLD	215	214	224	0	175	
DLDAH	1323	1038	793	0	481	
IRNR	582	0	2102	0	2155	
MFTW	318	161	779	0	748	
Dept. of Agri.	873	651	496	0	375	
PERIOD TOTAL	6654	4725	7908	0	7359	
CUMULATIVE	6654	4725	14562	0	21921	

ATTACHMENT 1

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PROJECT: RCUP

PREPARED: 18 January 1982

PLANNED AND ACTUAL WORKING CAPITAL LEVELS

FY 2038/39

(Rs.000)

1st QUARTER		2nd TRIMESTER		3rd TRIMESTER	
PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL
5687	5568	7191	7191	7275	

ATTACHMENT 2

PROJECT: RCUP

PREPARED: 18 January 1982

PLANNED, ESTIMATED AND ACTUAL EXPENDITURES THRU HMG BUDGET

FY 2038/39

(Rs.000)

AGENCY	1st QUARTER			2nd TRIMESTER			3rd TRIMESTER		
	PLANNED	ESTIMATED	ACTUAL	PLANNED	ESTIMATED	ACTUAL	PLANNED	ESTIMATED	ACTUAL
DSCWM	2120	739	Unknown	2268	Unknown		2233		
Dept.of Forest	1094	Unknown	Unknown	1136	Unknown		1097		
DWSS	93	Unknown	Unknown	72	Unknown		63		
DIHM	36	Unknown	Unknown	38	Unknown		32		
MPLD	215	Unknown	Unknown	224	Unknown		175		
DLDAH	1323	Unknown	Unknown	794	Unknown		481		
IRNR	582	0	0	2102	Unknown		2155		
MFTW	318	Unknown	Unknown	779	Unknown		748		
Dept.of Agri.	873	Unknown	Unknown	496	Unknown		375		
PERIOD TOTAL	6654	Unknown	Unknown	7908	Unknown		7359		
CUMULATIVE	6654	Unknown	Unknown	14562	Unknown		21921		

ATTACHMENT 3

PROJECT: RCUP

PREPARED: 18 January 1982

PLANNED, ESTIMATED AND ACTUAL EXPENDITURE REIMBURSEMENTS FROM USAID

FY 2038/39

(Rs.000)

AGENCY	1st QUARTER			2nd TRIMESTER			3rd TRIMESTER		
	PLANNED	ESTIMATED	ACTUAL	PLANNED	ESTIMATED	ACTUAL	PLANNED	ESTIMATED	ACTUAL
DSCWM	1357	473	0	1856	Unknown		1837		
Dept.of Forest	580	Unknown	0	782	Unknown		729		
DWSS	26	Unknown	0	45	Unknown		36		
DIHM	13	Unknown	0	15	Unknown		9		
MPLD	130	Unknown	0	142	Unknown		91		
DLDAH	740	Unknown	0	522	Unknown		314		
IRNR	80	Unknown	0	80	Unknown		83		
MFTW	73	Unknown	0	186	Unknown		186		
Dept.of Agri.	319	Unknown	0	242	Unknown		117		
PERIOD TOTAL	3318	Unknown	0	3870	Unknown		3402		
CUMULATIVE	3318	Unknown	0	7188	Unknown		10590		

ATTACHMENT 4

Integrated Rural Health and Family Planning Services Project

(USAID's No. 367-0135)

Status as of the Middle of Financial Year 2038/39

The Integrated Rural Health and Family Planning Services Project provides broad general support to the Ministry of Health across a full range of project activity areas. The project activities are largely based on several single purpose projects which AID has supported over the last 13 years in Nepal. The project includes continuing support to the Family Planning and Maternal Child Health Project, increased support for the Integrated Community Health Project, general strengthening of procurement and distribution of drugs and commodities to rural health centers of Nepal, and continuing insecticide/technical assistance support for the Nepal Malaria Eradication Organization. In addition to short-term technical assistance and general participant training support the project provides for a five-man technical assistance team from the John Snow Public Health Group Incorporated (JSI).

The Grant Agreement was signed on 31 August 1980 with a five year life of project funding contribution of $34.2 and $70.1 million from the US and Nepalese government respectively. During the first fiscal year ending July 1981 the contracting procedures for the technical assistance contract with John Snow ~~was~~ were largely completed and procurement against a full range of project commodities including malathion, contraceptives, vehicles,

and other miscellaneous management equipment was completed. Funding support for three major health sub-activities previously assisted under terminating USAID grants was provided through the working capital procedures implemented under the new project. These funds provided continued support to the Panchayat Based Health Worker (PBHW) and the Voluntary Surgical Contraception (VSC) Programs, and general financial/logistic management strengthening in the Ministry of Health.

