



R. Ashton

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PROJECT PAPER

Rapti Development Project

राप्ती विकास परियोजना

PROJECT No. 367-0155 (3&U-0155)

USAID/NEPAL
Kathmandu, Nepal
February 25, 1987

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WASHINGTON, D.C. 20523

PROJECT PAPER

NEPAL: Rapti Development Project
(367-0155)

February 25, 1987

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USAID/NEPAL
PROJECT PAPER

Rapti Development Project (No. 367-0155)

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^{1/} The complete project analyses are available in the USAID/Nepal Agriculture and Rural Development Office.

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PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
C = Change
D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY

Nepal

3. PROJECT NUMBER

367-0155

4. BUREAU/OFFICE

Asia Near East

04

5. PROJECT TITLE (maximum 40 characters)

Rapti Development Project

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
07 31 95

7. ESTIMATED DATE OF OBLIGATION
(Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 87

B. Quarter 2

C. Final FY 94

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1,039	600	1,639	9,857	8,600	18,800
(Grant)	(1,039)	(600)	(1,639)	(9,857)	(8,600)	(18,800)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. Peace Corps	240		240	1,900		1,900
2.						
Host Country GON		815				
Other Donor(s)					8,613	8,613
TOTALS						29,313

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) FN	100B	070				18,800		18,800	
(2)									
(3)									
(4)									
TOTALS						18,800		18,800	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

160 010 240 090 140

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code BS ENV PART BWW
B. Amount 8,100 5,850 550 400

13. PROJECT PURPOSE (maximum 480 characters)

To increase agricultural and forestry production through local capacity building.

14. SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY
01 90 01 94

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify) Nepal

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a page PP Amendment)

Raymond E. Dropik
Raymond E. Dropik
Controller, USAID/Nepal

17. APPROVED BY

Signature *David M. Wilson*
Title David M. Wilson
Director
USAID/Nepal

Date Signed MM DD YY
02 25 87

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

Project Authorization

Country : Nepal
Project : Rapti Development Project
Number : 367-0155

Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended (the "Act"), I hereby authorize the Rapti Development Project (the "Project") for Nepal (the "Cooperating Country") involving planned obligations of not to exceed eighteen million eight hundred thousand U.S. dollars (\$18,800,000) in grant funds over an eight-year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is approximately eight and one half years from the date of initial obligation until July 31, 1995.

The project purpose is to increase agricultural and forestry production through local capacity building. The Project will be implemented in the Rapti Zone by the Ministry of Agriculture, Ministry of Forests and Soil Conservation, and Ministry of Panchayat and Local Development.

Grant funds will finance long-term U.S. technical assistance; short-term and local technical assistance; degree and technical training; vehicles and equipment; local currency for development programs; and other Project costs.

The Project Agreement(s) which may be negotiated and executed by the Officer(s) to whom such authority is delegated in accordance with A.I.D. Regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other items and conditions as A.I.D. may deem appropriate:

A. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in Nepal or in countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Nepal or countries included in A.I.D. Geographic Code 941 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping

↓

financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of Nepal or Code 941 countries.

B. Conditions Precedent to Disbursement

Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for any project activities other than technical assistance and training, HMG/N will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) a statement of the name(s) of the person(s) holding or acting in the office of HMG/N specified in Section 8.3., and of any additional representatives, together with a specimen signature of each person specified in such statement;

(b) documentation demonstrating the designation of the Project Coordinator; and

(c) documentation demonstrating the designation of liaison representatives from MOF, NPC, MOA, and MFSC and with authority to review progress and approve annual programs.

Other conditions to specific disbursements may also be required by A.I.D. under the Grant Agreement or subsequent Grant Agreement Amendments. A list of additional disbursement conditions is provided in Section VII.B. of the Project Paper.

C. Covenants

Except as the Parties may otherwise agree in writing, HMG/N will:

(a) provide financial and other contributions on a timely basis during the Project according to mutually agreed annual programs and budgets;

(b) assign qualified personnel to necessary positions to implement the Project on schedule, and normally retain assigned personnel in their posts for a minimum of two years;

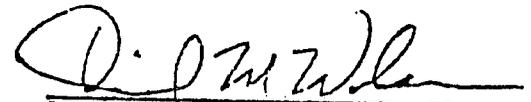
(c) continuously fill the Project Coordinator position, governed by mutually agreed upon terms of reference, and provide necessary staff for the Project Coordinator's Office during the life of the Project;

D. Waivers

A waiver of the requirement that the Cooperating Country contribute 25% of the cost of the Project is hereby approved pursuant to sections 110(a) and 124 (d) of the Foreign Assistance Act of 1961, as amended, on the basis that the Cooperating Country is a relatively least developed country and that financial constraints may prohibit the Cooperating Country from fully meeting this requirement.

A waiver of source and origin from Code 941 to Code 935 is approved in the amount not to exceed \$100,000 for small value items that have a unit price not exceeding \$5,000. See Annex F for full description. The Mission Director certifies that the exclusion of procurement from Free World Countries (Code 935) other than the Cooperating Country and countries included in Code 941 would seriously impede the attainment of U.S. foreign policy objectives and the objectives of the Foreign Assistance Program. The waiver is approved pursuant to Redlegation of Authority 652 and to Handbook 1B, Section 5.B.4.a.(7).

Signature:



David M. Wilson
Mission Director

Date: 25 II 1987

Clearances:

RLA :SAllen (draft)
RD :CDutto (draft)
ARC :CHash (draft)
PDIS:DClark (draft)
EXO :WWanamaker (draft)
FM :RDropik (draft)
PRM :GLewis (draft)
DD :WSRhodes WSR

RD:BA¹²Stoner/CADutto:rkt:02/12/87:RDPAGMNT(C)

VII

RAPTI DEVELOPMENT PROJECT (367-0155)

DESIGN TEAM

Project/Design Officer	Benjamin A. Stoner	USAID/Nepal
Technical Analysis	Allen G. Turner Bishnu N. Kafle Badri N. Kayastha Nanda P. Shrestha	Devres, Inc. PADCO No-Frills Development GON Livestock Dept.
Economic Analysis	George Johnston Ramesh Munankami Ashok Poudyel	PADCO GON Ag Marketing Dept. PADCO
Social Soundness Analysis	Kiran Upadhaya	Tribhuvan University
Administrative Analysis	Laura McPherson Saloni Joshi Harsha Bajracharya	Sheladia Associates USAID/Nepal USAID/Nepal
Financial Management Analysis	Timothy J. Mooney Shyam Lal Shrestha Mukunda Aryal Deepak S. Malla	Devres, Inc. USAID/Nepal GON Office of Controller General
Local Groups Analysis	Lyle Brenneman Chris Hansen Robert Benton Ganesh Ram Shrestha	National Cooperative Business Association GON Ag Developmt. Bank
Monitoring and Impact Assessment	Douglas V. Smith Shaubhagya Shrestha	Consultant USAID/Nepal
AID/W Assistance	David Devin	ANE/PD

ACRONYMS; ABBREVIATIONS AND DEFINITIONS

ADB, ADB/N	Agricultural Development Bank of Nepal.
ADO	District Agricultural Development Officer
AIC	Agricultural Inputs Corporation
AID/W	U.S. Agency for International Development, Washington Office
ATU	Appropriate Technology Unit
CSP	Cropping Systems Program
CY	Calendar Year
DFAMS	Department of Food and Agricultural Marketing Service
DFC, DFO	District Forest Controller or Officer
District	One of the 75 basic administrative units into which Nepal is divided
DLDAH	Department of Livestock Development and Animal Health
DOA	Department of Agriculture
DOF	Department of Forest
DSCWM	Department of Soil Conservation and Watershed Management
FY	U.S. Fiscal Year (October 1 - September 30)
GON	His Majesty's Government of Nepal
Ha (s)	hectare(s)
HMG; HMG/N	His Majesty's Government of Nepal
Ilaka	An administrative sub-division of the District. Each district has 9 Ilakas.
JT/JTA	Junior Technician/Junior Technical Assistant
Km (s)	Kilometer(s)
LDO	District Local Development Officer
MOA	Ministry of Agriculture
MOF	Ministry of Finance
MPLD	Ministry of Panchayat and Local Development
MT	Metric tons
NFY	Nepal Fiscal Year (approx. July 15 - July 14)
NPC	National Planning Commission
Panchayat	Village, an administrative sub-unit of District.
PCO	Project Coordinator's Office
PEU	Private Enterprise Unit of ADB in Tulsipur formerly ATU.
PF	Panchayat Forest
Phase I	Phase I Rapti Project -- Rural Area Development: Rapti Zone Project (367-0129)
PID	Project Identification Document
PP	Project Paper
PPF	Panchayat Protected Forest
PPVT	Pre-Production Verification Trial
RDP	Rapti Development Project (367-0155)
Rs	Rupees
SFDP	Small Farmer Development Program
USAID/N	United States Agency for International Development, Nepal Mission
Ward	The smallest administrative unit, usually comprising a number of small hamlets. are 9 wards in a Village Panchayat.
WDO	District Women Development Officer

I. EXECUTIVE SUMMARY

The Rapti Development Project (RDP) is designed to assist the Government of Nepal (GON) increase agricultural and forestry production in the Rapti Zone. This will be accomplished by improving production technology transfer through GON district line agencies and through strengthened local farmer organizations and private sector service delivery.

The RDP continues and refocuses in a few productive sectors assistance that A.I.D. has been providing in the Rapti Zone since 1980 under the Rural Area Development: Rapti Zone Project. This Phase I Rapti Project helped to establish the infrastructural and institutional base that the RDP will use to achieve important production gains during the eight-year life of project. The Project will include four major components: 1) agricultural production, 2) forestry production and natural resource management, 3) local group and private enterprise development, and 4) district institutional development. The overall technical strategy of the Project is to increase the diffusion and adoption in the Zone of the most successful production technologies as demonstrated in previous trials and by experience with the Phase I Rapti Project. RDP is thus directly complementary to many USAID and other donor projects that are developing these more productive technologies and methodologies. Furthermore, RDP will contribute to further refining the outputs of such national level programs so that they better meet needs at the local level through improved delivery systems.

Total project cost is estimated at 27.4 million U.S. Dollars. An A.I.D. bilateral grant of \$18.8 million will provide 69 percent of the total cost, and the GON will provide the local currency equivalent of \$8.6 million (31 percent of the total) through its district development budgets and in-kind contributions. A.I.D. funding will provide foreign currency for technical assistance, participant training, and commodities, and local currency for GON development programs of district agencies in the Rapti Zone.

The RDP will be implemented in the five districts of the Rapti Zone by the district offices of the Ministry of Agriculture, Ministry of Forests and Soil Conservation, and Ministry of Panchayat and Local Development (MPLD). MPLD will be the lead agency nationally and will provide support for district implementation through a streamlined Project Coordinator's Office (PCO) in Tulsipur.

II. PROJECT RATIONALE AND DESCRIPTION

A. Background and Rationale

1. The Project Setting

Development in the rural areas of Nepal, where 93 percent of Nepal's 17 million people live, most in extreme poverty, is a central goal of the Government of Nepal (GON). The need for development is particularly acute in the Middle Mountains. There population densities per unit of cultivable and grazing lands are extremely high, incomes are extraordinarily low, food production is far below requirements, and soil erosion and nutrient depletion have become so pervasive as to threaten the fundamental life support systems (agriculture, livestock and forestry) of the people. The problem is to achieve income and quality of life improvements for the very poor people who daily face these conditions in their villages. A major development constraint is the lack of effective production and resource management efforts at the village and district level so that Nepal's national institutional infrastructure, trained technical manpower, and relevant production technologies can be effectively applied.

The Rapti Zone, which has a population of approximately one million, is representative of the extreme poverty of the rural areas of Nepal. The Zone is comprised of five districts (Dang, Pyuthan, Salyan, Rolpa, and Rukum). For the four very rugged mountain districts of the Zone the per capita income (US \$75) is less than half the national average (US \$150). The southern most district, Dang, with its larger percentage of arable land in two major valleys and with a good road network and favorable market access has a per capita income which is 60 percent higher than the mountain districts but still below the national average. The Rapti Zone is a poor and underdeveloped area. Yet, despite the austere development base, it is an area where economic growth and social development have taken, and are taking, place. As noted by several studies, the pace of development has accelerated in recent years, and there is considerable potential for further growth. Road construction into the area has brought major new inputs, has improved market access and is strongly positively correlated with increased household income. Other indicators of changes are the recent introduction and expansion of electricity, increased credit availability, increased tax collections, increased government services, expanded education facilities, increased fertilizer use, increased use of high yielding cereal varieties, and increased economic activity in urban areas.

Since 1980 A.I.D. has been supporting a major rural development effort in the Zone. As documented in the 1985 Evaluation report, the Rural Area Development: Rapti Zone Project (referred to as the Phase I Rapti Project in this document) has achieved significant progress in infrastructure development, in availability of services to the rural people, in natural resource management and in institutional development. There is a strong base for a focused follow-on project.

2. The Program Framework

There are urgent needs in Nepal for adequate food supply and control of soil erosion and deforestation. The Rapti Development Project (RDP) will directly address these needs through a focused district-based effort to increase agricultural and forestry production in the Rapti Zone. This emphasis follows GON's Seventh Five-Year Plan emphasis of achieving accelerated agricultural production and better managing the natural resource base through a local development strategy. It also follows A.I.D.'s program strategy to identify and introduce agricultural technology for improved yields and to create the capability for better managing natural resources in the mountains, where environmental deterioration is most evident.

Increased agricultural and forestry production through locally-based efforts is a fundamental strategy of the GON that is supported by well formulated implementation mechanisms. The GON policy of decentralized local development has evolved over the past 25 years. The present policy derives from the Decentralization Act of 1982, and the implementing By-Laws of 1984. Under these regulations, the line agency offices in the District have been placed under the direction of the District government (District Panchayat) and redesignated as District Panchayat Offices. The District Local Development Officer, who is an MPLD line officer, has been named the secretary of the District Panchayat and given increased authority to coordinate and monitor all line agency District offices. In NFY 1985/86, Districts reviewed and approved all local and district level sectoral programs (agriculture, forestry, health, education, etc.). Thus, the framework has been established for the formulation of local plans, the mobilization of local resources, and the local coordination of sectoral development programs. The RDP will continue USAID's involvement in this important GON development strategy and thereby serve as an instrument for technology transfer to increase agricultural production and improve natural resource management. It will also serve as an instrument for continuing policy dialogue on issues involved in agriculture, forestry and rural development.

The A.I.D. program of assistance to Nepal is oriented toward the needs of an overwhelmingly rural society and economy. As presented in the "Nepal FY 1986 Country Development Strategy Update," the broad goal of the A.I.D. program is to improve the balance among food production, population, and exploitation of land and natural resources. Specific program objectives are to help increase agricultural productivity, conserve the natural resource base, and promote more effective delivery of essential services.

The RDP will serve as a focal point of A.I.D.'s program strategy by providing a locale and means for operational field testing of research, training, and institutional building efforts carried on at the national level by other projects in the A.I.D. program. These related efforts include: agricultural research and training under

the Agriculture Research and Production (APP) Project and the Institute of Agriculture and Animal Science (IAAS) Project; forestry research and training from work under the Institute of Forestry (IOF) Project; irrigation research and training under the Irrigation Management Project (IMP); and, training under the Development Training Project (DTP).

As presented by the the "Nepal FYs 1988-1992 Country Development Strategy Statement Update," the RDP will remain a focal point for the A.I.D. program objective of increasing rural production and income levels. A good technology base for increased production and improved resource management exists from local testing and adaptation under the Phase I Rapti Project, and a good institutional base has been established in Rapti within the GON Decentralization program.

Finally, RDP will also contribute to three other A.I.D. policy concerns. Project will include measures to: (1) strengthen GON decentralized development management; (2) restructure agricultural supply systems in Rapti to include privatization of fertilizer distribution and of seed production and distribution; and, (3) encourage effective community and individual management of forests, rangeland, and livestock by independent local groups.

In the first policy area, strengthening GON decentralized development management, the Project will reinforce GON decentralization policy and respond to current economic needs. Nepal has responded to a serious balance of payments problem and significant budget deficits by establishing a stabilization policy which includes devaluing the Nepalese Rupee and pegging it to other currencies, reducing the growth of regular budget expenditures, and increasing tax revenue collections. Attempts are also being made to improve the management of development projects and provide more funds for the operation and maintenance of on-going projects. The RDP will support GON development management at the district level focused on medium term production. This strategy prescribes a program of institutional support to the Local Development Office, technical and managerial support to the involved line agencies, and development management training support to District and Village Panchayats. Successful implementation of the program will result in the mobilization of local resources and improvements in GON service delivery and financial management at the District and local levels.

In the second policy area, private sector delivery of fertilizer inputs, RDP's approach to the development of an effective fertilizer distribution system will focus on both the national and zonal levels. At the national level, USAID will maintain a policy dialogue with appropriate representatives of the GON on issues directed at improving the national systems for the distribution and retailing of chemical fertilizer. In the Rapti Zone, a private sector program for the improved distribution of fertilizer will be tested. The pilot program could have important contributions for encouraging agricultural production, while reducing GON costs required to support production increases.

In the third policy area, local resource mobilization and community management, Nepal has been moving steadily, albeit slowly, towards the implementation of a local group and community model for managing its resource base for agricultural and forestry production. The RDP will contribute to policy formulation in this important area by assisting the establishment of local groups capable of self-sustained management of agricultural and forestry activities and by facilitating the development of harmonious relationships among these groups, local indigenous groups and local Government administration. Community and private management will improve the productive use of the common resource base and will provide the mechanisms for local groups and farmers to invest in production and to capture the benefits of that investment.

B. Project Objectives

1. Project Goal

The goal of the Rapti Development Project is to improve the balance among population, land and natural resources, and thereby assist the GON to achieve its goal of improving rural life.

2. Project Purpose

The Project's purpose is to increase agricultural and forestry production through local capacity building. The Project will strengthen local government and beneficiary participation in planning and implementation of project activities, and will include initiatives to increase the use of local resources for development activities in the Zone.

The design of the RDP is based on the lessons learned from six years of USAID implementation of the Phase I Rapti Project, on the regional planning data provided by the "Rapti Zone Regional Assessment," on the general guidance of the "1985 Phase I Rapti Project Evaluation," and on the specific recommendations of the project analyses that were prepared for the design.

The strategy for RDP is to: (1) implement geographically focused and time-phased programs based on tested technology to increase agricultural, livestock and forestry production through improved GON and private input and service delivery systems; and, (2) strengthen local group and district institutions for managing development and for sustaining benefits through local resource mobilization and local reinvestment into continuing development efforts.

The first element of the strategy means that each district program will have a somewhat different composition. In Dang the program will focus on rice and wheat production, on agricultural inputs, on cattle and buffalo productivity, and on agro-forestry. In the middle mountain areas, the program will focus on maize and wheat, on nutrient recycling, and on integrated livestock and forestry management systems. Likewise in the higher mountains, the program

will focus on potato and fruit production and on sheep and goat productivity. The second element of the strategy means that the program will be flexible. District level programming will follow the decentralized district planning process involving local groups and district institutions. This process results in an annual District Development Plan which defines and provides implementation guidelines for all district programs.

This strategy combines technology transfer, local group and private enterprise development, and institution building efforts for increasing agricultural and forestry production. Agricultural production, livestock, and forestry are integral parts of the village ecosystem which must be managed through local community participation for sustained longterm growth. Strengthening local community management and private sector activities is a strong theme throughout all project components. The project analyses have concluded that a single sector or a vertical sectoral program strategy cannot in isolation achieve the production gains desired. A cross-cutting strategy to manage agriculture, livestock and forestry through local and district planning, local group management, and private sector development is recommended. The recommended activities are interrelated and mutually reinforcing. The deletion of any one sector from the Project would negatively impact upon the outcome of the others.

3. Overall Project Outputs

The expected overall project outputs at the impact level are:

- a. Cereal and horticulture production will be increased in areas where tested technology is available:
rice production will be increased approximately 19%;
wheat production will be increased approximately 20%;
maize production will be increased approximately 11%;
and, horticulture and cash crops will be increased approximately 25%.
- b. A model for increased livestock productivity through grazing control, improved herd management and increased fodder production will be tested and applied by about 35 livestock management groups.
- c. Afforestation and natural resource management will expand and improve through community management and GON forestry programs: approximately 18,000 ha. (26% of the present degraded forest area) will be replanted, and approximately 22,000 hectares will be stabilized, protected, and managed for sustained yield of forest products under active local management.
- d. Better community management of production resource systems will be achieved by about 100 local groups. This will be indicated by agricultural and forestry production increases, and by increased local government revenue generation and private investment for development activities.

The specific project outputs that will provide this overall impact come from programs for agriculture and livestock, forestry and soil conservation, local groups and private enterprise, and district institutional development. These outputs are discussed below in the presentation of the each project component.

C. Project Elements

1. General Approach

The RDP is an eight-year project that will be implemented in the five districts of Rapti Zone through the district offices of the Ministry of Agriculture (MOA), the Ministry of Forestry and Soil Conservation (MFSC), and the Ministry of Panchayat and Local Development (MPLD). Implementation responsibility will be with the GON District Offices and much of the work will be at the Village Panchayat level. Project coordination will be handled in each district by the Local Development Officer (LDO) in accordance with GON local development policy. In order to provide technical support and monitoring for project activities a project support office will be continued under the administration of MPLD at Tulsipur, Dang District.

The total project cost will be approximately 27.4 million U.S. Dollars. A.I.D. project funding will amount to \$18.8 million and GON funding in Nepali Rupees is estimated at the present exchange rate to be the equivalent of U.S. \$8.6 million. Overall project funding will be divided among four main areas: agriculture programs; forestry programs; local group and private enterprise programs; and district institutional development programs. Approximately two-thirds of the total funding (half of A.I.D. funding and all of GON funding) will be in local currency financing through GON district agencies in the Rapti Zone. The remaining one-third of total funding will be for foreign currency costs relating to technical assistance, commodity procurement and participant training.

2. Agriculture Production

The Agricultural Production component of the RDP will include four activities. These are: a) cereals production; b) livestock productivity; c) vegetable, fruit and cash crop (VFC) production; d) input supply and marketing. The agricultural production activities of the Project will be implemented using a two track approach of (1) strengthening government service and input delivery down to the service or subcenter level, and (2) building private and local group capacity for production. The program will have a geographically focused strategy using production technologies available in the Zone. GON assistance for agricultural production will be provided primarily through district offices of four agencies under the Ministry of Agriculture: the Department of Agriculture (DOA), the Department of Livestock Development and Animal Health (DLDAH), the Agricultural Inputs Corporation (AIC), and the Agricultural Development Bank of Nepal (ADE).

Each activity will involve applied field demonstrations that will build on specific procedures, and skills developed through the agriculture and forest programs (e.g., on-farm verification trials, livestock systems assessments, forest management plans, and the Panchayat Resource Inventories). These field demonstrations will support increased production in agriculture, livestock, and forestry through assessment of existing production systems and verification/demonstration of improved technologies within these. These production system demonstrations (PSD) will focus project resources on strengthening the capacity of district and local-level technical staff to provide needed services in the agriculture, livestock, and forestry sectors, while involving local people in the identification of constraints and the design of specific activities to overcome these. The demonstrations will generally focus on problem areas which will require the skills of more than one agency to solve. Working relationships will be strengthened: among staff of different line agencies; between technical staff and farmers; and, among farmers.

a. Cereal production

(1) Objective

The objective of the cereal production program is to increase production and yields of rice, wheat, and maize through increased farmer adoption of tested improved technologies in selected high potential areas. This will be done through strengthening the existing Pre-Production Verification Trial (PPVT) and Block Production approach and gradually extending its coverage to an increased number of Panchayats in the five districts.

Improved technologies have been tested and adopted by farmers in the Zone under conditions similar to those existing in over half the area now cultivated in rice, in wheat, and in maize. Improved technologies are presently in use on only two percent of that potential area. Specific outputs for the Zone by the end of the Project will be:

- o improved cereal production technologies expanded to cover approximately 25 percent of the applicable land types areas;
- o increased rice production by about 19 percent to approximately 195,000 MT per year;
- o increased wheat production by about 20 percent to approximately 300,000 MT per year; and,
- o increased maize production by about 11 percent to approximately 400,000 MT per year.

