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Section I

Mission Certification of the Continued Validity of the Development Assistance Program (DAP) Submission for Nepal

A. Development Overview

Nepal has an annual per capita income of around $90, a literacy rate estimated at 14% and a population density of 579 per square kilometer of cultivated land; 94% of the population works in agriculture and 80% of export earnings comes from agriculture; it has only one physician per 40,000 people. Nepal is officially listed as one of the world's 25 least developed countries, and is one of those most adversely affected by the series of events set in motion by the increase in the price of fuel. It is a poor country, lacking adequate physical infrastructure, with limited institutional development, insufficient skilled and trained manpower, geographic isolation, a narrow resource base, seasonal labor surpluses and an economy based on subsistence agriculture. This situation persists in spite of major achievements made with the help of considerable foreign assistance since the country came out of its self-imposed isolation in 1951. These achievements have been made mostly in developing the physical and administrative infrastructure necessary for long term development achievements. (See Table I.)

Table 1: PROGRESS IN INFRASTRUCTURE AND SOCIAL SECTORS

Roads (in Km)	600 (1952)	3,175 (1974)
Installed Power (in Kw)	6,280 (1950)	45,320 (1972)
Literacy rate	4.4% (1950)	11% (1970)
No. of graduates	300 (1951)	10,880 (1972)
Primary school-age children in schools	0.7% (1950)	40% (1975)
Number of doctors	50 (1950)	318 (1972)

Source: IBRD/IDA Report, May 1975.

On the other hand, the development process in Nepal has stagnated over the past ten years when measured by most of the standard economic criteria. There has been little if any per capita improvement in GDP, with an average annual growth rate of a little over 2% negated by an approximately equal population growth rate. Since the mid 1960's foodgrain production has grown an average of only 1% per year, and unless this situation is changed, Nepal, which now obtains about 60% of its total recorded export earnings from rice, may actually have to import foodgrains by the end of this decade.

This stagnation has resulted partly from the necessity in the early stages of its development to give priority to the physical and institutional infrastructure required to support other development efforts. Over this time period, only some 20% of

Government development expenditures went into the more directly productive sectors, and this in turn was concentrated in the Kathmandu Valley and Eastern Terai.

The newly completed Fifth Five Year Plan indicates an attempt to shift the development efforts to focus more on the productive sectors, with 50% of expenditures planned for these areas. The Plan also places greater emphasis on the social sectors (health and education) and on a more equitable distribution of development efforts toward the rural hill areas and the relatively less advantaged Western part of Nepal. These priorities correspond very well with the Congressional mandates for AID. (See Table II.) The Development Assistance Program (DAP) for Nepal explains at some length the planning and budgeting process of HMG and the real efforts by the Government to direct national resources toward increased production and well-being for the general population.

Table II

Past and Proposed Public Sector Expenditures

	Fourth Plan (1970-75)		Fifth Plan (1975-80)	
	Millions Rs	in %	Millions Rs	in %
Transport and Communications	1050	41	1869	28
Agriculture and Rural Development	662	26	2003	30
Industry and Power	470	18	1335	20
Social Services	352	14	1467	22
Unallocated	14	1	-	-
Total	2548	100	6674	100

Source: National Planning Commission.

The shifts in resources into the productive and social sectors will be difficult to achieve. The Fifth Plan development expenditures are twice as large in real terms as those in the previous five year plan. With expenditures in the Regular Budget increasing rapidly in the social sectors, especially in education, as well as for the increased operating and maintenance costs for the transportation network, and with the high administrative costs of extending government services to the rural areas, funding for the Development Budget

is likely to prove a serious constraint. Even with optimistic assumptions regarding foreign assistance and increasing ability to mobilize domestic resources, there will be a substantial shortfall in resources needed to implement the Fifth Five Year Plan. The ability of Nepal to finance such shortfalls with deficit financing is severly limited by a high propensity to import (including the requirements of the development efforts) and the resulting balance of payments difficulties that would ensue.

Shortfalls in domestic resource mobilization are likely to prove especially constraining to development efforts. The poverty of the country and the low degree of monetization provide a very narrow tax base. Some improvements in tax enforcement are possible, and the operations of the public sector enterprises (especially the pricing policies of these enterprises) needs to be reviewed to assure increased internal financing and transfer of resources to the budget. Progress has been made on reducing subsidies on basic commodities and significantly raising interest rates to mobilize private savings. The export exchange system, designed to provide incentives to exporters of certain commodities, is under continuing scrutiny to avoid its resulting in leakages and excessive foreign exchange loss to Nepal. Nevertheless, revenue potentials from sources other than foreign trade are quite poor, and nearly 2/3 of revenues will continue to come from these sources for many years. Future revenue increases are also expected to depend largely on the growth of exports and imports.

A recent review of the balance of payments situation of Nepal (Kathmandu A-32, 6/4/76) indicates that the persistent trade deficit and declining balances of Indian rupees could seriously affect future development efforts. With the need to import a very high proportion of both development and consumer goods, including fuel, the world price increases have changed the outlook for Nepal's foreign exchange availabilities. (See Table III for an index of inflation in Nepal.) These price increases, combined with serious shortages of critical development goods in India, are causing pressures on Nepal's convertible foreign exchange balances. Shortages of goods previously available in India have caused Nepal to import from more distant hard currency areas and also to use hard currency in payment for some Indian goods for which India has hard currency markets.

On the export side, shipments of foodgrains to India are declining, thereby exacerbating the balance of payments situation with India. Furthermore, the pricing policies of Nepal and India have resulted in a large share of the foodgrain exports "leaking" across the border into India without the FX earnings being placed under the control of HMG (i.e., they are often kept in private accounts in

India.) Another foreign exchange earner, jute, has an uncertain future. Tourism and the development of hydro-electric power for sale to India have good potential, but rather long gestation periods. If Nepal were to reduce imports to offset the decline in export earnings, it would deny itself many of the goods needed in the development process. A reduction in trade would also affect the potential for domestic resource mobilization since, as noted above, nearly 2/3 of revenues are derived from external transactions. The result of these and other factors is that Nepal's foreign exchange reserves have recently declined (See Table IV.) and prospects are that they will continue to decline for the next several years.

Table III

Consumers Price Index (Kathmandu)

Base FY 1962/63 = 100

	(Weight)	1966/76	1969/70	1972/73	1973/74	1974/75
Food	70	151	169	202	236	271
Non-Food	30	112	135	156	175	214
Overall Index	100	139	159	188	218	255

Source: Central Bureau of Statistics.

Table IV

International Reserves

Millions $ U.S.

Dec. 1970	Dec. 1971	Dec. 1972	Dec. 1973	Dec. 1974	Nov. 1975
94.7	108.1	103.3	121.1	133.1	101.6

Source: IMF May 1976.

B. Sectoral Discussions

1. Food and Nutrition Sector

Although the economic progress of Nepal will depend in large measure on the development of this sector (68% of GDP), growth in agriculture has stagnated over the past 10 years. Foodgrain

production has grown less than 1% annually, and has fallen on a per capita basis.1/ Foodgrain surpluses are dwindling and Nepal may be a net importer of foodgrains by the end of this decade unless this trend is reversed.

HMG recognises the importance of shifting development investments to the more directly productive sectors, especially those producing exports. The share of allocations going to agriculture has been increased from 25% in the Fourth Plan to 30% in the Fifth Plan. Planned expenditures are three times as much as was actually spent during the previous Plan. The administrative and technical skills needed to implement the complex projects in agriculture, requiring multi-disciplinary coordination and above all good management capability, are in short supply and will also be a serious constraint in achieving the Fifth Plan goals.

In order to achieve the equity and income distribution goals of the Plan, greater emphasis will need to be put in the Hills, where project implementation will be especially difficult. Land holdings in the Hills are so small (average 0.4 hectares per family), and cultivation methods so intensive, that significant gains in production will be extremely difficult. These hill areas, which support 60% of Nepal's population, are food deficit areas that survive by temporary or permanent out migration and subsidised food imports from Nepal's Terai.

First priority of the plan has been given to increased productivity of food crops. This will involve a coordinated approach in improvements in irrigation, the management of the forests, improved seeds, inter-cropping systems (including forage) and livestock management. Over the longer run, production and processing of various fruits and vegetables for export offers good potential, but the immediate need is to increase basic food production (i.e. cereals) for local consumption.

Over the short run, production increases will come largely from projects located in the Terai. The development of surface and groundwater resources leading to double cropping will play a major role. Strengthening of cropping practices is essential. Further improvements in the input delivery system and the strengthening of the extension services are also needed. A crucial issue is one of pricing policy — to encourage the desired allocation of agricultural inputs and to avoid Terai surpluses being smuggled out of the country.

1/ Some improvement was shown in 1975 when production was 2% over 1974, but still below population growth of 2.5%.