The major problems confronting the project to date have been delays in the arrival of the technical assistance team, delays in the selection of sites for project construction, and difficulties in implementation/financial management within the Community Health and Integration Project (CHIP). The arrival of 4 of 5 authorized JSI advisors resolves the technical assistance problem. However acceleration of the construction site selections, and improvement in the CHIP financial and logistics management operations (particularly staffing) are continuing needs of the project.

During the current fiscal year beginning July 1983 several important activities have begun under the project. Large scale insecticide and contraceptives shipments will have been received and will be distributed to regional/district utilization points. All major procurement actions under the project had been completed and the commodities are expected to arrive within

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the year. This includes vehicles, malaria spare parts, data processing equipment, medical equipment and supplies, and the annual contraceptive shipments. Arrangements have been made for the project to cover 50% of the cost for the ongoing Contraceptive Retail Sales Program in Nepal during this year.

Changes in the Ministry of Health organizational plan and procedures relating to Voluntary Contraception in Nepal are to be instituted as provided in the Grant Agreement. A total of 11 participants for the 24 month Masters in Public Health training in the United States are scheduled to depart Nepal. The A&E contractor for the three regional warehouses, two new district health centers, and new health posts should be identified. The construction of two additional VSC buildings and upgrading of the Teku Ministry warehouse is scheduled to be completed.

During fiscal year 2038/39, project expenditures will be on the order of $5.5 million. Of this amount, approximately $1.4 million will be expended through the HMG Budget and approximately $4.1 million will be direct USAID payment.

Project activities during the next fiscal year will focus on construction (health centers, regional warehouses, and health posts), malarial insecticides, advisory assistance, training, local costs support for PBHW, VSC and CHIP programs, and technical assistance to continue the strengthening of the

administrative capability of the MOH. Particular attention will be focused on those institutional development activities which will facilitate across the board improvements in project and program implementation, i.e. planning, financial and logistical management, and program development and supervision.

It is anticipated that project expenditures in fiscal year 2039/40 will be approximately $6.4 million, of which about $1.7 will be through the HMG Budget and the balance by direct USAID payment.

20 January 82

PREPARED: 20 January 82

IRH/FP PROJECT

Planned and Actual HMG Budget Releases

FY 2038/39

(Rs 000)

Agency	1st Quarter		2nd Trimester		3rd Trimester	
	Planned	Actual	Planned	Actual	Planned	Actual
FP/MCH	9641	6391	12386	13684	6569	
CHIP	4118	4447	3618	0	3518	
Period Total	13759	10838	16006	13684	10087	
Cumulative	13759	10838	29765	24522	39852	

ATTACHMENT 1

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PREPARED: 20 January 82

IRH/FP PROJECT

Planned and Actual Working Capital Levels

FY 2038/039

(Rs. 000)

Agency	1st Quarter		2nd Trimester		3rd Trimester	
	Planned	Actual	Planned	Actual	Planned	Actual
FP/MCH	11461	11461	13300	13300	10243	
CHIP	2000	2000	3900	3900	2400	
Total	13461	13461	17200	17200	12643	

ATTACHMENT 2

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PREPARED: 20 January 82

IRH/FP PROJECT

Planned, Estimated and Actual Expenditures thru HMG Budget

FY 2038/39 (Rs 000)

Agency	1st Quarter			2nd Trimester			3rd Trimester		
	Planned	Estimated	Actual	Planned	Estimated	Actual	Planned	Estimated	Actual
FP/MCH	9641	6196	5227 (A)	12388	9055		6569		
CHIP	4118	(B)Unknown	Unknown	3618	Unknown		3618		
Period Total	13759	6196	5227	16006	Unknown		10087		
Cumulative	13759	6196	5227	29765	Unknown		39852		

(A) To date expenditures statements for the period 7/16 - 10/15/81 have been received for GOE and PBHW expenditures. Statements for VSC and remaining 1st trimester GOE & PBHW expenditures are still pending.

(B) Part of funds released to 12 district health offices TA/DA, services and fuel. This is only amount considered in developing estimateson attachment 4.