(2) Program description

Successful attainment of the the Project's objectives in cereal production will depend on three basic factors: improved extension delivery systems; improved linkages with national-level research programs; and, improved input supply.

(a) Extension

Extension efforts in cereal production will be focused on high potential areas, identified on the basis of land type similarity to areas where the PPVT and Block Production programs have proven successful. Initial efforts will be aimed at target Panchayats where the Panchayat Resource Inventories (PRI) has shown that there is greatest potential. Through training, technical assistance, and increased higher level staff support, the proven procedures of the PPVT and Block Production methodologies will be further developed and more rigorously applied. Subject Matter Specialists will be recruited to assist with specific technologies. Extension agents (JT/JTAs) will be trained in testing and spreading new technologies and in recording farmer response. Selected farmers will be trained in improved production technologies and will also be given responsibility (and compensation) for basic data recording procedures. Existing extension positions will be filled and extension agent effectiveness increased over the life of the Project.

(b) Extension linkage with national-level research programs

More active and more direct interactions between local extension staff and researchers in national-level programs will result from annual monitoring tours by researchers from national maize, wheat, and rice stations. Technical assistance advisors from USAID and other projects will be invited to visit the Rapti Zone and to assist with annual program preparation and training. ADCs and other extension staff from the Rapti Zone will visit research stations on structured visits at least twice each year. Participation of Rapti technical advisors and extension subject matter specialists in the national-level cropping systems seminars will provide a further link.

(c) Input supply

Increased cereal production will depend on an effective supply system for fertilizer and improved seed. The expected yield increase for rice, wheat, and maize can only occur if fertilizer is available in sufficient quantity when needed. Improved on-farm soil fertility management, including better use of locally available animal wastes, can contribute only a portion of the needed nutrients. Means for ensuring adequate and timely supply of seed and fertilizer are further discussed in Section II.C.2.d., below.

h. Livestock

(1) Objective

The objective of the livestock program is to increase livestock productivity through improved herd management and health practices, increased fodder production, and controlled grazing. This will be supported by limited introduction of improved breeds and improved management of introduced and existing genetic resources. Specific outputs for the Zone by the end of project will be:

- o Organized about 35 model livestock production groups for marketing, common resource management (e.g., of grazing and forest lands), and health services;
- o Increased supply of fodder and forage through new plantings (in combination with project forestry activities), improved grazing control and better utilization of crop residues;
- o Improved farmer technical skills in large and small livestock husbandry, through training and demonstration;
- o Upgraded livestock populations, through introduction of improved breeds and multiplication by private breeder farmers and groups;
- o Improved farmer skills in intensive livestock management and in processing and marketing livestock products.

(2) Program Summary

To attain these outputs, the RDP livestock program will support activities in three primary areas: development of a model for increased livestock productivity; extension; and, processing and marketing of livestock products.

(a) Productivity

The livestock program will build on the experience of the cropping systems program in applying procedures to assess on-farm practices and to measure the effects of interventions in existing systems. The RDP will establish a small Technical Resource Center (TRC) in the Zone, which will test and demonstrate livestock management systems in support of a parallel "on-farm" effort. These two programs are described below.

The on-farm livestock production system trials will be developed by the advisors with the active collaboration of district-level livestock technicians.

The complexity and variability of livestock interactions within existing farming systems require that the unit of analysis be a village cluster of households which use a common resource base for maintaining their livestock herds. Choice of a site where the methodology can first be developed will be limited to a village-level farming system which is isolated enough that its boundaries can be fairly well defined and small enough (e.g., 30 to 50 households) that data measurements can be taken on a regular basis. An area where some data collection (through PPVTs or Block Production trials) is already going on with cereals would be preferred. Similarly, an area where a forest users group is active will also be preferable. The cooperation of forest rangers and agricultural agents will be secured through the district-level planning workshops. Such cooperation will be essential if grazing lands are to be brought under better management. Data will be collected to help identify limiting factors where interventions could be made. A first area of investigation will be to define the level of overall productivity and its variability over time.

The TRC will support field efforts to increase livestock productivity per animal through:

- o Demonstrations of the potential of improved breeds for high levels of productivity through good feeding practices and disease control;
- o Demonstrations of the use of fodder, forage, and feed supplements to which farmers have access;
- o Studies on the economics of alternative feeding practices within the context of limited access to concentrates; and
- o Demonstration of low-cost disease control methods.

The number of livestock needed will be determined principally by needs for extension and training. Four dairy cows and one male; four Murrah buffalo cows and one male; eight each of sheep, goats, and swine; and fifty chickens, ducks and other poultry are recommended for this purpose.

(b) Extension

A major RDP focus in livestock will be to improve two way communication between farmers and DLDAH (Department of Livestock Development and Animal Health) field staff. Work will begin in areas where village leaders and farmers are receptive to and supportive of livestock groups. The technical assistance team will play a key role during the first years, as groups are organized and JTs and JTAs are being trained in farmer-focused extension. A village livestock assistant (VLA) or group leader will be selected by the farmers to serve as principal contact point for the JT and JTAs. Selected sites will be used for more intensive livestock productivity trials, as described above.

The extension efforts will focus on improving technical knowledge and skills in three basic areas: a) herd management involving stall feeding; b) forage production and nutrition, through on-farm demonstrations; c) improved breeds; and, d) animal health.

The extension program will emphasize improving organizational skills for increased productivity. Skills for group decision-making regarding common grazing resources and marketing will be developed through training involving practical planning exercises. Group action skills will be strengthened where some foundations have already been laid: with livestock loan groups in the Small Farmer Development Program (SFDP) or those of the commercial banks; with forest user committees where fodder resources are of interest; and, in communities where improved breeds are introduced which require more intensive management, e.g., of full-blood sires. Leadership and planning skills will be strengthened through training to group leaders, VLAs, and group members. Group activities will include planting and managing forage, working with forest user groups on fodder tree planting and management, and managing breeding animals.

(c) Processing and Marketing

Higher value of livestock products will encourage farmers to manage their limited resources more intensively in the livestock sector. On-farm product utilization activities will assist the farm household to improve preservation and processing of animal products and to improve composting of wastes. Commercial activities will involve assistance to starting processing and chilling facilities. There is already private interest in developing a dairy plant in the Lamahi area of Dang. The RDP will provide technical assistance to determine the feasibility of and assist in designing such facilities. Similarly, small-scale feed mills are needed to support increased poultry and pig raising in Dang. Groups will play a role, for example, through organizing for more cost-effective transport.

Improved access to market information will be supported by the marketing units in the ADO and DIDA offices. One activity will be to use radios at the district capitals to communicate prices of different commodities in the various market places. Livestock holding pens will also be established at major commercial centers to facilitate the transport of animals by road to markets outside the Zone.

c. Production of Vegetable, Fruit and Cash (VFC) Crops

(1) Objective

The objective of the vegetable, fruit and cash (VFC) crops program is to increase production of VFC crops through improved support to interested private commercial producers and promotion of small household horticulture plots. Specific outputs for the Zone by the end of project will be

- o Established about 30 private fruit nurseries that are producing approximately 26,000 seedlings annually and providing technical support for horticulture production;
- o Planted approximately 2,000 hectares of new fruit orchards in about 30 high potential production areas;
- o Expanded vegetable seed production to approximately 12 MT per year with an estimated 220 private growers and 5 seed production groups;
- o Expanded vegetable production to cover approximately 400 hectares in about 20 high potential production areas.

(2) Program Description

To achieve these outputs, the RDP will focus on extending farmers production technology and skills, and on developing private support systems.

(a) Extension

In many parts of the Rapti Zone, private farmers have become increasingly interested in growing cash crops -- vegetables (e.g., potatoes, onions, tomatoes, leafy greens, peas, etc.), fruits (e.g., citrus, apples, guavas), oilseeds (principally mustard), and others (e.g., ginger and thimur). With the exception of mustard (which has been included in PPVTs in Dang) only limited and largely ineffective support has been given to these farmers. The VFC program will focus on areas of commercial potential for particular crops as determined by both production (e.g., elevation) and market (e.g., proximity to district capitals or the road system) factors.

Initially, the program will focus on farmers already actively engaged in cash crops production -- farmers who have been able to accept the risks inherent in these ventures. Based on the work so far undertaken in the Zone, it is estimated that fruit orchard establishment can be expanded at the average rate of 250 hectares per year, so that over an eight-year project period an additional 2,000 hectares of orchards will be established. Emphasis will be on tropical and sub-tropical fruits up to 1,000 meters, and temperate fruits above 2,000 meters.

Vegetable farmers and a smaller number of selected JT/JTAs will be given training in market vegetable production and handling. Data gathering procedures patterned after the PPVTs for cereal crops will be used to verify specific parameters (cultural practices, fertilizer, disease, etc.) of the production process. The Musikot Horticulture Farm will work in close collaboration with the ADO for vegetable seed multiplication by selected private contract farmers. The Farm, ADO and AIC will continue to work together to collect, treat, store and redistribute the seed.

Project support to the Musikot Farm will enable it to play a more significant role in research and extension outreach programs directed at fruit and vegetable production as well as seed production. Adaptive research and extension directed by the Farm will be carried out to support private nurseries and growers. A Peace Corps Volunteer in horticulture will be posted at the farm. Support for the production of other cash crops will include training and short-term technical assistance to farmers and JT/JTAs working in areas where specific cash crops are important. In addition to training and technical assistance from contract and outside advisors in the above programs, private farmers will also receive necessary credit from the ADP.

(k) Private Support Systems

The VFC program will concentrate on building private capabilities for horticulture production. The principal private support facilities are existing nurseries. These will be given technical support (through training and early provision of high potential planting material from outside the Zone, like apple budwood from Marpha District) to establish local supplies of various saplings. Primary support will be provided through technical assistance from a Nepali firm who will work directly with farmers to establish a resident cadre of skilled private nurserymen and orchard operators.

d. Agricultural Input Supply

(1) Objective

The objective of the agricultural input supply and marketing program is to improve the availability of inputs* and access to markets and credit, through private sector and local group development and improved information services. Specific outputs for the Zone by the end of project will be:

- o Fertilizer requirements are planned and agreed with AIC for timely supply and sale in the Rapti Zone;
- o Expanded private dealer coverage of the zone for fertilizer, agro-chemicals and medicine, with simplified regulations, improved knowledge of proper usage, and adequate profit incentives;
- o Established local seed multiplication system, through local farmers, in targeted areas;
- o Upgraded traditional farmer-to-farmer seed dissemination system with project support services for storage facilities, training, processing, and treatment;

* Agricultural inputs includes fertilizers, agro-chemicals, medicines, seeds saplings, and other planting material, tools, and water.

- o Established nurseries, orchards and seed production centers for local supply of seed, saplings and other planting material as required for the VFC crop program;
- o Developed national-level linkages to provide a regular supply of foundation seed, mother stock, and other planting materials;
- o Upgraded farmers' marketing and record-keeping skills for improved market entry and access to credit; and
- o Improved market information services.

(2) Programs

To achieve the above outputs, the Project will support activities for improving fertilizer supply systems and for improving farmer seed and seedling multiplication and distribution.

(a) Fertilizer

The Agricultural Inputs Corporation (AIC) holds principal responsibility for input supply, especially fertilizer. At the district level, the eight AIC branch offices (covering all the five districts of Rapti Zone) carry out distribution for district headquarters and certain high production potential areas, but do not cover more remote high potential pockets.

RDP's approach to the development of an effective fertilizer distribution system will focus on both the national and zonal levels. At the national level, USAID will maintain a policy dialogue with appropriate representatives of the GOV on issues directed at improving the national systems for the distribution and retailing of chemical fertilizer. In the Rapti Zone, RDP will obtain specific commitments from AIC to provide the quantities of inputs necessary to meet project production targets and will assist AIC with the monitoring of stocks and making projections of upcoming needs.

A Nepalese technical assistant will monitor, in coordination with the zonal AIC manager, the Rapti Zone stocks on a monthly basis and make need projections on a rolling 12-month period. The technical assistant will also monitor coverage of the market areas for input availability and prices. If areas of short supply or high prices are found (these are usually found together), steps will be taken for additional stocks to be delivered to these areas.

To resolve the problem of inadequate retail distribution a pilot program for the Rapti Zone will be set up to include a combination of price decontrol and open registration of fertilizer dealerships. First of all, the pilot program will allow for the open registration of dealers. Secondly, dealers will obtain fertilizer at wholesale

prices from AIC and be allowed to sell at a price to be determined by market forces. Controls on AIC wholesale prices will not change, but price controls will be removed beyond the point of the wholesale transaction at the AIC godowns.

This approach will provide farmers with a variety of competitive locations from which to purchase fertilizer and other inputs. They may choose to pay more to a local dealer or cooperative (sahā), reflecting the dealer's transportation costs, or they may choose to travel to an AIC godown to purchase at a lower price and bear their own transport costs. Competition among an increased number of dealers will help to assure a more readily available supply of inputs at a fair price.

Under this program, AIC may wish to discontinue the transportation subsidy to dealers in the hills districts and subsidize transportation only to the point of the AIC depots. Cooperatives and other dealers would be responsible for transportation beyond the AIC depots.

(b) Seeds, saplings, and other planting material

The RDP will provide support to the the District Agriculture Development Office (ADO) for technical support to the traditional farmer-to-farmer seed production and dissemination system. The ADO will also provide support to private seed enterprises and private nurseries. The PPVT and Block Production programs have identified potential seed enterprise development pockets for concentrated efforts in cereal seed production. The PRI will be used to identify similar areas for efforts in horticulture with the area around Musikot Farm continuing to be important. As noted above, the Musikot Farm and a Nepali contractor will play major roles in developing private sector capability in the VFC program. A small number of JT/JTAs (about five in each district), in coordination with different agricultural programs, will be posted at the service centers and help establish private enterprises to supply seeds & saplings locally. The DOA will also help arrange for foundation seed and mother stock required for the development of private enterprises.

The RDP will also provide some support to AIC for supplying certified seed to private seed enterprises. The assistance will help to fill gaps in the supply of source seed, mother stock, and other supplies. Such enterprises and their dealers network will be assisted through training, technical assistance and material support to maintain their enterprises. The PCO will assist in coordinating these input needs on a zonal basis. The ADF will provide credit to farmers establishing seed enterprises, nurseries and other support services.

3. Forestry Production and Natural Resource Management

The Forestry Production and Natural Resource Management component of the RDP will include four activities. These are: a) locally managed community forestry; b) privately managed forestry; c) GON managed forestry; and, d) GON managed conservation and stabilization. The forestry activities of the Project will also be implemented using a two track approach of (1) strengthening government service and input delivery down to the service or sub center level, and (2) building private and local group capacity for production. Areas for focusing activities will be selected on the basis of technical criteria and of local interest and organization. Data from the PRI will be used to identify Panchayats with severely degraded forests and high person per hectare of forest ratios. Some preference will also be given to selecting Panchayats where RDP activities in cereal production, horticulture, and/or livestock are also being carried out. GON assistance for forestry production will be provided primarily through the district offices of two agencies under the Ministry of Forests and Soil Conservation, the Department of Forests (DOF) and the Department of Soil Conservation and Watershed Management (DSCWM).

The long-term objective of the forestry/natural resources component is to balance the demand for fuel, fodder, timber and other forest products with the ability of the ecosystem to supply these products on a sustained basis. Although attainment of this objective is beyond the scope of the RDP, significant accomplishments can be made within the time and financial limits of the Project.

a. Locally Managed Community Forestry

(1) Objective

The objective of the locally managed forestry program is to expand the existing community forestry program to establish independent local forest user groups with the legal and the organizational capacity to manage local forest lands for sustained yields. The specific outputs for the Zone by the end of project will be:

- o Improved local forest management through an estimated 330 local forest user groups actively using management plans to autonomously manage forests in about 165 Panchayats.
- o Established approximately 11,700 hectares of Panchayat Forest that are supported by about 184 Panchayat nurseries that are producing approximately 4 million seedlings per year.
- o Established Panchayat Protected Forests (PPF) in about 110 Panchayats with approximately 11,000 hectares under PPF management;

(2) Program Description

The locally managed forestry efforts will concentrate on expanding and improving the community forestry program started under the Phase I Rapti Project. RDP efforts will emphasize the preparation of local management plans, the building of the independent management capacity of local groups, and the involving of substantial numbers of women in Panchayat Forest management positions.

The Project will develop and/or strengthen administrative mechanisms whereby planning and implementation of forest management is carried out by those actually using particular forest areas at the ward level or below. Thus, all phases of detailed planning and decision making will be carried out at a subcommittee level with the Pradhan Pancha responsible for coordination, control, monitoring, and evaluation of all activities done at ward level, in line with recent recommendations of a Nepali community forestry study group.

The DOF will continue to play a key role in the community forestry program. The District Forest Office has the authority to transfer national forest lands to the Village Panchayats, and it provides technical support and guidance to the forest committees at the local level. Project support will concentrate on strengthening the capacity of Panchayat forest committees and user groups. The ESCWM, DOA, and DLDAH play important complementary roles and the district and zonal planning workshops (See Section II.C.4.) are designed to help ensure better coordination among these agencies.

The area ranger is extremely important in promoting community forestry. His traditional role as a controller of forest resources, however, has not prepared him well for a role as local group facilitator. Project technical assistance personnel will provide on-the-job training to rangers in the forest management planning process, demonstrating methods and techniques for drawing ideas and plans from user groups.

The importance of user groups in the development of management plans cannot be stressed too much. Those who actually use the forest (in particular, those who make the individual decisions to cut and carry this or that specific fodder or fuel tree) must be fully involved in the planning process. Forest committees must have executive power, most importantly, the right to regulate forest use, set and collect fees, and discipline members of the user community. In order to ensure that successful models for this kind of user group involvement are developed early in the Project, a few target sites will be selected where the DFC, the Pradhan Pancha, and the local ranger are open to and willing to support this concept. Small workshops and larger general meetings will be the fora for explaining the approach and developing specific plans. Short-term needs, e.g., for fodder, will be identified and plans which address these needs will be made and implemented first.

b. Privately Managed Forestry

(1) Objective

The objective of the privately managed forestry component is to initiate programs to encourage individuals and groups to use private and government land to produce forest products for private use. The specific outputs for the Zone by the end of project will be:

- o Assisted with the planting of approximately 900 hectares of trees by private individuals or groups, and.
- o Established a district-level leased forestry program covering approximately 350 hectares.

(2) Program Description

Present areas of private forest will be identified during the PRI verification. New plantings (especially small-scale plantings) will be encouraged. District-level programs will be initiated to assist owners of private forest to manage their holdings for sustained yields and to replant poorly stocked areas. The existing GON program of giving tax concessions to individuals that convert privately held barren land into forest has not been widely used, perhaps due to a lack of knowledge about the program and a lack of encouragement. This concession must be enlarged to cover private agro-forestry lands and also to encourage farmers to interplant agricultural crops and tree crops. The DFC, the DSCO, and their representative staffs will be encouraged to vigorously promote and monitor this program.

Promotion of leased forests after the rules are approved will include explaining the program to Village Panchayats, groups and individuals; assisting in the submission of applications; helping with loan arrangements when necessary; helping prepare simple management plans; supplying the quantity and desired species of seeds and seedlings (under a credit arrangement); and technical assistance as needed.

Where possible, areas selected for leasing lands will be well-suited for the production of fodder and multi-purpose species. Such species will provide a quick return to the farmer. In addition, this may make the Agricultural Development Bank more willing to issue loans because the return on the loan will be much higher than if slow-growing species, such as sal or pine, are planted.

The RDP will encourage the transfer of nurseries to private operation by focusing on a few nurseries where receptivity to the idea is present on the part of DOF personnel and the Panchayat forestry committee. Fully developing one or two successful models for private operation will be important in later expansion efforts. The long-term objective of increased privatization is to make forest

management activities self sustaining at the local-level. Thus, whether DOF-supported nurseries are turned over to community groups or to individuals is not important. What is important is that they operate profitably (providing services and benefits of sufficient value that community residents are willing and able to pay for them). Efforts at individually-owned operations can begin with nurseries where the nearby open lands have already been planted. A transition to fruit, nuts, and fodder trees will be supported through additional technical assistance, training, and supply of planting materials. Private Panchayat nurseries can also be established through the DOF contracting to purchase a set number of seedlings and through individual sales.

c. GON-Managed Forestry

(1) Objective

The objective of this program is to support and strengthen the DOF's on-going management of national forests at the district level through focusing on those activities which directly support improved forest use at the local level (e.g., district-level planning divisional nurseries, and increased collaboration with other line agencies). The specific outputs for the Zone by the end of project will be:

- o Expanded divisional nursery production to approximately 1.3 million seedlings per year and divisional planting to about 415 hectares per year so that DOF has planted approximately 3,400 hectares of land by the end of project; and,
- o Expanded and improved tree seed collection and storage is incorporated into the operations of the divisional nurseries and is adequate to support district and Panchayat needs.

(2) Program Description

The RDP will support the establishment and the effective management of divisional nurseries in all five districts. The divisional nursery will ensure that adequate supplies of fodder and multi-purpose trees are available for public and private planting.

An important thrust of the district program will be better integration with livestock programs. The deforestation problem in the Rapti Zone is largely a livestock problem and cannot be solved without an integrated program. One integration method is through the livestock loan program that is now conducted through SFDP and the WDO. Considerably more attention must be placed on the propagation and utilization of fodder and multipurpose species by all of the agencies. Organized and coordinated extension efforts, integration with privatization programs, involvement of women, and adequate supplies of suitable species are necessary if the supply of quality fodder is to be increased.

Initial efforts will focus on groups where there is a strong community structure. The experience of successful efforts elsewhere in Nepal, for example, in developing strong women's participation in user group decision-making will be drawn upon.

d. Conservation and Stabilization

(1) Objective

The objective of the conservation and stabilization program is to provide local conservation and stabilization demonstrations. Specific outputs for the Zone by the end of project will be:

- o Expanded nursery production to approximately 750,000 seedlings per year which will have been used to stabilize about 140 hectares of roads, trails, and canals, and to protect and improve about 1,200 hectares of watershed; and,
- o Established physical and biological efforts to control about 28 gullies.

(2) Program Description

RDP will support GCN-managed activities in conservation and stabilization, continuing existing programs but consolidating them in the Department of Soil Conservation and Watershed Management (DSCWM). The existing program of biological stabilization of roadsides will be continued but transferred from the Department of Roads (DOR) to the DSCWM and conducted under the direction of the District Soil Conservation Officer (DSCO) and his staff of overseers, rangers, and nurserymen. The DOR will help in prioritizing stabilization sites and provide the DSCWM with any details to ensure an effective and coordinated program. The current trail stabilization program will also be continued. Both programs will place more emphasis on the use of shrubs and grasses for surface stabilization. A number of native grasses are capable of providing rapid and effective surface stabilization and are better suited for biological stabilization than trees.

Rehabilitation of degraded areas will be supported but with some changes in emphasis for a more effective program. Site selection will be changed from selecting the highly degraded areas to selecting the areas in danger of severe degradation but still retaining a high capacity for rapid recovery. As with road and trail stabilization, these efforts will use engineering and bio-engineering techniques. Emphasis will be given to the use of grasses, but grasses will not be planted to the exclusion of fuel and fodder trees. All stabilization efforts will be tied to PRI information and coordinated through the local Panchayat and the affected wards. A management plan, which clearly describes the protection program and the distribution of benefits, will be jointly

prepared by the DSCO and staff, the Village Panchayat, and the ward. Mechanical (or physical) stabilization will be limited as most previous efforts have yielded less benefits than biological methods. However, in some areas of rapid down-cutting, gabions may be necessary.

The existing canal rehabilitation program and the terrace improvement program will be continued with emphasis on farmers' participation and on integrating stabilization with fodder, fuel and agricultural production. Junior Technicians, who are concerned with agriculture issues within the DSCWM, will promote and implement this program through the use of fodder and multi-purpose trees. These programs have the potential of making a significant contribution to the agro-forestry concept and the existing level of effort will be expanded as the RDP progress. The community education/motivation program, with a focus on schools as sites for demonstration and community education, will be continued and expanded.

e. Taungya

(1) Objective

The objective of the modified taungya* program is to develop and demonstrate locally adapted technical models for mixed agriculture and forestry activities to increase the production of forest and agricultural products yielding short-term benefits.