The DAP remains generally valid in describing AID efforts in the Food and Nutrition Sector toward the two goals of: 1) improving small farmer income in the Terai by introducing more intensive cultivation practice and 2) increasing the quantity and nutrient quality of food production in the Hills where approximately 60% of all Nepalese reside and stark subsistence level poverty is most severe.

Two project efforts, Integrated Cereals and the Institute of Agriculture and Animal Sciences will form the core of our technical assistance efforts. The Integrated Cereals project is designed to help HMG improve its capacity to 1) generate improved production technology for the major foodgrain crops and related cropping systems and 2) transfer that technology to Nepali farmers in such a way that it is readily adopted. It will include an outreach research and feedback system in the Hill areas. One small pilot seed plant with three foundation seed units are planned as part of this project.

The Institute of Agricultural and Animal Sciences will train extension agents, supervisory personnel, secondary level vocational agriculture teachers, and eventually degree candidates for a broad range of public and private agricultural research and management roles.

To supplement these core efforts to improve the institutional capacity of the agricultural sector, we continue to plan for a capital project in Seed Production and Input Storage. Since the FY 77 ABS, due to the difficulties the IBRD/UNDP has had in financing the feasibility study, we plan to undertake the study in context of the Integrated Cereals project, with limited use of PD&S funds. The delays in completing this study, and a reassessment of available information, prompt us to schedule authorization of this dollar capital project for FY 78 and to reduce the estimated cost to $3.0 million. (See revised PID attached as Annex B.)

A Suspension Bridges capital project is proposed to facilitate transport of agricultural inputs to farmers and agricultural produce from farms to markets in subsistence farming Hill areas. The feasibility study for this project mentioned in the FY 77 ABS is underway, and as a result, the cost is now estimated at only $1,500,000 (in place of the $4 million mentioned in the FY 77 ABS). Although AID/W indicated that we should move the planned authorization date for this project from FY 77 to FY 78, we propose to proceed with design of the project on a schedule that will allow for funding in FY 77 if funds become available. (See PID attached as Annex A.)

We are also proposing an OPG to the Agricultural Development Council (A/D/C) to provide for Training Nepalese in Agricultural Development Planning and Research. The work of A/D/C and other agricultural technical assistance organizations contracted under the USAID projects cited above, along with projects of other development assistance donors working closely with HMG, give promise of significant advances in agricultural technology, policy, methods -- and hopefully, production and marketing in the not far distant future. Longer term possibilities for U.S. assistance in the Food and Nutrition section are discussed briefly in Section X of this ABS on Long Term Projections.

2. Population/Family Planning Sector

Population pressure is strong on the land resource base. In hill and mountainous areas the density is estimated as high as 1,170 persons per square kilometer of cultivated land. (This compares with 579 country-wide in Nepal, 824 in Bangladesh, 350 in India, 224 in Pakistan and 148 in Burma.) Growing at a rate of 2.5% per year (present estimates) the population of Nepal will double in the next 28 years. The migration from the Hills to the Terai and to India has been accelerated in recent years - the proportion of the population living in the Hills having fallen from an estimated 68% in the 1960's to 60% now. (This does not count large scale seasonal migration.) Yet in absolute terms, population in the hills has also increased. It is estimated that the Terai can absorb approximately one million additional people -- about the population increase in three years. Thus, even with considerable acceleration of the present slow growth in agriculture and other sectors, greatly increased pressures on the land are inevitable.

A serious concommitant of this situation is the destruction of the forest and land resources, with wide scale erosion, as farmers and animals utilize ever more marginal lands. With the threat of increasing population growth rates (43% of the population is under 15 and mortality rates are declining), with national income presently growing at approximately the same rate as the population, and with the Terai able to absorb only limited additional migration, the reduction of population growth is accorded the highest priority. The economic, social, and political consequences of a continuation of the present population growth rates will be catastrophic.

The HMG recognizes this situation and is making increasing commitments (and budgets) to Family Planning efforts. The Fifth Plan clearly reflects this interest. USAID efforts in support of HMG Population/Family Planning programs remains essentially

as outlined in the DAP. We will continue to concentrate our Family Planning efforts through HMG's FP/MCH Project in order to strengthen HMG's capability to bring about a progressive decrease in family size. The project emphasizes cost-effective delivery systems, the improvement of public understanding of family planning issues and increasing the availability of Government services in support of family size limitation. We will continue to provide technical assistance, budget support and centrally-funded commodities for these efforts.

In addition to this, the Population Policy activity proposed as a separate project in the FY 77 ABS and CP has been combined with the Family Planning project in an effort to assist HMG in improving the capability to identify and assess population policy choices and their implications for national development planning. This will be done through HMG's recently established Population Policy Coordination Board using research programs, demographic assessments, seminars and training programs, and identification of the key factors affecting population dynamics.

The combining of these two efforts into one project has necessitated a substantial revision of the on going Family Planning Project. These revisions are reflected in the Project Paper approved by AID/W in late FY 1976.

3. Health Sector

Only 10% of the Nepalese population has access to rudimentary modern health services. Nepal has one Western-trained doctor per 40,000 people (a third of these in Kathmandu Valley where 4% of the people live). Seven percent of the population has access to piped water. Infant mortality is estimated as high as 300 per 1,000 live births; life expectancy at birth between 40 to 50 years. Malaria, considered under control in 1971, has shown a resurgence with a rise in cases reported from 2,500 in 1971 to 14,000 in 1974.

HMG is increasing its allocations in the social sectors under the Fifth Plan to 23% of the total from the 15% level under the preceeding Plan. This will be a three-fold increase in real terms. Building on previous efforts to provide health services at the village level, train paramedical personnel, and develop specific vertical programs in malaria, smallpox, TB, leprosy, and family planning, HMG is now attempting to develop an integrated basic health services system to extend these services throughout rural Nepal. Some vertical systems will be continued (malaria and family planning) to assure an effective concentration of resources on high priority programs during the transition period.

Improvements in managerial systems are the major need, while other

critical problems facing HMG include the need for more cost effective delivery systems and a more equitable distribution of services; trained manpower to deliver the services; statistical data, analysis, and health planning; and administrative skills and institutions.

The basic DAP strategy remains valid. We will continue our efforts in the Integration of Health Services project to assist HMG in developing an integrated health care delivery system utilizing multipurpose house visitors with paramedical level training. This is being done through joint efforts with WHO and other donors. We will also concern ourselves with the training of the health workers, including the construction of two auxiliary health worker schools (rupee funded), and, together with the WHO, assist in the collection, analysis, and dissemination of basic data in the health sector. The Malaria Control project will continue in cooperation with WHO and UNDP through a vertical program to stop the resurgence of malaria and reestablish control. The program will be integrated with other services when the incidence has been reduced to a acceptable level. Indian rupee support will be provided by AID which HMG will convert to hard currency for the purchase of insecticides.

Some changes in emphasis and methods of implementation in our health program should be noted, however. The Integration of Health Services project began as an effort to develop and test two models of integration at the health post and district level. HMG has accepted the model and is now attempting to implement the integrated system nationwide. This shift from experimentation to implementation requires that HMG focus on the required inputs and the effective utilization of available resources.

As a result we have combined the Health Planning and Paramedical Manpower Training efforts proposed as separate projects in the FY 77 ABS and CP with the Integration of Health Services activity as one project with coordinated elements that are directed to the same goal.

In support of the extension of health services to wider segments of the population, we will provide local cost financing (Indian rupee generated) for some essential infrastructure (in addition to the two auxiliary health workers schools and support in malaria), in order to maintain a balance between trained personnel and available facilities, and for limited in-service training activities of an experimental nature.

4. Education and Human Resources Sector

With a literacy rate of about 14% and primary school enrollment of nearly 40% of the primary school age population, the needs

for training and education to support development efforts are very large. Of equal importance is the need for the educational system to more adequately address Nepal's requirements.

As pointed out under the Health Sector discussion, HMG is allotting a large share of development expenditures to the social sectors under the Fifth Plan with the share for education rising from 5% in the Fourth Plan to 9% in the Fifth Plan. The educational system will benefit from this as attempts are made to meet the nation's priority manpower need for development, which includes extending educational opportunities from 40% of primary age children to 64%, primarily in the rural areas.

Nevertheless, the lack of budget resources, the shortage of trained teachers, the regional differences within the population, and the administrative difficulties of implementing programs in rural Nepal will all make the achievement of goals difficult. The Fifth Plan recognizes this and makes a more realistic assessment of feasible targets than was done in the previous Plan. For example, while the Fourth Plan projected 64% of primary school age students enrolled by 1976, the Fifth Plan, recognizing the implementation constraints, projects the achievement of this goal only by 1980.

