

U N C L A S S I F I E D

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

PROJECT PAPER

NEPAL

Sustainable Income and  
Rural Enterprise  
367-0167

Dated: April 21, 1992

U N C L A S S I F I E D

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add  
 C = Change  
 D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY

NEPAL

3. PROJECT NUMBER

367-0167

4. BUREAU OFFICE

ASIA

5. PROJECT TITLE (maximum 40 characters)

Sustainable Income and Rural Enterprises

6. PROJECT ASSISTANCE COMPLETION DATE (ACCD)

MM DD YY  
10 5 31 02

7. ESTIMATED DATE OF OBLIGATION

(Enter 31 below, enter 1, 2, 3, or 4)

1. Fiscal FY 9102

3. Quarter 3

6. Final FY 01

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

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. LC	D. Total	E. FX	F. LC	G. Total
Approved Total						
Grant				30,037	17,463	47,500
Loan						
Other 1. Peace Corps				1,900		1,900
U.S. 2						
Host Country					16,944	16,944
Other Donors						
TOTALS				31,937	34,407	66,344

9. SCHEDULE OF AID FUNDING \$000

A. APPROXIMATE PRIMARY PURPOSE CODE	B. 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) EN 160	070	30,798		-		47,500	
(2)							
(3)							
(4)							
TOTALS		30,798		-		47,500	

10. SECONDARY TECHNICAL CODES (maximum 5 codes or 3 positions each)

100 720 740 850

11. SECONDARY PURPOSE CODE

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

1. Code BPW ENV PYO TRNG R/AG BS BP

3. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To establish performance benchmarks for and to better focus AID & GON attention and resources on increasing rural household income through sustainable private agriculture and forestry enterprises.

14. SCHEDULED EVALUATIONS

Interim MM YY 017 91 5 MM YY 017 91 8 Final MM YY 012 01 2

15. SOURCE/ORIGIN OF GOODS AND SERVICES

300  341  Local  Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of 33 page PP (maximum))

*Homi Jamshed*  
Homi Jamshed, Controller  
USAID/Nepal

17. APPROVED BY

Signature *Kelly C. Kammerer*  
Title Kelly C. Kammerer  
Director  
USAID/Nepal

Date Signed MM DD YY  
07 21 92

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

MM DD YY

PROGRAM AUTHORIZATION

Name of Country: Nepal

Name of Project: Sustainable Income and Rural Enterprise  
Program (SIRE)

Number of Project: 367-0167

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Sustainable Income and Rural Enterprise Program (the "Program") for Nepal (the "Cooperating Country") involving planned obligations of not to exceed forty-seven million five hundred thousand U.S. Dollars (\$47,500,000) in grant funds. Of this amount, \$30,798,080 has already been obligated under the four projects listed in paragraph 2 below. The remaining \$16,701,920 will be obligated over a four year period, subject to the availability of funds in accordance with the AID OYB/allotment process. These funds will help in financing foreign exchange and local currency costs of the Program. The planned life of the Program is ten years from the date of initial obligation.
2. The SIRE Program combines, subsumes and integrates four activities already authorized and under implementation: the Institute of Forestry Project (367-0154), the Rapti Development Project (367-0155), the Forestry Development Project (367-0156), and the Agroenterprise and Technology Systems Project (367-0160). SIRE subsumes the combined authorized Life of Project (LOP) funding of those four projects (\$47.5 million), of which \$30,798,080 million has already been obligated, and the \$16,701,920 million remaining unobligated from those previously authorized LOPs will be obligated under SIRE. These funds will then be allocated to the constituent program activities based on the original intent, and justified by focused annual workplans, corresponding budgets and measurable standards of performance. SIRE will concentrate and focus A.I.D. and the Cooperating Country's attention and resources toward a single essential objective - **increasing rural household incomes through sustainable private agriculture and forestry enterprises.**
3. The Program Agreement, which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with AID regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as AID may deem appropriate.

Source and Origin of Commodities, Nationality of Services: ✓

Commodities financed by AID under the program shall have their source and origin in Nepal, the United States, or in countries included in AID Geographic Code 941 except as AID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Nepal or countries included in AID Geographic Code 941 as their place of nationality, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the program shall, except as AID may otherwise agree in writing, be financed only on flag vessels of the United States, other countries in Code 941. or Nepal.

*Kelly C. Kammerer*

Signature: Kelly C. Kammerer  
Director, USAID/Nepal

Date: April 21, 1992

Clearance: ARD:HSPlunkett HSD  
ARD:RVThurston RV  
PPD:THarris TH  
PPD:MMCalavan MM  
FM:HJamshed HJ  
DD:TWStervinou TS  
RLA:ADNewton (out) AD

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## GLOSSARY

AA/Asia	Assistant Administrator, Asia Bureau of AID
ADB	Agricultural Development Bank
AEC	Agroenterprise Center
AIC	Agricultural Inputs Corporation
ARD	Agriculture and Rural Development Office (USAID)
ATS	Agroenterprise and Technology Systems
ATU	Appropriate Technology Unit (of ADB)
CFAD	Community Forestry and Agroforestry Division
DLDAH	Department of Livestock Development and Animal Health
DLS	Department of Livestock Services
DOA	Department of Agriculture
DOF	Department of Forests
DSCWM	Department of Soil Conservation and Watershed Management
FDP	Forestry Development Program
FM	Financial Management
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FSORD	Farming Systems Outreach Research Division
GON	Government of Nepal
IARC	International Agricultural Research Center
IEE	Initial Environmental Examination
IOF	Institute of Forestry
LOP	Life of Project
MAC	Management Committee
MFE	Ministry Forests and Environment
MLD	Ministry of Local Development
MOA	Ministry of Agriculture
MOF	Ministry of Finance
M&E	Monitoring & Evaluation
NAD	New Activity Description
NARC	National Agricultural Research Center
NPC	National Planning Commission
ODA	British Overseas Development Assistance
PACD	Project Assistance Completion Date
PC	Peace Corps
PIL	Project Implementation Letter
RDP	Rapti Development Project
SERED	Socio-Economic Research Extension Division
SIRE	Sustainable Income and Rural Enterprise Program
TU	Tribhuvan University
USDH	U.S. Direct Hire USAID Employee

## I. PROGRAM SUMMARY

### A. Background

The agricultural and rural development (ARD) sector is the foundation upon which much needed, sustainable, broad-based income growth in Nepal can be achieved. Rural income growth is essential for rural poverty alleviation and national economic growth. While the sector holds tremendous promise for the future, it also holds sobering concerns. Basic food consumption requirements can no longer be met due to population pressure on limited arable land and on traditional farming systems and practices. With the over-use and mismanagement of forests, this basic source of soil nutrients is being drawn down quickly. Subsistence agriculture doesn't generate sufficient income to pay the increasing costs of traditional forest-based composting nor can it pay for scarce chemical fertilizers required to improve productivity.

A major challenge in agriculture is to increase access to improved and sustainable technologies and practices. This requires additional farm income derived from commercializing farm products and off-farm employment. It also requires more rural user control over productive resources and greater private participation in extending technologies and services to rural clients. Experience has shown that control over productive assets, together with cash income opportunities found in the market economy, create a favorable environment for financially sustainable farm enterprises and environmentally sustainable production systems.

As a result of this experience and extensive analyses, USAID/Nepal has reoriented its ARD portfolio to put maximum focus and emphasis on an income oriented strategy which is:

- Market-led;
- Private sector driven; and
- Built upon farmers', rural groups' and agroenterprises' control over productive assets and access to appropriate technologies and market opportunities.

### B. Program Description

The Sustainable Income and Rural Enterprise (SIRE) program will combine and integrate four ARD activities already under implementation: the Institute of Forestry Project (367-0154), the Rapti Development Project (367-0155), the Forestry Development Project (367-0158), and the Agroenterprise and Technology Systems Project (367-0160). SIRE will concentrate and focus A.I.D. and

GON attention and resources toward a single essential objective' -  
- increasing rural household incomes.

No new funding is currently proposed for authorization under SIRE. Rather SIRE subsumes the combined authorized life of project (LOP) funding of those four projects (\$47.5 million). The \$16.7 million remaining unobligated from those previously authorized LOPs will be obligated into SIRE. These funds will then be allocated to the constituent program activities based on the original intent, and justified by focused annual workplans, corresponding budgets and measurable standards of performance. USAID will actively consider increasing program funding and activities, subject to overall program performance and the availability of funds.

A successful program will result in specific development outcomes:

**Program Outcomes**

- Sustained increases in private sector sales of cash crop products;
- Private control and sustainable management of farm and forest resources; and
- Supportive agricultural and forestry policy and regulatory reforms defined and implemented.

These outcomes, in turn, will contribute to achievement of the Program Objective: to increase rural household incomes through sustainable private sector agriculture and forestry enterprise.

The SIRE Program will also strengthen the management of USAID ARD resources through procedural improvements.

**Procedural Improvements**

- A clearer concentration of scarce USAID and GON resources upon a single high priority objective and supporting program outcomes;
- A unified, agreed upon management framework within which all program activities will operate, be functionally linked and be evaluated;
- Specific performance-based indicators and benchmarks against which progress will be regularly measured;

- Shared USAID/GON criteria and procedures which will allow resource shifts from poor performing to strong performing activities;
- Simplified and more flexible procedures for changing or adding program activities in response to lessons learned and evolving opportunities.

C. Summary Findings and Recommendation

No additional detailed technical, economic, financial, social or administrative analyses were undertaken for this program. Project analyses done for each of the activities subsumed under SIRE are still valid and are incorporated by reference. Any new activities proposed for funding under SIRE will require appropriate activity-specific analyses. The combined authorized amounts, by expenditure element, for SIRE are presented below.

Table I.A.

**SUMMARY OF AID INPUTS  
(\$000)**

<b>PROGRAM INPUTS</b>	<b>LOP</b>
Long-Term Technical Assistance	10,931
Short-Term Technical Assistance	2,452
Special Studies	2,192
Training	4,039
Commodities	2,988
Non-Government Organization Support	4,202
Local Support	15,309
Monitoring, Evaluation and Audits	1,114
Contingency/Inflation	<u>4,273</u>
<b>PROGRAM TOTAL</b>	<b>47,500</b>

An outline of the SIRE Program was cabled to and reviewed by the Asia Bureau. The Review Committee "strongly endorsed USAID's innovative proposal" and the AA/Asia has delegated to the Director, USAID/Nepal authority to authorize the program at an LOP level of \$47.5 million. Therefore, authorization of the program as detailed in the Program Paper is recommended.

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## II. PROGRAM DESCRIPTION

### A. Sectoral Importance

Nepal is one of the poorest nations in the world, with a per capita income of approximately \$170 per year and 40 percent of the population living in absolute poverty. With a relatively little industrial base, the country remains heavily dependent on agriculture for growth. According to the World Bank, the agricultural sector generates 60 percent of Gross Domestic Product, employs 90 percent of the country's work force, and accounts for 25 percent of export earnings. Cereals and grains (principally rice, corn and wheat), make up 60 percent of agricultural value-added, livestock some 30 percent and cash crops 10 percent.

During the 1960s and early 1970s foodgrain production expanded with the introduction of improved varieties and the opening of new lands along the Indian border. This expansion generated local surpluses and substantial export trade. However, since the mid-seventies, national production has failed to keep up with the rapid annual rise in population (2.6 percent). Foodgrain production has grown at an average rate of only about 1.9 percent per annum, largely due to increased areas under cultivation. In fact, with some notable exceptions, average yields tended to stagnate or decline, as both the more fertile frontiers and the less fertile hills came under increasing population pressure. At current population and productivity growth rates, even the Tarai, the most productive agricultural area, could have food deficits by the turn of the century. Similar sobering trends have been experienced in the average yields of traditional cash crops. Exports have declined and the nation's agricultural trade balance has shifted from surplus to deficit.

In Nepal, people, livestock, forests and fields are woven together in an intricate network of cause and effect. Forests have been indispensable to Nepal's traditional lifestyles and subsistence agriculture. Increasing human and animal demands have put unprecedented pressure on Nepal's forests for agricultural land, domestic fuel, construction materials and for animal forage, bedding and litter -- these latter all used in compost used to maintain soil nutrient and quality levels. This pressure has been exacerbated by policies in force since the mid-1950s which, in effect, nationalized all forests, suppressed local forest management systems and incentives, and led to increasing over-use and under-investment in nationalized forests.

In short, rural household subsistence needs can no longer be met due to population pressure on traditional, increasingly unsustainable farming systems and practices. With over-use and mismanagement of forests, this source of soil nutrients has become less available. Subsistence agriculture isn't able to pay for the additional labor costs associated with soil nutrient transfer, via composting, from shrinking forests or for chemical fertilizers required to improve productivity. Since arable land constitutes only 20 percent of the country's total area, Nepal's challenge in agriculture has been to increase productivity of existing fields and forests through increased availability and utilization of improved and sustainable technologies and practices.