The specific outputs for the Zone by the end of project will be:

- o Yearly production of approximately 14,000 m³ of fuelwood from the annual harvest of about 97 hectares of forest; and,
- o Yearly production of approximately 368 MT of agricultural produce from about 291 hectares of land benefitting about 440 poor farm families.

(2) Program Description

Through GON-managed efforts the Project will develop technical models which will also be applicable to community and leased forests of similar agro-ecological conditions. The Project will begin with an 781 hectare area in Dang's Deokhuri Valley, to be cleared, cultivated, and replanted on a continuous nine-year rotation, benefitting 440 families. At the time of the first outside evaluation, the future expansion of the program will be determined.

The modified taungya project will be carried out under the technical direction of the DFC in Dang. A coordination committee will be formed, composed of the DFC (chairman), the ADO, the IDO, local

* Taungya is a system of agro-forestry common in Asia whereby farmers are given land on which to plant both trees and annual crops together.

leaders from the three Panchayats from which the beneficiary population will come (Sathariya, Chailahi, and Lalmatiya) and representatives chosen by the beneficiary households. Long-term and short-term advisors will provide technical assistance as needed. A JT, a Peace Corps Volunteer, and two JTAs will provide extension services to participating farmers.

A pre-feasibility study completed in August 1986 has identified two areas (729 hectares in Satharia Panchayat and 142 hectares in Lalmatiya) where conditions are appropriate for agro-forestry. Although this area is degraded and threatened by encroaching cultivation, it still retains a high recovery potential and can be placed under protection and management at a relatively low cost. The flat and fertile land at the base of the hills will be fenced and the boundary of the National Forest clearly marked. Such fencing will not only protect the flat land but also a portion of the degraded forest on the unoccupied hills to the north. Local villagers will be allowed to plant crops provided that they also plant fuel, fodder and timber trees at specified spacing intervals.

A preliminary operational plan will be developed by the coordination committee with the assistance of the advisors. This will establish criteria for the selection of participants, a management plan, a financing plan, and an implementation schedule and cropping patterns for the first year. These plans must be reviewed and approved by USAID before any funds will be released for implementation of this program. The financial plan will delineate how existing and project planted forest products will be sold and used to finance the principal costs of the program.

The rotation cycle will be such that each of the 440 households will maintain a one bigha (0.66 ha) plot, caring for trees planted and harvesting agricultural crops for the first three-year period of the rotation cycle. After three years, each household will be given a new one bigha plot. After the third three-year period, the first plot will be harvested by the forestry department and the rotation will be repeated. To start the activity, 147 landless tenant farmers will each be provided one bigha (123 farmers from Sathariya and Chaulahi Panchayats and 24 farmers in Lalmatiya). After three years, all 440 farm households will have been provided land and the first 147 farmers will begin planting anew on the fourth 97-hectare clearing.

The villagers will serve as tenant farmers not owning the land, but having exclusive rights to the crops produced. Any removal of fodder, fuel, and timber will be under the direction of the DFC and in accordance with the management plan. The forest on the hillside will be allowed to recover and a management plan prepared and implemented.

4. Local Groups and Private Enterprise

a. Local Groups

(1) Objective

The objective of the local group program is to establish independent local groups capable of self-sustained management of agricultural and forestry activities. The specific outputs for the Zone by the end of project will be:

- o Expanded Small Farmer Development Program with approximately 30 new groups, making a total of about 55 groups in the Zone.
- o Establishment of several pilot Small Farmer Associations as second generation SFDP's with autonomous local management.
- o Expanded local user groups for livestock, forestry, irrigation, and women in development as enumerated under the technical components.
- o Established several pilot model Panchayat management demonstrations focusing on strong local user groups integrated within the Panchayat framework for improved resource management and local revenue generation for development.

(2) Program Description

The RDP will continue A.I.D. support for expanding and improving group organization and operation in the Rapti Zone. In supporting the continued expansion of the SFDP, assistance will follow the geographic focus of the Rapti Project on high production potential areas. Although the intent of the SFDP expansion is to make its programs available to all farmers in the geographically-targeted areas, a primary criterion for the establishment of new projects will be their potential for viability.

There are currently 23 SFDP projects in operation in the Zone, and two more are being started this year. Of these, 3 already meet the criteria for economic viability and others are near to this target (See the Local Group Analysis for detail). RDP projections include the setting up of approximately one SFDP per district per year over a six year period. This would mean that about 30 additional groups will be established under FDP.

In providing continued support to the development of SFDP, USAID's approach will focus on assisting the SFDP groups to progress toward full self-sufficiency. In pursuing this approach, however, it should be realized that, given the development level of small farmers in rural Nepal, this is a long-term process that must evolve and must be based on the efforts of the group members themselves, rather than be designed and imposed from any other source.

For this reason, the approach of PDP will be to continue support for the expansion of the program and, in addition, support the development of pilot SFDP groups in order to test their ability to move on to new levels of group activity and self-reliance. This also requires support for training programs related to both the ongoing and the pilot projects. To this end, support will be provided for key personnel to obtain the training and orientation they need to give strong leadership to all elements of the program.

To support the organization and operation of other user groups (i.e. forest committees, livestock groups, irrigation groups, women's groups) the RDP will provide assistance through the relevant technical components. In addition, RDP will have a pilot activity to improve Village Panchayat management, focused on the functions of user groups within the Panchayat structure. This pilot activity will attempt to develop self-sustaining users groups that can serve as both continuing instruments for development and as a means of reducing recurrent project costs. The approach will be similar to that proposed for SFDP groups. User groups can be self-sustaining and, to the extent that self-sustaining groups can take charge of such activities as rural works maintenance, forestry management, seed production, and irrigation, recurrent project expenditures for these items can be reduced. The focus of this activity on the Village Panchayat is important since the Panchayat provides the local government framework for operation of these groups. The Panchayat could also be a potential barrier and block the evolution of these groups to self-sufficiency if their evolution is not properly formulated. Often the contributions of "users committees" at the Panchayat level, and what is often identified as "local participation," are looked upon in terms of the members providing labor for specific projects rather than any substantive involvement in planning and decisionmaking. If user groups are given responsibilities for specific functions, such as forest management, they must also be given the authority and means to exercise these responsibilities.

An important first step is educating leaders of the Panchayat to the potential of group management. If local leaders can be shown that devolving real authority and providing a small amount of initial resources to users groups will result in income-generation for both the group and the Panchayat, they will likely become supporters of group efforts. Additional benefits to the Panchayat leadership will come from the prestige of having successfully operating programs for forestry and other community development activities.

As with the proposed SFDP programs, this would be an experimental activity and will be undertaken only if the initial Panchayat survey determines that there is sufficient interest and potential for the program to be successful. If the potential is present, this assistance provided to users groups can be an important key to sustained development through local grassroots organizations.

b. Private Enterprise

(1) Objective

The objective of this program is to stimulate the development of micro and small enterprises to provide inputs, storage and processing, marketing and related services for agricultural and forestry development in the Rapti Zone. The specific outputs for the Zone by the end of project will be:

- o Established a Private Enterprise Unit (PEU) in Tulsipur (using the base provided by the Phase I Appropriate Technology Unit) that has prepared approximately 50 feasibility studies for local small scale private enterprises.
- o Created approximately 25 new small enterprises based on feasibility studies prepared by PEU.
- o Created approximately 1,000 new household and micro enterprises involving nurseries, cereal and vegetable seeds, feed production, and other small scale production and processing through assistance under the technical components.

(2) Program Description

The RDP will encourage the development of private enterprises in numerous agricultural and forestry supply, processing and marketing areas. In the Phase I Rapti Project, an Appropriate Technology Unit (ATU) was established under the Agricultural Development Bank in Tulsipur. The ATU has proven to be a very successful model for testing and disseminating new technology in the Zone. It has also demonstrated potential as a model for encouraging private sector development. The ATU has prepared feasibility reports and assisted with financing for the installation of 57 improved water turbines for grinding and milling cereals and oilseeds, of 127 biogas plants, of 34 diesel-powered shallow tubwells, 13 handpowered rowerpumps, 605 improved stoves, and 411 metal seed storage bins, and has helped establish several workshops that produce, install and maintain stoves, biogas plants, tubewells, metal storage bins, etc. With a slight modification of orientation and of staffing ATU can be an even more important catalyst for stimulating private sector development in Rapti.

The RDP will assist the ADP to make the necessary adjustments for the ATU to become a more effective private enterprise development unit. A preliminary assessment of the local private sector development potential and a preliminary definition of the nature and scope of future PEU operations has been undertaken by a U.S. Private Voluntary Agency in November 1986. This assessment has made important recommendations which will serve as the basis for modifications to be made to establish the PEU and for RDP funding in support of PEU activities.

A chief constraint to private investment in Rapti (and indeed for Nepal) for many agro-based ventures is that India has the same agricultural raw materials or access to them, and, because of a superior industrial base, can in many instances process these agricultural products and transport them to Rapti more economically than they can be produced in Rapti. Thus, the first step in a program to encourage private investment in Rapti will be to determine the relative comparative advantages Rapti has in terms of production costs and market access for possible small-scale agro-based enterprises. The kinds of investments likely to be identified include: the production and marketing of cereal and vegetable seeds and of fodder and fruit tree seedlings; the marketing of chemical fertilizers, farm tools and equipment, and veterinary products; the breeding of improved livestock; and processing of various agricultural products such as ginger, chouri, mustard, honey, dried and canned fruits and vegetables, leather products, and timber for pulp and paper, plywood, furniture making; etc.

The second step will be to establish a forum for discussion of potential investment ventures with interested entrepreneurs. For this a private sector development working group is proposed to be established in Rapti. This group, under the chairmanship of the Zonal ADB Manager in Tulsipur, will include representatives of the commercial banks and the PCO, several local government leaders, and several prominent local entrepreneurs who will represent local business groups in Rapti. The Manager of the PEU will be the Secretary for this working group. The working group will meet monthly to discuss new ideas, the constraints to private sector development, and the status of specific new ventures.

5. District Institutional Development

(1) Objective

The objective of the district institutional development component is to improve the planning, budgeting, implementation and coordination of agricultural, livestock and forestry programs in each of the five districts of Rapti Zone. The specific outputs for the Zone by the end of project will be:

- o Improved operation of the Local Development Office for planning, coordinating and monitoring development programs for the District Panchayat Secretariat;
- o Improved management of District and Village Panchayats in analyzing needs, assessing resources and managing local development as exhibited through implementation of rural works, agricultural, livestock and forestry programs;
- o Established Women in Development program that has effectively increased training and production opportunities for women in agriculture, livestock and forestry activities; and,

- o Constructed through local user groups about 20 steel bridges and rehabilitated approximately 2,500 hectares of irrigation.

(2) Program Description

The RDP strategy is to strengthen existing institutional mechanisms for local development. Decentralization has established a process for the formulation of annual multi-sectoral plans at the Village and District Panchayat levels on which sectoral and national periodic plans are to be based. The emphasis of the present decentralization effort is on using existing institutions to create a new set of roles and relationships to support local development. At the district level, the District Panchayat Secretariat has been expanded to include all the sectoral line agencies, including parastatal organizations, concerned with development. These offices now function as integral sections of the Secretariat under some administrative control and supervision by the District Panchayat. According to the Act, the MPLD is responsible for coordination of inter-sectoral activities through the Local Development Officer (LDO), who also serves as Secretary to the District Panchayat Secretariat. He is in charge of the local planning, budgeting and implementation process.

The Project accepts these existing GOM institutional mechanisms as the framework for project implementation and will use them as effectively as possible to achieve project objectives. This strategy prescribes a program of institutional support to the LDO, technical and managerial support to the involved line agencies, and development management training support to District and Village Panchayats. Successful implementation of the program will require effective linking of Panchayat and District level planning and effective coordination of production services and programs in each District.

RDP assistance for district institutional development will be in four areas: 1) district planning and coordination; 2) women in development; 3) local rural works; and, 4) roads maintenance. Activities in each of these areas are briefly described below. Detailed program descriptions are in the Administrative Analysis.

For district planning and coordination, RDP will provide assistance for five activities. First, RDP will help to increase the efficiency of the Local Development Office by providing technical and management training for members of the District Panchayat Secretariat. Second, using the Panchayat Resource Inventories as a base, RDP will provide support to the district offices for maintaining and updating the PRI and for training to gain support for the concepts and use of such a data base. Third, RDP will provide training to help District Panchayat members to improve their skills in planning and administration. Fourth, RDP will provide support to assist the District Revenue offices to identify ways of

increasing their efficiency and possibly expanding revenues collection. Related assistance, as discussed above, will be provided to a few selected pilot Panchayats to improve the efficiency of user groups and local revenue management. Fifth, RDP will work with the District Treasury personnel and line agencies to improve financial flows and accounting for project activities.

For women in development activities, the existing program will be expanded from the present 8 Panchayats to operate in approximately 50 Panchayats (about 10 in each district). RDP efforts will focus on involving women in agricultural, livestock, and forestry programs and in related local group and private sector activities. Levels of women participants will be set for project assisted training and women's group activities will be supported under the SFDP, forestry, and livestock groups.

For the district rural works activities, RDP will focus on assistance to Panchayats and local groups for upgrading and maintaining the local transportation network (secondary roads, trails and bridges) and for improving existing farmer managed irrigation schemes. The project strategy is to focus these activities in areas complementary of the agricultural and forestry focus of the Project and to design and implement projects in a manner that will strengthen local management capacity and provide for better operation and maintenance of rural infrastructure by local user groups. Using the lessons from the successful small farmer irrigation program implemented under Phase I Rapti Project by ADB with assistance from CARE/Nepal, this activity will be similarly implemented through a grant with a Private Voluntary Organization.

For maintenance of the Rapti roads funded under the Phase I Rapti Project, RDP will provide limited support through the Department of Roads for the first three years of the Project. This support is to bridge the gap until construction of all weather roads begins under other donor funding. The maintenance support will cover three types of costs: 1) annual repair of the road surface; 2) major slide removal; and, 3) preventive maintenance including minor construction.

D. Project Inputs

1. Technical Assistance

The Project will provide approximately 17 person years of long-term and 62 person months of short-term expatriate technical assistance and 56 person years of long-term and 75 person months of short-term Nepali technical assistance through a contract with a U.S. and Nepali firm to support GON project implementation under the MPLD Project Coordinator's Office. This technical assistance will be directed at providing temporary, project specific assistance to assist the district implementing agencies. Technical support will be provided in agriculture, livestock and forestry for field testing appropriate technologies, training GON staff and farmers, and organizing and supporting local groups. Support will also be provided for defining and organizing local, district and zonal training seminars; maintaining a strong project monitoring system; and, operating the local currency financial management system.

To support the local group and private enterprise programs an estimated additional 48 person months of short-term expatriate technical assistance and 60 person months of Nepali technical assistance will be provided under several separate small grants and contracts. These include: an ordering agreement with a U.S. cooperative organization to assist the ADB with a pilot program for establishing independently managed small farmer development groups at several sites in the Rapti Zone; a small grant to assist the ADB broaden the Appropriate Technology Unit into a private enterprise development unit; a contract with a local Nepali firm to provide technical support and training to farmers for private vegetable, horticulture and cash crop development; and, an ordering agreement with the AID/Washington Decentralized Finance and Management for Development Project to assist MPLD with pilot program for better operating and maintaining rural works, roads, irrigation and community forestry through local user groups.

In addition, during each year of the Project there will be about 20 Peace Corps Volunteers (PCVs) working with district line agencies to provide technical support for project field activities. The PCVs will primarily be assigned at the subcenter level and work with a GON counterpart to assist local farmer groups. The PCVs will provide support for agriculture (particularly horticulture), livestock, forestry, women in development, rural works, and private enterprise. Peace Corps support to the Project will be subject to the availability of volunteers and to Peace Corps/GON agreements of placements.

2. Training

The Project will provide advanced degree training at the Masters of Science level for 12 persons in an Asian country outside Nepal and degree training at the Bachelors of Science level for 24 persons in Nepal. To be eligible for this training candidates will have to have worked with the Project for a least two years. Emphasis will be on providing most of this training early in the Project so that the participants will be able to return to the Rapti Zone and use their new skills to assist project implementation.

The Project will also provide short-term technical training to approximately 27 persons in the U.S., 67 persons in other developing countries, and 160 persons in Nepal. This training will be in technical areas needed for project implementation and include: rural development management, agriculture, livestock, forestry, soil conservation, financial management, and engineering disciplines.

3. Commodities

The Project will provide approximately \$475,000 worth of imported commodities, including approximately 15 vehicles, 20 motorcycles, technical equipment, office equipment, and other general items. Foreign procurement under RDP will be conducted by USAID, mostly through the technical assistance contractor. Some supplementary procurement and any required special procurement assistance will be provided by the USAID Procurement Office.

Local procurement under RDP will be conducted by the relevant GON implementing agency. This procurement will be identified in the annual programming and budgeting process and will be financed through the local currency system, as described under the financial management plan. Such procurement will be mainly for office supplies and materials and will not involve a substantial amount of money.

4. Local Currency Costs

The Project will provide development program costs for GON district implementing agencies in the Zone. These costs will be for the identified project programs and go mainly for increased program costs (training and field level operations). There will be little increase in GON personnel costs as a result of the Project. This operating support will also include some local procurement of equipment and materials and some minor construction that will be identified and approved in the annual programs and budgets.

III. Cost Estimate and Financial Plan

A. Cost Estimates

Table 1 presents the project cost estimate and financial plan. Total project cost is estimated at approximately 27.4 million U.S. Dollars with A.I.D. bilateral grant funding about 69 percent of the total and GON local currency funding an estimated 31 percent of the total. Other Project costs include Peace Corps assistance from volunteers who will be posted in the Zone during the life of the Project. Tables 2, 3, and 4 respectively present the detailed cost breakdowns of Technical Assistance, Participant Training and Imported Commodities, and GON Agency Operations (local currency).

Table 5 provides a breakdown of financing by project component. This table summarizes the inputs costs for each major project component area. Further detail on input/output costing for specific outputs within each component is provided in the Economic and Financial Analysis.

The planned A.I.D. obligation schedule and the projection of Project expenditures by fiscal year are presented in Table 6.

Project cost estimates are presented by A.I.D. direct costs (primarily foreign exchange costs) and by GON agency operating costs (local currency costs). A.I.D. direct costs are for goods and services that USAID will procure directly and provide for the Project. The GON agency operating costs are for goods and services that will be provided to the Project by GON district agencies in the Rapti Zone. The funding of these costs through the GON budget system is briefly described below and is presented in detail in the Financial Management Analysis. Inflation for A.I.D. direct costs and a contingency on overall A.I.D. funding are included as separate items on the summary table. Contingencies of 10% for local currency costs are included in the budgets for each component, but are not shown on the summary table.

Technical assistance cost estimates are based on actual costs from the Phase I Rapti Project. Technical assistance will be provided through the Project Coordinator's Office in Tulsipur under a A.I.D. direct contract. This contract will include a U.S. and Nepalese firm in either a joint or subcontracting arrangement. The contractor's role and relationships within the Project and the Contracting Plan are presented below in the Implementation and Procurement Plan, respectively. In addition, some support for local group and private sector development will be provided separately from the main contract by private voluntary organizations and local contractors.

Participant training and commodity costs are likewise based on actual Phase I costs with a consideration for cost escalation. The elements of participant training and commodity procurement are provided in the Training and Procurement Plans, below.

Budget estimates for local currency costs are based on unit output costs for each of the technical programs that were derived from expenditures under the Phase I Rapti Project. These unit output costs were multiplied by the planned outputs presented in the technical analyses to get total cost estimates for each project component. A.I.D. and GON local currency costs were calculated on a percentage basis. For the line agency agricultural, livestock, forestry and soil conservation programs, all development budget costs were included as project costs and the initial funding percentage calculated at 50% A.I.D. and 50% GON. For the two corporations, AIC and ADE, A.I.D. will initially provide 75% of program costs and the GON 25%. The A.I.D. percentage is higher because administrative costs of these corporations for general personnel are budgeted separately under the general development budget and will not be part of project funding. For the local development program and the project support office under MPLD, A.I.D. will initially fund 75% of project costs. General costs under the development budget for the LDO and DTC offices will not be included as project costs.

Initial overall A.I.D. funding will be for approximately 60% of the project local costs. This percentage will be reduced gradually starting in the fifth year of the Project (as shown in Table 4), so that by the end of the Project overall local currency funding will be approximately 50% A.I.D. and 50% GON.

B. Financial Management Plan

1. A.I.D. Direct Costs

The management of A.I.D. costs under the Project will follow A.I.D. standard regulations and USAID operating policy for project management. Within the prescriptions of the Project Agreement, the earmarking of these funds will be done through Project Implementation Letters (PIL) signed by USAID and countersigned by GON representatives. Administrative reservation for specific purposes will be done under the PIL by Project Implementation Orders.