ATTACHMENT 3

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PREPARED: 20 January 82

IRH/FP PROJECT

Planned, Estimated and Actual Expenditure Reimbursements from USAID

FY 2038/39

(Rs 000)

Agency	1st Quarter			2nd Trimester			3rd Trimester		
	Planned	Estimated	Actual	Planned	Estimated	Actual	Planned	Estimated	Actual
FP/MCH	6536	3630	2729 (A)	6764	6659		3479		
CHIP	2500	(B) 1710	None	1467	Unknown		967		
Period Total	9036	5340	2729 (A)	8231	Unknown		4446		
Cumulative	9036	5340	2729 (A)	17267	Unknown		21713		

(A) GOE & PBHW Reimbursements for the period 7/16 - 10/15/81

(B) See note on Attachment 3

ATTACHMENT 4 16

RURAL AREA DEVELOPMENT - RAPTI ZONE PROJECT

(USAID's NO. 367-0129)

Status as of the middle of Financial Year 2038/39

The Rapti Project provides "suppprt to a rural development program in the Rapti Zone shich intends to improve, among other things, farming systems renewable resource management, small rural works, employment and skills development, and institutional development especially to the local level". With the exception of selective interventions and coordination from the Project Coordinator's Office (PCO), Ministry of Panchayat and Local Development, Local Development Officers and the limited direct procurement of services and commodities by AID, all project implementation is carried out by some twelve agencies of HMG operating in the Zone.

The Grant Agreement for this project was signed by Nepal and the United States in August, 1980, approximately 16 months ago. Initial conditions were satisfied by November, 1980. Project funding contributions by the US and Nepalese Governments are $26.7 Million and $7 Million, respectively.

Limited funds were made available under the project for HMG programs in 2037/38, but delays in the provision and disbursement of funds allowed for expenditures through HMG agencies of only about 11 lakhs out of an available 48 lakhs. Most of these funds have still not been "unfrozen" by the concerned implementing agencies.

Planning and budgeting for a full program of project supported activities for 2038/39, begun in January 1981, resulted in the HMG sanctioning of a budget for virtually all agreed upon activities by the beginning of 2038/39. Despite the approved budget, delays

in fund releases have occurred. These delays can be attributed to the incomplete implementation of the working capital system, the introduction of the new district treasuries and normal problems of moving funds through multiple bureaucratic levels. Largely as a result of these financial flow problems, it is estimated current fiscal year (2038/39) expenditures for operational support (HMG heading 1-10) will be only about two-thirds of the approved budget level. Also capital expenditures (primarily construction) are projected at about one half of the HMG budget levels. The major reason the capital expenditures will fall short of targets is because of delays in the submission of required plans and designs for USAID approval.

During the current fiscal year some of the physical accomplishments anticipated in the project are (a) establishment of 500 kitchen gardsn; (b) distribution of 3,000 fruit saplings and cuttings; (c) release of Rs. 1.7 million in loans to farmers in the Small Farmer Development Program (SFDP); (d) improvements, primarily new roofs, for 15 schools; (e) completion of five drinking water and two small irrigation systems; and (f) widening and surface improvement of three sections (with a total length of 21 kilometers) of hill roads.

During FY 2038/39 Project Expenditures will be on the order of $4 million. Of this amount, approximately $2.5 million will be expended through the HMG budget with the remaining $1.5 million being direct USAID payments.

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During the sixteen months of the project, the PCO has been established in Tulsipur and most positions staffed. Most implementing agencies at central and district levels are now reasonably familiar with project objectives and procedures and have received at least some funds to carry out programs. Provided the working capital and release procedures can be effectively implemented, planning for programs for 2039/40, now under way with district offices of implementing agencies, should further reduce field implementation problems and produce work plans and targets for next year which are attainable. This will be particularly true for construction and the other capital investment aspects of the project.

Most aspects of project implementation are from six to nine months behind initial schedules. However, with improved project financial flow procedures and more reliable planning no further delays should be added to the estimated program completion dates.

It is anticipated that project expenditures in FY 2039/40 will be about $5.3 million of which approximately $3.7 million will be through the HMG budget and the balance by direct USAID payments.