Past trends, although discouraging, do offer some hope for the future. Compared to yields in neighboring areas, current yields of most crops in Nepal reflect only a portion of their farm-level potential. For example, both rainfed and paddy rice yields could reasonably be increased by a third. Maize, if properly managed, could produce two to three times more. Early results suggest that, with location specific technologies, yields of grain legumes in the mid-hills could significantly exceed those achieved in the Tarai.

Experience has shown that good soil and forestry management practices do increase productivity as well as farm resource and enterprise financial sustainability. That experience has also demonstrated that control over productive assets, together with cash income opportunities found in the market economy, are the major incentives for initiating and continuing those practices. The link between forest asset ownership, profitable market opportunities and more sustainable resource management is increasingly evident in Nepal.

Underlying the potential for increased and sustainable yields and incomes is the continued strong demand for Nepali agricultural products, whether raw or processed. The unsatisfied and growing domestic demand, combined with an almost limitless demand from adjacent regional markets, constitute major opportunities for Nepal's agriculture. In the decade ahead, demand is expected to be strong for oilseeds, grain legumes, seed potatoes, vegetable seeds, temperate and seasonal fruits and a variety of specialty crops, herbs and spices from Nepal's hills and mountains.

#### B. A Strategy for Sustainable Income and Rural Enterprise

Since the 1960s, USAID has supported the creation of a public agriculture research capacity to help increase agricultural production and to transmit these benefits to the country's two million small farms. That effort has resulted in substantial

benefits; today, 60 percent of Nepal's grain land is planted with improved seed. Nevertheless, faced with the dilemma that yields have not continued to increase, USAID and the GON have recognized that the production-led, grain-based and public-managed agricultural development strategy of the past is not sufficient to bring about the productivity, employment and income growth the country needs. A.I.D. and the GON also share concerns for lessening reliance on the public sector and donor aid for growth. With democracy comes an opportunity to broaden and deepen organized producer, private firm and community participation and enterprise essential for sector development.

USAID/Nepal has conducted analytical work and broad discussions over recent years focusing on critical, but previously ignored, issues of marketing and the role of private sector agroenterprise in stimulating agro-based growth.

The clear conclusion of these extensive analyses and discussions is that a commercially focused agricultural growth strategy for Nepal must:

- Be market-led and demand-driven;
- Be carried out by the private sector; and
- Expand the control of farmers, rural groups and agroenterprises over productive assets and access to appropriate technologies and market opportunities.

Given these principles, USAID/Nepal perceives an agricultural growth strategy built around Nepal's comparative advantages vested in its enormous agroecological diversity (from tropical to alpine) and its proximity to vast markets in India and the region. The strategy promotes steady medium-term growth in foodgrain productivity coupled with medium- to long-term expansion of market-oriented and income generating cash crops. While lowland grain productivity and production must increase, so too must incomes, especially in food deficit areas. Increased emphasis on income generating cash crops within farming systems is needed wherever there are accessible domestic or foreign market opportunities.

Private sector agroenterprises (which may include producer associations or cooperatives) are best at linking producers with markets, market services and the flow of technologies required. They help farmers to increase the quantity and improve the quality of their products and to provide goods at the time of peak market demand. They help to add value and generate employment through agro-processing and send a ripple effect through the entire economy. Market-oriented private initiatives, investments and incentives are vital to Nepal's agriculture.

Within this growth strategy, a major contribution of government is to improve infrastructure and to adopt stable and conducive economic and trade policies and regulations. In Nepal, where the agroenterprise sub-sector is still in very early stages of development, public sector support for technology development and adaptation is also important, to the extent it genuinely responds to the interests of farmers and agroenterprises in commercial production. At the same time, essential government services must become more cost effective and broaden their sources of financial support.

Appreciation for this approach is spreading in Nepal and among foreign donors. The strong link between income, asset ownership and farm resource productivity is beginning to be recognized. The role of private actors within market-led development is also getting long over-due recognition. A changing relationship between public and private roles in the development process is emerging. Significant shifts in emphasis reflecting these themes are found in the proposed agricultural strategy for the government's 8th Five-Year Plan. This GON strategy statement places more emphasis on market-oriented, commercial production for import substitution and export and, for the first time, recognizes the role of private agroenterprise in input supply and market activities. The turnover of productive forest and irrigation assets to private and community stewardship is already being legislated and implemented.

The availability of cash income, coupled with control of essential forest and other productive assets, allows farmers to re-invest in soil nutrient systems and productivity enhancing technologies. The positive link between income and farm and forest system sustainability has already been noted.

The expected impacts of this strategic approach include gains in on-farm productivity, employment (on- and off-farm) and rural household income. To the extent that incomes increase, and especially in hill areas, the effective demand for food crops and other goods will increase, thus further stimulating the economy. A clear incentive to reinvest some of that income in farm and forest resource management is established.

### C. Key Sectoral Level Problems

There remain a number of constraints which must be overcome before this market-oriented strategy can be successfully implemented. Substantive constraints to private participation are familiar and include:

- Nepali agro-entrepreneurs lack ready access to market and technical information/services;

- 
- GON trade and investment policies, regulations and procedures are unnecessarily complex, unclear and inconsistently applied;
  - Small farmers (including women) are not organized nor adequately assisted to produce the qualities and quantities of cash crops required to enter into more remunerative markets;
  - Forest tenure and management control issues discourage investments in productivity;
  - The pace and range of technology currently provided through public and private channels is inadequate; and
  - Public supported services and research are too poorly focused, managed and funded to respond to market-oriented clients.

These impediments will require substantial and sustained attention. SIRE is designed to address these constraints. It is also clear that there are many constraints to broad based income growth in Nepal's ARD sectors which SIRE is not in a position to address. Most of these problem areas are covered, at least in part, through GON and other donor assistance. For instance, major road investments are coming from the Multi-National Development Banks and concerned bilaterals (ODA, India, China). Similarly, hydropower and irrigation receive major other donor financial attention, as does agricultural and industrial credit.

But for USAID, progress has also been impeded by procedural constraints. In addressing the specific agriculture sector problems, an extraordinary amount of time and effort has been expended by USAID, its contractors and the GON on project details. Too often, insufficient time and attention have been focused on the fundamental, strategic objectives and on performance measures which ensure people-level impact. Staff has been used to account for project inputs and outputs rather than to obtain and measure results in terms of lasting sectoral, institutional, policy, sustainability and beneficiary improvements. Projects have provided a very narrow platform for such discussions and measurements. In addition, once specific projects have been authorized and obligated with the GON, there have been very cumbersome and awkward bureaucratic constraints to modifying project design or to shifting resources based on performance.

#### D. Program Rationale

The SIRE Program directly addresses the process constraints indicated in Section C., above. A successful program will establish and demonstrate an implementation process which keeps USAID and the GON focused on priority sectoral objectives and on evolving opportunities to achieve better impact on those objectives. A successful SIRE program will result in:

- Concentration of scarce USAID and GON resources on a smaller number of high priority objectives most likely to impact rural households and private groups;
- A unified, agreed upon framework of program objectives, program outcomes, enabling conditions and performance standards within which all program activities will operate;
- More complete integration of USAID project and non-project assistance and program activities, including: better analysis and attention to financial sustainability and other cross-cutting issues; improved donor coordination; better cross-fertilization of complementary elements in different activities; and improved access to and leverage on policy dialogue issues;
- Specific performance-based indicators and benchmarks which clearly link individual activities with overall program progress;
- A more collaborative, unified relationship between USAID and GON national and sectoral entities, based on a common commitment to shared objectives;
- An active joint USAID/GON Program Steering Committee which will annually review progress of the program and individual activities and allocate program resources for the following year. Having clear indicators and a committee review mechanism will legitimize program resource shifts from poor performers to strong performers;
- Less cumbersome, more responsive procedures for amending the program and its activities, making annual obligations and responding to a changing program environment; and
- Closer integration of ARD activities with broader Mission and Bureau systems for measuring and accounting for results.

The program approach allows the responsible executing agencies to focus on critical implementation details, but also puts all parties on notice that they are accountable for results.

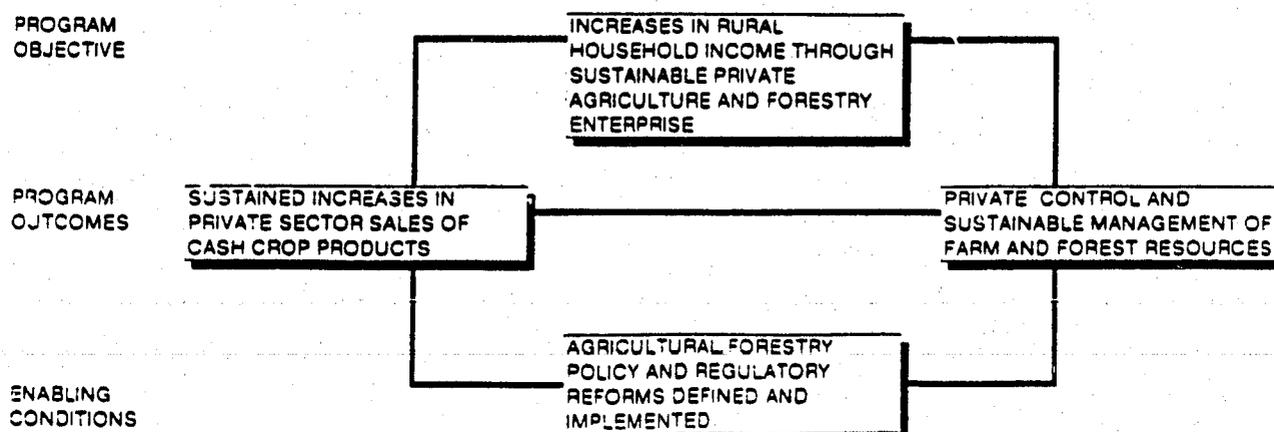
### E. Program Logframe Narrative

The SIRE program will combine and integrate four previously designed and obligated ARD activities: the Institute of Forestry (367-0154), Rapti Development (367-0155), Forestry Development Project (367-0158), and Agroenterprise and Technology Systems (367-0160) projects. The guiding structure for SIRE is illustrated in Figure II.A., the Program Framework, and in the Program Logframe, Annex A.

The Program Objective of USAID/Nepal's ARD sector (and the Program Objective of SIRE) is to **increase rural household incomes through sustainable private sector agriculture and forestry enterprise**. This statement reflects the broader Mission objective of "increased private sector contribution to income growth" and keeps ARD focused on people-level impacts. The objective recognizes a wide array of private sector functions associated with agriculture and forestry inputs, production, marketing, processing, storage, distribution and export. While the primary and ultimate beneficiary of the program is the rural household, the program is also intended to improve the efficiency and responsiveness of small, medium and large scale agribusinesses, even though, in some instances, their operations and owners may be located in urban areas. The well-being of farm enterprises and agribusinesses are inextricably linked.

FIGURE II.A.

#### PROGRAM FRAMEWORK FOR ACTIVITIES IN AGRICULTURE AND RURAL DEVELOPMENT



(ALL USAID SUPPORTED ACTIVITIES IN THE ARD SECTOR MUST DIRECTLY PROMOTE THE PROGRAM OUTCOMES OR 'ENABLING CONDITIONS')

While it should be recognized that increasing the incomes of all rural households in Nepal is not fully "within the manageable interest" of the SIRE program or USAID, combined GON and donor assistance should impact on this goal. The Program Objective will be considered met when:

- 1) Rural household cash incomes in Rapti Zone have increased 50% in real terms, above the 1979 baseline figure of Rs.1798 per annum;
- 2) Household income generated from participation in selected agroenterprise projects has increased by no less than 25% within three years from project initiation; and
- 3) Broad-based rural household incomes, as determined by the Multi-Purpose Household Budget Survey (Nepal Rastra Bank), have increased to Rs.32,000 from the 1985 base of Rs.5,500.

The Program Objective will be promoted and measured most intensively in those geographic and program areas where USAID is directly involved. Other important areas of program concern, such as policy and regulatory reform, will have broader ranging multiplier effects and should contribute to improved incomes and welfare, though progress may not be easily measurable nationally or easily attributed to this program.

Generally speaking, achievement of the Program Outcomes gives an indication that the Program Objective is being achieved. For SIRE, there are three primary Program Outcomes:

- Sustained increases in private sector sales of cash crop products;
- Private control and sustainable management of farm and forest resources; and
- Agricultural and forestry policy and regulatory reforms defined and implemented.

In the Program Framework, the policy and regulatory reforms are presented as "Enabling Conditions" to emphasize the causal relationship between the actions incorporated in that outcome and the other two outcomes. The outcomes and measures discussed below for the sector-level program are not an exhaustive list of "outputs" or "End of Project Status" indicators for the component activities, but rather emphasize those that are critical to achieving the Program Objective.