Table 1 - Summary Project Cost Estimate

	(000's U.S.\$)								
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
A. Technical Assistance	477	572	577	587	626	517	390	200	3,946
B. Local Group/Private Assist.	339	395	375	278	277	115	60	0	1,829
C. Evaluation/Special Studies	40	35	130	30	30	30	130	20	445
D. Participant Training	125	190	220	175	145	95	50	0	1,000
E. Imported Commodities	65	25	25	150	25	25	140	0	475
F. Local Currency - A.I.D.	1,247	1,361	1,457	1,449	1,195	1,049	531	274	6,613
G. Cost Incr. & compd. py. = 5	0	61	136	193	239	216	262	80	1,187
H. Contingency (8%)	184	299	225	215	184	146	104	39	1,306
Subtotal AID Support	2,496	2,638	3,175	3,097	2,721	2,193	1,667	613	18,900
I. Local Currency - BUN	815	907	992	560	1,195	1,272	1,356	1,094	6,613
TOTAL PROJECT COST	3,311	3,745	4,167	4,077	3,916	3,465	3,025	1,707	27,413

Table 2 - Technical Assistance Cost Estimate

	1000's U.S.\$								
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
I. Assistance to Project Coordinator's Office									
A. U.S. Firm									
	354	445	450	445	484	375	253	79	2,884
1. U.S. Personnel--Long Term	60	115	115	115	115	80	45	0	655
2. U.S. Personnel--Short Term	40	30	30	30	50	50	50	30	310
3. Overhead	86	119	119	119	123	88	53	5	712
4. Travel and Transportation	52	63	63	63	73	57	41	15	427
5. Allowances	50	69	69	69	73	52	31	5	419
6. Other Direct Costs	28	26	31	26	25	28	20	18	202
7. Fee	18	23	23	23	25	20	13	4	189
B. Nepali Firm									
	123	127	127	142	147	142	137	122	1,082
1. Nepali Personnel--Long Term	60	60	60	70	70	70	70	60	520
2. Nepali Personnel--Short Term	4	6	6	7	7	6	4	4	4
3. Overhead	16	16	16	18	18	19	18	16	137
4. Travel and Transportation	4	4	4	4	4	4	4	4	32
5. Allowances	13	14	14	16	16	16	14	12	115
6. Other Direct Costs	20	20	20	20	20	20	20	20	160
7. Fee	6	7	7	7	7	7	7	6	54
TOTAL PSC CONTRACT COST									
	477	572	577	587	626	517	390	200	3,966
II. Assistance for Local Groups and Private Enterprise									
A. ADB/SFDP Local Groups	0	92	92	93	92	0	0	0	369
B. ADB/PEU Private Enterprise	213	148	158	60	60	0	0	0	659
C. Panchayat Management	50	50	50	50	50	40	10	0	300
D. Horticulture Development	75	75	75	75	75	75	56	0	500
TOTAL PRIVATE AND LOCAL GROUPS									
	338	365	375	278	277	115	60	0	1,028
III. Other Assistance									
A. Project Evaluation	0	0	80	0	0	0	100	0	180
B. National Coordination	20	15	20	20	20	20	20	20	155
C. Audit	0	0	0	0	0	0	0	0	20
D. Special Studies	20	20	10	10	10	10	10	0	90
TOTAL OTHER ASSISTANCE									
	40	35	110	30	30	30	130	20	445
TOTAL COST									
	855	972	1,062	895	933	662	580	220	6,219

Table 3 - Participant Training & Commodity Costs

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
A. Participant Training									
1. Third Country Degree	25	50	80	50	30	0	0	0	235
2. Third Country Short	60	75	70	60	60	50	25	0	400
3. U.S. Short Term	30	40	40	35	25	20	10	0	200
4. In-Country Degree	10	25	30	30	30	25	15	0	165
Subtotal Part. Training	125	190	220	175	145	95	50	0	1,000
C. Commodities									
1. Vehicles	50	0	0	125	0	0	100	0	275
2. Technical Equipment	25	15	15	15	15	15	25	0	125
3. Other	10	10	10	10	10	10	15	0	75
Subtotal Commodities	65	25	25	150	25	25	140	0	475
TOTAL TRAINING & COMMODITIES									
	210	215	245	325	170	120	190	0	1,475

Table 4 - Local Currency Cost Estimate

(000's U.S.\$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
I. Agriculture Program									
A. Agriculture	346	381	428	458	431	407	384	331	3,146
B. Horticulture--Musikot Farm	62	62	62	62	62	62	46	31	449
C. Livestock	189	241	278	319	310	309	278	219	2,143
D. AIC Program	22	23	24	50	27	53	20	13	232
E. ADE - SFDF Program	120	120	120	120	120	100	80	40	820
F. ADR - Private Enterprise Unit	72	82	92	92	92	90	68	44	632
Subtotal Agriculture	811	909	1,004	1,081	1,042	1,021	876	678	7,422
II. Forestry Program									
A. Forestry	380	446	455	511	451	470	386	272	3,441
B. Soil Conservation	212	227	234	245	236	236	204	143	1,733
Subtotal Forestry	592	673	719	746	727	706	590	415	5,174
III. Local Development									
A. Local Development Office	153	140	151	162	162	156	125	97	1,145
B. Rural Works	100	150	200	250	250	250	140	60	1,400
C. Women in Development	38	40	45	51	51	45	37	30	375
D. Roads	200	200	200	0	0	0	0	0	600
Subtotal Local Development	490	530	596	462	462	451	302	187	3,450
IV. Project Coordinator's Off.	159	160	160	160	159	143	121	08	1,150
TOTAL LOCAL CURRENCY COST									
	2,062	2,268	2,479	2,449	2,390	2,321	1,889	1,368	17,226
USAID LOCAL CURRENCY COST									
	1,247	1,361	1,487	1,469	1,195	1,049	531	274	8,613
SDR LOCAL CURRENCY COST									
	815	907	992	980	1,195	1,272	1,358	1,094	8,613
Percent Funded by USAID									
	60%	60%	60%	60%	50%	45%	28%	20%	50%

Table 5 - Project Cost Estimates by Component

Component	Agriculture & Livestock	Forestry & Soil Conser.	Local Groups & Private Enterpr.	Dist. Insti. Development	Other	Total Cost
I. A.I.D. Direct Costs						
A. Technical Assistance	1,776	1,381		789		3,946
B. L. Group/Private Assistance			1,828			1,828
C. Evaluation & Special Studies					445	445
D. Participan. Training	450	350		200		1,000
E. Imported Commodities	214	166		95		475
F. Cost Incr. & Cont	872	748	499	249	125	2,493
Subtotal --	3,312	2,645	2,327	1,333	570	10,187
II. Local Currency Costs						
A. BDM Agency Adminstrn.	3,796	967	0	1,040		5,823
B. Program Costs	1,861	3,735	820	1,205		7,621
C. Construction Costs	128	78	550	2,000		2,756
D. Contingency	185	374	82	385		1,026
Subtotal --	5,970	5,174	1,452	4,630	0	17,226
Total Cost	9,282	7,819	3,779	5,963	570	27,413

* For evaluation and special studies.

Table 6

A.I.D. ANNUAL OBLIGATION AND EXPENDITURE PLAN		US \$ 000								
	FY '87	FY '88	FY '89	FY '90	FY '91	FY '92	FY '93	FY '94	FY '95	TOTAL
A. OBLIGATIONS										
New Obligation	1,639	1,500	2,400	2,500	3,000	3,000	2,500	1,261	0	17,800
Reob from Rapti I		1,000								1,000
Carry Over	0	469	565	321	119	293	941	1,305	959	0
Total Available	1,639	2,969	2,965	2,821	3,119	3,293	3,441	2,566	959	18,800
B. EXPENDITURES										
1. Tech. Assistance	300	550	577	587	626	516	390	300	100	3,946
2. Local Group/Private	175	375	380	382	282	130	60	44	0	1,828
3. Eval./Spec. Studies	20	40	130	30	30	30	30	130	5	445
4. Training	100	150	150	150	130	120	100	60	40	1,000
5. Commodities	70	25	25	25	160	25	120	25	0	475
6. Local Costs (Through EGN)	450	997	1,021	1,120	1,175	1,170	1,070	879	731	8,613
7. Const. Incr./Cont.	55	267	361	408	423	361	366	169	83	2,493
Total	1,170	2,404	2,644	2,702	2,826	2,352	2,136	1,607	959	18,800
Cumulative Total	1,170	3,574	6,218	8,920	11,746	14,098	16,234	17,841	18,800	

2. Local Currency Costs

The management of A.I.D. and GON local currency costs under the Project will follow the local currency management procedures already in use for the Phase I Rapti Project with certain modifications as recommended by the Financial Management Analysis.

The Financial Management Analysis analyzed three aspects of project financial management: the budget formulation process, the budget release procedures, and the reimbursement process. The three segments are interrelated and problems in one area can and do have an impact on others. The general conclusion was that GON financial rules that govern these processes and procedures are strict and rigid, and it is the inability of the district line agencies to perform their duties within these rules that causes the most difficult financial management problems. This is particularly true with GON budget release procedures.

The major recommendations of the analysis are for improvements in the GON budget release system. These are first, to reorganize the Financial Management Unit under the PCO, and second, to provide a concerted training effort including three distinct but related training programs for the district line agency accountants, for the district officers incharge, and for the reimbursement section staff in the Financial Management Unit of the PCO.

A general recommendation is that greater financial management responsibility be decentralized to the District Treasuries. The present system centralizes authority for financial review and budget release in Kathmandu in the Office of the Controller General. This centralized system has proven to be very rigid, very time consuming for project managers, and incompatible with GON decentralization efforts. The RDP will help to strengthen the District Treasury Offices. These offices require greater authority to release funds and resolve accounting problems.

Another requirement for the smooth operation of the local currency system is that new local accounts be started for RDP. The grant agreement will require the GON to agree that new local currency accounts be opened with the start of the Project. The OCG may not withhold budget releases for RDP because of outstanding advances and audit objections from earlier years.

IV. Implementation Plan

A. Implementation Plan and Schedule

The life of project will be somewhat greater than eight years from the signing of the Project Agreement to the Project Assistance Completion Date of July 31, 1995. This will permit the Project to run for eight Nepali fiscal years (which begin in mid-July), and to

cover the entire period of the Eighth Five-Year Plan. This timing will facilitate continued collaborative monitoring, review and readjustment of project assistance by USAID and GON during the life of project.

As the Project builds upon the experience and implementation mechanisms of the Phase I Rapti Project, no special administrative structures or policies are required for project implementation. The annual planning and budgeting process will follow GON procedures established by the Decentralization Act and By-Laws, and the local currency budget release and disbursement process will follow established GON procedures. Similarly, USAID already has established project management systems from the Phase I Rapti Project that will be used for RDP.

1. GON Project Management

For the GON, the Ministry of Panchayat and Local Development will be the lead agency for the Project. MPLD will assure national level Project coordination: through policy level review which it will direct as Secretary for the GON Inter-Ministerial Integrated Rural Development Board; through semi-annual meetings of the PDP Steering Committee to review progress, provide guidelines and review allocations, and approve annual programs; and, through direct contacts with other ministries on project specific matters. The MPLD will also provide technical direction and support for district level project implementation through its Project Coordinator's Office in Tulsipur. The MPLD District Offices (i.e. IDOs) will be the district level coordinating offices for the Project in keeping with GON policy. Table 7 presents the organizational structure of the Project.

Since the Project will use existing GON administrative structure and policy and will build on the institutional base established by the Phase I Rapti Project, very few new GON personnel will be required over the life of project. As presented in the recurrent cost analysis of the Economic Analysis, it is expected that GON district agency staff will only be increased by approximately 55 positions above the existing approved level; this is only a 9 percent increase. If the staff of the Project Coordinator's Office is included, the overall effect will be only a 5 percent increase staff since the streamlined PCO will have approximately 50 employees, a reduction of 25 from the level in the Phase I Rapti Project.

The Project Coordinator's Office in Tulsipur will be headed by an MPLD Officer who will be the GON Project Coordinator. The Project Coordinator's Office will provide project implementation support to the LDO offices, the District Treasury Offices, and the district offices of agriculture, livestock, forestry and soil conservation. This support will include: technical support, training support, financial management, and project monitoring. The organization chart of the PCO is shown in Table 8 and detail on the structure and operation of the PCO is provided in the Administrative Analysis.

Rapti Development Project Organization Chart

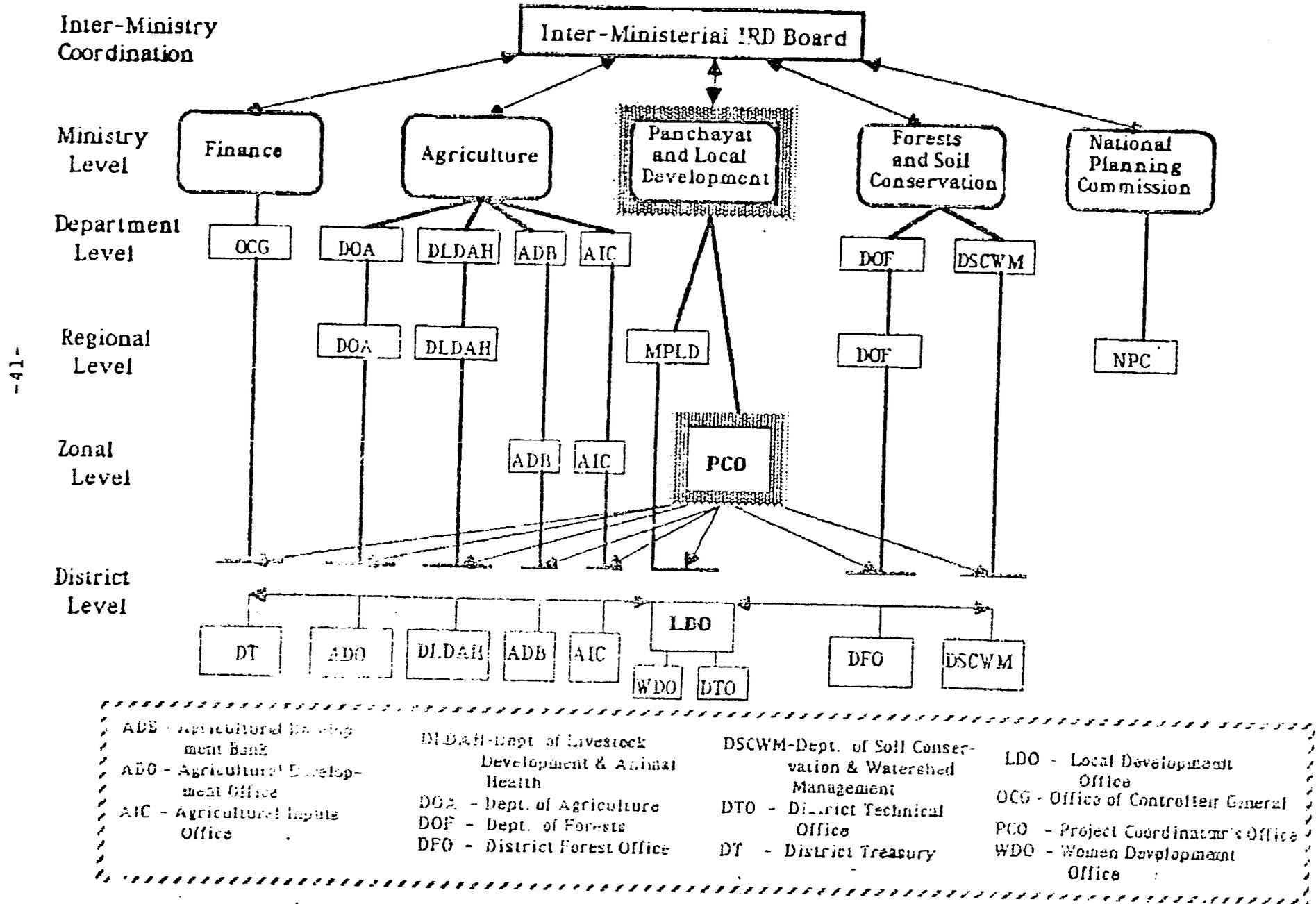
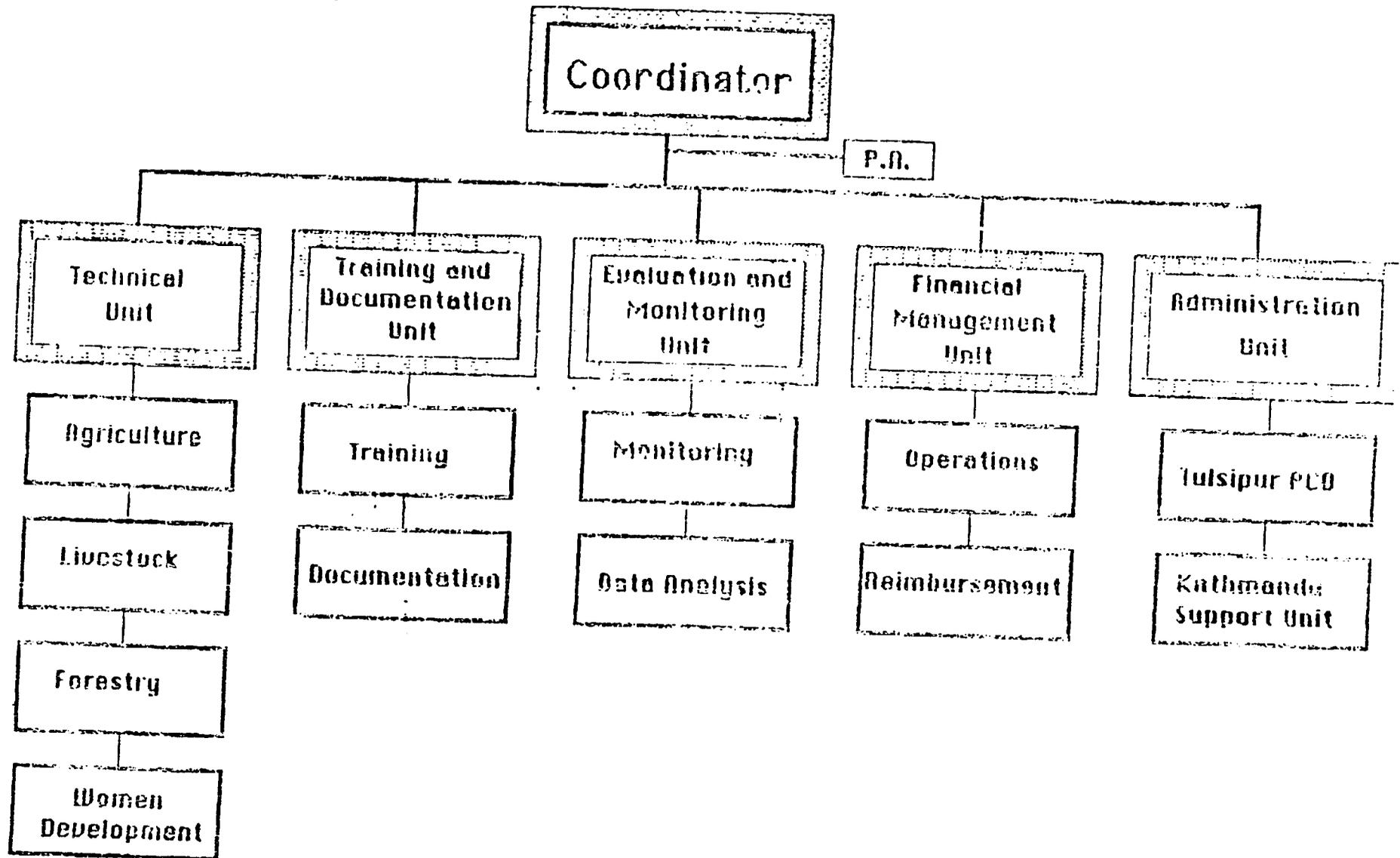


Table B

Project Coordinator's Office Organization



2. USAID Project Management

For USAID, project management will be handled by the Agricultural and Rural Development Office. A U.S. Direct Hire will be the Project Officer with overall responsibility for RDP. He will be assisted by four Nepali Officers who will be Assistant Project Managers for specific components and support areas of the Project and by an administrative and secretarial support unit. USAID will provide technical assistance, participant training, and commodities for the Project as presented below; will monitor project performance with the GON through the combined MEU as presented in the Monitoring Plan; and will participate in the annual budgeting, programming and review processes.

A USAID Project Committee has been established to provide review, policy guidance and implementation support within USAID for RDP. The USAID Office of Financial Management will provide financial management for disbursement of USAID funds directly and through a local currency working capital system with the Ministry of Finance. The USAID Office of Administrative Management will provide support for contracting and procurement. Participant training and general implementation support will come from the Project Development and Implementation Support Office and program and budget coordination within USAID will be provided by the Program Office.

3. Implementation Plan

A general schema of implementation inputs and outputs is presented in Table 9. The methods of implementation for each project element are summarized in Table 10, AID Methods of Implementation and Financing, and in Table 11, Summary of the AID Payment Process.

The annual planning and budgeting process will follow GON procedures established by the Decentralization Act and By-Laws, and the local currency budget release and disbursement process will follow established GON procedures. The major steps of these processes, and the related Project monitoring and review steps are presented in the Administrative Analysis. For project management the major steps in the annual cycle are:

- preparation of budget demand schedules and documentation for release of local currency budgets each trimester;
- providing to districts (September) of national program guidance and budget ceilings for planning of next year program for each project component;
- updating of Panchayat Resource Inventories with LDO (October/November) for use in making intra-district resource projections and allocations;

Table 9

Implementation Input and Output Flow Chart

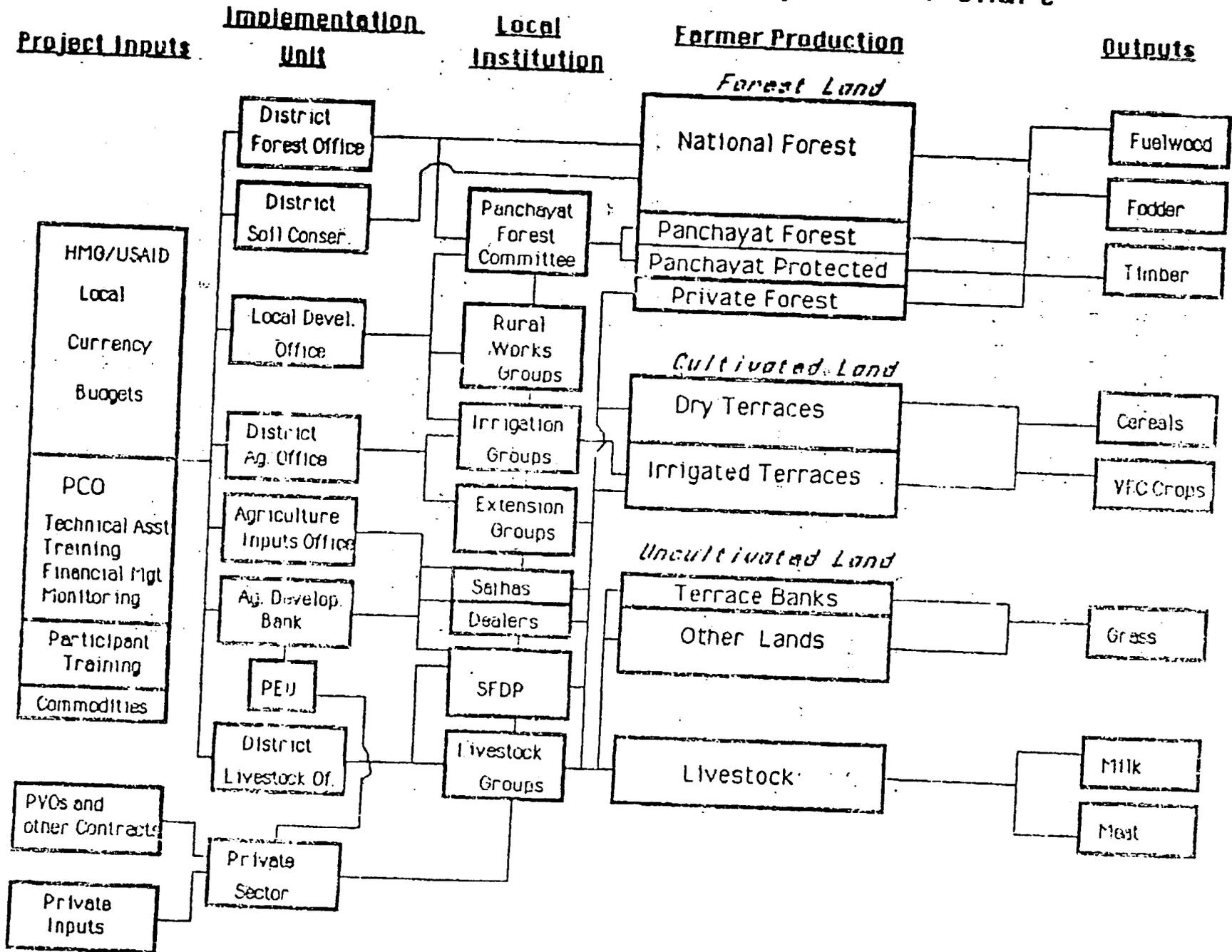


Table 10

AID Methods of Implementation and Financing

Type of Assistance	Contractor or Grantee	Method of Implementation	Method of Financing	Approximate Amount
I. Tech. Assistance				
A. Asst. to PCO	U.S. & Nepali Firms	AID Direct Contract	Direct Pay	3,946,000
B. Mat. Coordination	Nepali PSE	AID Direct Contract	Direct Pay	155,000
C. Special Studies	Nepali Firms	AID Direct Contract	Direct Pay	290,000
Subtotal Tech. Assistance				4,391,000
II. Local Group/Private Assistance				
A. Local Groups ADE/SFDP	U.S. PVO	AID Program Grant	Direct Pay	369,000
C. Private Enterpr. ADE	U.S. PVO	AID Program Grant	Direct Pay	659,000
D. Pnachayat Mgt.	AID/W Proj. Buy-in	AID Ordering Agmt.	Direct Pay	300,000
E. Horticulture Dev.	Nepali Firm	AID Direct Contract	Direct Pay	500,000
Subtotal Local Group/Private				1,828,000
III. Training				
A. U.S. Training	U.S. University	Placed by SM/IT	Direct Pay	200,000
B. Third-Country	TC Univer. or Inst.	TC USAID Direct	Direct Pay	635,000
C. In-Country Degree	Nepal University	USAID Direct	Direct Pay	165,000
D. In-Country Workshops	Local Firms/Indiv.	By BGN Agencies	Local Curr. System	1,250,000
Subtotal Training				2,250,000
III. Commodities				
A. Imported Commodities	U.S. TA Contractor	Contract	Direct Pay	340,000
B. Local Imported Commod.	USAID Procurement	Purchase Order	Direct Pay	75,000
C. Local Commodities	U.S. TA Contractor	Contract	Direct Pay	60,000
D. Local Commodities	Local Vendors	By BGN Agencies	Local Curr. System	350,000
Subtotal Commodities				825,000
IV. Local Currency Development Programs				
A. Program Support	BGN Dist. Agencies	BGN Standard Proc.	Local Curr. System	6,263,000
B. Rural Works	U.S. PVO	AID Program Grant	Direct Pay	750,000
Subtotal Development Program Support				7,013,000
VI. AID Contingencies				
				2,493,000
Project Total				18,900,000

Table 11
SUMMARY OF AID PAYMENT PROCESS
AND
FINANCIAL REVIEW OF PROJECT IMPLEMENTATION

<u>Type of Assistance</u>	<u>Method of Implementation</u>	<u>Method of Payment</u>	<u>Pre-Payment Review</u>	<u>Post-Payment Review</u>	<u>Audit</u>	<u>AID Internal Control</u>	<u>Comments</u>
Technical Assistance: Direct Contract	For-profit Contractor	Direct Pay	PO-ACC	N/A	IG	Good to Excellent	For services performed in field, Project Officer should have good basis for voucher approval.
Procurement: Direct Contract	For-profit Contractor	Direct Pay	PO-ACO	N/A	IG	Good	Full Mission review of contract charges.
Training: Direct Contract	For-profit Contractor	Direct Pay	PO-ACO	N/A	IG	Good	Full Mission review of contract charges.
Construction: Direct Contract	For-profit	Direct Pay	PO-ACO	N/A	IG	Good	Full Mission review of contract charges.
Misc. Grants: Host Country Contract	For-profit	Direct Pay	PO-FM	N/A	IG	Good	-

Note: PO - Project Office
ACO - Area Contracting Office
IG - Inspector General
FM - Financial Management Office

- clearing advances and regularizing audit objections at the end of each trimester in order to maintain a continuous flow of local currency resources;
- preparation and processing of reimbursement documentation to maintain working capital fund for the Project with the Ministry of Finance;
- review of prior year performance and setting of next year project targets and budgets by project management with district line agencies in November/December;
- approval of District Development Plan by District Panchayat and District Assembly in January;
- review and final approval of programs and budgets at national level in May/June.