USAID strategy in assisting HMG to carry out its objectives in the education sector will remain as outlined in the DAP, continuing most of the same project activities described in the FY 77 ABS and CP. These projects are largely in support of efforts in the other sectors assisted by AID.

The Teacher and Materials Utilization and Development project will continue efforts to institutionalize a process by which educational materials and teaching methods are developed, tested, evaluated, and fed back into revisions in teacher training, curriculum and educational materials. FY 1977 will be the final year of funding for this project. An Education Skills Training project will focus on specialized training related to effective management of the educational system, including educational financing, planning and research. The Manpower Development and Training project will continue to provide for the upgrading of the skills of Nepalese serving in management posts important to Nepal's development. In FY 1977 we are considering proposing a small expansion of this project to provide financing for HMG participation in seminar, conferences and other training opportunities relating to USAID/Nepal program areas but not budgeted for in our other ongoing activities. (See TOAID A-59 5/24/76.) Also, the design and review of the Education Skills Training project brought out the need for providing limited

technical training under the Manpower Development and Training project which is related to priority AID areas but not within the scope of existing AID projects in Nepal.

The Radio Education project, originally scheduled to begin in FY 76 has been postponed to FY 77 in order to achieve needed understandings and coordination of this multi-donor effort. This is a highly innovative project which will be focused initially on the training of primary school teachers in order to demonstrate the potential effectiveness of a nationwide education/information radio system.

As indicated in the FY 77 ABS it has been decided to shelve the Research and Development in non-Formal Education project. In its place a private voluntary organization grant to World Education is expected to carry on some of the research work originally planned under this project, beginning in the Interim Quarter.

5. Selected Development Programs (Section 106)

A new activity is being proposed for implementation beginning in FY 78. This will be a grant to HMG to be used to procure Consulting Services to assist HMG prepare projects in areas related to the AID mandate, i.e. reconnaissance studies, feasibility studies, project preparation, short-term advisory assistance, evaluation, etc. The highly specialized skills needed to do project analysis are in extremely short supply in Nepal. The IBRD cites this lack of a suitable project preparation capability in Nepal as the greatest constraint to higher investment levels in the coming years — a judgement both USAID & HMG support. HMG has several project ideas of high priority for which they cannot get the feasibility studies completed nor project proposals prepared to the satisfaction of foreign donors. This project was designed in cooperation with the IBRD and has its strong support. The project should prove a catalyst in bringing about improved resource allocation and program implementation.

We also see this effort as reinforcing our attempts to move more of the planning and implementation of development efforts over to HMG. The funds made available under this project would be limited to use in the U.S. or in other LDCs, and for purposes that are within the AID mandate and consistent with our program thrust. HMG would play the major role in the administration of the project. Within the accepted parameters, they would initiate the request for services, select the consultants, negotiate the contracts, and provide the support needed. AID would assist in contractor selection and negotiations to the extent requested by HMG and would exercise an overall approval and monitoring role.

We propose an initial grant of $1,000,000 in FY 78, although initial incremental funding could be provided in FY 77 if funds become available. Amounts in subsequent years would be dependent on experience and the utilization of these funds. (See PID attached as Annex C.)

C. The Role for U.S. Assistance

The above points to directions our assistance program to Nepal should follow in the development sectors emphasized by the AID mandates. Nepal will have difficulty in mobilizing the resources, both domestic and external, to meet investment goals, especially in the more directly productive and social service areas, where absorptive capacity is a constraint. Foreign assistance above current levels will be needed. AID can play an important role by concentrating its assistance in supporting HMG priorities relating to principles of equity and income distribution in the productive rural sectors, in slowing population growth through family planning efforts and in providing basic social services through improved health care delivery and educational systems. These are the areas that are high on the list of HMG priorities but will be especially difficult for Nepal to implement without the expertise and the resources of foreign donors. These are also the areas where administrative systems, information, available skills, and relatively difficult perceptions of benefits all mitigate against rapid progress without outside inputs.

The above considerations make it essential that AID carefully consider the appropriate level of U.S. economic assistance in Nepal, the mechanisms through which it is provided and the terms of assistance. The sections which follow propose AID policy for the FY 1978 program which we believe to be appropriate to the Nepal situation and U.S. interests in Nepal's development.

1. U.S. Assistance Level

In February 1974 the "Agreement on Public Law 480 and other Funds" between the USG and the Government of India provided for up to Rs 65 million (plus allowance for inflation) of excess U.S.owned-Indian currency to be made available annually over a 3 year period ending February 1977 for U.S. assistance programs in Nepal. The availability of Indian rupees from this agreement and other smaller sources has provided the equivalent of approximately $8 million in annual foreign exchange assets for development projects in Nepal. These funds have been granted to HMG for financing costs of constructing buildings and facilities and procurement of commodities for the Integrated Cereals project, the Institute of Agriculture and Animal Sciences (IAAS), Auxiliary Health Workers Schools and Family Planning; for continuing operating costs in the Family Planning and Malaria projects; for contractor support; and, for Mission local operating

expenses. In addition to expenditure of Indian rupees for development projects in Nepal, almost $1.0 million equivalent is being programmed annually for training of Nepalese participants in India (See AMS for India.) None of these non-appropriated Indian rupee obligations have shown up in the AID appropriation levels for assistance to Nepal in past years.

Table V

Actual/Projected Obligations of U.S. Owned Indian Rupees Obtained by Treaty for Nepal Development Projects, FY 75-FY 77

($000 equivalent)

Purpose	FY 1975	FY 1976	T.Q.	FY 1977	Total
Western Hills Road	2,569	3	4,491	-	7,063
IAAS	2	1,317	603	2,163	4,085
Integrated Cereals	-	16	273	1,513	1,802
Agriculture Projects Support	-	-	-	1,000	1,000
Integration of Health Services	40	764	546	1,136	2,486
Malaria Control	-	2,449	305	610	3,364
Health Projects Support	-	-	-	825	825
Family Planning	208	604	426	979	2,217
TMUD	48	32	40	-	120
Project Development & Support	20	5	25	25	75
Special Development Activity	1	3	5	8	17
Training in India	89	224	-	-	313
Projects	2,977*	5,417	6,714	8,259	23,367
Mission Operating Expenses	405	377	72	390	1,244
Total	3,382	5,794	6,786	8,649	24,611

*Excludes $12,000 equivalent obligated for prior year activities.

Note: Indian Rs 8.92 = $1, Nepalese Rs 12.45 = $1.

When the U.S. appropriated dollar program of AID is added to the U.S.-owned Indian rupees grants, the larger rupee grants and smaller dollar amounts together show a progressively increasing trend from FY 1974 through 1977.

Table VI

Actual & Estimated Obligation Levels for Project Activity, USAID/Nepal, FY 74-FY 78

($ and $000 equivalent)

	FY 1974	FY 1975	FY 1976	I.Q.	FY 1977	FY 1978
U.S. App. Dollars (AID)	2,812	2,538	2,984	485	3,481	10,010
Indian Rupees grants (U.S.-owned)	1,440	2,977	5,417	6,714 1/	8,259 2/	-
Total	4,252	5,515	8,401	7,199	11,740	10,010

U.S.-owned Indian rupees are not expected to be available in FY 1978 under the terms of the agreement with the Government of India and current procedures for their obligation established by the U.S. Office of Management and Budget (OMB). Therefore, in order to finance the two new capital projects proposed for FY 1978 (Seed Production and Input Storage ($3.0 million) and Suspension Bridges ($1.5 million)), it will be necessary to use AID appropriated dollars. These two new projects, along with the proposed bloc grant for Consultant Services ($1.0 million) and continuing costs of ongoing technical assistance projects ($4.5 million) result in a proposed aid level of $10 million of U.S. appropriated AID funds. As seen from Table VI this amount, while a large increase from the proposed $3.5 million level for FY 1977 is actually a decline from the total obligation level of U.S. dollars and Indian rupees in FY 1976/I.Q. and FY 1977.

The Mission believes that the program proposed for FY 1978 is appropriate to the US-Nepal development relationship and within the capacity of HMG to implement. The increase in the proposed dollar aid level does not represent a significant increase in transfers of real resources, but largely reflects a substitution of AID appropriations for U.S.-owned Indian rupees presently being provided as grants under the U.S.-India treaty.

1/ Reflects forward funding of Western Hills Road.

2/ Reflects forward funding in agriculture and population/health sectors.

2. Sources of Procurement of Goods and Services

DAC/OECD recommendations and agreements call for untying of aid in favor of procurement in developing countries and for greater flexibility in local costs financing in the least developed countries. The U.S. initiatives at the 7th Session of the UNGA and at UNCTAD IV have underscored the need for special provisions to assist the least developed countries. In both the IBRD's 1975 economic report on Nepal, as well as in its recent memorandum concerning the forthcoming consultative group meeting for Nepal, the Bank has strongly recommended that foreign aid be provided for local cost financing. AID's own PD-50 recognizes the need for giving special attention to new approaches for aiding RLDCs through, among other measures, relaxation of requirements for local cost financing, funding recurrent expenditures, and greater flexibility in requirements for meeting local support cost of technical assistance personnel. We believe that these provisions are particularly appropriate for Nepal.