While all activities supported under SIRE do directly contribute to the Program Objective and/or the Program Outcomes, each activity may not necessarily contribute to all objectives and outcomes. Rapti and Agroenterprise and Technology Systems, for instance, are most concerned with the higher objective of household incomes and about the outcome of increased private sector sales. The Institute of Forestry and the Forestry Development Program are more concerned about control and management of farm and forest resources. To one degree or another, all ongoing activities, as well as dialogue and other ARD initiatives not incorporated into those activities, contribute to enabling conditions.

#### 1. Private Sector Sales

The target indicators for sustained increases in private sector sales of cash crop products reflect an on-going structural transformation of Nepal's economy, from subsistence farming to market agriculture. They also acknowledge the critical role of the private sector (rather than government programs) as the leading engine of growth. Increases of cash sales are proxies for the general health of the market economy. Farmers and households which stay engaged in subsistence agriculture may also benefit from SIRE, but those benefits will not be measured. Specific measures of private sector sales are:

- a. Average cash sales of market-oriented farmers in Rapti Zone increase from Rs.3,500 in 1991 to Rs.10,000 in 1995;
- b. Cash generating commercial functions performed by public forest entities, such as nurseries, planting, tree cutting, milling, transport and sale of forest products, are transferred to the private sector; and
- c. Cash sales of specific firms assisted by the Agroenterprise Center increase by at least 25% as a result of AEC assistance.

#### 2. Private Control and Sustainable Management

As the experience of the last three decades has sadly demonstrated, without sufficient private control over productive resources, there is insufficient incentive to invest in and sustainably manage these. Conversely, given adequate control, resource users (including women) are likely to manage farm and forest resources so as to maximize their long-term economic welfare. Appropriate management practices, in turn, contribute to increased productivity (both for cash sales and domestic consumption) and to increased household incomes and improved welfare. Measures of achievement of this program outcome are:

- a. The number of private forest user groups registered increases from 806 in 1991 to 4,000 in 1996.
- b. The percentage of potential community forest lands turned over to private user group management increases from less than 1 percent of eligible land in 1991 to 75 percent in 2000.
- c. All new IOF graduates are qualified to advise farmers and communities on productive and sustainable forest and farm management practices by 1994.
- d. At least 15 percent of all new IOF graduates will be women.
- e. Farmers and communities are utilizing more sustainable management practices in areas turned over from public to private forestry management as measured by biomass increases and other studies.

### 3. Policy and Regulatory Reforms

As noted above, this outcome is labeled "enabling conditions" because its components are considered so essential to other favorable outcomes in the sector. These constraints must be overcome before farmers and agro- or forest-based enterprises will have adequate incentive and support to invest their labor and capital resources in higher yielding, more competitive and more financially and environmentally sustainable practices. These conditions include specific policy and regulatory reforms as well as organizational reform or strengthening. While many of the indicators of this outcome (especially d, e, f and h below), are tied directly to the four ongoing activities, others can be addressed through the broader sectoral focus and presence afforded by SIRE. The specific indicators of progress on policy and regulatory reform are:

- a. Private fertilizer dealers distribute at least 50% of all chemical fertilizers by 1994.
- b. Dairy and vegetable seed industries and tree nurseries are fully privatized by 1998.
- c. Procedures are simplified and expedited for export of agro-based products and for import of agro-industry inputs by 1994.
- d. The National Agricultural Research Center (NARC) is decentralized, operates autonomously, initiates fee for services and places the priorities of private commercial

- farmers and agro-enterprises on station research agendas by 1994.
- e. FNCCI is operating a self-financing marketing and technical service center reaching agroenterprises throughout Nepal by 1995.
  - f. No less than 10 percent of the enterprises assisted by AEC will be women owned/managed.
  - g. Legislation and regulations to turn over management of state-owned forests to private user groups is enacted by 1993.
  - h. Legislation and regulations turning over state-run irrigation to user groups are enacted by 1993.
  - i. The IOF curriculum is revised to include community and private user oriented courses and its administrative system is strengthened and made more financially sustainable by 1995.
  - j. The principle of fee for service, cost recovery and other means of resource mobilization are incorporated into all program entities no later than 1996.

It is expected that additional policy and institutional reform indicators will emerge from the dialogue and experience gained in implementing the SIRE Program.

#### F. Strategic Areas of Emphasis

All activities within SIRE are not necessarily linked with each program outcome. However, the major elements of the four ongoing activities are considered critical to the successful achievement of the Program Objective. All new activities added to SIRE will, of course, be closely linked to Program Objective and Program Outcome achievement. Each of the initial component activities under SIRE is shown below with its associated strategic areas of emphasis which best support the achievement of the Program Objective.

**RAPTI DEVELOPMENT PROJECT**

- Increased household incomes from expanded market-oriented activities.
- Increased production, marketing and sales of cash crops.
- Increased private and community ownership, and improved management of, productive forest and farm resources.
- Increased private distribution and sales of production inputs and marketing services, e.g. tree seedlings, fertilizer, vegetable seeds.

**AGROENTERPRISE AND TECHNOLOGY SYSTEMS**

- Strengthened private sector role in expanding markets for rural products and improving rural incomes.
- Public agricultural research system more responsive and accountable to needs of market-oriented farmers and agroenterprises in station command areas.
- Public agricultural research system more cost-effective, decentralized and autonomously managed.

**FORESTRY DEVELOPMENT PROJECT**

- Policies and programs resulting in increased forest user group management of community forest lands.
- Greater private sector role in supplying market with forest products.

**INSTITUTE OF FORESTRY**

- Graduates trained to better advise on and work with community forestry and private resource management.
- IOF curriculum incorporates community and private forest management.
- IOF administrative system strengthened and more financially sustainable.

**G. Core Program Functions**

To underline the Program Rationale discussed above, the establishment of SIRE will not call for creation of a new institution or require a separate set of commodities, training or long-term technical assistance. Rather, it will manage existing and new activity resources to provide both more focused and more flexible financial arrangements, greater project integration and impact, and increased program accountability for results. By combining sectoral resources that have already been authorized and obligated and, by looking at the separate activities integrally, SIRE will utilize A.I.D.'s limited resources in the sector more effectively. However, through the program-level approach, several new core functions will be performed. They include:

- A strengthened and more carefully managed monitoring and evaluation plan which is performance based and encompasses key elements of the four on-going activities as well as important actions not currently falling under any specific activity;

- Sectoral and cross-sectoral studies and syntheses important to a better informed policy dialogue;
- A more structured policy dialogue which complements USAID's other sectoral activities; and
- Design of new support activities in the agriculture and rural development sector.

To the extent resources are required to support core functions, these may be drawn from the uncommitted amounts in the appropriate line items of the composite program budget (see Figure III.B. below).

#### H. Relationship with Other Mission and Donor Activities

Not all projects currently in USAID/Nepal's ARD portfolio have been included under SIRE, due to various practical and programmatic reasons. Over time, this will cease to be the case. Even though all activities are not explicitly included, they all do contribute to the achievement of the SIRE Program Objective and Program Outcomes. For example, the Section 416 Dairy Assistance Program increases farmer incomes and supports privatizing the dairy industry. The Irrigation Management Project directly supports hand-over of public sector irrigation projects to private water user groups.

Similarly, the ARD managed activities under the Mission's PVO Co-Financing II Project promote desired agriculture and natural resource policy change, address natural resource/biodiversity issues and strengthen links to income generation. Also, SIRE focuses on rural and sectoral aspects of the policy and regulatory reform agenda promoted at the macro-economic levels through the Economic Liberalization Project. SIRE and the Economic Liberalization Project jointly contribute to the Mission's Strategic Objective of increasing private sector contributions to income growth. SIRE's assistance to economic interest groups (producer associations, user groups, agroenterprise organizations) helps strengthen their stake in a more open and pluralistic political system; an objective to be supported directly by the proposed Democracy Project.

SIRE's achievement of many policy objectives (e.g. private sales of fertilizers, privatization of the dairy industry, turnover of forests to private users, reducing public involvement in forest product and input sales) builds upon credible and purposeful USAID dialogue with all major donors (World Bank, Asian Development Bank, large bilateral donors and several UN organizations). Having shared policy objectives, made explicit

in SIRE, enhances USAID/ARD leadership in this process. It legitimizes ARD's substantive participation in areas where the Mission has strong interest but limited project resources to bring to bear. In such cases, USAID can leverage the combined weight of the SIRE Program, plus related other donor investments. This approach will strengthen initiatives underway between USAID and the World Bank to jointly pursue sweeping reforms in public sector agricultural research; with the Asian Development Bank to privatize the fertilizer business; and with both in developing community forestry in Nepal.

### III. FINANCIAL PLAN

Program inputs are presented in Table III.A., SIRE Program Summary. Government of Nepal contributions are estimated at \$17.7 million, or approximately 27 percent of the program total. These inputs are based entirely on the current budgets for the four separate program activities, and no independent calculations or financial analyses have been conducted for this Program Paper. Also, it should be reiterated that authorization and obligation of SIRE does not, at this time, provide additional funding beyond the \$47.5 million which has already been authorized by A.I.D. in the separate activity authorizations. It is anticipated that the balance of \$16.7 million, representing the difference between the sum of the amounts originally authorized and all previous obligations, will be obligated in the SIRE Program Agreement during FY 92 and in subsequent fiscal years.

USAID anticipates augmenting SIRE Program funding over the Life-of-Program at levels roughly equivalent to those of recent years. Any future increases to the program budget would be reviewed and approved by A.I.D. and obligated in amendments to the Program Agreement in accordance with the activity design, authorization and obligation process set forth in Part V of this Paper. It should be noted that the life-of-Program total will reflect current levels of funding and that once individual activities exceed their Terminal Date of Disbursement, they will be dropped from the Program total.

After the SIRE program is authorized and the Program Agreement signed, USAID's Office of Financial Management (FM) will transfer all uncommitted obligations in the four activities to a single SIRE program account. For internal financial administrative purposes only, existing commitments will be left untouched under the same program inputs as if they were old projects continuing separately.

FM will continue to manage and oversee all disbursements of A.I.D. funds. The financial management and methods of payment processes and procedures currently in place for the four individual activities being incorporated into the SIRE will remain unchanged. FM will review all program accounts on a periodic basis. The funding previously allocated (but remaining uncommitted) for external (non-federal) audits continues to be available under SIRE.

Table III.A.

**SIRE PROGRAM SUMMARY**  
( \$000 )

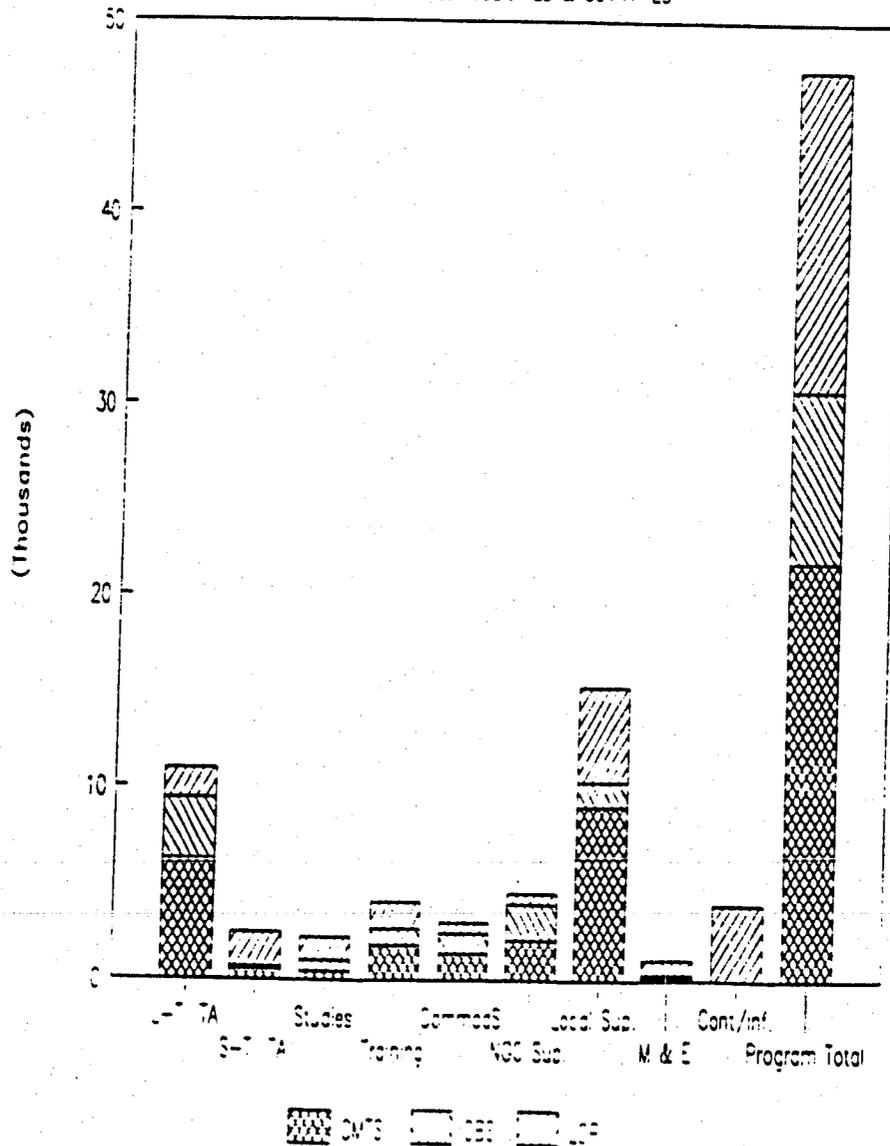
<b>PROGRAM INPUTS</b>	<b>AID/LOP</b>	<b>GON</b>	<b>TOTAL</b>
Technical Asst.	10,931	0	10,931
Short-term TA	2,452	0	2,452
Spc. Studies	2,192	0	2,192
Training	4,039	119	4,158
Commodities	2,988	0	2,988
NGO Sup.	4,202	545	4,747
Local Sup.	15,309	16,655	31,964
Monitoring, Eval. & Audit	1,114	0	1,114
Contingency/Inf.	4,273	357	4,630
<b>Program Total</b>	<b>47,500</b>	<b>17,676</b>	<b>65,176</b>

The budgeting process, however, will be modified. Starting from the overall program outcomes and performance indicators prescribed by the Program, the activity implementing agencies, contractors/grantees and USAID activity managers will propose annual progress benchmarks, work plans and corresponding budgets. These proposed plans, budgets and benchmarks will be reviewed by the Program Steering Committee and be approved by Project Implementation Letter (PIL) prior to the final allocation of annual program funds. The SIRE program outcomes and indicators strongly emphasize certain aspects of the particular activities and, by omission, de-emphasize others. This shift of emphasis, by implication, suggests that there may also be some shifts within the individual activity budgets. SIRE will allow funds to

be shifted within and between activities and between program budget elements and approved by Program Implementation Letter.