These annual project implementation actions have not been included in the estimated timetable of implementation actions presented below, since they are part of an annual recurring cycle.

For the implementation of the RDP the major implementation actions, (part from the annual budgeting, programing, and review actions presented above), the responsible party, and the estimated timing are presented in the following timetable.

<u>Implementation Action</u>	<u>Responsible Party</u>	<u>Timing</u>
PP Authorized	USAID	March 1987
Grant Agreement Signed	USAID & MOF	March 1987
Technical Assistance TORs Completed and PIC/T drafted	USAID & MPLD	March 1987
Initial Conditions Precedent Met	GON	April 1987
Issuing of First Project Implementation Letter	USAID & GON	April 1987
Request for Technical Proposals Issued	USAID--AID/W	April 1987
Technical Proposals Received and Evaluated	USAID	July 1987
Project and Workplan and Budget Approved for NFY 2044/045	GON & USAID	June-July 1987
Technical Assistance Contract Signed	USAID	October 1987

First Annual Program Starts for NFY 2044/045 Programs	GON	July	1987
Arrival of Chief of Party and Long-term Advisors	Contractor	Oct./Nov.	1987
Negotiation of Local Contract for Horticulture Program	USAID	October	1987
Negotiation of Grants for SFDP and PEU Support to ADB	USAID; ADB	July-Nov.	1987
Completion and Approval by USAID and GON of Contractor Workplan	Contractor	December	1987
Setting up of Project Monitoring and Evaluation Unit (MEU)	USAID; GON	December	1987
Completion and Approval of Agro-Forestry Plans	Contractor USAID; GON	February	1988
Completion and Approval of Production Systems Demon- stration Plan	Contractor USAID; GON	May	1988
Approval of Project and Workplan and Budget for NFY 2045/046	GON & USAID	June	1988
Approval of Project and Workplan and Budget for NFY 2046/047	GON & USAID	June	1989
First Project Evaluation/Audit	Outside Contractor	January	1990
Preparation of GON Eighth Five-Year Plan	GON	March	1990
Project Revised Based on Evaluation and GON Five-Year Plan	USAID; GON	June	1990
Approval of Project and Workplan and Budget for NFY 2046/047	GON & USAID	June	1990
Approval of Project and Workplan and Budget for NFY 2047/048	GON & USAID	June	1991

Approval of Project and Workplan and Budget for NFY 2048/049	GON & USAID	June	1992
Approval of Project and Workplan and Budget for NFY 2048/050	GON & USAID	June	1993
Second Project Evaluation/Audit	Outside Contractor	November	1993
Approval of Project and Workplan and Budget for NFY 2050/051	GON & USAID	June	1994
Project Assistance Completion Date		July 31,	1995

B. Procurement Plan

1. Technical Assistance

The major contract will be with a U.S. firm in combination (either joint venture or subcontract) with a Nepali firm for providing technical assistance to the GON for project implementation. The contractor will provide advisors and technical support to the district implementing agencies through the Project Coordinator's Office. In addition to this major contract, some technical assistance to basically nongovernmental project activities (i.e. local groups and private enterprise) will be provided by several grants with Private Voluntary Organizations, and contracts with local Nepali firms. An illustrative plan for the types and duration of technical assistance to be provided is presented in Table 12, Technical Assistance Plan.

For the major technical assistance contract, A.I.D. will contract directly for the required services following U.S. Government Federal Acquisition Regulations. The contract will be a cost reimbursable type contract for technical services. Because of the nature of the Project, the wide range and specialized type of technical services required, and the difficulty of staffing and implementing projects in remote areas of Nepal, USAID has concluded that the Project is not suitable for a set-aside, neither as a small business nor minority contract. Full and open competition will be utilized to select the best qualified contractor capable of providing the technical advisors, consultants, and support services needed for effective field implementation of this large and complex project. Small businesses and women or minority-owned firms will be encouraged to offer proposals for this contract individually or in association with other firms.

It is planned that contract evaluation will be done in Kathmandu by USAID in cooperation with the GON. Contract negotiations will done in AID/Washington, since it appears that a Regional Contracting Officer will not be available for negotiating the contract in Kathmandu.

Host country contracting was considered and determined not to be appropriate for this contract. MPLD has not done this type of contract with a U.S. firm, and prefers to have A.I.D. assume administrative responsibilities for the contract. The GON will, however, review and provide clearance prior to the arrival in Nepal of all the key contractor personnel.

The technical assistance contractor will provide technical assistance for project implementation through the PCO. Contractor employees will be given offices in the PCO and will be under the appropriate PCO Division Chief and under the overall technical direction of the Project Coordinator. If space is available, the contractor will also be given an office in the PCO for its administrative support staff. Housing facilities in the PCO will not be sufficient for lodging all contractor employees. The contractor will need to rent some housing in Tulsipur.

To support the local group and private enterprise programs several separate small grants and contracts are planned. These are:

a) a grant to a Private Voluntary Organization to provide technical support to the Agricultural Development Bank for broadening the Appropriate Technology Unit into a private enterprise development unit;

b) a grant to a Private Voluntary Organization to provide technical support to MPLD and ADB for implementation of the rural works bridges and irrigation program.

c) a contract with a local Nepali firm to provide technical support and training to farmers for private vegetable, horticulture and cash crop development in the Rapti Zone;

d) an ordering agreement from an AID/Washington project to provide consultants from a U.S. based cooperative organization to the Agricultural Development Bank for developing and implementing a pilot program for establishing independently managed small farmer development groups at several sites in the Rapti Zone;

e) an ordering agreement with the AID/Washington Decentralized Finance and Management for Development Project to provide technical support to MPLD for developing and implementing a pilot program for better operating and maintaining rural works, irrigation and community forestry by effectively integrating local user groups into the Panchayat structure.

All project contractors and grantees will be required to prepare workplans and to submit trimester and annual reports in the format provided by AID. Reports will also be submitted for short-term consultants and additional technical reports may be prepared as appropriate and as agreed with USAID and the GON.

Table 13:

Illustrative Peace Corps Assistance Plan

Position	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Person/No. Years	PCVs
A. Agriculture and Livestock										
1. Dang - Production Systems Site										
2. Dang - Technical Resource Center									8.0	4
3. Pyuthan - Production Systems Site									6.0	3
4. Salyan - Production Systems Site									6.0	3
4. Rolpa - Horticulture									8.0	4
5. Rukum - Horticulture/Musikot Farm									6.0	3
-- Subtotal Agriculture and Livestock --	2	4	6	6	6	6	6	4	6.0	3
B. Forestry										
1. Dang - Community Forestry									8.0	4
2. Dang - Agro-Forestry									4.0	2
3. Pyuthan - Community Forestry									8.0	4
4. Salyan - Community Forestry									8.0	4
5. Rolpa - Community Forestry									8.0	4
6. Rukum - Community Forestry									8.0	4
-- Subtotal for Forestry --	5	5	6	6	6	6	5	5	44.0	22
C. Local Development Office										
1. Dang - DTO Rural Engineering									2.0	1
2. Dang - Planning & Data Analysis									4.0	2
3. Dang - Women in Development									4.0	2
4. Pyuthan - DTO Rural Engineering									4.0	2
5. Pyuthan - Planning & Data Analysis									2.0	1
6. Pyuthan - Women in Development									4.0	2
7. Salyan - DTO Rural Engineering									2.0	1
8. Salyan - Planning & Data Analysis									6.0	3
9. Salyan - Women in Development									8.0	4
10. Rolpa - DTO Rural Engineering									4.0	2
11. Rolpa - Women in Development									8.0	4
12. Rolpa - Planning & Data Analysis									2.0	1
13. Rukum - DTO Rural Engineering									6.0	3
14. Rukum - Women in Development									8.0	4
-- Subtotal for Local Development Off --	8	8	8	8	8	8	8	8	64.0	32
D. Agricultural Development Bank										
1. Dang - Private Enterprise Develop.									8.0	4
1. Pyuthan - Private Enterprise Devel.									4.0	2
-- Subtotal for Ag. Development Bank --	1	1	1	1	2	2	2	2	12.0	6
Total Peace Corp Volunteer Assistance	16.0	18.0	21.0	21.0	22.0	22.0	21.0	19.0	160.0	180.0

During each year of the Project there will be about 20 Peace Corps Volunteers (PCVs) working with district line agencies to provide technical support for project field activities. The PCVs will primarily be assigned at the subcenter level and work with a GON counterpart to assist local farmer groups. The PCVs will provide support for agriculture (particularly horticulture), livestock, forestry, women in development, rural works, and private enterprise. An illustrative plan for Peace Corps Volunteer Assistance for the Project is provided in Table 13.

2. Commodities

Foreign procurement under RDP will be conducted by USAID, mostly through the technical assistance contractor who will act as procurement agent for procuring and importing major commodities. Some supplementary procurement and any required special procurement assistance will be provided by the USAID Procurement Office.

Local procurement under RDP will be conducted by the relevant GON implementing agency. This procurement will be identified in the annual programming and budgeting process and will be financed through the local currency system, as described under the financial management plan.

The list of equipment/commodities to be procured under the Project is provided below. The listed items represent the general needs of the Project over its eight year life span. More exact details and specifications will be furnished in the Project Implementation Orders for Commodities (PIO/C's) which will be approved by USAID and the GON prior to procurement.

<u>Quantity</u>	<u>Commodity</u>	<u>Unit Cost</u>	<u>Total Cost</u>
<u>Motor Vehicles</u> -----			
15	All terrain, four wheel drive vehicles, right-hand drive, diesel powered.	16,000	240,000
20	Trail motorbikes, rugged all-terrain, 125 cc.	1,500	30,000
<u>Technical Equipment</u> -----			
	Office equipment: including photocopy machines, typewriters, small computers, hand calculators, and other small items		70,000

Technical equipment: including survey equipment, drafting equipment, special agriculture, livestock and forestry, equipment, and general extension equipment.	35,000
Maintenance equipment: including tools, spare parts, etc. for maintain offices, houses, and technical equipment.	10,000

Household Equipment

Household equipment: refrigerators, gas stoves, electric generators, small appliances, etc.	20,000
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-
TOTAL AMOUNT

475,000

The authorized sources of procurement for the Project are Geographic Codes 000 (United States) and 941 (Less Developed Free World Countries) and Nepal. Procurement will be accomplished in accordance with AID regulations and good commercial practices. As a matter of procedure PIC/C's will be prepared and approved by USAID and MPLD for vehicles and other major imported commodities.

A source origin waiver has been approved to allow USAID to procure some items from Geographic Code 935 countries (Developed Free World). These are items that have a unit price not exceeding \$5,000. The total amount approved for this waiver of source and origin is \$100,000.

Since this Project will continue many of the activities undertaken under the Phase I Rapti Project, equipment and materials that were purchased under the Phase I Project and that are still operational will be retained for use by RDP. USAID will conduct a thorough review of the existing equipment and agree with the GON on which items will be retained for use by RDP. This will substantially reduce the amount of new procurement required, though some repair and refurbishing of existing equipment will be required.

C. Training Plan

The RDP will involve substantial amounts of both: 1) participant training involving foreign and some in-country training provided directly by USAID; and, 2) local training involving seminars and workshops at the zonal, district and subdistrict level funded under the local currency budget and supported by project contractors.

An illustrative participant training plan is presented in Table 14. The Project will provide for third country academic training at the Master level for 12 participants, for in-country academic training at the Bachelor of Science level for 24 participants, and for short-term technical training for 27 persons in the U.S., 67 persons in a neighboring developing country (Third Country), and 160 persons in special technical training in Nepal. A participant will have to have worked for a least two years in the Rapti Zone to be eligible for academic training and a least one year to be eligible for technical training.

Nominations for project funded participant training will follow the same procedures used for the Phase I Rapti Project. Training slots will be identified in cooperation with the PCO and agreed to by USAID and the GON each year in a Project Implementation Letter (PIL) for Participant Training. Recommendations for nominations will be made by the relevant district offices and the PCO and sent through the department to the national level. At the national level the departments will forward nominations from their ministry to the Ministry of Finance for official transmittal to USAID. The USAID project office will monitor and expedite the nomination process and will review and approve nominations for USAID. Preparation of the USAID training documentation, placement of participants, processing for departure and follow-up after departure will be handled USAID.

An illustrative local training plan is presented in Table 15. The training is presented by GON office that will be organizing and implementing the training. The chart also identifies which technical advisors will be responsible for working with the implementing agencies to further define, to organize, and to give the identified training. Most of the budgets for this local training will be planned during the annual budgeting and programming process and released through the GON. However, some technical support, trainers and materials for training will be provided by the technical assistance contractor.

Table 14:

Illustrative Participant Training Plan

Type of Training	Department	Subject	Person-months per Project Year								Total Persons
			Yr.: 1	2	3	4	5	6	7	8	
I. Third Country Degree											
A. RD Management	MPLD	Planning, Management, Engineering	6	24	36	30	18	6	0	0	5 - 24 mths/person 3 - 24 mths/person 2 - 24 mths/person 2 - 24 mths/person 1 - 24 mths/person
B. Agriculture	DOA	Extension, Horticulture, Marketing	6	18	24	18	6	0	0	0	
C. Livestock	DLDAH	Extension, Nutrition, Fodder Prod.	0	6	18	18	6	0	0	0	
D. Forestry	DOF	Extension, Management, Agro-Forestry	0	6	18	18	6	0	0	0	
E. Soil Conser.	DSCWM	Extension, Management	0	6	12	6	0	0	0	0	

12 - 24 mths/person											
II. Third Country Technical											
A. RD Management	MPLD	Planning, Management	2	4	6	6	4	4	2	0	14 - 2 mths/person 9 - 2 mths/person 9 - 2 mths/person 9 - 2 mths/person 8 - 2 mths/person 6 - 2 mths/person
B. Agriculture	DOA	Farming Systems, Extension	2	4	2	4	2	2	2	0	
C. Livestock	DLDAH	Farming Systems, Extension	2	4	2	4	2	2	2	0	
D. Forestry	DOF	Agro-Forestry, Extension	2	4	2	4	2	2	2	0	
E. Soil Conser.	DSCWM	Extension, Watershed Management	0	4	2	4	2	2	2	0	
F. Financial Mgt	OCG	Financial Management, Accounting	0	4	0	4	0	4	0	0	
G. Engineering	DTO	Rural Engineering & Construction	0	4	0	4	0	4	0	0	

61 - 2 mths/person											
III. U.S. Technical											
A. RD Management	MPLD	Planning, Management	2	2	2	2	2	2	2	0	7 - 2 mths/person 3 - 2 mths/person
B. Agriculture	DOA	Farming Systems, Extension	0	0	2	0	2	0	2	0	
C. Livestock	DLDAH	Farming Systems, Extension	0	2	0	2	0	2	0	0	
D. Forestry	DOF	Agro-Forestry, Extension	0	0	2	0	2	0	2	0	
E. Soil Conser.	DSCWM	Extension, Watershed Management	0	2	0	2	0	2	0	0	
F. Financial Mgt	OCG	Financial Management, Accounting	0	2	0	2	0	2	0	0	
G. Engineering	DTO	Rural Engineering & Construction	0	2	0	2	0	2	0	0	

25 - 2 mths/person											
IV. In-Country Degree & Technical											
A. Engineering	MPLD	BSc. Engineering	0	12	36	60	60	36	12	0	6 - 36 mths/person 6 - 36 mths/person 6 - 36 mths/person 6 - 36 mths/person 160 - 1 mth/person
B. Agriculture	DOA	Certificate or BSc. Agriculture	0	12	36	60	60	36	12	0	
C. Livestock	DLDAH	Certificate or BSc. Livestock	0	12	36	60	60	36	12	0	
D. Forestry	DOF/DSCWM	Certificate or BSc. Forestry	0	12	36	60	60	36	12	0	
E. Technical	All	Special Tech Trng. at Local Inst.	0	20	30	30	30	30	20	0	

IV. MONITORING AND IMPACT ASSESSMENT PLAN

A. Introduction

Since most of the activities to be undertaken by the RDP will involve strengthening already existing programs in the areas of agriculture, livestock, forestry, and local institutional development it is not expected that the usual start-up problems will be as severe in this Project as is the case with many new projects. Similarly, based on existing structures and procedures for data collection and monitoring that have been established under the Phase I Rapti Project, it will be possible to have the RDP Monitoring and Evaluation System (MES) fully operational from the start of the Project. In fact, for the most part the MES represents a continuation and refinement of monitoring activities that are currently underway. The major change will be to establish a Project MES that is jointly supported by USAID and the PCO and serves project management in both USAID and the GON. For this to occur, three changes will be made.

First, the Project Coordinator's Office will not be responsible for preparing a zonal project report of physical target progress and financial status according to standardized GON reporting forms. Since RDP is a district focused project, this type of GON reporting will be done at the district level under the coordination of the LDO. Copies of the district reports will be sent to the Project Monitoring and Evaluation Unit (MEU), and the MEU will use some data from these reports. However, the MEU will not recompile and publish these reports on a zonal basis as was done under the Phase I Rapti Project.

Second, the RDP monitoring system will be based on the indicators in the Monitoring and Impact Assessment Plan that have been mutually agreed to by USAID and the GON. These indicators include data for measuring impact, monitoring performance, and relating the Project to the wider development context of the Zone. The main indicators are summarized below and presented in detail in the RDP Monitoring and Impact Assessment Plan in the Log Frame Matrix, Annex E.

Third, the Project MEU will be primarily staffed and operated by the technical assistance contractor, and the contractor will be responsible for producing the trimesterly and annual monitoring reports. The GON will assign a Monitoring and Evaluation Officer and a Data Analyst to the PCO. The technical assistance contractor will provide one Nepali Monitoring Advisor (Agricultural Inputs Monitor), and one Nepali Data Analyst to support monitoring activities. USAID will have Nepali Assistant Project Managers who will provide policy guidance and some field assistance for MEU activities. This new structure should improve the effectiveness and efficiency of the MES without any increase in staff.

An annual ME report will be prepared in Nepali and in English. This report will be as succinct as possible with an emphasis on problem areas and policy recommendations. The report will be a key element in annual project reviews at the project and the district levels.

B. Users of the Information

The users of the information will be: 1) the district implementing agencies--the offices of agriculture, livestock, forestry, soil conservation, and local development; 2) project managers in the PCO/MPLD and in USAID; 3) regional and national offices of the Ministries of Agriculture, Forests and Soil Conservation, and Panchayat and Local Development; and, 4) the National Planning Commission and Ministry of Finance. The MEU will work as a project liaison for monitoring between the district implementing agencies and the national monitoring systems of the involved GON Departments. The MEU will maintain professional contacts with the Planning and Monitoring Units of the relevant GON Departments and with special units under similar projects such as the monitoring and evaluation unit of the Community Forestry Development Project.

C. Institutional Locus

The institutional locus of the MEU will be the PCO in Tulsipur and the USAID Project Office in Kathmandu. As explained above, the MEU will be a joint operation of the PCO and USAID and will provide a consolidated monitoring report for A.I.D. and GON use. The MEU will develop the terms of reference for the special studies presented below which will be locally contracted by the PCO or by USAID.

D. Project Goal, Purpose, and Output Questions, Indicators, and Methodologies

The MEU will examine the following questions during implementation. Indicators and data collection methodologies are summarized below.

1. Project Goal: The goal of the Project is to improve the balance among population, land and natural resources, and thereby assist the GON to achieve its goal of improving rural life.

-- Goal Level Question: What impact is RDP having on the overall balance among population, land and natural resources in the Rapti Zone?

-- Indicators: Contextual indicators will include agricultural production, agricultural potential, forest cover, population, and nutritional status of population and livestock.

-- Data Collection Methodology: Data will come from national statistics, aerial photos and remote sensing information for the Zone.

2. Project Purpose: The Project's purpose is to increase agricultural and forestry production through local capacity building.

-- Purpose Level Question: To what extent has production increased in Project target areas and with Project target groups?

- Indicators: Impact indicators will be cereals and horticulture production increases, livestock productivity improvements, afforested areas, and local groups managing production resource systems in Project target areas.
- Data Collection Methodology: Data will come from administrative records, field inspections, rapid low-cost surveys, and aerial photography.

3. The outputs to achieve these objectives involve the specific outputs for each project component as presented in Section II.C., above, and in the Log Frame Matrix, Annex E.

- Output Level Questions: What types of inputs and services were most important for increasing production? What factors have most influenced farmer adoption of improved technologies? Has well has agricultural and livestock production been integrated with improved forest and natural resources management? How well can farmers and local groups maintain and sustain project benefits.
- Indicators: Output indicators for each program are provided above in Section II.C., and in the Log Frame Matrix, Annex B.
- Data Collection Methodology: The following types of data gathering methods will be used: administrative records, surveys, inspection check list, ground photopoints, rapid low-cost studies, and aerial photography. The use of each is presented in the Monitoring and Impact Assessment Plan.

E. Special Studies

The MEU will undertake or commission special studies, such as:

1. Technology Adoption: Through a rapid, low-cost study (RLCS) the Project can identify bottlenecks constricting the process of agricultural development. More importantly, perhaps, opportunities to move forward can be recognized with the aid of farmers themselves. The RLCS will be conducted in five "representative" Panchayats with Block Production programs. These Panchayats will be selected to cover a range of cropping conditions. The RLCS will involve about three weeks of field work (5 Panchayats x 4 days per Panchayat) and 2-3 days of report preparation. The study team will have three members including at least one agricultural scientist and one social scientist. One member at least should be a woman. One member may be from USAID, local consultants will constitute the rest of the team. The RLCS will be repeated annually but at different seasons and with the choice of at least three different Panchayats. The report should be concise and focussed on policy recommendations.

2. Agricultural Input Supply and Use: A survey of farmer's in the high potential target areas will be undertaken to monitor agricultural input availability and costs. This survey will be conducted by the MEU as a regular project activity under the technical direction of the Agricultural Inputs Monitor. It will be conducted on a monthly basis beginning just prior to and continuing through the growing season. The data will be collected by enumerators in the selected Panchayats under the supervision of the Agricultural Inputs Monitor who will be posted in the PCO.

3. Forestry Participation: In order to identify bottlenecks and to recognize opportunities for improving community forestry activities a rapid, low-cost study (RLCS) is recommended. This RLCS will be undertaken annually for at least the next three by a study team of three persons. The general guidelines for the RLCS are the same as for the cereals technology adoption survey. The RLCS will include sites in four districts and take about one month to complete. PCVs may be included on the study team to assist with these studies.

F. Feedback

The MES is designed to provide timely feedback of information to decisionmakers in the GON implementing agencies at the district and national levels and in USAID. As a management tool first and foremost, it must supply information to managers who are in a position to effect changes in the manner in which the Project is run. Thus information coming from the MES must be concise and tightly focussed. A MES is most important in a project like the RDP because of the Project's process orientation. As a consequence of this process orientation the MES needs to monitor such factors as people's participation in community forestry; the gender, caste, and class of project beneficiaries (and losers); and the social as well as technical constraints to the dissemination of agricultural technologies. Regular monitoring of such factors can form the basis of regular evaluation of project strategy and tactics.