As long as U.S.-owned rupees have been available to AID, it has been possible to exchange them readily for Nepalese rupees to meet local costs. With these funds now running out we believe it is necessary for AID to provide local cost financing if the level of investment in Nepal is to be expanded. HMG presently contributes 25% of total project costs. This is allocated against local costs, but seldom fully meets local cost requirements which in the past the U.S. has covered with Indian rupees. In the face of sharply growing demands on HMG's regular budgetary resources as development spreads, shortfalls, as noted earlier, can be expected to emerge and grow in the foreseeable future. This will increasingly constrain HMG's ability to fund additional local costs, making donor funding of local costs of critical importance.

Local cost financing is also important in Nepal because of Mission policy to use Nepalese contractors, wherever possible, for both construction and technical services. We believe that this helps develop and encourage local capabilities and initiative, but it increases the need for local cost financing.

We also believe strongly that use of AID funds for procurement in other developing countries should be authorized. As explained in the DAP and mentioned in the Development Overview section above, the Nepalese economy is heavily dependent on India, which has a comparative advantage as the supplier of the great majority

of goods and many of the technical services which Nepal requires for its development projects. If AID funds were to be tied to U.S. procurement, costs for most items would be unacceptably high. On a cost competitive basis, we estimate that over 90% of all construction costs and 60% to 80% of commodities and services (excluding U.S. technicians) would be spent in India.

For the above reasons, we propose that AID funds for all projects in Nepal be designated for procurement either in the U.S. or in selected developing countries and that local cost financing be approved on a project-by-project basis where appropriate to the purpose and plan of action of the activity.

3. Grant vs. Loan Assistance

The OECD 1972 Recommendations called for aid to the least developed countries to be provided preferably in the form of grants. The IBRD in its 1975 Economic Report and its more recent memorandum prepared for the forthcoming consultative group meeting has urged that donors provide aid to Nepal on the softest terms, preferably grants. AID PD-50 also provides for special consideration for substitution of grant for loan financing.

There are essentially two reasons for recommending grants in lieu of concessional loans—unfavorable trends in the balance of payments and severe budgeting constraints. As pointed out previously in the Development Overview Section, balance of payments prospects are not favorable. If Nepal is to absorb the significant amounts of capital investment required for accelerated development, a growing debt burden would place major strains on Nepal's balance of payments.

Nepal's severe domestic resource constraints also argue for grant assistance. As noted earlier, significant increases in HMG revenues will be extremely difficult to achieve. Nepal is among the least developed countries of the world and the disadvantages of topography, isolation, lack of natural resources and heavy population pressure make any significant improvement in its ability to raise revenues unlikely. The added burden of debt servicing would have a major and growing adverse effect on Nepal's budget--with particularly serious effects on development prospects.

Moreover, AID programs will be largely in the social services sector where equitable income distribution is a principal goal. These activities are unlikely to be revenue generating for the foreseeable future and will, thus, in themselves not generate additional HMG resources. In fact, AID activities in both health,

education and family planning will certainly impose significant additional demands on an increasingly overburdened budget.

Finally, it should be noted that the principal bilateral aid donors—India, China and the U.S.—have traditionally provided all technical and capital assistance to Nepal on grant terms. The U.S. would be out of step if AID were to switch to loans—particularly considering that AID loan terms are significantly harder than most other bilateral and multilateral donors.

For these reasons, we strongly believe that AID assistance to Nepal, capital as well as technical, should be provided in the form of grants.

4. Technical Assistance

Our technical assistance will continue to be needed, especially in the agriculture and social sectors where AID programs are concentrated. Weak institutions and limited skills in Nepal severely restrict absorptive capacity for development. However, the growing capability of the Nepalese to plan and implement development projects themselves, including the adaptation of new technology to the Nepalese environment, as well as increasing HMG sensitivity to the large number of foreign technical advisors in Nepal, require that our technical assistance be carefully selected and of very high quality. It must also be closely coordinated, both with the other donors and HMG, and focused to meet key needs. Otherwise, the very strong bias within HMG against increasing the number of technical advisors in Nepal could result in demands for broad reductions in advisors under AID projects.

Another important aspect of our program is training. A very large proportion of the decision makers in Nepal have been trained under our programs since 1952 - some 2000 people all told. About half of these went to India or other third countries & the rest went to the U.S. The Indian training has proved especially useful for people who may not have a high proficiency in English or who find that training in India is more relevant to their study objectives. We intend to continue our training in India and in other regional training institutions, with special attention given to those that have been supported through RED in Bangkok or other U.S. efforts.

D. DAP Updating

An updating of the Nepal DAP is necessary to bring the June 1974 document into conformity with the guidelines contained in AIDTC CIRC A-286 of 5/20/76. In general, we would like to sharpen the target group analysis and extend the DAP perspective through 1981-82

by updating of sector analyses. We think a summary strategy statement which incorporates sector goal assessments appears to be a valuable approach to making the DAP a useful, broadly applicable document, and we will work within that organizational concept.

Much data and general information necessary to an effort of delineating the target group in Nepal is being developed by U.S. contract groups financed by USAID in population, agriculture and health. We anticipate that by drawing upon this resource base, as well as on other on-going HMG and UN programs, an updating of the Nepal DAP could be accomplished by April 1977. No requirement for AID/W assistance is seen at this time, although specialized skills needs may became apparent as the process of updating gets well underway.

Section II

Centrally Funded Research

Nepal is not only a very poor country, with a narrow resource base and difficult terrain with intense regional and cultural diversities, but also is economically isolated, landlocked and over-whelmingly dependent on one market, India. Solutions that have been proven in other parts of the world often need considerable adaptation in Nepal, and some problems lend themselves to completely unique solutions in this environment. The costs of doing things "the usual way" are often prohibitive in terms of anticipated results. Furthermore, developing new technology and new approaches to problem areas, or reappraisal of old ones in the context of the environment in Nepal, requires accumulation of information and a good deal of time-consuming research. There is presumably a paucity of research data of any kind.

USAID-assisted projects have relatively large research components built into them. In general, we find that the research has to be region-specific, and much of it must be implemented through indigenous institutions. Advisory assistance is used in establishing the guidelines, techniques, research designs, compilation and reporting of the results, but most of the field work is conducted by Nepalese organizations. In addition to TDY help on a recurring basis, USAID plans to continue to use such organizations as New ERA and the Agricultural Development Council, who are already established here, as intermediaries in research efforts. Land grant universities (we have a MUCIA team here), Ford Foundation (with an office here), and some individual Americans considered as "gurus" by the Nepalese might also be used in this context.

Our Integrated Cereals Project is largely a research dissemination effort, with an outreach testing and feedback system built in. Complementary to the Project, we are proposing an OPG to the Agricultural Development Council to do social science research associated with identification of the target group and determination of project impact. We can expect MUCIA to use University resources for comparable research as related to the IAAS project. The Family Planning project has a large element of field research on distribution systems and motivation, and the Population Policy element is almost entirely research. A Nepalese anthropologist is built into our Integrated Health Services project. Both the TMUD and Education Skills projects are efforts to improve the research capability of HMG, including the testing, evaluation and feeding back of results into more effective education systems. We plan to begin a study on the status and role of women as soon as we get the necessary approvals.

While we feel that considerable research is already built into our program, and almost any research must be country specific using indigenous field workers, there are areas where Centrally Funded Research might prove useful in getting information and suggesting alternatives for the implementation of our programs or related

activities. We feel that this research should be directly related to specific perceived needs of HMG and be directed toward action programs. In agriculture these might include the following:

1. Forestry and Soil Conservation -- the use of forest resources, the preservation of the soils, the characteristics of special soils in Nepal (to be more precisely defined).

2. A study on methods of using lime to reduce acidity of soils locally around plant root systems.

3. The use of legumes for nitrogen and for soil texture (intercropping).

4. A research cum production study in fisheries.

5. A pest control study.

6. Studies on specific export crops, i.e., vegetable seeds for S.E. Asia.

7. Hill agriculture studies, including forage crops above 5,000 ft.

8. High altitude agriculture.

9. Internal terms of trade and pricing policies.

10. Future prospects of agriculture as related to exports and B/P.

In the Health Sector, the following come to mind:

1. Social research in felt needs and how the health services relate to these needs.

2. A health survey to establish base line data on disease incidence.

3. Research on bio-intervention in malaria.

Other more general studies might include:

1. A study on rural energy sources -- including a study on gobar; small hydro plants; wind mills; solar energy.

2. Transportation studies.

3. Use of cottage industries for income generation in the hills (and as a partial solution to the underemployment).

We realize that this is a long list of rather undefined research ideas. As our activities progress we will be in a position to be more selective and more specific regarding these studies.