For the combined \$47.5 million program, Figure III.B. illustrates, by budget line item, the funds currently authorized, obligated and committed. The so-called "core" budget represents all funds obligated but not committed. Each successive increase in the obligated amount will be distributed according to the line items of the core budget. Those obligated funds in core can then be committed via PILs and contracting instruments.

FIGURE III.B.  
FUNDS AUTHORIZED, OBLIGATED & COMMITTED



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#### IV. IMPLEMENTATION PLAN

##### A. Roles and Responsibilities

The roles and responsibilities of the various GON ministries, implementing agencies, contractors, grantees and A.I.D. project managers will remain essentially as currently outlined in the Implementation Plans of the individual Project Papers. The primary difference in their activities under SIRE is that their attention and efforts will be more focused on the high priority Program Objective and Program Outcomes discussed in Part II of this Program Paper. Correspondingly, the basic responsibility of the key actors in the SIRE Program will be to keep those activities and people focused, to allocate program resources in accordance with performance, and to facilitate actions which are essential to progress but outside the direct control of the implementing ministries/agencies. The suggestion here is to make program management better by making it more efficient and timely. The following section outlines the program-specific responsibilities of those actors.

##### 1. Ministry of Finance and the Program Steering Committee

Special responsibility for overseeing the conduct of the SIRE Program will rest with the Ministry of Finance. The MOF has power of the purse and the authority to task other line agencies to produce specified outcomes. To assist the Ministry in discharging its responsibilities, a SIRE Program Steering Committee will be established. It will consist of representatives from the Ministry of Finance, the Ministry of Agriculture, the Ministry of Forests and Environment, the National Planning Commission, and USAID. Other interested parties may be included as the issues dictate. The Steering Committee will be jointly chaired by the MOF representative and the USAID/Nepal representative. It will meet at least twice a year and will advise the Ministers and/or Secretaries of Finance, Agriculture, and Forests and Environment on program progress at least once a year. This annual program review cycle is illustrated in Figure IV.C. The Program Steering Committee will:

- a. Review program progress on a semi-annual basis in conjunction with the semi-annual progress reports prepared by the individual activities. It is understood that, since the SIRE program does not focus on all the details of each of the separate activities, the semi-annual reports will likely include information not of concern to the Steering Committee. The committee will note any discrepancies between planned benchmarks and the progress actually

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achieved and make recommendations for accelerating progress in the upcoming six-month period.

- b. Review and approve the annual progress benchmarks, workplans and budgets proposed by the individual activities, making such changes (in collaboration with the implementing entities) as may be needed to maintain satisfactory progress towards overall program objectives. On the basis of those reviews, approvals and modifications, the Steering Committee will draw up a single unified program workplan with benchmarks and budgets, including agreed upon accounts in support of program functions.
- c. Allocate program resources based on the review of progress, workplans, benchmarks and budgets.
- d. Facilitate progress by adding the "good offices" of the Steering Committee to the efforts of those implementing the individual activities.

2. Implementing Agencies and Technical Assistance Contractors and Grantees

The specific functions of the Nepali implementing agencies, contractors and grantees under the SIRE program will remain fundamentally unchanged from their current responsibilities. The primary difference under SIRE is that their joint attention and efforts will be more focused on high priority program objectives. In practice, activity directors, chiefs of party and all long-term advisors will be more involved in advising on policy development in their areas of expertise, and in ensuring that the annual progress benchmarks for their activities are reached.

Other practical changes for contractors and grantees under the SIRE program are:

- a. A requirement that the overall project and annual performance indicators, workplans and budgets for each of the four activities be revised to incorporate and/or emphasize the program outcomes and benchmarks that pertain to that activity; and
- b. Semi-annual progress reports will include and emphasize these priority outcomes and benchmarks including: progress to date, a comparison of that progress to the planned achievements during the period, a discussion of problems encountered, and a proposal for dealing with those problems over the next reporting period.

### 3. USAID/NEPAL

The Chief of USAID's Office of Agriculture and Rural Development (or his/her designee) will serve as Program Officer for SIRE. In collaboration with the Secretary of the Ministry of Finance, the Program Officer will monitor progress and provide regular oversight for the high priority objectives of the program. The Program Officer will be a permanent member of the Program Steering Committee, participating in all progress reviews and resource allocation exercises. The Program Officer will also propose (for Steering Committee approval) tasks in support of the core program functions. Perhaps the most visible role for the Program Officer will be the responsibility to lead and maintain policy dialogue with various entities of the GON and other donors on important program issues (e.g. privatization of the dairy, vegetable seed and tree nurseries and ensuring greater financial sustainability), including those that are not incorporated into the individual activities. The Mission Director, or his delegate, may also be active in program-related policy dialogue.

The SIRE Program Officer will generally guide and depend on a team of ARD USDH and FSN professional staff. They will be responsible for sound activity implementation and program monitoring and management. The critical functions, focus areas, and primary responsibilities for ARD staff are outlined in Table IV.A.

USAID/Nepal will establish an internal SIRE Program Committee which will review program issues as necessary and provide policy guidance and implementation support to the Program Officer and Activity Managers. USAID will not maintain separate Project Committees for the four existing activities. USAID's Office of Financial Management will be heavily involved during the first year of the project as appropriation and allotment numbers and accounting systems are modified and as the program is integrated into the Mission's MACS system. Other support as needed will be sought from the Project and Program Development Office and the Executive Office. Direct hire legal and contracting officer services are obtained from regional offices in Dhaka and Bangkok.

#### B. Management Efficiencies and Cost Savings

Improved management of the ARD portfolio to focus more selectively and intensively on the achievement of meaningful and measurable impacts is the principal immediate gain from the SIRE Program. Improvements in management effectiveness reflect shared U.S. Congress, A.I.D. and GON desires to see clear, sustainable returns from development assistance. Major management economies will also be obtained, and include:

Table IV.A

<u>FUNCTION</u>	<u>FOCUS AREAS</u>	<u>PRIMARY RESPONSIBILITY</u>
Day-to-day <u>activity</u> implementation, management and guidance	<u>Activity</u> - Inputs - Implementation Progress - Documentation - Trouble-Shooting	<u>Activity</u> Managers (FSNs)
<u>Activity</u> Performance and Direction	<u>Activity</u> - Outputs - Implementation Performance and Benchmarks - Evaluation - GON/Donors Dialogue - Cross-fertilization/Coordination	Supervisory Activity Officers (USDH)
Management/Support of Core <u>Program</u> functions	Core <u>Program</u> Budget Tracking Core Program Functions Tracking e.g. M&E, training studies	Core Support Group (USDH, FSN)
Measurement of <u>Program</u> Performance Indicators	<u>Program</u> Indicator Data Assembly Assessment.	Task Force (USDH, FSN, Consultant)
<u>Program</u> Guidance and Directives	<u>Program</u> Objective and Outcomes Progress Performance Funding Priorities Activity Development GON/Donor Dialogue	SIRE Program Officer Supervisory Activity Officer (USDH)

It should be noted that ARD Staff Primary Responsibility assignments are not rigid or exclusive. In practice, all ARD staff will become involved, in collaborating and supporting roles, with most functions and focus areas. Furthermore, the successful conduct of all functions will require close, regular interaction with TA contractors/grantees, host country counterparts and, at times, key other donors.

- a reduction in Mission and AID/Washington process time and paperwork associated with new activity design;
- reduced volume of time and paper spent in project reporting;
- single annual obligation document and step;
- consolidation/simplification of studies, evaluations and other core program functions; and
- more staff attention spent on substantive issues and dialogue versus A.I.D. process requirements.

Initially, at least, the incorporation of four major projects as activities under the SIRE Program, with its focus on rural enterprise and forest resources, enables the ARD Office to adjust to a reduced USDH staff level of four Officers. Further USDH and FSN staff economies cannot be fairly determined until the ARD projects/activities outside of SIRE phase out and the complex of activities within SIRE becomes settled and predictable. The Mission's out-year budget level, and how well SIRE performs and competes for resources, will be determining factors.

#### C. Implementation Schedule

The program assistance completion date (PACD) for this ten year project is fixed as May 31, 2002. The PACDs for the existing activities are:

Institute of Forestry	July 15, 1995
Rapti Development	July 31, 1995
Forestry Development	August 30, 1995
Agroenterprise and Technology Systems	September 30, 1996

New activities may be designed to extend for any length of time up to the Program PACD. However, unless an extension to the program PACD is mutually agreed upon by the GON and USAID, and approved by AID/W, no activity may be authorized with an individual PACD which extends beyond that date.

For the first year of the Program, individual activities will continue as planned and without interruption. Implementation schedules for those activities are found in the individual activity PPs as revised by their subsequent annual work plans.

An Illustrative Program Implementation Schedule is found in Table IV.B. and the Annual Program Cycle is illustrated in Figure IV.C.

Table IV.B.

## ILLUSTRATIVE PROGRAM IMPLEMENTATION SCHEDULE

ACTION	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIRE Obligated	X										
PIL No.1 Issued	X										
Incremental Funding Obligated	X	X	X	X	X	X	X	X	X	X	
Joint Semi-Annual Review		X	X	X	X	X	X	X	X	X	
Workplans, Benchmarks & Budgets Finalized		X	X	X	X	X	X	X	X	X	X
Annual PILs Issued		X	X	X	X	X	X	X	X	X	X
IOF - PACD				X							
RDP - PACD				X							
FDP - PACD					X						
ATSP - PACD						X					
Interim Evaluations				X			X				
End-of-Program Evaluation											X
SIRE Program PACD											X

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FIGURE IV.C.