G. Budget

Approximately 1 percent of the budget for RDP has been designated for data collection, monitoring and analysis. This total of \$270,000 includes funding for two scheduled evaluations plus the following:

- Office Space for the MEU in the PCO, Tulsipur and in USAID, Kathmandu;
- Staff of one USAID officer, two GON officers and two enumerators;
- Two long-term contracted Nepali advisors for data analysis and agricultural inputs monitoring;
- Six months of short-term technical assistance to assist with survey design, data collection and analysis;
- Administrative and logistic support for field work and report preparation.

VI. SUMMARY OF PROJECT ANALYSES

A. Technical Analysis

The Rapti Development Project (RDP) strategy draws heavily on the experience of the Phase I Rapti Project. In particular, RDP's technical components have been designed to strengthen performance in the application of more productive technologies of agricultural and forestry resource management at the local level by local people themselves. Virtually all of the technologies to be supported under the Project exist either in the Rapti Zone itself or in Nepal. The overall technical strategy of the Project is to increase the diffusion and adoption in the Zone of the most successful of these as demonstrated in previous trials and by experience with the Phase I Rapti Project. RDP is thus directly complementary to many USAID and other donor projects that are developing these more productive technologies and methodologies. Furthermore, RDP's technical components have been designed to contribute to further refining the outputs of such national level programs so that they better meet needs at the local level and better fit the characteristics of still-developing delivery systems.

The strategy is innovative in that it focuses much more on local initiative, management, and maintenance of improved technologies than most other projects. It is straightforward in the types of technologies it will support and how this will be accomplished. It is flexible in that specific targets and programs can and will be altered based on the preparation of annual implementation plans prepared by the 5 districts in Rapti and on requests received by Panchayats and private investors willing to contribute resources to the Project.

To improve the quality of development information and services, RDP will use data from the Land Resource Mapping Project (LRMP) and from field surveys and monitoring to develop Panchayat Resource Inventories (PRIs). The PRIs will provide a better technical basis for district-level planning. This technical database will be supported by improvements in field monitoring and data collection that will come from RDP support for the development and use of more specific procedures for farm and village-level data collection and analysis in the agriculture, livestock, and forestry program areas. This work will be patterned after procedures used in the cereals production program's Pre-Production Verification Trials (PPVTs) and will involve the development of record-keeping skills among local people and lower level GON technical staff.

To improve the two-way flow of development information and the delivery of services, RDP will help to improve communications in four areas: at the local level between farmers and GON district agencies, at the local level between farmers and private enterprises and support groups; at the district level between complementary programs of GON line agencies; and at the district/national level between district line agencies and national support and research programs.

Finally, to improve the focus of project resources, RDP strategy is for cost-effective targeting of project resources through geographically focused and time-phased programs. Implementation of this strategy will include the concentration on getting more productive technologies applied well in a few places first. These demonstration sites will be chosen to: focus the cereal production program on high potential areas where proven technology already exists; focus forest management efforts where local community and/or private interests are strong; focus livestock efforts on fodder production and utilization (e.g., stall feeding) to bring these areas into balance with current GCN emphases on health and improved breeds; focus horticulture efforts where private farmer interest is already strong; and focus the conservation and stabilization efforts on critical areas which, although in danger, have not yet been drastically degraded. Because of the important interrelationship of agriculture, livestock and forestry in the local production system, the PRI will be used to identify common sites for the above foci so that at several sites two or more agencies will work together in a few specific program areas. Similarly, at each site emphasis will be given to identifying a few specific activities where short-term (immediate) returns have high potential and to choosing technical interventions which build on existing patterns of resource management and existing skills of line agency staff and local people.

This general strategy approach applies to each of the technical components for agriculture, livestock and forestry. A summary of each component was provided in Section II. C., above. The complete Technical Analysis covering the Project agriculture, livestock and forestry components is available from the USAID Rural Development Office.

B. Economic Analysis

1. The Economic Environment

Until recently Nepal has been facing both a serious balance of payments problem and significant budget deficits. Associated with these problems are delays in the implementation of development programs and an inability to provide for the operation and maintenance of existing projects. In response to these problems the GCN has established a stabilization policy which included devaluing the Nepalese rupee and pegging it to other currencies, reducing the growth of regular budget expenditures, and increasing tax revenue collections. Attempts are also being made to improve the management of development projects and provide more funds for the operation and maintenance of on-going projects.

Key to the improvement in the balance of payments will be projects, including and especially agriculture projects, which can produce export income or reduce imports. Budget control will depend upon continued improvement in domestic resource mobilization. If, through poor management or poor agricultural harvests, the above problems are not addressed, the success of the RDP could be compromised.

RDP strategy and expected outputs are supportive of priority national economic need since agricultural production increases and sustained growth resource management are required to improve both the standard of the living of people of Nepal and to improve the country's balance of payments situation. The Project will achieve increased agricultural production through technology transfer and improved resource management. Improved resource management importantly involves improvements in budget management. This includes improved foreign aid utilization, domestic resource mobilization, provisions for recurrent costs, better public enterprise management and a cohesive policy linking agriculture, both cereal and cash crops, to livestock and forestry.

GON development budget spending for agriculture, livestock and forestry in the Rapti Zone will rise somewhat during the early years of the Project, then decline in the latter years as complementary programs for local group and private sector development take hold. RDP will stress improvements in the effectiveness and efficiency of present GON staff and require only slight increases above existing staffing levels. If RDP strategies and programs for local resource mobilization and local management for sustained yields are successful, GON recurrent costs will not increase in real terms, and may even decrease somewhat as a result of the Project.

2. Summary Economic Analysis

The overall economic analysis of the Project is based on benefit and cost streams estimated over a twenty-year period for agricultural and livestock programs and over a thirty-year period for forestry programs. In addition to all direct Project costs, the costs estimates also include various component assumptions for recurrent costs, the contingency cost estimate in the first eight years of the analysis and both financial and economic costs for fertilizer. Other shadow price adjustments were also included.

The summary results of the financial and economic analyses appear in Table 16. Both the Financial Internal Rate of Return (FIRR) and the Economic Internal Rate of Return (EIRR) for the Project are approximately 11 percent, which is a very good internal rate of return given the institution building components of the Project for which benefits were not estimated.

Several types of sensitivity analysis were performed. For the first sensitivity analysis costs were increased by ten percent and benefits reduced by ten percent. Costs could be greater for a number of reasons including an underestimate of actual or recurrent costs, larger relative inflation for costs, increased fertilizer subsidies, or the failure of the community forestry project, which would increase DCF costs. Benefits would also drop if the dispersal of project funds does not improve over present performance or any of the given production targets or price assumptions for forestry, agriculture or livestock are overestimated. With this ten percent increase in costs and ten percent reduction in benefits, the FIRR and EIRR are each reduced to 8 percent.

On the other hand, benefits have been underestimated in the overall analysis. Even should the relatively conservative cereal crop benefits prove accurate, the unestimated benefits* would ideally be counted. As a crude measure of these benefits the total benefits used in this analysis were sequentially increased by 10 percent and 20 percent. For a 10 percent increase in benefits the resulting FIRR and EIRR are 13 percent, and for a 20 percent increase in benefits the FIRR and EIRR are increased to 14 and 15 percent, respectively.

The results are encouraging. Cereal, livestock, and forestry benefits can be substantial even when making conservative estimates which account for slack or less than optimal performance of the activities and institutions designed to achieve these benefits. Significant gains can be achieved in agricultural production even should fertilizer supplies, technology transfer, and credit availability be less than expected. If however, performance in these areas improves substantially, their results could be spectacular and serve as a model for other efforts in Nepal.

As designed the RDP has a significant production potential which can contribute to the solution of budgeting and balance of payments problems. Because of the quality of the baseline data, project activities can be focused; thereby improving qualitative and quantitative results. Since the RDP is designed to improve local groups, enterprises and institutions, it also has a great potential for reducing the long term recurrent costs to the GON. Should the Project effort go awry, the GON would likely not be able to cover the recurrent costs. The benefits will accrue only if the GON

* The RDP activities where benefit estimation was not possible include: 1) private sector activities leading to production of vegetables, fruit, and cash crops; 2) private tree nurseries; 3) soil conservation benefits of DSCWM as well as agriculture, forestry and livestock activities; 4) irrigation maintenance and bridge construction 5) agro- forestry tree and cash crop production; and 6) other production systems benefits with potential for improved fodder and composting techniques. Potential synergistic benefits could be also be considered.

Table 16

Summary of Economic and Financial Analyses

('000s \$)

Component	Total 1/ Benefits	A.I.D. Project Costs	GDN Project Costs	Total Financial Costs	Total Economic Costs	FIRR 4/	EIRR 5/
Cereals	48,336	2,415	2,415	19,113	21,785	0.55	0.51
Livestock	15,588	1,072	1,072	5,757	5,757	0.17	NC
VFC Crops	2,924	225	225	620	620	NC	NC
Forestry	56,555	1,521	1,521	6,865	4,932	0.21	0.27
Agro-Forestry	2,367	200	200	2,050	1,802	NC	NC
Soil Conservation		867	867	3,388	2,848	NC	NC
Other Components 2/		2,314	2,314	9,975	9,488		
Other Costs 3/		10,167	0	11,427	11,427		
Aggregate	125,770	18,800	8,613	59,195	58,659	0.11	0.11

1/ Benefits are measured somewhat differently for each component:

- Cereal production benefits are 15% of production increases over 20 years.
- Horticulture benefits are 15% of production increases from major fruits trees over 22 years.
- Livestock benefits are 50% of production increases from improved breeding only.
- Forestry benefits are 100% of increased production at medium price level over 30 years.
- Agro-Forestry benefits are 50% of production increase for 20 years.

2/ Other components for which benefits were not estimated include:

- 1) private sector activities producing vegetable and cash crops;
- 2) private tree nurseries;
- 3) soil conservation benefits of DSCWM and other programs;
- 4) rural works involving irrigation rehabilitation and bridge construction;
- 5) roads maintenance;
- 6) women in development programs;
- 7) district planning and coordination and zonal project support;
- 8) possible synergistic benefits.

3/ Other costs include A.I.D. direct costs for technical assistance, local group and private sector assistance, participant training, imported commodities, and contingencies;

Peace Corps volunteer costs are also included in the total financial and economic costs.

4/ Financial Internal Rate of Return

5/ Economic Internal Rate of Return

successfully implements the Project, providing funding as required, and among other things, improving national and local resource mobilization. The other important assumptions are summarized below:

- Agricultural inputs will need to get to both the Mountain and Dang districts of the Rapti Zone. The current rate of increase will need to continue to accrue the benefits assumed in this analysis.
- Livestock benefits require successful nutrition, i.e., fodder from forestry activities.
- Community forestry will have to work and restraint in grazing and fuelwood use is probably a necessary condition for success.
- For successful agricultural, livestock and forestry production results, local entrepreneurs, groups and institutions will have to become more involved and more effective.

3. Summary Financial Analysis

a. Participation in the Project

The target group of the RDP is the farmer of Rapti Zone who will adopt the technologies (crop production forestry, livestock, horticulture) supported under the Project. Of special concern are the small and poor farmers who live at or below the subsistence level but possess two important resources i.e. land and labor.

Different numbers and types of farmers will participate in the different programs of the RDP. The important activity from the immediate economic/financial impact is the crop production program. This program has two primary steps Pre-Production Trials (PPVT) and Block Production. The Project approach to introducing new farm practices based on improvements in existing farm practices rather than requiring new practices is designed to facilitate increased participation. Similarly increased farmer participation is also expected in horticultural and livestock programs which are focused on improving and intensifying the present integrated farming system and providing increased farm cash income.

In case of forestry program farmers' participation will be in the management of the forest land and plantation in degraded forest. Here the individual farmers' participation will not be as direct as in case of agricultural but will be through the Panchayat and/or a local user groups.

Above all, farmers' participation in the Project will be forthcoming because of another basic approach of the Project (i.e. the programs under the Project will be implemented as GON's regular development program instead of being a separate thrust). The Project is formulated to help the GON implement its program more effectively and in a systematic way.

b. Effects on the Participants

The forestry program is communal in nature. Two important effects on the individual participant are: 1) increased availability of fuelwood, fodder and either which are important inputs that contributes to the typical agricultural production cycle; and, 2) saving in the human labor that is devoted in the collection of fuelwood, fodder and litter. The later is specially significant when one regards the extent of woman labor involved in collecting these products from distant locations.

For cereal production, the increased yield or production will have strong positive benefits for the participants who mostly are subsistence farmers. The high and medium level yields (excluding above exception) are higher (by 20 to 50 percent for different crops) than local technology. Also the output price per unit under those technologies are slightly higher than under local technology. The resulting gross margin differences are 21 to 187 percent in the case of paddy and 41 to 176 percent in case of wheat. However, in case of maize the differences is less than paddy and wheat. The differencc ranged between -10 to 83 percent.

The margins are the averages and therefore should be taken as indicative. Nonetheless, data do indicate that it is financially profitable to the participant to follow these technologies. Thus, the strategy should be to help farmers adopt higher level technologies. The underlining assumptions in these estimate are: the variable inputs for new technologies are the fertilizer and variety of seed. Other inputs are more or less the same and therefore will have the same cost. Thus, additional cash required by the participant is the cost of fertilizer and seed for adopting high level technology which is estimated to vary from Rs 755 to Rs 1,458 depending on the location and cropping pattern. In case of medium level technology additional cash requirement is for varying the seed, and it on average will amount to Rs 350/ha.

The reliability of these indications on participants was checked by comparing it with similar analysis. With reference to those, the estimated project effects on participants were found to be a reliable measure, and also a rather conservative estimate of benefits.

3. Effect Absorption Potentialities

The absorptive capacity of project activities by the participant was analyzed from the cost involvement aspect.

In the case of forestry component and horticulture sub-components the cost involvement are so minimal that it (including cash flow) does not appear be a constraint for an individual participating in the Project. The case for livestock and crop production sub-components are different.

The initial investment for acquiring a new animal is quite high. Credit is, therefore, generally necessary for the participants. Such credit will be available for farmers participating in the livestock group activities of the Project.

In case of crop production the high and medium level technology are different from local technology in two respects. First, the farmer uses the chemical fertilizers and insecticides, and second, the variety of seeds used are different. Otherwise other inputs are nearly the same. Thus, the participating farmer has to incur additional cost on fertilizer, insecticides and seeds. This cost flow burden will not refrain larger farmers from participating in the Project but smaller farmers will need access to credit through the SFDPs or another similar program.

C. Social Soundness Analysis

The increased use of improved and suitable productive agricultural, livestock and forestry technologies, the more intensive local management of renewable natural resources, and the increased availability of government services and credit will all have positive social and economic impacts on project beneficiaries. In the Zone, different segments of rural society will have different access to resources and services made available through government agencies. However, as project activities expand, rural households and communities will have increased access to inputs, information, and services and should be able to exert increasing influence over them.

Past experience shows that project strategies aiming to provide all benefits exclusively to small and marginal farmers usually fail because either it is blocked by local elites or its benefits are preempted by them. To overcome these problems, the Project aims to use local leaders of both sexes and progressive farmers from different ethnic groups to serve the marginal and small farmers. This strategy will indeed reduce the gap between farmers and extension workers, and finally will increase effective communications.

The target beneficiaries of the Project will vary according to the program. To raise the agricultural production land owners should be the target groups. The vast majority of land owners are small farmers, but a smaller percent of medium and larger farmers control much of the most productive land. The larger farmers will gain most from increases in rice production, while the small farmers will profit most from maize production increases.

The Project will target assistance to certain disadvantaged groups through a variety of programs. First, for women a Women in Development program under the LDO will work with district line agencies to increase the numbers of women participating in all Project programs and training. The use of female village extension field assistants in all the three sectors (agriculture, livestock

and forestry) will give farm women easier access to goods and services. The Project also aims to increase women's participation in all the users committees in the villages, such as in the community forestry, livestock breeder groups, and water user committees.

Second, for landless and small farmers several special programs are included. The Small Farmer Development Program will continue to be strengthened and expanded in the Zone. New programs will be started in approximately 40 Panchayats and several model groups will be assisted to become independent managed village associations. The vegetable production activities will emphasize assistance to marginal and landless farmers as a means of improving nutrition and increasing household income, and the agroforestry activity will provide agricultural crops and some forest products to some landless and marginal farmers in Dang District.

The local behavioral changes sought by the Project appear socially feasible. Government agencies are the source of needed inputs and support. Field experience supports the observation that the credibility of government agencies is low. The social distance between government agents and leaders/sub-marginal, marginal farmers is very wide. This is partly due to a lack of adequate field level staff, as well as the local social hierarchy. Government-sponsored services, including all kinds of inputs, generally go first to the rural influentials who have greater social access and are in a better position to take the risk that technological innovation usually entails. These local elite are in general better educated and usually possess better managing capabilities. Since rural communities are characterized by social bonds, information about new technology often spread readily through such channels. For instance, this appears to be the case with production activities using the Pre-Production Verification Trials (PPVTs) and the Elock Production approach, and with activities under the Phase I Project's household production system program.

The Project will encourage people's participation in planning, implementation, decision-making, control and benefit sharing of rural development activities. By encouraging local participation of farmers and farmer groups the Project will strengthen local institutions as well as assure that interventions and technically appropriate and socially sound. Participation of the rural population will not be confined to opportunities to express their needs and their will but will also include participation in the productive benefits from project and programs designed for their welfare. On top of this, the Project will give priority to using local private groups as an appropriate channel for the technological dissemination and diffusion process. This strategy should reduce social distance and communication gaps between people and the program.

The Project will involve the local leaders and key personnel in the village to reach the grassroot levels. For this, leaders will be chosen as motivators from different ethnic composition, castes, and socioeconomic strata to get the maximum acceptance of the program. In this way, the leader gets encouragement, confidence, recognition and prestige, and hence the program can easily be accepted in the rural setting.

The design of the Project is socially feasible and socially sound. The success of the design, and its impact on the beneficiaries will depend on the quality of its implementation. All the above strategies indicate that the Project has been soundly designed, taking into consideration the socio-cultural milieu of the Rapti Zone. The Project should result in increased agricultural and forestry production, and increased livestock productivity that will raise the quality of life of the rural people. This should also be accompanied by a wide distribution of Project benefits, since disadvantaged groups and women have been specifically included in the Project strategy. The overall focus on local participation and local capacity building to sustain project activities is the centerpoint of the Project which must continue to be stressed during implementation.

D. Administrative Analysis

1. District Implementation

The RDP strategy for improving production is a strategy for local capacity building which involves the development of local and district institutions, local groups, and private enterprises. A cross-cutting strategy emphasizing building the capacity of the indigenous, "modern" political, government administrative and private sectors is recommended.

The Project will use existing GON institutional mechanisms as the framework for project implementation. These mechanisms for local development are defined by the GON Decentralization Act and By-Laws. These existing mechanisms are adequate and appropriate mechanisms for Project implementation. The RDP strategy thus involves measures to use these mechanisms as effectively as possible to achieve project objectives. This strategy prescribes a program of institutional support to the LDO, technical and managerial support to the involved line agencies, and development management training support to District and Village Panchayats. Successful implementation of the program will require effective linking of Panchayat and District level planning and effective coordination of production services and programs in each District. Through the district planning monitoring process (see Table 9), the Project will have flexibility to learn from experience to apply relevant lessons in the formulation of the next annual District Development Plan.

The second element of RDP strategy for local capacity building is to assist local groups and private enterprises. Stimulation of the private sector is critical to program viability. The government services simply cannot reach all areas and/or all individuals. For the local group and private sector development, a positive climate exists, limited programs are underway, and either bank or line agency funds are available to assist with their operation. The strategic emphasis simply needs reinforcement which will be provided by RDP.

Attention will to be focussed on ways to activate groups and individuals in government assisted but privately managed and sustained development endeavors. For local groups, two major program thrusts are proposed for RDP. These are continued support for the ABD assisted Small Farmer Development Project and increased emphasis of and support to user groups within the Panchayat structure. The program for local group development is described in Section II.C.4., above. The constraints to further development of these groups and a more detailed discussion of recommended programs are presented in the Local Group Analysis.

2. Project Management

Although Phase I Rapti Project was carefully not called an "integrated rural development" project by AID, it fully fit the GON definition and was thus subject to all GON policies and structures regarding IRDs in Nepal. The RDP will also be characterized this way by GON so that GON IRD policies are still applicable. Indeed, the GON Inter-Ministrerial Integrated Rural Development Board has recently redefined second phase rural development projects, so that a production-focused program like RDP is clearly in line with the GON IRD focus.

Thus, after carefully examining the possible options for project management, the Administrative Analysis concluded that the only viable option is to have MPLD be the lead agency nationally and to support district implementation through a streamlined office in Tulsipur under the administrative direction of MPLD. The other models did not fit project implementation needs and are not in line with GON structure and policy. This project management support structure builds on the infrastructure and implementation experience in the Zone, will permit continuity in operations between projects, requires little management change on the part of USAID and GON, and fits GON policy. This structure is also supported by the Technical Analysis since it permits simultaneous coordinated support for agricultural, livestock and forestry production and provides a direct link with the LDO and the District Panchayats who will be increasingly important as Decentralization takes hold.

Field support for district project activities will be provided primarily by a zonal level Project Coordinator's Office (PCO) located in Tulsipur, Dang District. The main difference for multi-district support from the Phase I Rapti Project will be that implementation responsibility is explicitly with the district

offices and coordination responsibility is with the Local Development Office. This is in line with GON Decentralization policy and procedure. As a result, the Project office in Tulsipur will be a support office rather than a implementation office. This does not imply a demotion in the importance of the office. Indeed, the PCO will have an extremely important role in four support areas: technical support, training support, financial management, and monitoring. The PCO will be supported by a contractor that will provide technical assistance as outlined above and detailed in the in the Technical, Financial Management, and Monitoring Analyses.

E. Local Groups

The analysis of rural groups in the Rapti Zone was undertaken as part of the Project Design in keeping with efforts of the GON to foster rural development to become a continuous, self-sustaining process based on the active involvement of the rural population. Focusing on the Rapti Zone, the general scope of work for the study included an examination of cooperative societies (sajhas); groups associated with the Small Farmer Development Project (SFDP) of the Agricultural Development Bank of Nepal (ADB/N); and a variety of users' groups, such as those associated with forestry and irrigation activities. In a general way, the groups studied might be classed (with some obvious overlap) into 3 general categories: (1) those fully initiated and largely supported by government; (2) those that are combinations of local and governmental initiatives; and (3) those that are basically traditional with a long history of group cooperation to satisfy common interests.

1. GON Cooperatives

An most important consideration for RDP is that the functions assigned to the cooperatives be effectively carried out. From the perspective of the Project, the need is for the effective distribution and sale of farm inputs, particularly fertilizer. This is necessary for the Project to achieve its objectives. A strong commitment is needed from AIC to guarantee adequate stocks in the project area and to seek a significant expansion in the retail dealer network. The territory covered by the individual sajhas is too large to make fertilizer easily accessible to all of the farmers in the area, and some of the sajhas are no longer active in the retail of fertilizer due to financial problems and the shutoff of their credit by ADB/N.

For the promotion of self-help group activities in RDP, the approach should be to identify and work with groups other than the sajhas. As indicated in the section on the SFDP program, there are other groups that offer greater potential, and present fewer problems, as mechanisms for social and economic development.

2. Small Farmer Development Program

In supporting the continued expansion of the SFDP, assistance should follow the geographic focus of the Rapti Project on high production potential areas. Although the intent of the SFDP expansion should be to make its programs available to all farmers in the geographically-targeted areas, a primary criterion for the establishment of new projects will be their potential for viability.

There are currently 23 projects in operation in the zone. Of these, 3 already meet the criteria for economic viability and others are near to this target. RDP projections include the setting up of one SFDP per district per year over the eight year life of the Project. This would mean that 40 additional groups would be established under RDP.

In providing continued support to the development of SFDP, USAID's approach should focus on assisting the SFDP groups to progress toward full self-sufficiency. In pursuing this approach, however, it should be realized that, given the development level of small farmers in rural Nepal, this is a long-term process that must evolve and must be based on the efforts of the group members themselves, rather than be designed and imposed from any other source.