January 20, 1982

PROJECT RAD

PREPARED: JANUARY 20, 1982

PLANNED AND ACTUAL HMG BUDGET RELEASES

FY 2038/39

(Rs.000)

	1st QUARTER		2nd TRIMESTER		3rd TRIMESTER	
	PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL
Agr. Ext. & Trg.	946	751	1109	Unknown	1109	
Nep. Trg. Center	47	41(a)	81	41	62	
Horticulture	150	67(a)	225	115	225	
Livestock	533	388	667	225	666	
A.I.C.	140	112	235	Unknown	235	
Cr. A & ATU.ADB/N	88	201	1045	Unknown	404	
SFDP (ADB/N)	165					
Irrigation	223	59(a)	200	Unknown	200	
Forestry	284	208	1157	Unknown	1156	
Soil/Water	194	152	670	Unknown	466	
Education	500	399	750	Unknown	750	
Rural Industries	301	286	494	117	493	
Roads	1700	1626	4592	Unknown	3654	
Rural Works / Institutional Dev.	2051	823	1007	Unknown	452	
P.C.O.	2883	2500	950	Unknown		
PERIOD TOTAL	10205	7413	13182	Unknown	10820	
CUMULATIVE	10205	7413	23387	Unknown	34207	

(a) Release request from HMG Agency for USAID Share equivalent not received by Comptroller's Office

NOTE: Planned Levels are USAID Estimates. PIL's do not Identify specific release requirements by Fiscal Periods.

ATTACHMENT 1

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PROJECT: RAD

PREPARED: January 20, 1982

PLANNED AND ACTUAL WORKING CAPITAL LEVELS

FY 2038/39

(Rs.000)

1st QUARTER		2nd TRIMESTER		3rd TREMESTER	
PLANNED	ACTUAL	PLANNED	ACTUAL	PLANNED	ACTUAL
10068	10717	15657*	15657*	10501	

*Working Capital Level is currently in process of being increased to 20,068,880 for recently approved construction works which have been included in the annual budget - attachment one.

ATTACHMENT 2

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PREPARED: 20 January 82

PROJECT: RAD

PLANNED, ESTIMATED AND ACTUAL EXPENDITURES THRU HMG BUDGET

FY 2038/39

AGENCY	1st QUARTER			2nd TRIMESTER			3rd TREMESTER		
	PLANNED	ESTIMATED	ACTUAL	PLANNED	ESTIMATED	ACTUAL	PLANNED	ESTIMATED	ACTUAL
Agr. Ext. & Trg.	946	400	All	1109	Unknown		1109		
Nep. Trg. Center	47	40	Unknown	81	41		62		
Horticulture	150	50		225	100		225		
Livestock	533	200		667	200		666		
A.I.C.	140	100		235	Unknown		235		
Cr. A & ATU.ADB/N	88	200		1045	Unknown		404		
SEDP (ADB/N)	165								
Irrigation	223	175		200	Unknown		200		
Forestry	284	50		1157	Unknown		1156		
Soil/Water	194	100		670	Unknown		466		
Education	500	100		750	Unknown		750		
Rural Industries	301	80		363	100		362		
Roads	1700	280		4311	Unknown		3373		
Rural Works / Institutional Dev	2051	300		11007	Unknown		452		
P.C.O.	2883	1500		950	Unknown		948		
PERIOD TOTAL	10205	3655		12770	Unknown		10408		
CUMULATIVE	10205	3655		22975	Unknown		33383		

ATTACHMENT 3

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PREPARED: 20 January 82

PROJECT: RAD

PLANNED, ESTIMATED AND ACTUAL EXPENDITURE REIMBURSEMENTS FROM USAID

FY 2038/39

(Rs. 000)

AGENCY	1st QUARTER			2nd TRIMESTER			3rd TRIMESTER		
	PLANNED	ESTIMATED	ACTUAL	PLANNED	ESTIMATED	ACTUAL	PLANNED	ESTIMATED	ACTUAL
Agr. Ext. & Trg.	527	"NIL"	ALL	870	ALL		870		
Nep. Trg. Center	6			19			NONE		
Horticulture	100	DUE	Unknown	150	Unknown		150		
Livestock	251	To late		402			401		
A.I.C.	140			235			235		
Cr. A & ATU. ADB/N		Release							
	201			1045			404		
SFDP (ADB/N)		Of funds							
Irrigation	42			103			103		
Forestry	233			1157			1156		
Soil/Water	84			615			413		
Education	500			750			750		
Rural Industries	213			319			318		
Roads	1418			4170			3232		
Rural Works									
Institutional Dev.	301			1007			452		
P.C.O.	2873			934			933		
PERIOD TOTAL	6889			11778			9417		
CUMULATIVE	6889			18667			28084		

ATTACHMENT 4

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