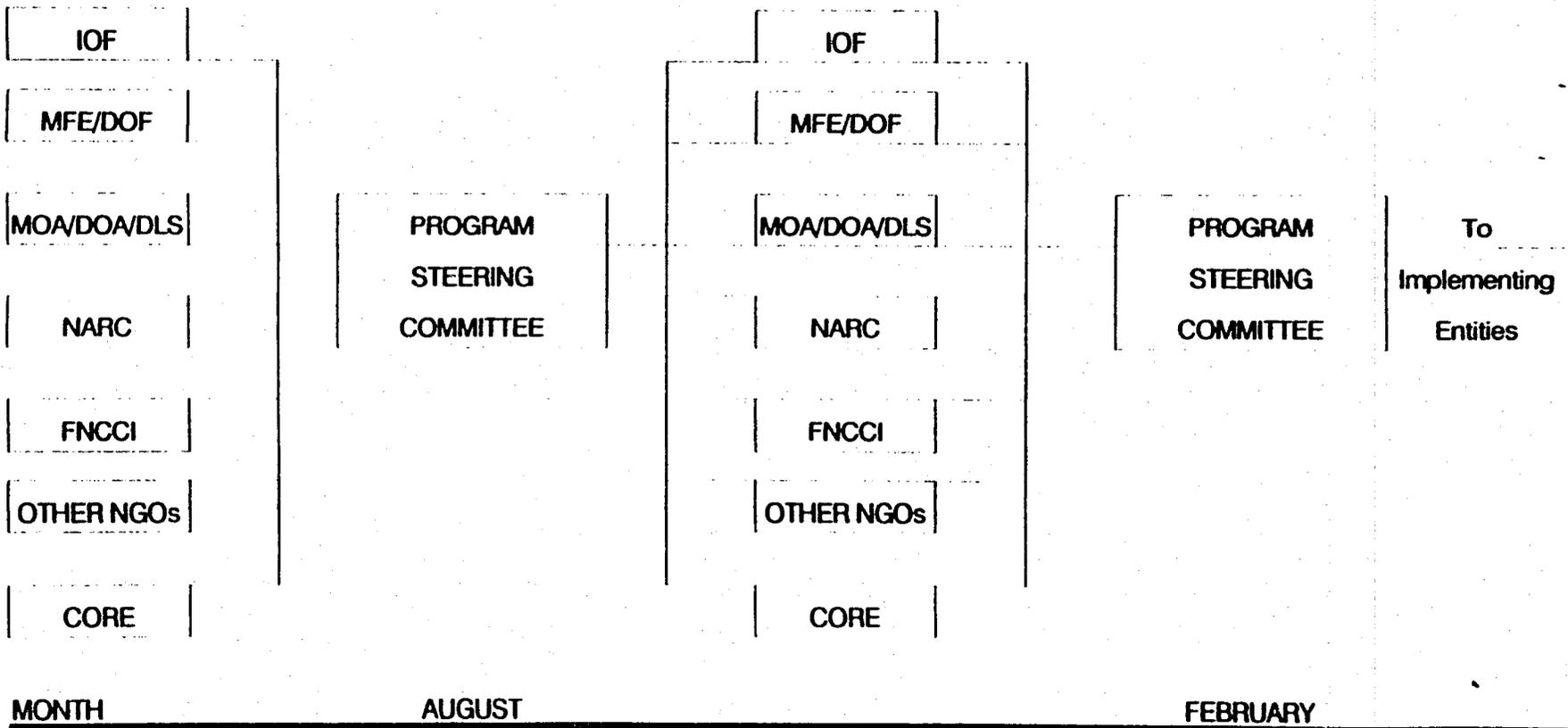
SIRE ANNUAL PROGRAM CYCLE

Implementing agencies implementing activities.

Semi-Annual Review -- Progress Report and Recommendations Issued

Implementing agencies implementing activities. Annual Progress Benchmarks Workplans and Budgets Proposed

Review and Finalize Workplans, Benchmarks & Budgets -- PIL Issued and Counter- signed / Resource allocation



5/10

#### D. Contracting and Procurement

There are currently nine commitments under the four ongoing activities including four major A.I.D. direct contracts, a smaller A.I.D. direct contract with a Nepali entity and four A.I.D. direct grants or cooperative agreements with non-governmental organizations. Under SIRE, each and every one of these existing contracts and commitments will remain in effect without interruption, subject to regular evaluations. As an administrative matter, A.I.D. may give the activities new obligation and allotment numbers via a PIO/T amendment.

While no modifications are currently planned, A.I.D.'s rights and obligations under the program are essentially the same as under the four original projects, including the rights to amend and terminate contracts, grants and cooperative agreements in accordance with standard A.I.D. procedures.

Eventually, amendments to specific contracts or agreements may be necessary. Generally speaking, grants and cooperative agreements could be simply changed in accordance with program and activity needs through revised proposals and agreement amendments. As for contracts, USAID could renegotiate to eliminate elements of the scopes of work, but substantial increases to the level of effort or substantial changes to the scopes of work would have to be recompeted. In practice, all modifications which might be considered will be examined with the Regional Contracting Office/Bangkok on a case by case basis.

To reduce the number of separate contracting actions, the ARD Office is currently exploring the feasibility and advisability of folding program specific special studies, policy analysis activities, training, and even monitoring and evaluation under a single cooperative agreement with a U.S. based firm or PVO. In addition, USAID is exploring various methods to reduce its management load resulting from procurement of project commodities. These options include folding more into new contracts and utilizing the services of a procurement agent. Decisions on these matters will be made during the first year of program implementation.

#### V. DESIGN AND AUTHORIZATION OF FUTURE ACTIVITIES

New activities proposed for incorporation into SIRE in the future must first demonstrate that they clearly fit within the overarching program framework and directly promote the ARD Program Objective, Program Outcomes and/or Enabling Conditions described above. With that additional condition, new activities will go through a design and approval process similar to, but

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more abbreviated than, the Asia Bureau's current PID and PP process.

For each new activity, USAID will prepare a New Activity Description (NAD) and submit it to the Bureau for review, approval and guidance.

After approval of the NAD and delegation of activity approval and authorization to the USAID Director, the Mission would design the activity using a streamlined PP-like document. This document would include the same types of rationale and rigorous analyses currently found in project papers including: background, problem statement and description; activity description; budget and other resource requirements; implementation plan; and technical, economic, financial, social and institutional/administrative analyses or considerations. Where descriptions or analyses are adequately covered within existing documents from other SIRE activities, those documents may be cross referenced. A Logical Framework Matrix linking the activity to the program will be required for all activities and an Initial Environmental Examination will be submitted to ASIA/DR for approval either in conjunction with the NAD or prior to project authorization.

The documentation for each new activity will have to clearly describe how the project fits within the SIRE program structure and how it promotes the higher level program objectives. It will also have to fit within operational components such as the monitoring and evaluation plan.

New activities will be authorized through an amendment to the SIRE Program Authorization (reflecting the functional accounts being used) and obligated by an amendment to the Program Agreement. The authorization and obligation amounts will increase the LOP program levels by the amount planned for the new activity. New activities will be implemented through grants, cooperative agreements, contracts and other methods as appropriate.

No activity will be authorized with a PACD which extends beyond the ten-year SIRE program PACD. At such point where a program PACD extension is required to incorporate a new or extended activity, concurrence for that extension will be requested from the Bureau.

## VI. MONITORING AND EVALUATION PLAN

Each of the four activities being subsumed under SIRE has developed its own monitoring and evaluation (M&E) plan suited to its own unique needs. Those plans and systems will continue substantially as originally detailed in respective Project Papers and revised M&E Plans. SIRE's M&E Plan focuses on impact-level questions and is based on efforts initiated by USAID in developing program performance indicators and subsequently has been strengthened and refined by a Program Performance Information System for Strategic Planning Project team and ARD during the SIRE program design.

### A. Information Users

The information produced under SIRE should be accessible and appropriate to a wide range of supervisors, managers and decision makers in the agriculture and rural development sector. Primary information users are those directly responsible for program planning and resource allocation, especially the USAID Program Officer and members of the Program Steering Committee. Additional users include officials and directors of implementing organizations, expatriate technical advisors and other bilateral and international donors.

### B. Objectives of the M&E Plan

The primary purposes of the M&E Plan are to determine whether the program approach is reasonable and whether adequate progress is being maintained towards achieving Program Outcomes and the Program Objective. Monitoring requires analyzing information to track program accomplishments and to identify problems or "bottlenecks." A second purpose of monitoring is to collect relevant information needed for periodic reports required by the GON, USAID, and AID/W. Evaluations aim to provide information about program impact at the outcome and program objective levels. To a significant extent, strengthened and more carefully managed monitoring and evaluation are major aims of the program.

The emphasis of the plan is on routine and ad hoc information collection provided by program implementing agencies and clients rather than intensive periodic evaluations.

### C. Key Questions

Among the specific questions to be addressed at each level are the following:

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### 1. Program Objective Level

- Are household incomes in Rapti and the rural areas of Nepal and the incomes of households connected with agroenterprises in Nepal increasing? At what rate(s)? Where? To what extent do women share in these income gains?
- What are the perceived roles of private sector agricultural and forestry enterprises in causing the increases? What is the evidence for that?

### 2. Program Outcome Level

- Have the cash sales of market oriented farmers in the Rapti zone increased? By what amount?
- What commercial functions of the public sector have been transferred to the private sector?
- To what extent have cash sales of firms assisted by the Agroenterprise Center increased?
- What percentage of all chemical fertilizer distribution is being handled by private fertilizer dealers?
- Are the dairy, vegetable seeds and tree nursery industries fully privatized? If not, what incremental progress has been made?
- What measures have been enacted to simplify and expedite procedures for export of agro-based products and for import of agro-industry inputs?
- To what extent has the National Agricultural Research Center (NARC) been decentralized and given autonomy? Has it initiated a "fee for services" concept? Does it place priorities on research for private commercial farmers and agro-enterprises?
- Is the FNCCI operating a self-financing marketing and technical service center? How many agroenterprises does it reach/service? Where are they located? How many of these are owned/managed by women?
- What legislation and regulations have been enacted to turn over management of state-owned forests to private user groups? How many schemes have been turned over?
- What legislation has been enacted to turn over state-run irrigation schemes to user groups?
- Has IOF curriculum been revised to include community and private user oriented courses? How has the IOF administrative system been strengthened and made more financially sustainable? What percentage of IOF graduates are women?
- To what degree have the principle of fee for service, cost recovery and other means of resource mobilization been incorporated into program entities?
- How many private forest user groups have been registered?

- How much forest land has been turned over to private user group management? What is the evidence that new IOF graduates are correctly advising farmers and communities on productive and sustainable forest and farm management practices? Are they adequately addressing the needs of women forest users?
- Do estimates of bio-mass suggest that farmers and communities in forest turn-over areas are utilizing more sustainable management practices?

### 3. Program Process and Mechanism Level

- What is the evidence that USAID and the GON have concentrated and focused resources upon a smaller number of high priority objectives? Has the framework of program objectives, program outcomes and enabling conditions been agreed upon? Have specific performance-based indicators and benchmarks been developed (and agreed upon) for each activity on an annual basis? Do all program activities participate?
- How has the program contributed to: better analysis of cross-cutting issues; improved donor coordination; better cross-fertilization of complementary elements in different activities; and improved access and leverage on policy dialogue issues not incorporated in individual projects?
- How has the relationship between USAID and GON sectoral entities changed under the Program? Has a joint USAID/GON Program Steering Committee been formed? Does it meet at least twice each year? Describe its annual review of the program and individual activities. How have allocations for individual activities been affected by these Steering Committee reviews? How is the shift in program resources from poor performers to strong performers being received by GON policy makers and planners and by implementing agencies?
- How have the procedures for amending the program and its activities, for accomplishing annual obligations, and for responding to a changing program environment been simplified and made more flexible? Is the monitoring and evaluation plan performance based? Does it encompass the key elements of the four ongoing activities as well as important actions not currently falling under any project? Is it being carefully managed?
- What sectoral and cross-sectoral studies and syntheses have been funded under the program? How have they been used to improve policy dialogue? What new activities in the agriculture and rural development sector have been added to the program? To what degree do they conform to the Program Objective and Program Outcomes?

#### D. Methodology of the M&E Plan

Primary responsibility for program monitoring and evaluation will rest with the SIRE Program Officer in cooperation with members of the Steering Committee. The Program Officer will also be responsible for finalizing the plan during the first year of the program, assisted by an evaluation consultant. The final plan will call for a flexible mix of methodologies, including formal periodic evaluations but relying heavily on the M&E systems operating in the separate activities, routine data sources and ad

hoc assessments. The system also will aim for "order of magnitude" reliability rather than "statistical" reliability for most of its information and management needs. The plan will stress the value of gender disaggregated data and seek to obtain it whenever practicable.

Routine methods of data collection may include use of the Mission Accounting and Control System, the Program Agreement and PILs; the individual activity work plans; contractors' monthly financial reports and semi-annual progress reports; and consultations with contractor and implementing agency staffs and site visits. As needed, special studies will be undertaken during the first year of the program to establish baseline information for such things as IOF graduate/client farmer relationships and photopoint assessments of bio-mass. Other special studies, using local or expatriate consultants, will be undertaken as the need arises.

On a semi-annual basis, the SIRE Steering Committee will assess specific progress being made, the major problems impeding progress, and suggest corrective actions. Allocation of program resources will be made once per year. If special studies have been performed during the review period, their results will also be included in the semi-annual reviews.

One interim evaluation will be held in FY 95 and a second in FY 98 (subject to Steering Committee review). The principal purposes of these evaluations are to examine whether the program process and mechanisms are valid, whether progress towards Program Outcomes and Program Objectives is satisfactory, and what modifications might be made to make program implementation more effective and efficient. The purposes of the final evaluation will be to determine to what extent the Outcomes and Program Objectives have been achieved and what the program's impact has been. Evaluations conducted for the separate activities may be very helpful to the overall program evaluations.

Short-term assistance will be required for formal evaluations as well as any special monitoring or evaluation studies. In addition, USAID intends to secure six to eight person months of assistance from a monitoring and evaluation specialist over the life of program.