Experience with US supported studies and research efforts to date has been mixed. A nutritional survey conducted by CDC was well done, but the impact to date has been minimal. The Hill Agriculture Study done by the Rockefeller group has resulted in an AID project designed to incorporate many of its findings. A radio education study done under contract for USAID has not been very effective to date, although we still believe that a project may ensue. The studies done incident to the development of an Agricultural College have resulted in a USAID project along the lines of the studies. The use of the "Guru" principle has resulted in a USAID project proposal (Educational Skills -- Dr. Coladarci of Stanford) and improvements in budgeting (Dr. John Beyer -- Robert Nathan Associates).

In large measure, the end result of research studies will depend on the degree to which they address specific felt needs of HMG and are designed for follow on action to meet these needs. Otherwise they tend to gather shelf dust. In designing research projects for Nepalese conditions, an important aspect also is coordination with ongoing efforts, both to optimize probabilities of follow-on and to minimize demands upon scarce Nepalese research talents.

Section III

Country/Program Nepal

Summary Table I

Funding Levels for FY 1976, IQ, FY 1977 and FY 1978

Grants	FY 1976	IQ	FY 1977	FY 1978
Food/Nutrition	1,100	24	502	6,268
New	-	-	-	4,500
Suspension Bridges	-	-	-	1,500
Seed Production & Input Storage	-	-	-	3,000
Ongoing	1,100	24	502	1,768
Integrated Cereals	1,035	24	150	1,130
Institute of Agriculture and Animal Sciences	65	-	352	638
Population/Health	1,430	312	2,048	2,081
(Population)	(901)	(220)	(1,750)	(1,367)
New - None	-	-	-	-
Ongoing	901	220	1,750	1,367
Population/Family Planning[1/]	901	220	1,750	1,367
(Health)	(529)	(92)	(298)	(714)
New	424	76	225	637
Integration of Health Services	424	76	225	637
Ongoing	105	16	73	77
Malaria Control	61	16	73	77
Integration of Health Services	44	-	-	-

1/ Includes AID/W Centrally Funded Commodities as follows: FY 76 - $443, IQ - $133, FY 77 - $650 and FY 78 - $874.

Grants	FY 1976	IQ	FY 1977	FY 1978
Education	454	149	931	661
New	-	-	607	306
Radio Education	-	-	607	306
Ongoing	454	149	324	355
Teacher and Materials Utilization and Development	290	129	87	58
Manpower Development Training	100	20	150	150
Education Skills Training	64	-	87	147
Section 106	-	-	-	1,000
New	-	-	-	1,000
Consulting Services	-	-	-	1,000
Total	2,984	485	3,481	10,010

Table I A

Pipeline Distribution

($ U.S. thousand)

	Project Title/#	Est. Pipeline 6/30/76 Prior Year Funds	FY 76 Funds
1.	Int. Cereals, 0114	332	1,016
2.	IAAS, 0102	457	5
3.	Pop./FP, 0096	199	263
4.	IHS, 0227	261	31
5.	IHS, 0126	-	424
6.	Malaria Control, 0115	-	37
7.	MTD, 0228	11	249
8.	Education Skills, 0124	-	64
9.	Manpower Dev., 0224	13	60
	Total	1,273	2,149

AGENCY FOR INTERNATIONAL DEVELOPMENT
ABS/CP SUMMARY

1. TRANSACTION CODE: A (A = ABS, C = CHANGE, D = DELETE)
2. ABS/CP DOCUMENT CODE: 6
3. COUNTRY/ENTITY: Nepal
4. DOCUMENT REVISION NO.:
5. OPERATIONAL YEAR FY: 77
6. BUREAU/OFFICE: A. SYMBOL: ASIA; B. CODE: 4
7. GEOGRAPHIC CODE: 367
8. TYPE DATA: 1 (1 = ABS, 2 = ABS REVISION, 3 = CP, 4 = CP NOTIFICATION)
9. TYPE ASSISTANCE: 1 (1 = PROJECT, 2 = PROGRAM)

10. PROJECT SEQUENCE NO.	11. PROJECT TITLE (40 CHARACTERS MAXIMUM)	12. QTR. FOR OBLIG.	13. EST. FY AUTH OBLIG FINAL	14. APPROPRIATION	15. PRIMARY PURPOSE CODE	16. LOAN/GRANT INDICATOR	17. BUDGETS (IN $000) AY	TQ	OY	BY	LOP
	I. Food & Nutrition										
	New										
0119	Suspension Bridges	-/1	78	FN	133B	GN	-	-	-	1,500	1,500
C118	Seed Production & Input Storage	-/1	78	FN	123B	GN	-	-	-	3,000	3,000
	Ongoing										
0114	Integrated Cereals	1/1	81	FN	123B	GC	1,035	24*	150*	1,130	5,000
0102	Inst. of Agriculture & Animal Sciences	1/1	84	FN	101B	GC	65	- *	352*	638	3,201
	II. Population Planning and Health										
	New										
0126	Integration of Health Services	1/1	79	PH	534B	GN	424	76	225*	637	1,449 1/
	Ongoing										
0096	Population/Family Planning	1/1	78	PH	400B	GC	901 2/	220 3/	1,750 4/	2,367 5/	6,903
0115	Malaria Control	1/1	79	PH	513B	GC	61	16	73*	77	350
0227	Integration of Health Services	-	76	PH	534B	GC	44	-	-	-	918
	III. Education & Human Resources Development										
	New										
0123	Radio Education	1/1	80	EH	612B	GN	-	-	607*	306	920
	Ongoing										
0228	Teacher & Materials Utilization & Dev.	2/2	78	EH	623B	GC	290	129	87	58	1,527 6/
0224	Manpower Development Training	1/1	78	EH	663B	GC	100	20	150	150	478 7/
0124	Education Skills Training	1/1	80	EH	684B	GC	64	- *	87*	147	508
	(Continued)										

18. DATE DOCUMENT RECEIVED IN AID/W: MM 06 DD 30 YY 76

AID 1330-7 (3-76)

AGENCY FOR INTERNATIONAL DEVELOPMENT

ABS/CP SUMMARY

1. TRANSACTION CODE: A (A = ABS, C = CHANGE, D = DELETE)

2. ABS/CP — DOCUMENT CODE 6

3. COUNTRY/ENTITY: Nepal

4. DOCUMENT REVISION NO.:

5. OPERATIONAL YEAR FY: 77

6. BUREAU/OFFICE: A. SYMBOL ASIA; B. CODE [4]

7. GEOGRAPHIC CODE: 367

8. TYPE DATA: 1 (1 = ABS, 2 = ABS REVISION, 3 = CP, 4 = CP NOTIFICATION)

9. TYPE ASSISTANCE: 1 (1 = PROJECT, 2 = PROGRAM)

10. PROJECT SEQUENCE NO.	11. PROJECT TITLE (40 CHARACTERS MAXIMUM)	12. QTR. FOR OBLIG.	13. EST. FY AUTH OBLIG FINAL	14. APPROPRIATION	15. PRIMARY PURPOSE CODE	16. LOAN GRANT INDICATOR	17. BUDGETS (IN $000) AY	TQ	OY	BY	LOP
	(Continued)										
	IV. Selected Development Problems										
	New										
	Consulting Services	-/1	80	SD	790B	GN	-	-	-	1,000	2,000
	Total						2,984	485	3,481	10,010	27,754

1/ State 145662 dated June 14, 1976.

2/ Includes $443 for AID/W Centrally Funded Commodities.

3/ Includes $133 for AID/W Centrally Funded Commodities.

4/ Includes $650 for AID/W Centrally Funded Commodities.

5/ Includes $874 for AID/W Centrally Funded Commodities.

6/ PROP, Revision No. 3, dated 1/17/75.

7/ PROP, Revision No. 1, dated 8/4/75.

*Known and certain deviation from FY 77 CP.

18. DATE DOCUMENT RECEIVED IN AID/W: MM 06 DD 30 YY 76

AID 1330-7 (3-76)

Section V

Identification of Deviations from FY 1977 Congressional Presentation (as Proposed in Section IV, Summary Table II), for Both New and Ongoing Projects

Known and certain deviations from the FY 1977 Congressional Presentation in funding of both new and ongoing projects proposed in this ABS for the interim quarter and FY 77 are summarized in the table below. There is only one case where the ABS level exceeds the CP level — in Radio Education, FY 77. Otherwise, the ABS level is below the CP level, either because of delays in project implementation or because of consolidations of proposed activities in the population and health sector.