For this reason, the approach of RDP will be to continue support for the expansion of the program and, in addition, support the development of pilot SFDP groups in order to test their ability to move on to new levels of group activity and self-reliance. This also requires support to the training programs related to both the ongoing and the pilot projects.

3. User Groups

In addition to the sajhas and the SFDP, there are a number of other groups active in the Rapti Zone and throughout the country. These range from traditional groups, whose practices may date back hundreds of years, to more recently established user groups associated with irrigation or forestry programs. Most of these traditional and user groups appear to be single-purpose, sometimes seasonal, associations, although there are some examples of groups moving beyond their original mandate into secondary activities. The Local Group Analysis identified specifically three types of groups whose development should be supported. These are forestry management groups, water user groups, and women's groups. This analysis of women's group is complemented by the presentation of the women in development program in Chapter VI of the Administrative Analysis.

An important issue with all these groups is that they have no legal status and under GON decentralization policy they are under the authority of the local Panchayats. Discussions have been going on in the Department of Irrigation, Hydrology and Meteorology (DIHM) of the Ministry of Water Resources about legislation to provide these groups with a separate legal status. At issue is how to reconcile

the needs of user groups, based on long-standing patterns of traditional activity, with the decentralization by-laws that place local authority and power in the Panchayat.

As this is an issue that is also relevant to forestry user groups and any future associations that evolve out of SFDP groups, a policy dialogue should be maintained with the GON on this subject. Working with MPLD and with the Ministries of Agriculture, and of Forests and Soil Conservation, the RDP provides a useful framework in which to address this issue. The Local Group Analysis recommends that the organization of water users, forestry and other users groups be based as much as possible on the existing groups rather than imposing a new system that would cut across existing group systems. The traditionally-based groups have a history of working together, have social recognition and the organizational ability to implement the systems to meet their needs. It appears entirely possible and socially feasible to reconcile most of these groups within the GON Panchayat system, although flexibility for management of inter-Panchayat resource systems is also required.

The recommended RDP programs for assisting user group organization and operation are described under the relevant technical program descriptions in the Project Description, Section II.C.2 and II.C.3. In addition, a pilot program to assimilate these groups within a few well managed, development-oriented Village Panchayats is described in Section II.C.4. Further detail on this program is in the Local Group Analysis.

VII. CONDITIONS AND COVENANTS

A. First Disbursement

Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for any project activities other than technical assistance and training, HMG/N will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

1. a statement of the name(s) of the person(s) holding or acting in the office of HMG/N specified in Section 8.3., and of any additional representatives, together with a specimen signature of each person specified in such statement;
2. documentation demonstrating the designation of the Project Coordinator; and
3. documentation demonstrating the designation of liaison representatives from MOF, NPC, MOA, and MFSC and with authority to review progress and approve annual programs.

E. Additional Disbursement

Prior to disbursements or to issuance by A.I.D. of documentation pursuant to which disbursements will be made for the purposes specified below, HMG/N will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

1. for funds for the Department of Agriculture and the Agricultural Inputs Corporation, agreement to a plan for the sale of fertilizer by the private sector in the Rapti Zone. Furthermore, prior to A.I.D.'s approval of each annual budget and program for DCA and AIC, the GON will furnish to A.I.D. in form and substance satisfactory to A.I.D., a plan, which HMG/N shall implement, for the adequate supply of fertilizer for the Rapti Zone for the upcoming year.
2. for funds for the Agro-Forestry program of the Department of Forests, an operational plan for the program including criteria for the selection of participants, a management plan, a financing plan, and an implementation schedule and cropping patterns for the first year, which HMG/N shall implement during the applicable years of the Project;
3. for funds for the Technical Resource Center program of the Department of Livestock Development and Animal Health, an operational plan for the program including criteria for the selection of field sites and livestock groups, a management plan, a financing plan, a description of major programs, and an implementation schedule, which HMG/N shall implement during the applicable years of the Project;
4. for the roads maintenance funds, evidence that HMG/N agrees to be responsible after three (3) years for the permanent maintenance of the Rapti Roads constructed with A.I.D. assistance under the Phase I Rapti Project. In addition HMG/N will furnish A.I.D., in form and substance satisfactory to A.I.D., assurances that they will provide either from their own resources or with other donor assistance follow-up funding for the construction, operation and maintenance of the roads in the Rapti Zone, in line with the recommendations of the Rapti Roads Assessment Study and Phase I Rapti Project Audit Report;
5. for funds for any construction activities (i.e. buildings, rural works, and other activities as specified by A.I.D.), final plans, cost estimates, specifications, provisions for engineering supervision and construction contracts, financial disbursement, etc. as specified in Project Implementation Letters.

C. Project Covenants

Except as the Parties may otherwise agree in writing, HMG/N will:

1. provide financial and other contributions on a timely basis during the Project according to mutually agreed annual programs and budgets;
2. not withhold the release of funds for the Project because of any outstanding advance or audit objection dating from before the Project and take steps to decentralize Project budget release and accounting as quickly as possible;
3. assign qualified personnel to necessary positions to implement the Project on schedule, and normally retain assigned personnel in their posts for a minimum of two years;
4. continuously fill the Project Coordinator position, governed by mutually agreed upon terms of reference, and provide necessary staff for the Project Coordinator's Office during the life of the Project;

It is understood that the GON will provide, on a schedule agreed to by USAID, local currency funds for the project which at the present exchange rate amount to approximately 31 percent of the Project's total costs. The GON will maintain a clear accounting of all local currency Project funding, A.I.D.'s and its own, and that these funds will be regularly audited by the GON and independent auditors, and copies of the audit reports will be submitted to USAID.

It is understood that the GON will follow procurement practices consonant with the policies of and agreed to by A.I.D.

It is further understood that the District Development Plans for each District in the Rapti Zone will be prepared annually and that these will be submitted to USAID for review and approval of project supported portions. Program guidance and budget ceilings provided to the Districts by the GON will take into account agreed upon implementation plans and schedules and result in sufficient and timely budget allocations for the Project.

VIII. EVALUATION ARRANGEMENTS

A. Evaluation Plan

A.I.D. and the GON will conduct an annual internal project review each year. This review by a USAID/GON Project Review Committee will be scheduled in September, following completion of the GON Annual Project Report and the technical assistance contractor's annual report, and preceding the transmittal of national level program guidance and budget ceilings for the next year's program to the Districts. The review will focus on the Project's implementation progress, on major problem affecting the Project and on progress towards realizing Project objectives. The program guidance and budget ceiling for the next year will also be reviewed and approved.

A.I.D. and the GON will also conduct an annual budget review and approval meeting which will be held in June of each year. The USAID/GON Project Review Committee will review the programs and budgets for the upcoming Nepali Fiscal Year that have been developed through the District planning process, included in the District Development Plans, and forwarded to the national level.

In addition to the annual review and budget approval meetings, two major Project evaluations are planned. These evaluations will be conducted by an external evaluation team consisting of three Nepali and three U.S. consultants. The purpose of the evaluations will be to review implementation progress and project impact achievement and to recommend changes in Project strategy or programs that will increase the efficiency of implementation and/or improve the effectiveness in reaching planned targets.

The first Project evaluation is planned for January 1990. This evaluation will review progress of project activities and achievement of objectives. It will specifically provide recommendations to the GON for preparation of the new Five Year Plan and to A.I.D. for modification of the Project strategy or programs. The evaluation team will review: project reports; studies and reports on agricultural, livestock, forestry, and local development sectors; reports of similar project supported by other donors; and relevant GON statistics and data. The team will visit field sites in the Rapti Zone and will meet with project managers and implementors. Issues of special concern for the evaluation include:

1. progress of the Project in meeting implementation plans for inputs and outputs;

2. effectiveness of district level planning and implementation coordination, particularly for getting agricultural, livestock and forestry programs to provide complementary inputs in targeted high potential production areas;
3. effectiveness of the pilot program of price decontrol and of open private dealer registration in improving fertilizer and other input supply and in helping to increase cereal production;
4. effectiveness of private sector approach for improving agricultural input and service delivery, expanding horticulture production, improving processing and marketing of agricultural products, and increasing the number of small agriculture-based enterprises;
5. progress of local groups in developing management skills and obtaining control for the management of local resources with support of GON agencies, and effectiveness of Project strategy to support local group development;
6. effectiveness of the Production Systems Demonstrations as a means of assessing and verifying technologies with support from two or more agencies;
7. progress of the modified taungya program and recommendations for continuing the program;
8. modifications needed in project strategy, targets, and implementation mechanisms in light of evaluation findings.

The second evaluation is scheduled for January 1994. The time is planned to allow adequate time for A.I.D. and the GON to agree upon and design a follow-on project, if such is indicated. Plans for the second evaluation are contingent upon recommendation of and actions taken after the first evaluation. Specific issues to be addressed will be further developed prior to the evaluation. Project funds are budgeted for the external evaluation to be conducted by a six person team of three Nepali and three U.S. consultants. The evaluation include the following activities:

1. assess the impact of the Project on agricultural and forestry production in target areas and on the Zone as a whole;
2. assess the impact of the Project on expanding the district and local institutional and the private sector base for supporting and managing agricultural and forestry development;

3. identify the strengths and weakness of the Project strategy and programs and identify any constraints which may have prevented the Project from achieving its objectives;
4. recommend to the GON, actions necessary to sustain and further continue Project achievements;

B. Audit Plan

It is anticipated that a general project audit will be conducted by the A.I.D. Inspector General (AID/IG) sometime during the Project. It is recommended that this be done in the third year of the Project close to when the first evaluation will be conducted.

The GON will undertake regular audits of the local currency financing for the Project and will provide USAID reports on these audits. The Financial Management Office of USAID will also conduct limited financial reviews, particularly of the local currency accounts.

Audits of U.S. technical assistance contractors are normally conducted in the United States by the Defence Contract Audit Agency (DCAA) under the auspices of AID/IG.

In addition, project funds are budgeted for a mid-term audit of project activities utilizing the services of a contract audit team.

USAID/Nepal
PROJECT PAPER ANNEXES

Rapti Development Project (No. 367-0155)

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1/ The complete project analyses are available in the USAID/Nepal Agriculture and Rural Development Office.

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LOC: 00000031 772
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 CN: 08835
 CBRG: AID
 DIST: AID

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E.O. 12356: N/A

TAGS: N/A

SUBJECT: RAPTI DEVELOPMENT PROJECT (367-0155)

1. THE ANPAC CHAIRED BY THE TAA/ANE MET ON JUNE 9 TO REVIEW THE PROJECT AND THE ISSUES RAISED BY THE PROJECT COMMITTEE. THE MISSION WAS REPRESENTED BY DIRECTOR WILSON AND BEN STONER. THE AA/ANE ALSO ATTENDED. IN SUMMARY WE FELT THAT THE PID WAS WELL DEVELOPED AND ADDRESSED THE MAJOR ISSUES RAISED BY THE EVALUATION AND THE PID GUIDANCE CABLE; I.E., THE CONCENTRATION, FOCUS AND DECENTRALIZATION ISSUES. THE PID WAS APPROVED AND IT WAS DECIDED TO DELEGATE AUTHORITY TO THE MISSION TO APPROVE THE PP AND AUTHORIZE THE PROJECT.

2. THE FOLLOWING ISSUES AND CONCERNS WERE DISCUSSED:

(A) AGRICULTURE FOCUS: ALTHOUGH THE PID HAS REDUCED THE PROJECT FOCUS TO AGRICULTURE AND FORESTRY PRODUCTION THROUGH LOCAL CAPACITY BUILDING, THE NUMBER AND TYPE OF AGRICULTURAL ACTIVITIES TO BE ADDRESSED ARE STILL TOO BROADLY CAST FOR EFFICIENT MANAGEMENT. WITHIN THE SIX AGRICULTURAL AREAS IDENTIFIED IN THE PID, THE PP DESIGN SHOULD ESTABLISH CRITERIA AND A PROCESS BY WHICH THE 3 TO 4 MOST CRITICAL AGRICULTURAL PRIORITIES WILL BE

ADDRESSED IN EACH DISTRICT. THE PP SHOULD ALSO ADDRESS THE ABILITY TO EFFECTIVELY IMPLEMENT THE PROJECT IN VIEW OF POTENTIAL NATIONAL LEVEL POLICY CONSTRAINTS. THE MISSION SHOULD INSURE THAT USAID PROJECT OVERSIGHT PROVIDES FOR STRONG LINKAGES BETWEEN THIS GEOGRAPHIC PROJECT AND OTHER RELEVANT AGRICULTURE AND RURAL DEVELOPMENT PROJECTS IN THE MISSION PORTFOLIO.

(B) FORESTRY FOCJS: THE FORESTRY COMPONENT ALSO PROPOSES AN EXCESSIVELY WIDE RANGE OF INTERVENTIONS FOR EFFECTIVE MANAGEMENT AND THE OVERALL OBJECTIVE IN THESE DIVERSE ACTIVITIES IS NOT WELL DEFINED. THE PP SHOULD DEVELOP A STRATEGY FOR ASSESSING THE PRIORITY AND FEASIBILITY OF FORESTRY ACTIVITIES AND FOR FOCUSING RESOURCES ON AREAS IMPORTANT TO BOTH RAPTI AND THE NATIONAL FORESTRY EFFORT. THE RAPTI EVALUATION SUGGESTS THAT SERIOUS PROBLEMS EXIST WITH COMMUNITY PARTICIPATION IN TREE PLANTING ACTIVITIES; A MISMATCH EXISTS BETWEEN

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THESE SPECIES DESIRED BY FARMERS AND THE SEEDLINGS PROVIDED BY THE FOREST DEPARTMENT; PLANTING TARGETS ARE OVERAMBITIOUS; LITTLE INTEGRATION EXISTS AMONG AGENCIES; AND LINES BETWEEN RAFTI, RCUP AND OTHER USAID FORESTRY ACTIVITIES COULD BE STRENGTHENED. THE PP SHOULD ADDRESS THESE CONCERNS.

(C) PRIVATE SECTOR PARTICIPATION: THE PP SHOULD INCLUDE SPECIFIC ANALYSES OF THE POTENTIAL PRIVATE SECTOR ROLE, CAPABILITIES, AND CONSTRAINTS TO GROWTH (E.G., GOVERNMENT POLICIES, MARKET PRICES, FINANCE, MANAGEMENT, ETC.) TO ENCOURAGE PRIVATE SECTOR DEVELOPMENT IN AGRICULTURAL AND FORESTRY SUPPLY AND MARKETING AREAS.

(D) INCENTIVES TO PRODUCTION AND CONSERVATION: THE PP SHOULD DESCRIBE THE POLICY ENVIRONMENT AND HOW THE PROJECT WILL DEAL WITH NATIONAL POLICY CONSTRAINTS OR TAKE ADVANTAGE OF OPPORTUNITIES PRESENTED BY REFORMS FOR REACHING PRODUCTION OBJECTIVES. FOR EXAMPLE, WHAT NATIONAL POLICIES (REGARDING E.G., TENURE IN LAND, TREES AND OTHER PRODUCTIVE RESOURCES; PRICING; MARKETING; FERTILIZER DISTRIBUTION; ETC.) CONSTRAIN INDIVIDUALS TO PARTICIPATE IN THE PROJECT ACTIVITIES.

(E) SUSTAINABILITY: THE PP SHOULD ADEQUATELY DISCUSS TWO RELATED POINTS ON THE SUSTAINABILITY OF PROJECT ACTIVITIES; 1) COVERAGE OF RECURRENT COSTS AND FUTURE REVENUE GENERATION AT THE LOCAL LEVEL; AND 2) ESTABLISHMENT OF ADEQUATE LOCAL ADMINISTRATIVE CAPACITY TO GENERATE AND EXPEND REVENUES.

(F) CONTRACTING MODE: THE PP SHOULD DESCRIBE CONTRACTOR RESPONSIBILITIES. THE EVALUATION FOUND THAT ONE OF THE REASONS THE ORIGINAL RAFTI PROJECT WAS SO MANAGEMENT-INTENSIVE WAS THAT THE MAIN CONTRACTOR WAS USED IN PART AS A BODY SHOP; I.E., TO HOUSE CONTRACTUALLY A NUMBER OF PERSONNEL WHOSE RECRUITMENT AND SUPERVISION REMAINED WITH THE MISSION. THE EVALUATION RECOMMENDED THAT FUTURE TECHNICAL ASSISTANCE BE PROVIDED BY A FIRM WITH EXPLICIT CORPORATE RESPONSIBILITY FOR MANAGING THE PROJECT. THE TECHNICAL ANALYSIS REPORT SECONDS THAT RECOMMENDATION.

(G) FERTILIZER: THE PP SHOULD DESCRIBE HOW THE PROJECT WILL ADDRESS FERTILIZER DISTRIBUTION PROBLEMS, WHICH THE EVALUATION FOUND A MAJOR AND POLICY-ORIENTED CONSTRAINT TO AGRICULTURAL PRODUCTIVITY. THE PID TECHNICAL ANALYSIS SUGGESTED AN INNOVATIVE, LONG-SHOT APPROACH WORKING THROUGH THE DISTRICT LEVEL APPARATUS AS WELL AS A VARIETY OF PRIVATE SECTOR ORIENTED APPROACHES WHICH

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WOULD NECESSITATE SIGNIFICANT POLICY REFORM AS SOUGHT IN THE EVALUATION.

H.) WFP/PC: THE PP SHOULD EXAMINE THE POSSIBILITY OF EXPANDING PEACE CORPS INVOLVEMENT IN THE PROJECT AND LINKING UP WITH THE WORLD FOOD PROGRAM'S FOOD FOR WORK PROGRAM IN NEPAL. A PREVIOUS CONSULTANT REPORT NOTED THE WFP HAS AMPLE FOOD RESOURCES AVAILABLE FOR PROGRAMMING AND PARTICULARLY RECOMMENDED COLLABORATION IN RAPT, ALTHOUGH A GENERAL QUESTION AROSE AS TO OVERALL WFP PROGRAM MANAGEMENT AND EFFECTIVENESS. THE PEACE CORPS WAS, AT THE TIME OF THE EVALUATION, WILLING TO DISCUSS INCREASED INVOLVEMENT IN RAPT.

I.) WID: THE PP SHOULD ADDRESS A SPECIAL FOCUS ON WOMEN IN THE FORESTRY PROGRAM AS WELL AS IN THE AGRICULTURAL ACTIVITIES, AS RECOMMENDED BY THE EVALUATION AND PID GUIDANCE CABLE. BECAUSE OF THE HIGH PROPORTION OF FEMALE-HEADED HOUSEHOLDS IN RAPT, DUE TO SEASONAL OUTMIGRATION, IT IS IMPORTANT TO GIVE THEM SPECIAL ATTENTION.

J.) EVALUATION DESIGN IS TO BE COMMENDED FOR FOLLOWING-UP ON THE EVALUATION RECOMMENDATION ON THE NEED FOR IMPROVED DATA COLLECTION, MONITORING AND EVALUATION. FOLLOWING THE DESIGN OUTLINED IN THE BUREAU GUIDANCE, TO THE EXTENT POSSIBLE (QUOTE DRAFT GUIDELINES FOR DATA COLLECTION, MONITORING AND EVALUATION FOR ANE BUREAU PROJECTS UNQUOTE) THE PP SHOULD ADDRESS THE DESIGN AND

3. FOR PROJECT DESIGN AND PP PREPARATION, WE UNDERSTAND FROM BEN STONER, THAT MISSION REQUIRES SERVICES OF MACROECONOMIST, FINANCIAL ANALYST, RURAL SOCIOLOGIST AND A GENERALIST PP WRITER. FOR THE ECONOMIST, WE HAVE SEARCHED AID/W AND HAVE IDENTIFIED TWO POSSIBLE CANDIDATES. THEY ARE THOMAS MILLER OF PPC AND DAVE ALVERSON OF ANE/TR/ARD. MILLER IS INTERESTED BUT WE WILL NOT KNOW HIS AVAILABILITY FOR TWO MORE WEEKS. ALVERSON IS AN AGRICULTURAL ECONOMIST WITH EXTENSIVE ASIA FIELD EXPERIENCE. ALVERSON HAS OTHER COMMITMENTS WITH ASIA MISSIONS BUT WOULD GIVE NEPAL PRIORITY IF REQUEST IS RECEIVED SOON. AS BACK-UP, SUGGEST MISSION MIGHT INQUIRE WITH MISSION, SAY PAUL MULLIGAN, USAID/PAKISTAN, PETER THORMANN, USAID/INDIA OR ROGER MONTGOMERY, USAID/THAILAND. FOR FINANCIAL ANALYST, UNDERSTAND BEN STONER HAS CONTACTED JON HINES WHO IS AVAILABLE. FURTHER UNDERSTAND HINES HAS SENT RESUME TO NEPAL AND THAT MISSION WILL CONTRACT WITH HIM DIRECTLY. FOR THE RURAL SOCIOLOGIST TO CONDUCT THE PRIVATE RURAL GROUP ANALYSIS, ALLEN TURNER OF DEVRES IS AVAILABLE FOR SIX WEEKS. UNDERSTAND THAT MISSION WILL FINALIZE PIO/T FOR IQC WITH DEVRES. FOR GENERALIST PP WRITER, DAVID DEVIN, ANE/FE IS AVAILABLE FOR A MONTH BEGINNING SEPT 15. JAMES DUNN, ACTING CHIEF ANE/TR/ARD WILL BE AVAILABLE FOR CONSULTATION TO COMPLEMENT MISSION AGRICULTURE PP DESIGN EFFORT, DUNN HAS AID/W APPROVED TRAVEL TO NEPAL AND OTHER MISSIONS DURING AUGUST AND SEPTEMBER.

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4. FOR PROJECT PP DESIGN, PD AND S FUNDS ARE NOT
AVAILABLE AT THIS TIME. HOWEVER, BUREAU WILL REVIEW PD
AND S FUNDS AVAILABILITY IN EARLY AUGUST AND WILL ADVISE
MISSION IF ANY EXTRA FUNDS ARE AVAILABLE. SHULTZ

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RAPTI DEVELOPMENT PROJECT (367-0155)

LOGICAL FRAMEWORK MATRIX

November 1986

<u>GOAL</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
To improve the balance among population, land and natural resources.	<u>Contextual Indicators for Zone</u> -- Land use patterns -- Vegetative cover & severely degraded lands -- Livestock population -- Population data	-- Aerial photo analysis of land use (NSRC) -- Livestock census (DLDAH) -- National census data	GON policies and regulations maintain a positive environment for increasing production, conserving natural resources, and reducing population growth.
<u>PURPOSE</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
To increase agricultural and forestry production through local capacity building.	<u>Impact Indicators for the Zone</u> 1. Cereal and horticulture production increased in areas where tested technology is available: Rice production increased 19%; Wheat production increased 20%; Maize production increased 11%; Horticulture and cash crops increased by 25%. 2. A model for increased livestock productivity through grazing control, improved herd management and increased fodder production is tested and applied by 35 livestock management groups. 3. Forestry programs increased through expanded local management: 18,000 ha. (26% of degraded forest area) is replanted, and 22,000 ha. is stabilized, protected, and managed for sustained yield of forest products under active local management.	1.a. Block Production monitoring and Rapid Low Cost Studies (RLCS) of technology adoption of production increases in areas targeted from LRMP data. 1.b. National Production data (DFAMS) 2.a. Fodder production increases by RLCS and project monitoring data. 2.b. Service delivery of improved breeds, fodder trees and extension services. 3. Project monitoring system and DOF records.	1. National GON programs continue to provide technology, production inputs and credit in support of expanding production in the Rapti Zone. 2. Livestock group extension and confined rearing are successfully established in Zone. 3. GON maintains positive policies towards community forest management and private forest development.

<u>PURPOSE</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
	4. Better community management of production resources is achieved by 100 local groups resulting in increased production, local government revenue, and private investment for development.	4. Project monitoring system and MPLD records.	4. Development of local groups successfully evolves and is assimilated within the Panchayat structure.
<u>OUTPUTS</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
1. <u>Agriculture & Livestock:</u>	<u>Monitoring Indicators for the Zone</u>		
a. Cereals production	Improved production technologies expanded to cover 25% of applicable land type areas with: rice production up from 164,000 MT to about 170,000 after Yr. 3 and to about 195,000 MT at EOP; wheat production up from 243,000 MT to about 263,000 after Yr. 3 and to about 300,000 MT at EOP; maize production up from 360,000 MT to about 375,000 after Yr. 3 and to about 400,000 MT at EOP.	RLCS technology adaptation studies. ADO and LO Records. PPYT & Block Prod. data Project monitoring data.	Effective extension methodology can be effectively combined with increased local group management.
b. Livestock productivity	Organized 5 model livestock production groups by Yr. 3 and 35 by EOP for marketing, common resource management and health services. Increased supply of fodder and forage through new plantings, improved grazing control, and better utilization of crop residues.	Livestock Office records. Project monitoring data.	DLDAH supports formation of livestock groups and local verification and assessment trials for livestock.