## VII. PROGRAM AGREEMENT CONSIDERATIONS

The SIRE Program has already been discussed with the Ministry of Finance, the National Planning Commission and the individual implementing agencies. They are in general agreement with the program's objectives. Once the program has been authorized, a Program Agreement will be drafted, negotiated and signed with the Ministry of Finance. Shortly thereafter, a Program Implementation Letter (PIL) No. 1 will be drafted, referencing the Program Agreement, and countersigned by all the implementing agencies. This PIL will formally link the four existing projects to the objectives and implementation approach of SIRE. Following submission of annual workplans, budgets and benchmarks by the implementing agencies and review and allocation by the Program Steering Committee, another PIL will be drafted and countersigned clearly delineating the workplans, budgets and benchmarks for the individual activities as well as the overall program. Formal amendments to the program agreement would be drafted when new activities are added or when significant modifications are proposed for the Program Objective, Program Outcomes or budget.

## VIII. PROGRAM ISSUES

1. Winners and Losers: Once the SIRE program is in place, it is theoretically possible, in fact expected, that well performing activities will receive a relatively greater share of the program resources while poor performers will receive relatively less. The "losers", may be dissatisfied and can be expected to question and criticize both the process and results. To mitigate such problems, the Steering Committee will assure that all of the indicators and benchmarks are transparent, understood and agreed upon by all concerned parties and that the reasons behind any transfer of resources are clearly documented.

2. De-emphasized Elements of Activities: By explicitly stressing specific "areas of emphasis" within the on-going Projects initially incorporated as activities under SIRE, some existing elements are implicitly de-emphasized. It is conceivable that implementing agencies or contractors could excel with lower priority elements while falling short with the emphasized (and more closely measured) elements. Accordingly, it is further conceivable that certain low priority elements may be brokered out of on-going activities. The Steering Committee will deal with problems arising from such instances on a case-by-case basis. All elements of new activities will be tightly linked to the Program Objective and Program Outcomes.

3. Mission Work Requirements: A simpler Mission ARD configuration does not mean that the work requirements will decline. Rather, the program level agenda is a new, additional requirement. (See the tasks listed in Table IV.A). The Mission needs continuing AID/W comprehension and support, in terms of funding and staff, to achieve its stated impacts.

4. Challenges to A.I.D.'s Contracting System: The new implementation approaches described for SIRE present challenges to existing contracting procedures. For instance, a programmatically sensible decision to expand a well performing activity may also imply that the current contractor is best qualified and placed to undertake the expanded or new work. Current competitive rules regarding contracting, including the five-year contract limitation, could severely limit the options or impose onerous and time consuming waiver procedures.

## SIRE PROGRAM LOGICAL FRAMEWORK MATRIX

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><b>STRATEGIC OBJECTIVE</b> Increases in rural household income through private agriculture and forestry.</p>	<p>a. Rural household cash incomes in Rapti Zone have increased 50% in real terms, above the 1979 baseline figure of Rs.1798 (per annum); b. Household income generated from participation in selected agroenterprise projects has increased by no less than 25% within three years from project initiation; and c. Broad-based rural household incomes, as determined by the Multi-Purpose Household Survey, have increased to Rs.32,000 from the 1985 base of Rs.5,500.</p>	<p>Special RDP survey  Special ATS project survey. AEC records  National household income and consumption surveys by Rastra Bank.</p>	<p>Private sector control of productive resources and increases in private sector sales contribute directly to increases in household income.  Regional and other trade factors favorable to Nepal.</p>
<p><b>PROGRAM OUTCOMES</b> 1. Sustained increases in private sector sales of cash crop products.</p>	<p>1.a. Average cash sales of market-oriented farmers in Rapti Zone increase from Rs.3,500 in 1991 to Rs.10,000 in 1995.  1.b. Cash generating commercial functions performed by public sector forestry entities are transferred to the private sector.  1.c. Cash sales of specific firms assisted by AEC increase by at least 25% as result of AEC assistance.</p>	<p>Annual survey of a selected sample of market-oriented farmers in Rapti Zone.  TCN records re: divestiture of planting &amp; management, cutting, milling, transport, retail, etc.  Special ATS survey and AEC records.</p>	<p>Increased private sector control, policy and regulatory reforms, and program entities more responsive to client needs, together provide sufficient incentive for farmers to utilize more sustainable and productive practices.  Utilization of more sustainable and productive practices leads to higher productivity.</p>
<p>2. Agricultural and forestry policy and regulatory reforms defined and implemented.</p>	<p>2.a. Private fertilizer dealers distribute at least 50% of all chemical fertilizers by 1994.  2.b. Dairy, vegetable seed and tree nursery industries fully privatized by 1996.  2.c. Procedures simplified and expedited for export of agro-based products and for import of agro-industry inputs by 1994.  2.d. National Agriculture Research Center (NARC) is decentralized, given autonomy, initiates fee for services and places priorities of private commercial farmers and agro-enterprises on station research agendas by 1995.  2.e. FNCCI operating a marketing and technical service center reaching agroenterprises throughout Nepal by 1995.</p>	<p>Import data and AIC distribution records.  Dairy Development Board, Seed Entrepreneurs Assoc., AIC records &amp; budget of Community Forestry Program.  FNCCI agenda  ATSP project monitoring and reports.  ATSP project monitoring and reports.</p>	<p>GON continues to support program objectives and actively participate.  GON grants NARC autonomy.</p>

## SIRE PROGRAM LOGICAL FRAMEWORK MATRIX

NARRATIVE SUMMARY	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
3 Private control and sustainable management of farm and forest resources.	2.f. No less than 10% of the enterprises assisted by AEC are women owned/managed.	ATSP project monitoring and reports.	Sufficient women-led organizations are identified.
	2.g. Legislation and regulations to turn over management of state-owned forests to private user groups enacted by 1993.	GON Gazette	Parliament maintains present philosophy and backs it up with direct action.
	2.h. Legislation turning over state-run irrigation to user groups enacted by 1993.	GON Gazette	
	2.i. IOF curriculum revised to include community and private user oriented courses and administrative system strengthened and more financially sustainable by 1995.	IOF activity's M&E Plan.	
	2.j. Principles of fee for service, cost recovery and other means of resource mobilization incorporated into all program entities no later than 1996.	Entities' budgets and resource plans.	
	3.a. The number of private forest user groups registered increases from 806 in 1991 to 4000 in 1996.	FDP, IOF & RDP M&E plans. Min. Forests and Environment records.	
	3.b. The percentage of forest turned over to private user group management increases from <1% of eligible land in 1991 to 75% in 2000.	FDP, IOF & RDP M&E plans. Min. Forests and Environment records.	
	3.c. All new IOF graduates qualified to advise farmers and communities on productive and sustainable forest and farm management practices by 1994.	Special baseline and follow-up survey of client farmers, communities and District Forestry Officers.	
	3.d. New IOF graduates include at least 15% women.	IOF reports.	
	3.e. Farmers and communities are utilizing more sustainable management practices in turn-over areas.	Baseline photopoint survey followed by follow-up 3 years after turn-over.	
<b>PROGRAM INPUTS</b>	(AID - \$000)		
Long-term TA (expatriate 34-39 p.y.)	10,931	Program and activity records.	Qualified TA is available.
Short-term TA	2,452		
Special Studies	2,192	Contractor reports	GON fulfills its pledged contributions.
Training	4,039		
Commodities	2,988	Disbursement records.	
NGO Support	4,202		GON provides timely clearance and counterparts.
Local Support (HMG)	15,309		
Monitoring & Evaluation	1,114		
Contingency/Inflation	4,273		
<b>Program Total</b>	<b>47,500</b>		

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INITIAL ENVIRONMENTAL EXAMINATION

COUNTRY : Nepal  
PROJECT : Sustainable Income and Rural Enterprise  
(SIRE) Program (367-0167)  
FUNDING : No Increase in Authorization Requested  
LIFE OF PROJECT : PACD - May 31, 2002

IEE PREPARED BY : Thomas H. Pierce April 15, 1992  
Thomas H. Pierce Date  
Mission Environmental  
Officer, ARD

RECOMMENDED ENVIRONMENTAL ACTION : Negative Determination of all Program Activities

CONCURRENCE : Kelly C. Kammerer April 21, 1992  
Kelly C. Kammerer Date  
Director  
USAID/Nepal

BUREAU ENVIRONMENTAL OFFICE'S DECISION : Approved: \_\_\_\_\_  
Disapproved: \_\_\_\_\_  
Date: \_\_\_\_\_

The Sustainable Income and Rural Enterprise (SIRE) Program provides a framework and process to focus and concentrate activities in the Mission's Agriculture and Rural Development (ARD) portfolio. The SIRE program will keep USAID and GON resources in the ARD sector focussed on high priority sector objectives.

SIRE initiates no new activities. Rather it subsumes activities previously designed and obligated under the Institute of Forestry Project (367-0154), the Rapti Development Project (367-0155), the Forestry Development Project (367-0158), and the Agroenterprise and Technology Systems Project (367-0160). For each of those projects, IEE's were prepared by the Mission and approved by the Asia Bureau environmental Officer. Any future activities which may be incorporated into SIRE will have their own IEE's prepared in accordance with A.I.D.'s normal project/activity design and approval process. Those IEE's will be forwarded to AID/W for review and approval prior to amending the SIRE project to incorporate the new activity.

Since SIRE will undertake no new activities, no new, unassessed environmental impact is expected from the program. A Negative Determination of no significant environmental impact is, therefore, recommended.

IMPACT IDENTIFICATION AND EVALUATION FORM  
SUSTAINABLE INCOME AND RURAL ENTERPRISE PROGRAM

Impact Areas and Sub-areas

**A. LAND USE**

1. Changing the character of the land through:

- |                                 |   |
|---------------------------------|---|
| a. Increasing the population    | N |
| b. Extracting natural resources | N |
| c. Land clearing                | N |
| d. Changing soil character      | N |

- |                                  |   |
|----------------------------------|---|
| 2. Altering natural defences     | N |
| 3. Foreclosing important uses    | N |
| 4. Jeopardizing man or his works | N |
| 5. Other factors                 | N |

**B. WATER QUALITY**

- |                                   |   |
|-----------------------------------|---|
| 1. Physical state of water        | N |
| 2. Chemical and biological states | N |
| 3. Ecological balance             | N |
| 4. Other factors                  | N |

**C. ATMOSPHERIC**

- |                    |   |
|--------------------|---|
| 1. Air additives   | N |
| 2. Air pollution   | N |
| 3. Noise pollution | N |
| 4. Other factors   | N |

**D. NATURAL RESOURCES**

- |  |   |
|--|---|
| 1. Diversion, altered use of water       | N |
| 2. Irreversible, inefficient commitments | N |
| 3. Other factors                         | N |

**E. CULTURAL**

- |                                    |   |
|------------------------------------|---|
| 1. Altering physical symbols       | N |
| 2. Dilution of cultural traditions | N |
| 3. Other factors                   | N |

**F. SOCIOECONOMIC**

1. Changes in economic/employment pattern
2. Changes in population
3. Changes in cultural patterns
4. Other factors

N  
N  
N  
N

**G. HEALTH**

1. Changing a natural environment
2. Eliminating an ecosystem element
3. Other factors

N  
N  
N

**H. GENERAL**

1. International impacts
2. Controversial impacts
3. Larger program impacts
4. Other factors

N  
N  
N  
N

Symbols: N=No environmental impact  
L=little environmental impact  
M=Moderate environmental impact

As no new FY 1992 checklists have been developed and as USAID is expediting on a Continuing Resolution, the FY 1991 checklists are still valid and are used for FY 1992.

**5C(1) - COUNTRY CHECKLIST**

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

**A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE**

**1. Narcotics**

**a. Negative certification (FY 1991 Appropriations Act Sec. 559(b)):** Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances 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. Nepal is in compliance and is taking measures to prevent drugs from being manufactured, shipped, or sold.

**b. Positive certification (FAA Sec. 481(h)).** (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct

N/A

source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement?

(2) has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (b) the vital national interests of the United States require the provision of such assistance?

c. Government Policy (1986 Anti-Drug Abuse Act of 1986 Sec. 2013(b)).  
(This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.)  
If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress

N/A

listing such country as one: (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

**2. Indebtedness to U.S. citizens (FAA Sec. 620(c):** If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

To the Mission's knowledge, no such indebtedness exists.

**3. Seizure of U.S. Property (FAA Sec. 620(e)(1)):** If assistance is to a government, has it (including any 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 toward such citizens or entities?

Not to the Mission's knowledge.

**4. Communist countries (FAA Secs. 620(a), 620(f), 620D; FY 1991 Appropriations Act Secs. 512, 545):** Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by

No, it is a constitutional monarchy.

the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

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

No

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

No

7. Seizure of U.S. Fishing Vessels (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 vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

N/A

8. Loan Default (FAA Sec. 620(q); FY 1991 Appropriations Act Sec. 518 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (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 FY 1990 Appropriations Act appropriates funds?

No

9. **Military Equipment (FAA Sec. 620(s)):** If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources 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 OYB." 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.)

N/A

10. **Diplomatic Relations with U.S. (FAA Sec. 620(t)):** Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No

11. **U.N. Obligations (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 A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

To the best of the Mission's knowledge, Nepal's payments are current.