Table

Known and Certain FY 77 CP/ABS Differences

($000)

Project Title	Period and Source: Interim Quarter CP	Interim Quarter ABS	FY 1977 CP	FY 1977 ABS
Integrated Cereals	130	24	1,000	150
IAAS	270	-	700	352
Int. Health Services	n.a.		400	225
Malaria Control	n.a.		100	73
Education Skills Training	50	-	250	87
Radio Education	n.a.		300	607

(Note: n.a. = no known and certain deviation)

A close comparison of the "ABS/CP Summary" table with the FY 77 Congressional Presentation will reveal other differences in funding levels. However, the differences are very small (i.e., $25,000 out of $1,750,000 in Family Planning in FY 77 and $13,000 out of $87,000 in TMUD in FY 77), so small that they may not be implemented. Since they are not "Known and Certain", they are not identified on the ABS/CP Summary Table.

Under Food and Nutrition, shortfalls from CP levels in both the Integrated Cereals project and the IAAS project are due to delays in project start-up, with corresponding decreases in funding requirements in the period immediately following full forward funding of the contractors in FY 1975 and FY 1976.

A similar situation explains the anticipated shortfall from the FY 77 CP level in the Integration of Health Services project. Under the new project, the contractor was fully forward funded in late FY 76, reducing the anticipated requirement in FY 77.

The shortfall in Malaria Control in FY 77 is also due to delayed arrival of the direct-hire project technician funded under this project. The shortfall is accounted for by the shifting of anticipated home leave/ repatriation expenses to FY 78, plus a slightly lower rate of general expenditure.

Reductions in estimated funding requirements for the Education Skills Training project are the consequence of project redesign which reduced the scope and quantity of training opportunities to be funded, as well as a six-month delay in project implementation. For background, see State 092987 and the PP transmitted via TOAID A-52.

In Radio Education, delays in finalizing the project design and obtaining HMG clearances have resulted in a shift in year of initial obligation from FY 76 to FY 77. Consequently, the initial obligation in FY 77 is anticipated to be roughly twice the previously estimated FY 77 obligation, although below the combined CP estimate for FY 76 and FY 77.

Section VI

Progress of On-going Grant Activities

A. Food and Nutrition

1. IAAS

Although the implementing contract was not negotiated as early as anticipated, the contractor is now proceeding according to revised scheduling. Campus design work is well underway.

2. Integrated Cereals

In December 1975, an existing contract with the Center for Improvement of Maize and Wheat (CIMMYT) was extended and modified to facilitate placement of experts in Nepal under this project. Two experts arrived in February and have been working in field postings. The major project contract, to be negotiated between the Government of Nepal and the International Agriculture Development Service Corp. and financed by AID, will supersede the contract with CIMMYT. It is anticipated that a contract team of seven persons will be in place by October 1976.

During FY 76 the basic project purpose and scope, although unchanged, was amplified with the result that certain supporting activities suggested in the January 1975 PROP have been deleted while others have been added. Deletions from the initial project design include a large seed processing facility, a seed storage conversion activity, procurement of miscellaneous research equipment and use of subcontractors to provide field agronomists and seed consultants. Only a pilot seed facility is included in the final design, while the major contractor will provide a reduced quantity of seed consultations, and the U.S. Peace Corps will provide field agronomists using selective recruitment.

Additions to the PROP design cover increased training of Nepalese agriculturalists at the International Agricultural Research Institutes (principally CIMMYT and the International Rice Research Institute) plus a provision for local currency support to Nepalese research institutes for selected studies in the field of agriculture. The latter activity is to be supplemented by a separately-funded grant to the Agricultural Development Council (New York).

Upward revision in standard cost factors plus provision for increased training has increased estimated total project dollar costs by 47%. (However, a contingency is included to provide for contractor recruitment of four field agronomists if the Peace Corps is not able to provide appropriate personnel.)

Nearly all deletions from the earlier project design were programmed for local currency financing. Therefore, the projected local currency budget has declined by 21%.

B. Education and Human Resources

1. TMUD

This project is on schedule.

2. Manpower Development Training

This project is on schedule.

3. Education Skills Training

This project, with a revised scope of activity from that projected in the FY 77 ABS, is just getting underway.

C. Population and Health

1. Integration of Health Services (0126)

During FY 1976 project activities have shifted from pilot projects to implementation and AID's inputs have undergone a parallel evolution by placing major emphasis on developing Nepal's capacity to organize and manage an effective nation-wide Integrated Basic Health Service. To help accomplish this, under a new project design technical assistance inputs have been increased and participant training has been expanded. Local currency support is being provided to help meet the expenses involved in the development of management information and control systems, training programs, and special studies considered directly contributory to project success. AID activities that were described as three separate health sector projects in the FY 77 ABS have been melded into one project that stresses the inter-relatedness and inter-dependence of the elements of planning, training and management.

2. Malaria Control

This project is on schedule.

3. Population/Family Planning

The Family Planning Project as reviewed in the FY 1977 ABS is on schedule. A project revision that amalgamates the previously proposed Population Policy Project with an updated Family Planning Project was approved in FY 1976. This revision was

considered necessary for the following reasons:

- to reflect changes in project inputs and outputs based on the experience of the past three years;
- incorporate, where possible, quantifiable targets and progress indicators;
- incorporate new inputs dealing with population policy initiatives at the national level;
- incorporate new inputs in support of private sector population programs.

Country/Program Nepal

Section VII

FISCAL DATA

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Integrated Cereals
PROJECT NUMBER 367-0114
APPROPRIATION 72-11X1023

INITIAL OBLIGATION FY 75
FINAL OBLIGATION FY 81
TOTAL COST $5,000,000

DATE REVISION (PP) 6/76
DATE LAST PAR -
DATE NEXT PAR 10/77

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:
Actual FY 1976	1,035	66	6/30/76 1,348 inc. prior year funds
Estimated Interim Qtr.	24	185	1,187 9/30/76
Estimated FY 1977	150	711	626 9/30/77
Proposed FY 1978	1,130	1,038	718 9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Aid 77	Direct Aid 78	Contract 77	Contract 78	PASA 77	PASA 78	Total 77	Total 78
U.S. Tech.	-	-	-	627	-	-	-	627
Local & Ten.	-	-	-	-	-	-	-	-
Participants	11	11	88	411	-	-	99	422
Commodities	-	-	40	60	-	-	40	60
Other Costs	6	6	5	15	-	-	11	21
Total	17	17	133	1,113	-	-	150	1,130

Contract Funding Periods

Name of Contractor		FY 1976 Obligations from mo/yr - to mo/yr	Int. Qtr. Obligations from mo/yr - to mo/yr	FY 1977 Obligations from mo/yr - to mo/yr	FY 1978 Obligations from mo/yr - to mo/yr
CIMMYT		-	-	-	-
IADS	Period	8/76 - 2/78	-	3/78 - 6/78	7/78 - 6/79
	Amount	1,031	-	133*	1,113

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
CIMMYT				
Personnel	2	2	-	-
Participants	-	-	-	-
IADS				
Personnel	-	3	7	7
Participants	-	-	18	22
Direct AID				
Personnel	-	-	-	-
Participants	1	7	-	-

*Plus $199,000 to be reprogrammed from the CIMMYT contract.

Country/Program Nepal

Section VII

FISCAL DATA

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Institute of Agriculture and Animal Sciences
PROJECT NUMBER 367-0102
APPROPRIATION 72-11X1023

INITIAL OBLIGATION FY 74
FINAL OBLIGATION FY 84
TOTAL COST $3,201,000

DATE PROP/REVISION 3/14/74
DATE LAST PAR -
DATE NEXT PAR 7/77

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:
Actual FY 1976	65	89	6/30/76 462 inc. prior year funds
Estimated Interim Qtr.	-	69	393 9/30/76
Estimated FY 1977	352	321	424 9/30/77
Proposed FY 1978	638	545	517 9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Aid 77	Direct Aid 78	Contract 77	Contract 78	PASA 77	PASA 78	Total 77	Total 78
U.S. Tech.	-	-	167	516	-	-	167	516
Local & Tcn.	-	-	-	-	-	-	-	-
Participants	62	20	61	100	-	-	123	120
Commodities	-	-	60	-	-	-	60	-
Other Costs	2	2	-	-	-	-	2	2
Total	64	22	288	616	-	-	352	638

Contract/PASA Funding Periods

Name of Contractor		FY 1976 Obligations from to mo/yr-mo/yr	Int. Qtr. Obligations from to mo/yr-mo/yr	FY 1977 Obligations from to mo/yr-mo/yr	FY 1978 Obligations from to mo/yr-mo/yr
MUCIA	Period	-*	-*	6/77 - 5/78	-
	Amount	-	-	288	-
New Contract/MUCIA extension	Period	-	-	-	6/78 - 6/79
	Amount	-	-	-	616

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Personnel				
MUCIA Contract	4	4	4	-
New Contract or MUCIA extension	-	-	-	6
Participants				
Direct	2	6	6	2
Contract (MUCIA)	-	-	5	9

*This period funded with FY 75 funds.