<u>OUTPUTS</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
c. Vegetable, Fruit and Cash Crop Production	Established 15 private fruit nurseries by Yr. 3 and 30 by EOP producing 11,000 seedlings per year after Yr. 3 and 26,000 per year at EOP; planted 170 ha. of new fruit orchards after Yr. 3 and 2,000 ha. at EOP; expanded vegetable seed production to 6 MT per year after Yr. 3 and to 12 MT per year at EOP.	Project monitoring Contractor reports	A private sector approach coordinated with DOA can be effectively implemented.
d. Input Supply and Marketing	Fertilizer requirements planned and supplied for timely sale through expanded private dealer network. Established local seed multiplication and dissemination in target areas. Established nurseries, orchards, and seed production centers for VFC crop program. Improved market information services.	AIC, ADO and LO records. Project monitoring data.	Fertilizer supply nationally to the Zone is guaranteed and supplied as needed to fulfill demand. Transportation system continues to be developed so as not to constrain increased marketing.
2. <u>Forestry and Natural Resources:</u>			
a. Community Forestry	Improved forest management through 90 local forest user groups after Yr. 3 and 330 at EOP, actively using management plans to autonomously manage forests in 45 Panchayats after Yr. 3 and in 165 Panchayats at EOP. Established 4,200 ha. of Panchayat Forest after Yr. 3 and 11,700 ha at EOP, supported by 110 nurseries after Yr. 3 and 184 at EOP, producing 2.4 million seedlings per year after Yr. 3 and 4 million per at EOP. Established Panchayat Protected Forests in 36 Panchayats after Yr. 3 and in 110 Panchayats at EOP.	DFC records. Annual RLCS on participation and forest management. Plantation survival surveys	Community forestry committees are able to function with increasing independence and provide sound forest management.

<u>OUTPUTS</u>	<u>OBJECTIVELY VERIFIABLE INDICATORS</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
b. Privately Managed Forestry	Assisted with planting of 85 ha. of trees by private individuals or groups after Yr. 3 and 900 ha. at EOP. Established a district-level leased forestry program covering 50 ha. after Yr. 3 and 350 ha. at EOP.	Private planting survey. DFC records.	GON promulgates regulations and implementation guidelines for leased forest program. Requested species will be available for private planting.
c. Government Managed Forestry	Expanded district nursery production to 1.2 million seedlings per year after Yr. 3 and 1.3 million at EOP, and planting to 375 ha. per year after Yr. 3 and 415 ha. per year at EOP so that 3,400 ha. are planted by EOP. Expanded tree seed collection to support district and Panchayat needs.	DFC records. Plantation survival surveys Project Monitoring	Seed collection for fodder species can be improved.
d. Conservation and Stabilization	Expanded nursery production to 500,000 seedlings per year after Yr. 3 and 750,000 per year at EOP; Stabilized 30 ha. roads, trails, & canals after Yr. 3 and 140 ha. at EOP. Protected and improved 330 ha. of watershed after Yr. 3. and 1,200 ha. at EOP. Controlled 7 gullies after Yr. 3 and 28 gullies at EOP.	DSCWM records. Photopoint surveys.	DSCWM can get greater local support and participation for programs.
e. Modified Taungya	Produced about 14,000 m ³ of fuel-wood per year from annual harvest of 97 ha. of forest. Produced 368 MT of agricultural produce from 291 ha. per year benefitting 440 poor farm families.	DFC records RLCS on agro-forestry . Project Monitoring	Agro-forestry is accepted by local farmers.

OUTPUTS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
3. <u>Local Groups and Private Enterprise:</u> a. <u>Local Groups</u>	Expanded SFDP with 30 new sites for a total of 55 in the Zone. Established 3 pilot Small Farmer Associations with autonomous local management. Expanded local user groups for livestock, forestry, irrigation and women, and established 3 pilot demonstrations for integration of user groups within Panchayat structure.	ADB and Project records for data on credit scheme performance. RICS on group performance. LDO and Project records.	ADB provides sufficient personnel and support to expand program. SFDP growth and repayment rates are sufficient for covering administrative costs within five years. GON policy permits local groups to operate effectively.
b. <u>Private enterprises</u>	Established a Private Enterprise Unit with ADB in Tulsipur. Started 25 new small enterprises based on feasibility studies prepared by PEU. Started 100 new household and micro enterprises involving agricultural and forestry areas supported under the technical components of Project.	Agriculture RICS. Private tree planting survey Project records and contractor reports.	These efforts complement GON services and are encouraged by GON policy.
4. <u>District Institutional Development:</u>	Improved operation of LDO for planning, coordination and monitoring development programs. Improved management of District and Village Panchayats for development. Established WID program that has increased women's participation in agricultural and forestry development. Constructed through local users groups approximately 20 steel bridges and rehabilitated approximately 2,500 has. of irrigation.	District Development Plans Project records. WDO records. RICS on production and participation in agriculture and forestry.	GON continues decentralization policy as major mechanism for implementation of rural development programs. Line agencies can effectively use resource inventories and other monitoring data to guide program plans.

RAPTI DEVELOPMENT PROJECT (367-0155)

LOGICAL FRAMEWORK MATRIX

November 1986

<u>INPUTS</u>	<u>TARGET</u>	<u>VERIFICATION</u>	<u>ASSUMPTIONS</u>
1. Technical Assistance	Long Term: 17 per. yrs. expatriate \$ 665,000 56 per. yrs. Nepali 520,000 Short Term: 62 pm. expatriate 310,000 75 pm. Nepali 44,000 Evaluation, Spec. Studies 445,000 Overhead, Fixed Fee 1,054,000 Contract Support, Travel, Other 1,353,000	GON and USAID records and reports	1. T.A. contractors provide qualified and effective personnel.
2. Local Group/Private Asst.	Grants to Private Voluntary Organ. 659,000 Consultants from AID/W Projects 669,000 Contracts with Nepali firms 500,000		
3. Participant Training	In-country degree training 165,000 Third country training 635,000 U.S. short term training 200,000		3. Qualified participants received relevant training, return and are retained by Project.
4. Commodities	475,000		4. N/A
5. Local Currency Development Programs	Agriculture 1,573,000 Horticulture 225,000 Livestock 1,072,000 Agricultural Inputs 116,000 ADB programs 725,000 Forestry 1,720,000 Soil Conservation 866,000 Local Development Office 572,500 Women Development 167,500 Rural Works 700,000 Roads Maintenance 300,000 Project Coordinator's Office 575,000		5. An effective local currency budgeting and disbursement system is successfully implemented by the GON and USAID.
TOTAL A.I.D. PROJECT COST	\$18,800,000	

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CHECKLIST OF STATUTORY CRITERIA
PROJECT NO. 367-0155

Items from the Statutory Criteria Checklist have been reviewed and taken into consideration during the preparation of this Project Paper and applicable items have been addressed. This Checklist is up-to-date.

I. COUNTRY CHECKLIST

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FAA Sec. 481; FY 1987 Continuing Resolution. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

No.

2. FAA Section. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or service furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

No.

3. FAA Sec. 620(e) (1). If assistance is to government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations towards such citizens or entities?

No.

4. FAA Sec. 620(a), 620(f). Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver?

No.

5. FAA Sec. 620(i). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property?

No.

6. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC?

No.

7. FAA Sec. 620 (o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

No.

8. FAA Sec. 620(a); FY 1987 Continuing Resolution. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds?

No.

9. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency CYF." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal Year unless significant changes in circumstances occur.)

Not applicable

10. FAA Sec. 620(+). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

11. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)

Nepal is not in arrears in its obligations to the U.N.

12. FAA Sec. 620A; FY 1987 Continuing Resolution. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

No.

13. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

No.

14. FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment materials, or technology, without specific arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

No.

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15. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Minister of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of September 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken into account? (Reference may be made to the Taking into Consideration memo.)

The GON disassociated itself from the communique.

16. FY 1987 Continuing Resolution. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?

No.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY:

1. Development Assistance Country Criteria.
FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No.

2. Economic Support Fund Country Criteria:

- a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

Not applicable.

II. PROJECT CHECKLIST

A. GENERAL CRITERIA FOR PROJECT

1. FY 1987 Continuing Resolution
FAA Sec. 634A; Sec. 653(h)

(a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project;

ab

Notification of the proposed project was sent to Congress in the Congressional Presentaton.

and (F) Is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

Yes.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance,

Yes.

and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislative action is required.

4. FAA Sec. 611(b); FY 1987 Continuing Resolution. If for water or water related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resource, dated October 25, 1973, or the Water Resources Planning Act (42 U.S.C. 1962, et seq/)? (See AID Handbook 3 for new guidelines.)

Yes.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to effectively maintain and utilize the project?

FAA 611(e) Certification is attached in Annex E

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

No.

7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

(a) The Project will increase agricultural production which is an important trade and export sector for Nepal.

(b) The Project includes programs for expanding and strengthening private enterprises in the Rapti Zone.

(c) The Project will strengthen the operation of a variety of local groups to help them become independent, self-supporting organizations for input supply, local resource management and savings mobilization.

(d) The Project will test a program of price decontrol and open dealer registration for fertilizer supply in the Rapti Zone.

(e) The project will provide technical assistance, training and program support to improve efficiency in agriculture.

(f) not applicable.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Not applicable.

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9. FAA Sec. 612(h), 636(h); FY 1987 Continuing Resolution. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Local currency financing will be provided through a percentage financing system that will assure that GON contributions are made. The Project Grant Agreement will contain provisions to assure that the GON will support the local cost expenses of the Project.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No. Previously utilized excess Indian Currency for India training are no longer available.

- FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes.

12. FY 1987 Continuing Resolution. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

Not applicable.

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests?

Yes.

- FAA 121(d). If a Sanel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

Not applicable.

15. FY 1987 Continuing Resolution. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

No.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

- a. FAA Sec. 102(f), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions;

The poor will benefit from the overall agricultural and forestry production increases and directly from special targeted programs for small farmers.

(b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local government institutions;

The Project will assist the development of independent small farmer development groups.

(c) support the self-help efforts of developing countries;

The Project will strengthen local Nepalese development institutions in the Rapti Zone.

(d) promote the participation of women in the national economies of developing countries and the improvement of women's status;

An emphasis of this project will be to increase the number of Nepalese women involved in agricultural and forestry developmental programs at the local level in the Rapti Zone. This should not only improve their contribution to the economic life of Nepal but improve their status in the society.

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(e) utilize and encourage regional cooperation by developing countries?

The Project will utilize regional training institutions such as A.I.T. in Bangkok and A.I.M. in Manila and will support Nepalese attendance at appropriate regional training seminars on development.

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?

Yes.

- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Yes. The Project will support appropriate technology application and small enterprise development through a Private Enterprise Unit of the Agricultural Development Bank.

- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to whom the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed country")?

Yes. The GON will contribute local currency which at the present exchange rate amounts to over 25% of Project costs.

- e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project for more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (E.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character."

Nepal is a relatively least developed country.

- f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes.

- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

This Project is focused on building the capacity of local government institutions, local private groups and private enterprises for planning, managing and financing self-sustaining development activities for agriculture and forestry.

2. Development Assistance Project Criteria (Loans Only)

- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

Not applicable.

- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

Not applicable.

3. Economic Support Fund Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

Not applicable.

- b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

Not applicable.

- c. FAA Sec. 534. Will ESF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?

Not applicable.

- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

Not applicable.

III. STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

- 1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Yes.

- 2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?

Yes.

- 3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

Yes.

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4. FAA Sec. 504(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

Not applicable.

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries which are direct aid recipients and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries?

(a) No. (b) Not applicable.

6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

No.

7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Yes, contract basis will be used to fullest extent. No facilities of other Federal agencies will be utilized.

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes.

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9. FY 1985 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes.

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?

Not applicable. Only minor local construction is involved.

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

Yes.

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP)?

Not applicable.

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?

Not applicable.

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

Not applicable.

3. FAA Sec. 620 (h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

Yes.

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4. Will arrangements preclude uses of financing:
- a. FAA Sec. 104(f); FY 1987 Continuing Resolution.
(1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?
Yes, Precluded.
 - b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?
Yes, Precluded.
 - c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?
Yes, Precluded.
 - d. FAA Sec. 662. For CIA activities?
Yes, Precluded.
 - e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?
Yes, Precluded.
 - f. FY 1987 Continuing Resolution. To pay pensions, annuities, retirement pay, or adjusted service compensation for military personnel?
Yes, Precluded.
 - g. FY 1987 Continuing Resolution. To pay U.N. assessments, arrearages or dues?
Yes, Precluded.

- h. FY 1987 Continuing Resolution. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)?

Yes, Precluded.
- i. FY 1987 Continuing Resolution. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?

Yes, Precluded.
- j. FY 1987 Continuing Resolution. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

Yes, Precluded.
- k. FY 1987 Continuing Resolution. To be used for publicity or propaganda purposes within U.S. not authorized by Congress?

Yes, Precluded.



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His Majesty's Government

His Majesty's Government
Ministry of Finance

ANNEX - D

MINISTRY OF FINANCE
KATHMANDU
NEPAL

24th October 1986

Mr. David M. Wilson
Director
USAID/Nepal
Kathmandu

Dear Mr. Wilson,

Kindly refer to the letter dated May 16, 1986 regarding Rapti Development Project No:367-0155 Draft Project Identification Document. We would like to thank the USAID Mission for preparing the document.

We reviewed the documents for Rapti follow up project. We broadly endorse the general thrust of the document, that is to increase agricultural and forestry production through local capacity building. As regards the design of the project, we support the agricultural and forestry components. Nevertheless, we feel that the project should also include, as in the first phase, the road component in order to facilitate the production in agriculture, forestry and other sectors of the Rapti Zone. We are of the view that the construction of the rural fiddler road will further contribute to enhance the production capacity of the Rapti Zone and maximise the benefits that the project has envisaged.

Your necessary cooperation will be highly appreciated.

Yours sincerely,

P. P. Dahal
P. P. Dahal
Joint Secretary

Foreign Assistance Act, 611(e) Certification

Project : Rapti Development Project (RDP) -- No. 367-0155

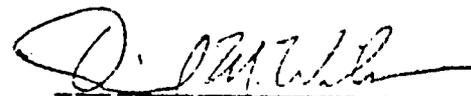
Grantee : Government of Nepal (GON)

Financing : A.I.D. \$18.8 Million
GON 3.5 Million local currency equivalent

Description : The Rapti Development Project (RDP) is designed to assist the Government of Nepal (GON) increase agricultural and forestry production in the Rapti Zone. This will be accomplished by improving production technology transfer through GON district line agencies and through strengthened local farmer organizations and private sector service delivery. The RDP will be implemented in the five districts of the Rapti Zone by the district offices of the Ministries of Agriculture, Forests and Soil Conservation, and Panchayat and Local Development (MPLD). MPLD will be the lead agency nationally and will provide support for district implementation through a streamlined Project Coordinator's Office (PCO) in the Project Zone.

Justification: The financial and human resources capability of the country to maintain and utilize the Project are examined in the Administrative and in the Economic and Financial Analyses. Since the Project will use existing GON administrative structure and policy and will build on the institutional base established by the Phase I Rapti Project, very few new GON personnel will be required over the life of project. As presented in the recurrent cost analysis of the Economic Analysis, it is expected that GON district agency staff will only be increased by approximately 55 positions above the existing approved level; this is only a 9 percent increase. If the staff of the Project Coordinator's Office is included, the overall effect will be only a 5 percent increase in staff since the streamlined PCO will have approximately 50 employees, a reduction of 25 from the level in the Phase I Rapti Project. Because of the local capacity building focus of the Project, GON recurrent costs after the Project may actually be less than what would be required to maintain current activities without the Project.

Certification: I, David M. Wilson, the Director of the Agency for International Development Mission to Nepal, have reviewed the requirements of the Rapti Development Project and the GON financial and human capability to maintain and utilize the Project. Based on this review and the good performance of the GON in supporting the Phase I Rapti Project, I hereby certify that in my judgment Nepal has the capability, both as to financial and human resource, to effectively maintain and utilize the Rapti Development Project.



David M. Wilson
Director
USAID/Nepal

25 II 87
Date

Source and Origin Waiver

- A. Cooperating Country : Nepal
- B. Project : Rapti Development Project (367-0155)
- C. Nature of Funding : Grant
- D. Description of Goods : Various office & Technical Equipment with a unit value not exceeding \$5,000
- E. Approximate Value : US \$100,000
- F. Likely Source : Japan; Europe

Discussion:

With reference to the Procurement Plan of the Rapti Development Project Paper, it is recommended that selected small value procurement be permitted from Code 935 countries (Developed Free World). This will be for the importation of items that would normally be shelf-item goods but are frequently out of stock.

Justification:

Since the Government of Nepal has not established procedures that easily permit the procurement of tax-exempt shelf items, there is a cost saving if such goods are ordered and imported through local companies. The Project will require numerous pieces of office and technical equipment that come under this category. These include: typewriters, photocopiers, calculators, voltage stabilizers and regulators, small household appliances, survey and soil testing equipment, and spare parts for items purchased under the Phase I Rapti Project. Electrical items must be 220 volt, and require locally available spare parts and local maintenance. Furthermore, timely availability is an important consideration. The total amount requested for this waiver of source and origin is \$1000,000.

The approval of a source origin waiver for this small value procurement will facilitate implementation and reduce the documentation preparation and administrative burden that would be required if an individual waiver were to be required for each transaction. It will also facilitate implementation by assuring that new equipment is compatible with existing equipment, that local servicing and spare parts are available, and that implementation is not delayed by untimely delivery of required equipment.

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Authority to Grant Waiver:

The Director of USAID/Nepal, under the Redelelegation of Authority No. 112.1, Section 2.F. and pursuant to Handbook 1B, Section 5.B.4.a(7), has the authority to waive source and origin requirements to permit the procurement of goods and services from countries within A.I.D. Geographic Code 935. The Director's authority to waive source and origin requirements is limited to \$5,000,000 per transaction (exclusive of transportation costs).

Recommendation:

That as part of the Project Authorization you approve this waiver of source and origin to permit procurement under the Rapti Development Project of small value items (less than \$5,000 unit value) from Geographic Code 935 in a total amount not to exceed \$100,000.

Certification and Approval:

By signing the Project Authorization, the Mission Director approves the waiver and certifies that the exclusion of procurement from Free World Countries (Code 935) other than the Cooperating Country and countries included in Code 941 would seriously impede the attainment of U.S. foreign policy objectives and the objectives of the Foreign Assistance Program. The waiver is approved pursuant to Redelelegation of Authority No. 112.1 Section 2.F. and to Handbook 1B, Section 5.B.4.a.(7).

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ACTION: AID INFO; AMB DCM-2 ADMIN (5)

VZCZCKTO386EHV324
RR RUEHKT
DE RUEHC #6441 0791957
ZNN UUUUU ZZH
R 201958Z MAR 86 ZEX
FM SECSTATE WASHDC
TO AID WORLDWIDE
BT
UNCLAS STATE 086441

LOC: 00000029 8
21 MAR 86 041
CN: 38110
CHRG: AID
DIST: AID

ADM AID

E.O. 12356: N/A
TAGS: N/A

SUBJECT: BLANKET SOURCE/ORIGIN WAIVER FOR CERTAIN MOTOR VEHICLES FOR PROJECTS

1. ON MARCH 7, 1986, THE ADMINISTRATOR APPROVED A BLANKET SOURCE/ORIGIN WAIVER AND A WAIVER OF SECTION 636(I) OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED, TO ALLOW PROCUREMENT FROM GEOGRAPHIC CODE 935 COUNTRIES OF THE FOLLOWING TYPES OF VEHICLES:

- A. RIGHT-HAND DRIVE, LIGHT DUTY VEHICLES OF 11,000 POUNDS GROSS VEHICLE WEIGHT RATING OR LESS;
- B. ONE WHEEL DRIVE MOTORCYCLES OF 125 CUBIC CENTIMETERS DISPLACEMENT OR LESS; AND
- C. OTHER RIGHT-HAND DRIVE VEHICLES AND MOTORCYCLES THAT ARE NOT AVAILABLE FROM THE UNITED STATES, AS DETERMINED CASE-BY-CASE BY THE COMMODITY SURVEILLANCE AND TECHNICAL SUPPORT DIVISION OF THE OFFICE OF ACQUISITION AND ASSISTANCE MANAGEMENT (M/SER/AAM/CST).

2. LIMITATIONS:

- A. THIS WAIVER COVERS ONLY SUCH VEHICLES THAT ARE PROCURED UNDER AID-FINANCED PROJECTS. NEITHER ADMINISTRATIVE, NOR NONPROJECT VEHICLES ARE INCLUDED.
- B. THIS WAIVER COVERS ONLY RIGHT-HAND DRIVE VEHICLES AND MOTORCYCLES WHICH ARE NOT MANUFACTURED IN THE UNITED STATES. OTHER REQUIREMENTS FOR NON-U.S. VEHICLES WILL HAVE TO BE JUSTIFIED AND APPROVED UNDER SEPARATE WAIVER AUTHORITY.
- C. THIS WAIVER IS LIMITED TO ONE YEAR FROM AUTHORIZATION DATE.

3. PROCEDURES:

UNDER THE BLANKET WAIVER APPROVED BY THE ADMINISTRATOR, THERE ARE TWO DIFFERENT PROCEDURES - ONE FOR VEHICLES WHICH HAVE ALREADY BEEN SPECIFICALLY IDENTIFIED AS NOT BEING MANUFACTURED IN THE U.S. AND A SECOND FOR THOSE

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VEHICLES WHICH WILL HAVE TO BE IDENTIFIED CASE-BY-CASE.
THE PROCEDURES ARE AS FOLLOWS:

A. FOR THE CATEGORIES OF VEHICLES IN PARAGRAPH 1A AND 1B ABOVE, ONCE THE MISSION OR AID/W BUREAU RESPONSIBLE FOR A PROJECT DETERMINES THAT THE VEHICLES ARE NEEDED FOR THE PROJECT, NO FURTHER WAIVER IS NECESSARY. MISSIONS/BUREAUS USING THIS WAIVER AUTHORITY WILL MAINTAIN A RECORD OF THE NUMBER, TYPE AND VALUE OF VEHICLES PURCHASED UNDER THIS AUTHORITY. THE INFORMATION WILL HAVE TO BE PROVIDED TO AID/W FOR REVIEW WHEN WAIVER RENEWAL IS CONSIDERED.

B. FOR THE CATEGORIES OF VEHICLES IN PARAGRAPH 1C ABOVE, IF THE MISSION OR AID/W BUREAU DETERMINES A NEED FOR A RIGHT-HAND DRIVE VEHICLE OR MOTORCYCLE THAT MAY NOT BE MANUFACTURED IN THE UNITED STATES, THE MISSION/BUREAU WILL SEND A REQUEST TO THE COMMODITY SURVEILLANCE AND TECHNICAL SUPPORT DIVISION OF THE OFFICE OF ACQUISITION AND ASSISTANCE MANAGEMENT (M/SER/AAM/CST) SPECIFYING THE TYPE OF VEHICLE NEEDED. M/SER/AAM/CST WILL DETERMINE WHETHER ANY VEHICLES MEETING THE SPECIFICATIONS ARE MANUFACTURED IN THE UNITED STATES. IF THERE ARE NONE, THE BLANKET WAIVER AUTHORITY MAY BE USED TO COVER THE PROCUREMENT OF THOSE VEHICLES FROM OUTSIDE THE UNITED STATES. AGAIN, MISSIONS/BUREAUS WILL MAINTAIN A RECORD OF THE NUMBER, TYPE AND VALUE OF VEHICLES PURCHASED UNDER THIS AUTHORITY. SHULTZ

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