## 12. **International Terrorism**

a. **Sanctuary and support (FY 1991 Appropriations Act Sec. 556; FAA Sec. 620A):** Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

No.

b. **Airport Security (ISDCA of 1985 Sec. 552(b)).** Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

No.

13. **Discrimination (FAA Sec. 666(b)).** 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. **Nuclear Technology (FAA Secs. 669, 670).** Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? 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? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

No, not to the Mission's knowledge.

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

Nepal has disassociated itself from the communique.

16. **Military Coup (FY 1991 Appropriations Act Sec. 513):** Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? No.

17. **Refugee Cooperation (FY 1991 Appropriations Act Sec. 539):** Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes.

18. **Exploitation of Children (FY 1991 Appropriations Act Sec. 599D, amending FAA Sec. 116):** Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services? No.

B. **COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")**

1. **Human Rights Violations (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. **Abortions (FY 1991 Appropriations Act Sec. 535):** Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary No.

sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

**Human Rights Violations (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 President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

N/A

## 5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

### A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

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

Yes to all (a-f).  
These are the purposes of the program.

2. **U.S. Private Trade and Investment**  
(FAA Sec. 601(b)): Information and conclusions on how assistance 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).

Open markets and improved trade are major program purposes.

**3. Congressional Notification**

a. **General requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A):** If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

Yes. Prior to obligating funds, Congress will be notified through AID W.

b. **Notice of new account obligation (FY 1991 Appropriations Act Sec. 514):** If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. **Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec. 575(b)(3)):** If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic pool policy reforms to be promoted?

N/A

**4. Engineering and Financial Plans (FAA Sec. 611(a)):** Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes. Budgets were shown through the PPs of 367-0155 and 367-0160.

**5. Legislative Action (FAA Sec. 611(a)(2)):** If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action

N/A

will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. **Water Resources** (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total 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 maintain and utilize the project effectively?

This was done as part of Rapti Development (367-0155).

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

As per A 1., yet to all (a-f).

10. **U.S. Private Trade** (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).

Increased trade and U.S. participation are encouraged through the Program.

11. **Local Currencies**

a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): 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.

It is estimated that involvement of Nepal is furnishing \$16.9 million (about 25%) of Program costs.

b. **U.S.-Owned Currency** (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.

c. **Separate Account** (FY 1991 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

No separate account is required as part of the Program.

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

N/A

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

N/A

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

N/A

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

N/A

## 12. Trade Restrictions

a. Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)): 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?

Assistance is not given directly for production. It is unlikely that any agricultural exports will cause any injury to U.S. producers.

b. Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of

No.

textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. **Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)):** Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No. Certain activities will promote improved management of forest resources and sustainable use of same.

14. **PVO Assistance**

a. **Auditing and registration (FY 1991 Appropriations Act Sec. 537):** If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

PVOs receiving assistance through the Program are (and will be) in compliance with all relevant AID regulations

b. **Funding sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"):** If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

When assistance is in the form of a grant or cooperative agreement, this rule applies.

15. **Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)):** Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

This will be done when the Pro-Ag. is signed.

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes.

17. **Women in Development** (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes. Target participation in activities as maximized to the feasible limit.

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

No. Although there is close collaboration with multinationals (IMF, WB, ADB), assistance provided through the Program is done more effectively by USAID.

19. **Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):**

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No.

b. Will any funds be used to lobby for abortion?

No.

20. **Cooperatives (FAA Sec. 111):** Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

Yes - when appropriate.

21. **U.S.-Owned Foreign Currencies**

a. **Use of currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509):** Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

U.S. owns no N. rupees.

b. **Release of currencies (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.

22. **Procurement**

a. **Small business (FAA Sec. 602(a)):** Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Yes. Preference is given to qualified 8 A firms.

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

Yes. When otherwise, appropriate waivers will be requested.

c. **Marine insurance (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.

d. **Non-U.S. agricultural procurement (FAA Sec. 604(e)):** If non-U.S. procurement of agricultural commodity or product thereof 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.) N/A

e. **Construction or engineering services (FAA Sec. 604(g)):** Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) No.

f. **Cargo preference shipping (FAA Sec. 603):** Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent 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.

g. **Technical assistance (FAA Sec. 621(a)):** If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the Yes.

facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

**h. U.S. air carriers**  
(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.

**i. Termination for convenience of U.S. Government (FY 1991 Appropriations Act 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?

Such provisions will be included in all relevant contracts.

**j. Consulting services**  
(FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes.

**k. Metric conversion**  
(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest

Yes.

documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. Competitive Selection

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

Yes.

23. Construction

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

Probably not, because of costs involved. A local firm will (most likely) be used for such services.

b. Construction contract (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.

c. Large projects, Congressional approval (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 Congressional Presentation), or does assistance have the express approval of Congress?

N/A

24. U.S. Audit Rights (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?

N/A

25. Communist Assistance (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.

26. Narcotics

a. Cash reimbursements (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes.

b. Assistance to narcotics traffickers (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes.

27. Expropriation and Land Reform (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes.

28. Police and Prisons (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.

29. CIA Activities (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? Yes.

30. Motor Vehicles (FAA Sec. 636(i)): Will assistance preclude use of financing 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.

31. **Military Personnel** (FY 1991 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes.
32. **Payment of U.N. Assessments** (FY 1991 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? Yes.
33. **Multilateral Organization Lending** (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes.
34. **Export of Nuclear Resources** (FY 1991 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? Yes.
35. **Repression of Population** (FY 1991 Appropriations Act Sec. 511): Will assistance preclude use of financing 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.
36. **Publicity or Propoganda** (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? No.

37. **Marine Insurance** (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

Yes. •

38. **Exchange for Prohibited Act** (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No.

B. **CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY**

1. **Agricultural Exports (Bumpers Amendment)** (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

No. Any agricultural exports will be to countries which rarely import those products from the U.S.A. Nepal is a border-line food deficit country with limited export ability.

2. **Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"):** Will DA funds be used for tied aid credits?

3. **Appropriate Technology (FAA Sec. 107):** Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

4. **Indigenous Needs and Resources (FAA Sec. 281(b)):** Describe extent to which the activity 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 civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

5. **Economic Development (FAA Sec. 101(a)):** 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?

6. **Special Development Emphases (FAA Secs. 102(b), 113, 281(a)):** Describe 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, dispersing investment 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 appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries

Yes. This is a feature of the Rapti Development component, as well as ATSP.

The program is directly aimed at the needs of farmers and of agro-enterprises. Participants will naturally include GON officials and involved private sector individuals. Training is a major tool for assisting in Nepal's economic development. Local expertise will be used whenever practicable.

Yes. These are program purposes and activities which will work toward these ends.

90% of Nepal's population is made up of poor rural farmers - these are the major targets of assistance to increase their household income through new, improved farming, marketing and diversification. Agro-business will also be assisted to help expand opportunities for processing and new product marketing. A participatory approach, requiring community action and input, is used throughout the program. Priority is given to women's involvement in all aspects of the program.

and the improvement of women's status; and  
(e) utilize and encourage regional  
cooperation by developing countries.

7. **Recipient Country Contribution**  
(FAA Secs. 110, 124(d)): Will the  
recipient country provide at least 25  
percent of the costs of the program,  
project, or activity with respect to which  
the assistance is to be furnished (or is  
the latter cost-sharing requirement being  
waived for a "relatively least developed"  
country)?

As per budget, the  
GON alone will  
contribute 25% of  
Program costs. Community  
financial participation  
will be additional.

8. **Benefit to Poor Majority** (FAA  
Sec. 128(b)): If the activity attempts to  
increase the institutional capabilities of  
private organizations or the government of  
the country, or if it attempts to  
stimulate scientific and technological  
research, has it been designed and will it  
be monitored to ensure that the ultimate  
beneficiaries are the poor majority?

The primary, as well as  
ultimate, beneficiaries  
are the poor majority.

9. **Abortions** (FAA Sec. 104(f); FY  
1991 Appropriations Act, Title II, under  
heading "Population, DA," and Sec. 535):

No.

a. Are any of the funds to be  
used for the performance of abortions as a  
method of family planning or to motivate  
or coerce any person to practice  
abortions?

No.

b. Are any of the funds to be  
used to pay for the performance of  
involuntary sterilization as a method of  
family planning or to coerce or provide  
any financial incentive to any person to  
undergo sterilizations?

No.

c. Are any of the funds to be  
made available to any organization or  
program which, as determined by the  
President, supports or participates in the  
management of a program of coercive  
abortion or involuntary sterilization?

No.

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?

N/A

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?

N/A

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No.

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

No.

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

Yes.

11. Disadvantaged Enterprises (FY 1991 Appropriations Act Sec. 567): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

A target of 10% of TA funds and training is established for 8 A firms and HBCUs respectively.

12. Biological Diversity (FAA Sec. 119(g): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

- a. Yes.
- b. Nepal is a signator to all major ecosystem and wildlife agreements.
- c. N/A
- d. No.

13. Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) & (g)):

a. A.I.D. Regulation 16: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

Yes. Any new activities will be required to perform an IEE.

b. Conservation: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions

Yes. Program promotes these objectives.

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which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded

No.

No.

No.

No.

forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

No.

No.

d. Sustainable forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

Yes. Under two program activities at present.

e. Environmental impact statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

Yes.

14. Energy (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

N/A

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage

N/A

private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) to be provided in a manner that takes into account, during the planning process, the local-level perspectives of the rural and urban poor, including women, through close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) to be implemented in a manner that requires local people, including women, to be closely consulted and involved, if the assistance has a local focus; (e) being used primarily to promote reform of critical sectoral economic policies, or to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities; and (f) to be provided in a manner that, if policy reforms are to be effected, contains provisions to protect vulnerable groups and the environment from possible negative consequences of the reforms?

16. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A

17. **Deobligation/Reobligation** (FY 1991 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

When deobs/reobs are made, they will be from the ARDN (FN) account.

18. **Loans**

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

N/A

b. **Long-range plans** (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

c. **Interest rate** (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d. **Exports to United States** (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 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

19. **Development Objectives** (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from

As stated on p.15 (sect. 102.6), these are the principal purposes of the program.

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; (2) 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 governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

**20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):**

a. **Rural poor and small farmers:** If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made.

b. **Nutrition:** Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

The program's overriding objective is to increase rural household incomes. Agriculture research support is aimed at policy reform to ~~make~~ *reach* more client (farmer) oriented-demand driven.

N/A

c. **Food security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

Food production increases will be one major benefit of many program activities.

21. **Population and Health (FAA Secs. 104(b) and (c)):** If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A

22. **Education and Human Resources Development (FAA Sec. 105):** If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

Training is a major input of the program, targeted at meeting specific needs and weakness of the farming and agro-industry sectors. Non-formal education is used at the local level. Certain selected training opportunities for advanced and specialized training is part of the training.

23. **Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106):** If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

Forestry management and sustainable use of local resources are key elements of certain program components.

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

Program will work with both U.S. and local PVO's, as well as regional organizations and PIOs (Public International Organizations)

c. research into, and evaluation of, economic development processes and techniques;

N/A

d. reconstruction after natural or manmade disaster and programs of disaster preparedness;

N/A

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

Many activities build on past USAID project accomplishments.

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

Urban development is not a specific purpose of the program, although these will be indirect contributions to urban poor welfare.