Country/Program Nepal

Section VII

FISCAL DATA
ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Population/Family Planning
PROJECT NUMBER 367-0096
APPROPRIATION 72-11X1024

INITIAL OBLIGATION FY 73
FINAL OBLIGATION FY 78
TOTAL COST $6,903,000

DATE PROP/REVISION 6/73
DATE LAST PAR 1/76
DATE NEXT PAR 1/77

U.S. DOLLAR COST (IN THOUSANDS)

	FY 1/ Obligations	FY 1/ Expenditures	Unliquidated as of:
Actual FY 1976	901 2/	978 2/	6/30/76 462 inc. prior year funds
Estimated Interim Qtr.	220	367	315 9/30/76
Estimated FY 1977	1,750	1,527	538 9/30/77
Proposed FY 1978	1,367	1,746	159 3/ 9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Aid 77	Direct Aid 78	Contract 77	Contract 78	PASA 77	PASA 78	Total 77	Total 78
U.S. Tech.	-	-	400	100	-	-	400	100
Local & Tcn.	-	-	-	-	-	-	-	-
Participants	69	193	121	-	-	-	190	193
Commodities	775 3/	949 4/	105	-	-	-	880	949
Other Costs	24	34	256	82	-	-	280	116
Total	868	1,176	882	182	-	-	1,750	1,358

Contract/PASA Funding Periods

Name of Contractor		FY 1976 Obligations from to mo/yr-mo/yr	Int. Qtr. Obligations from to mo/yr-mo/yr	FY 1977 Obligations from to mo/yr-mo/yr	FY 1978 Obligations from to mo/yr-mo/yr
The Regents of the University of California	Period	6/76 - 1/15/77	1/16/77 - 2/28/77	3/77 - 5/78	6/78 - 9/78
	Amount	340	85	882	182

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Personnel Contract	4	4	5	4
Participants Direct	-	-	5	16
Contract	8	15	15	6

See Footnote Next Page.

Section VII

Country/Program Nepal

FISCAL DATA

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Integration of Health Services
PROJECT NUMBER 367-0126
APPROPRIATION 72-11X1024

INITIAL OBLIGATION FY 76
FINAL OBLIGATION FY 79
TOTAL COST $1,449,000

DATE ~~XXXXXXXXXXXX~~ PP 6/76
DATE LAST PAR -
DATE NEXT PAR 2/77

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:
Actual FY 1976	424	-	6/30/76 424 inc. prior year funds
Estimated Interim Qtr.	76	1	499 9/30/76
Estimated FY 1977	225	272	452 9/30/77
Proposed FY 1978	637	534	555 9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Air		Contract		PASA		Total	
	77	78	77	78	77	78	77	78
U.S. Tech.	-	-	217	593	-	-	217	593
Local & Tcn.	-	-	-	-	-	-	-	-
Participants	-	30	-	-	-	-	-	30
Commodities	-	-	-	-	-	-	-	-
Other Costs	8	9	-	5	-	-	8	14
Total	8	39	217	598	-	-	225	637

Contract/PASA Funding Periods

Name of Contractor		FY 1976 Obligations from to mo/yr-mo/yr	Int. Qtr. Obligations from to mo/yr-mo/yr	FY 1977 Obligations from to mo/yr-mo/yr	FY 1978 Obligations from to mo/yr-mo/yr
Management Sciences for Health	Period	3/77 - 11/77	12/77 - 2/78	3/78 - 6/78	7/78 - 9/79
	Amount	424	75	217	598

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Personnel Contract	1	2	4	4
Participants Contract	-	-	7	5
Participants Direct	-	-	-	3

Footnote:

1/ Includes AID/W centrally funded commodities as follows: FY 76 - $443; T.Q. - $133; FY 77 - $650 and FY 78 - $874. Costs for T.Q., FY 77 and FY 78 may vary from the figures shown above for these years depending on AID/W costing of commodities per contraceptive Tables of FY 78 ABS.

2/ Does not include AID/W funding of estimated U.S. $782 for a contract for commercial distribution to be signed prior end FY 76 as centrally funded 3 year expenditures.

3/ Includes AID/W centrally funded commodities of $650.

4/ Includes AID/W centrally funded commodities of $874.

5/ To be spent in FY 79 for direct participants.

Country/Program Nepal

Section VII

FISCAL DATA

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME	Malaria Control	INITIAL OBLIGATION	FY 76	DATE [redacted] PP	6/75
PROJECT NUMBER	367-0115	FINAL OBLIGATION	FY 79	DATE LAST PAR	6/76
APPROPRIATION	72-11X1024	TOTAL COST	$350,000	DATE NEXT PAR	2/77

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:
Actual FY 1976	61	24	6/30/76 37 inc. prior year funds
Estimated Interim Qtr.	16	17	36 9/30/76
Estimated FY 1977	73	109	- 9/30/77
Proposed FY 1978	77	77	- 9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Aid 77	Direct Aid 78	Contract 77	Contract 78	PASA 77	PASA 78	Total 77	Total 78
U.S. Tech.	58	59	-	-	-	-	58	59
Local & Tcn.	-	-	-	-	-	-	-	-
Participants	-	-	-	-	-	-	-	-
Commodities	4	4	-	-	-	-	4	4
Other Costs	11	14	-	-	-	-	11	14
Total	73	77	-	-	-	-	73	77

Contract/PASA Funding Periods

Name of Contractor	FY 1976 Obligations from to mo/yr-mo/yr	Int. Qtr. Obligations from to mo/yr-mo/yr	FY 1977 Obligations from to mo/yr-mo/yr	FY 1978 Obligations from to mo/yr-mo/yr

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Personnel Direct	1	1	1	1
Participants Direct	-	3	-	-

Country/Program Nepal

Section VII

FISCAL DATA

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Integration of Health Services
PROJECT NUMBER 367-0227
APPROPRIATION 72-11X1024

INITIAL OBLIGATION FY 73
FINAL OBLIGATION FY 76
TOTAL COST $918,000

DATE PROP[redacted] 3/73
DATE LAST PAR 7/74
DATE NEXT PAR 7/76

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:
Actual FY 1976	44	185	6/30/76 292* inc. prior year funds
Estimated Interim Qtr.	-	69*	223* 9/30/76
Estimated FY 1977	-	223*	- 9/30/77
Proposed FY 1978	-	-	- 9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Aid 77	Direct Aid 78	Contract 77	Contract 78	PASA 77	PASA 78	Total 77	Total 78
U.S. Tech.								
Local & Tcn.								
Participants								
Commodities								
Other Costs								
Total								

Contract/PASA Funding Periods

Name of Contractor	FY 1976 Obligations from to mo/yr-mo/yr	Int. Qtr. Obligations from to mo/yr-mo/yr	FY 1977 Obligations from to mo/yr-mo/yr	FY 1978 Obligations from to mo/yr-mo/yr
Management Sciences for Health	-	-	-	-

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Personnel Contract	1	Transferred to Project 0126		
Participants Direct	2	2	(See Project 0126)	

*To be utilized for Project 0126.

Country/Program Nepal

Section VII

FISCAL DATA

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Radio Education
PROJECT NUMBER 367-0123
APPROPRIATION 72-11X1025

INITIAL OBLIGATION FY 77
FINAL OBLIGATION FY 80
TOTAL COST $920,000

DATE PRP 1/75
DATE LAST PAR -
DATE NEXT PAR 9/78

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:
Actual FY 1976	-	-	6/30/76 - inc. prior year funds
Estimated Interim Qtr.	-	-	- 9/30/76
Estimated FY 1977	607	218	389 9/30/77
Proposed FY 1978	306	358	337 9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Aid 77	Direct Aid 78	Contract 77	Contract 78	PASA 77	PASA 78	Total 77	Total 78
U.S. Tech.	-	-	538	152	-	-	538	152
Local & Tcn.	-	-	-	-	-	-	-	-
Participants	49	49	-	-	-	-	49	49
Commodities	10	90	-	-	-	-	10	90
Other Costs	10	15	-	-	-	-	10	15
Total	69	154	538	152	-	-	607	306

Contract/PASA Funding Periods

Name of Contractor		FY 1976 Obligations from to mo/yr-mo/yr	Int. Qtr. Obligations from to mo/yr-mo/yr	FY 1977 Obligations from to mo/yr-mo/yr	FY 1978 Obligations from to mo/yr-mo/yr
New Contract	Period	-	-	1/77-12/78	1/79 - 6/79
	Amount	-	-	538	152