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## Program Budget By Activity and Inputs

(Aid Direct Costs as of Dec. 30, 1991 - US\$ in 000)

Activity	LOP Obligation	Earmark	Commitment	Expenditure	Pipeline	
<b>Rapti Development Project (367-0155)</b>						
Technical Asst.	3,946	3,645	3,350	2,416	2,352	1,293
Short-term TA	N/A	N/A	N/A	N/A	N/A	N/A
Spc. Studies	575	722	469	444	409	313
Training	1,000	855	841	815	444	411
Commodities	700	700	564	519	498	202
NGO Sup.	2,529	2,529	1,925	1,779	1,553	976
Local Sup. (HMG)	8,613	5,460	5,185	5,185	4,047	1,413
Monitoring & Eval.	275	117	117	117	117	0
Contingency/Inf.	1,162	N/A	N/A	N/A	N/A	N/A
<b>Rapti Sub-Total</b>	<b>18,800</b>	<b>14,028</b>	<b>12,451</b>	<b>11,275</b>	<b>9,420</b>	<b>4,608</b>
<b>Institute of Forestry Project (367-0154)</b>						
Technical Asst.	1,968	1,800	1,250	1,250	870	930
Short-term TA	396	50	N/A	N/A	N/A	N/A
Spc. Studies	1,517	300	0	0	0	300
Training	1,486	550	400	400	172	378
Commodities	1,037	880	766	538	397	483
NGO Sup.	N/A	N/A	N/A	N/A	N/A	N/A
Local Sup. (HMG)	1,246	920	661	661	554	366
Monitoring & Eval.	379	100	83	59	0	100
Contingency/Inf.	671	N/A	N/A	N/A	N/A	N/A
<b>IOF Sub-Total</b>	<b>8,700</b>	<b>4,600</b>	<b>3,160</b>	<b>2,908</b>	<b>1,993</b>	<b>2,607</b>
<b>Agroenterprise and Technology Systems Project (367-0160)</b>						
Technical Asst.	3,337	2,000	2,000	2,000	10	1,990
Short-term TA	2,056	634	619	584	36	598
Spc. Studies	100	0	N/A	N/A	N/A	0
Training	900	400	400	400	0	400
Commodities	803	460	250	235	0	460
NGO Sup.	610	610	293	293	89	521
Local Sup. (HMG)	2,450	716	211	211	80	636
Monitoring & Eval.	270	100	0	0	0	100
Contingency/Inf.	1,474	N/A	N/A	N/A	N/A	0
<b>ATSP Sub-Total</b>	<b>12,000</b>	<b>4,920</b>	<b>3,773</b>	<b>3,723</b>	<b>215</b>	<b>4,705</b>
<b>Forestry Development Project (367-0158)</b>						
Technical Asst.	1,680	1,680	600	600	509	1,171
Short-term TA	N/A	N/A	N/A	N/A	N/A	N/A
Spc. Studies	0	N/A	N/A	N/A	N/A	N/A
Training	653	704	200	200	50	654
Commodities	448	396	153	120	114	282
NGO Sup.	1,063	470	0	0	0	470
Local Sup. (HMG)	3,000	3,000	3,000	3,000	3,000	0
Monitoring & Eval.	190	0	0	0	0	0
Contingency/Inf.	966	N/A	N/A	N/A	N/A	N/A
<b>FDP Sub-Total</b>	<b>8,000</b>	<b>6,250</b>	<b>3,953</b>	<b>3,920</b>	<b>3,673</b>	<b>2,577</b>
<b>Program Total</b>	<b>47,500</b>	<b>29,798</b>	<b>23,337</b>	<b>21,826</b>	<b>15,301</b>	<b>14,497</b>

## Summary of Separate SIRE Activities

US \$'000

PROGRAM & COMPONENT	AID/LOP	GON	Total
<b>Rapti Development Project (367-0155)</b>			
Technical Asst.	3946	0	3946
Short-term TA	N/A	0	0
Sp. Studies	575	0	575
Training	1000	0	1000
Commodities	700	0	700
NGO Sup.	2529	0	2529
Local Sup. (HMG)	8613	8613 *	17226
Monitoring & Eval.	275	0	275
Contingency/Inf.	1162	0	1162
<b>Rapti Sub-Total</b>	<b>18800</b>	<b>8613</b>	<b>27413</b>
<b>Institute of Forestry Project (367-0154)</b>			
Technical Asst.	1968	0	1968
Short-term TA	396	0	396
Sp. Studies	1517	0	1517
Training	1486	49	1535
Commodities	1037	0	1037
NGO Sup.	N/A	0	0
Local Sup. (HMG)	1246	5282 *	6528
Monitoring & Eval.	379	0	379
Contingency/Inf.	671	0	671
<b>IOF Sub-Total</b>	<b>8700</b>	<b>5331</b>	<b>14031</b>
<b>Agroenterprise and Technology Systems Project (367-0160)</b>			
Technical Asst.	3337	0	3337
Short-term TA	2056	0	2056
Sp. Studies	100	0	100
Training	900	0	900
Commodities	803	0	803
NGO Sup.	610	0	610
Local Sup. (HMG)	2450	2760 *#	5210
Monitoring & Eval.	270	0	270
Contingency/Inf.	1474	240	1714
<b>ATSP Sub-Total</b>	<b>12000</b>	<b>3000</b>	<b>15000</b>
<b>Forestry Development Project (367-0158)</b>			
Technical Asst.	1680	0	1680
Short-term TA	N/A	0	0
Sp. Studies	0	0	0
Training	653	70 #	723
Commodities	448	0	448
NGO Sup.	1063	545 #	1608
Local Sup. (HMG)	3000	0	3000
Monitoring & Eval.	190	0	190
Contingency/Inf.	966	117	1083
<b>FDP Sub-Total</b>	<b>8000</b>	<b>732</b>	<b>8732</b>
<b>Program Total</b>	<b>47500</b>	<b>17676</b>	<b>65176</b>

\* = In Cash (In kind contribution not included).

\*# = In Kind (In cash contribution not included).

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ACTION: AID-3 INFO AMB DCM

ANNEX E

VZCZCAZOS99BA0542  
PP RUFHAT  
DE RUEHC #9205/01 0730609  
ZNR UUUU ZZB  
P 130608Z MAR 92  
FM SACSTATE WASHDC  
TO AMEMBASSY KATHMANDU PRIORITY 0148  
BT  
UNCLAS SECTION 01 OF 02 STATE 079205

LOC: 055 682  
13 MAR 92 0809  
CN: 08223  
CHRG: AID  
DIST: AIDA

1800 C&S ~~0411-121~~  
02-10-45

ADM AIL

E.O. 12356 N/A

TAGS:

SUBJECT: SUSTAINABILITY, INCOME AND RURAL ENTERPRISE PROGRAM (SIRE)

REF: KATHMANDU 1076

1. THE ASIA BUREAU MET ON FEB. 28 TO REVIEW THE PROPOSED CONSOLIDATION OF USAID/NEPAL'S AID PORTFOLIO. FA/E WAS ALSO REPRESENTED. THE REVIEW COMMITTEE STRONGLY ENDORSED USAID'S INNOVATIVE PROPOSAL. WE COMMEND YOU FOR DESIGNING AN APPROACH TO FOCUS ON THE RESULTS/OBJECTIVES OF OUR DEVELOPMENT EFFORTS IN NEPAL. THE BUREAU BELIEVES THAT YOUR APPROACH HAS ALL THE ELEMENTS TO SERVE AS A MODEL FOR OTHER ACTIVITIES IN ASIA AND OTHER REGIONS.

2. AA/ASIA APPROVES THE CONSOLIDATION EXERCISE AS PRESENTED IN REFTEL AND DELEGATES TO THE DIRECTOR, USAID/NEPAL, AUTHORITY TO AUTHORIZED THE PROGRAM AT AN LOI LEVEL OF DCIS. 47.5 MILLION. THE PROCESS PROPOSED IN REFTEL FOR DESIGNING AND APPROVING FUTURE ACTIVITIES IS ALSO APPROVED.

3. SPECIFIC COMMENTS ON THE SIRE PROPOSAL ARE AS FOLLOWS:

A. INDICATORS AND BENCHMARKS - THE BUREAU SUPPORTS YOUR INTENTION TO ESTABLISH QUANTIFIABLE BENCHMARKS WHICH WILL SERVE AS THE BASIS FOR YEARLY PROGRAM REVIEWS. AGREEMENT ON INDICATORS WITH THE GOV WILL BE CRITICAL TO THE SUCCESS OF YOUR PLANS TO SHIFT RESOURCES FROM POORER TO STRONGER PERFORMING ACTIVITIES.

THE CONSOLIDATED PROGRAM PAPER SHOULD CLEARLY LAY OUT THE LINKAGES BETWEEN STRATEGIC OBJECTIVES/INDICATORS AND THE ACTIVITY LEVEL OBJECTIVES (PURPOSE LEVEL ECPS AND CCFFPTS). WHILE THESE LINKAGES ARE OBVIOUS FOR SOME ACTIVITIES (E.G., AGRICULTURE AND TECHNOLOGY SYSTEMS), THEY ARE NOT SO OBVIOUS FOR OTHERS. THIS PART OF THE NEW DESIGN IS EXTREMELY IMPORTANT, SINCE IT WILL ESTABLISH PRECEDENT FOR FUTURE AMENDMENTS.

B. AUTHORIZATION/OBLIGATIONS - THE BUREAU CONCURS WITH

ACTION	INCOMING	OFFICE	INFO
		DI/DJ	✓
		PPD	✓
		HR	
		PD	✓
		BCON	✓
		LTB	
		ARD, RYT	
		HFP	
		FM	
		IRMS	
		EXO	✓
		PER	
		GSO	
		PP/C	
		RF	✓

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THE PLAN TO AUTHERIZE THE ENTIRE DOLS. 47.5 MILLION UNDER THE SIRE PROGRAM. THE MISSION'S PLAN TO OBLIGATE INCREMENTAL FUNDING INTO SIRE, LEAVING PREVIOUSLY OBLIGATED FUNDS IN THE FOUR EXISTING PROJECTS IS ACCEPTABLE. ALTERNATIVELY, WE SUGGEST THAT THE MISSION CONSIDER REMOVING EXCESS UNCOMMITTED OBLIGATIONS FROM THE FOUR EXISTING PROJECTS BY COUNTERSIGNED PILS AND ADDING THEM TO THE SIRE PROGRAM AGREEMENT BY INCREMENTAL FUNDING AMENDMENTS. NO FORMAL DE-OB, RE-OB PROCEDURES (CWS, ETC.) IS REQUIRED FOR THIS PROCESS WHEN USING THE AUTHORITY OF SEC. 517 OF CUR FY 91 APPROPRIATIONS ACT (APPLIES TO FY 87-91 APPROPRIATE FUNDING. ON THE PROGRAM SIDE, WE URGE YOU TO LINK THE GRANT AGREEMENTS FOR THE FOUR EXISTING PROJECTS TO THE OBJECTIVES AND IMPLEMENTATION APPROACH OF SIRE. THROUGH THE USE OF PILS, THE MISSION SHOULD BE ABLE TO REACH AN AGREEMENT WITH THE GON THAT THE FOUR EXISTING PROJECTS ARE INTEGRAL ACTIVITIES WITHIN THE SIRE PROGRAM AND SHOULD BE SUBJECT TO THE YEARLY REVIEW/RESOURCE ALLOCATION PROCESS.

C. FUTURE ACTIVITIES - THE REVIEW COMMITTEE AGREED WITH THE MISSION'S PROPOSAL TO SUBMIT NEW ACTIVITY DESCRIPTIONS FOR EACH NEW ACTIVITY, FOLLOWED BY A FIELD-APPROVED PP AND AUTHORIZATION AMENDMENT TO THE SIRE PROGRAM (ASSUMING NO MAJOR ISSUES AT THE NAT LEVEL). WE NOTE THAT YOUR PROPOSAL MOVES DIRECTLY TO THE PP STAGE, ELIMINATING THE FIELD DESIGN FOR NEW ACTIVITIES. THE COMMITTEE BELIEVES THAT THE CONSOLIDATED PROGRAM DOCUMENT COMBINED WITH INDIVIDUAL NEW ACTIVITY DESCRIPTIONS WILL SATISFY THE BUREAU'S/AGENCY'S NEED TO REVIEW NEW ACTIVITIES FOR STRATEGIC FIT AND SOUNDNESS OF CONCEPT. HOWEVER, THIS APPROACH WILL REQUIRE A THOROUGH FIELD DESIGN AND REVIEW

EXERCISE PRIOR TO AUTHORIZING AN AMENDMENT TO SIRE FOR EACH NEW ACTIVITY. AS PART OF THIS PROCESS, THE PP-LINK DOCUMENT SHOULD THOROUGHLY DEFINE THE LINKAGES BETWEEN EACH NEW ACTIVITY AND THE MISSION'S STRATEGIC OBJECTIVES, INCLUDING MEASURABLE INDICATORS AND BENCHMARKS. THIS IS ALSO THE POINT AT WHICH THE FEASIBILITY OF THE INDIVIDUAL ACTIVITY SHOULD BE ANALYZED.

D. COST SAVINGS AND EFFICIENCIES - THE REVIEW COMMITTEE DISCUSSED POSSIBLE LONG-TERM COST SAVINGS AND EFFICIENCIES, E.G. WITH RESPECT TO ADMIN SUPPORT ASSOCIATED WITH THE PROPOSED CONSOLIDATION. THE PP (AND CN NARRATIVE) SHOULD SPECIFICALLY IDENTIFY ANY SAVINGS EXPECTED FROM THE CONSOLIDATED PROGRAM APPROACH AND DEFINE A REALISTIC TIMEFRAME FOR REALIZATION OF THESE SAVINGS.

4. MISSION'S BUDGET PROPOSAL FOR FY 94 ONWARD, PARA 4 E

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OF PEPTEL, WILL BE REVIEWED WITH THE ABS SUBMISSION.  
LEVELS WILL, AS ALWAYS, BE SUBJECT TO THE AVAILABILITY OF  
FUNDS.

5. THE ASIA BUREAU IS COMMITTED TO SUPPORTING INNOVATIVE  
PROGRAMS WHICH FOCUS ON SUSTAINABILITY AND RESULTS.  
USAID/NEPAL'S NEW SITE PROGRAM IS A CREATIVE AND FOCUSED  
APPROACH TO ACHIEVING DEVELOPMENT OBJECTIVES. AGAIN, WE  
APPRECIATE YOUR EFFORTS. BALEE

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