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Personnel Contract	-	-	4	4
Participant Direct	-	-	4	4

Section VII

Country/Program Nepal

FISCAL DATA

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME	Teacher and Materials Utilizations and Development	INITIAL OBLIGATION	FY 72	DATE PROP/REVISION	1/17/75
PROJECT NUMBER	367-0228	FINAL OBLIGATION	FY 78	DATE LAST PAR	11/5/74
APPROPRIATION	72-11X1025	TOTAL COST	$1,527,000	DATE NEXT PAR	9/76

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:
Actual FY 1976	290	370	6/30/76 260 inc. prior year funds
Estimated Interim Qtr.	129	68	321 9/30/76
Estimated FY 1977	87	304	104 9/30/77
Proposed FY 1978	58	84	78 9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Aid 77	Direct Aid 78	Contract 77	Contract 78	PASA 77	PASA 78	Total 77	Total 78
U.S. Tech.	-	-	-	-	-	-	-	-
Local & Tcn.	-	-	-	-	-	-	-	-
Participants	84	58	-	-	-	-	84	58
Commodities	-	-	-	-	-	-	-	-
Other Costs	3	-	-	-	-	-	3	-
Total	87	58	-	-	-	-	87	58

Contract/PASA Funding Periods

Name of Contractor	FY 1976 Obligations from to mo/yr-mo/yr	Int. Qtr. Obligations from to mo/yr-mo/yr	FY 1977 Obligations from to mo/yr-mo/yr	FY 1978 Obligations from to mo/yr-mo/yr
National Education Association Period	4/76 - 1/77	2/77 - 9/77	-	-
Amount	218	129	-	-

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Personnel Contract	4	4	-	-
Participants Direct	5	6	7	6

Country/Program Nepal

Section VII

FISCAL DATA

ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Manpower Development Training
PROJECT NUMBER 367-0224
APPROPRIATION 72-11X1025

INITIAL OBLIGATION FY 73
FINAL OBLIGATION FY 78
TOTAL COST $478,000

DATE PROP/REVISION 8/4/75
DATE LAST PAR 7/31/75
DATE NEXT PAR 8/76

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:
Actual FY 1976	100	96	6/30/76 73 inc. prior year funds
Estimated Interim Qtr.	20	20	73 9/30/76
Estimated FY 1977	150	130	93 9/30/77
Proposed FY 1978	150	150	93 9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Aid		Contract		PASA		Total	
	77	78	77	78	77	78	77	78
U.S. Tech.	-	-	-	-	-	-	-	-
Local & Ton.	-	-	-	-	-	-	-	-
Participants	150	150	-	-	-	-	150	150
Commodities	-	-	-	-	-	-	-	-
Other Costs	-	-	-	-	-	-	-	-
Total	150	150	-	-	-	-	150	150

Contract/PASA Funding Periods

Name of Contractor	FY 1976 Obligations from mo/yr	to mo/yr	Int. Qtr. Obligations from mo/yr	to mo/yr	FY 1977 Obligations from mo/yr	to mo/yr	FY 1978 Obligations from mo/yr	to mo/yr
None	-		-		-		-	

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Participants Direct	3	3	6	6

Country/Program Nepal

FISCAL DATA
ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME Education Skills Training
PROJECT NUMBER 367-0124
APPROPRIATION 72-11X1025

INITIAL OBLIGATION FY 76
FINAL OBLIGATION FY 80
TOTAL COST $508,000

DATE PP 6/76
DATE LAST PAR -
DATE NEXT PAR 8/78

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of:
Actual FY 1976	64	-	6/30/76 64 inc. prior year funds
Estimated Interim Qtr.	-	12	52 9/30/76
Estimated FY 1977	87	63	76 9/30/77
Proposed FY 1978	147	131	92 9/30/78

FY 1977 and FY 1978 Obligations by Cost Component/MOI

Cost Component	Direct Aid 77	Direct Aid 78	Contract 77	Contract 78	PASA 77	PASA 78	Total 77	Total 78
U.S. Tech.	-	-	13	14	-	-	13	14
Local & Tcn.	-	-	-	-	-	-	-	-
Participants	11	12	63	118	-	-	74	130
Commodities	-	-	-	-	-	-	-	-
Other Costs	-	3	-	-	-	-	-	3
Total	11	15	76	132	-	-	87	147

Contract/PASA Funding Periods

Name of Contractor	FY 1976 Obligations from to mo/yr-mo/yr	Int. Qtr. Obligations from to mo/yr-mo/yr	FY 1977 Obligations from to mo/yr-mo/yr	FY 1978 Obligations from to mo/yr-mo/yr
New Contract (U.S. University, not yet selected)				
Period	6/76 - 3/78	-	4/78 - 6/78	7/78 - 6/79
Amount	61	-	76	132

On Board Personnel

	6/30 1976	9/30 1976	9/30 1977	9/30 1978
Participants Contract	-	-	6	13

Section VIII

Country/Program Nepal

Proposed New Projects - FY 1978 Alternative Funding Levels
(Millions $ US)

Project	(Alternative A) Full Funding Level: Full Dollars	(Alternative A) Full Funding Level: Months from Date of Initial Obligation	(Alternative B) Forward Funding according to A-367 Dollars	(Alternative C) Mission Alternative if grant Resources Curtailed: Dollars	(Alternative C) Mission Alternative if grant Resources Curtailed: Months from Date of Initial Obligation
Food and Nutrition					
Suspension Bridges	1.5	36	1.5	.5	12
Seed Production & Input Storage	3.0	36	3.0	2.5	24
Sec 106 (Selected Development Problems)					
Consulting Services	2.0	36	1.0	0.8	12
Total Funding Level	6.5		5.5	3.8	

Section IX

FY 1978 New Projects: Narrative Support for Alternative Funding Levels

Full life of project funding for both the Suspension Bridges and the Seed Production and Input Storage activities would seem to be acceptable under the A-368 forward funding time limitations as well as the new criteria in the ABS guidance (A-201 of 4-6-76), since both are capital projects. This would be preferable in order to allow HMG to plan related inputs and activities and to facilitate contracting and procurement actions. Full funding would be especially important for Seed Production and Input Storage since this will involve project with a few large contract and reimbursement actions within two years time, interfacing with related efforts. Funds could be released in tranches, but the initial project obligation/authorization should be complete.

In the case of the Suspension Bridges, however, if resource constraints dictated a staging of the funding, and since the project consists of 32 separate bridges to be constructed over a three year period, the funding (and obligation) could be done in annual tranches.

The Consulting Services project should only be funded for initial anticipated requirements in order to ascertain from experience the needs in subsequent years. We believe that a level of $1 million can be utilized by HMG within a year of project authorization, although a slight reduction in funding could be accomodated if necessary.

Section X

Long Range Projections

As indicated in the DAP and in Section I of this ARS, the needs for foreign assistance will rise if Nepal is to achieve the Fifth Plan objectives. As the absorptive capacity of Nepal improves, and the pace of development accelerates, both technical assistance and foreign resource needs will increase. We would hope that the UN agencies, IBRD, ADB, and other bilateral donors could provide most of this. But there will continue to be an important need for US bilateral assistance to help Nepal achieve its development goals.

U.S. assistance should be expected to continue to have a special role in the areas relating to equity considerations, the social sectors, family planning, and those areas of the directly productive sectors where the absorptive capacity of HMG to implement projects is weakest. Not only will continued, selective, technical assistance be required, but probably increased financial resources in support of our areas of concentration will also be required. To a growing extent the development constraints are shifting from a shortage of skills and managers to a shortage of budgetary resources to support the efforts. Foreign exchange shortages will also likely become a serious problem in the not too distant future.

It is not possible to describe just what AID project activities in Nepal will be beyond FY 78. Our present activities are broad enough in scope to lead toward new directions and new outputs within AID mandate. As already-designed research efforts provide us with more information, including information on project impact, and as our efforts proceed, these new directions and add-on activities will become more clear. The process is a dynamic one, requiring adjustments, shifts, and new inputs as it unfolds. We expect to explore and articulate a proposed program beyond FY 1978 in a revised DAP document to be submitted in April 1977.

In Agriculture we might anticipate increasing emphasis on field demonstrations and extension activities as the research efforts develop and technology is tested. We might also find the need to provide other inputs, e.g., fertilizer or credit. Improved grain storage and processing facilities to reduce post-harvest losses might continue to attract financing. Increasing data on the rural economy and improved agricultural planning resulting from work by the Agricultural Development Council and other research and planning assistance to HMG may indicate a potential for useful projects in improving agricultural marketing and other rural infrastructure facilities and institutions.

In Health we can expect a continuation of efforts to improve and extend cost-effective delivery systems. The investigation of traditional

medicine may open new and effective ways of delivering services. A major emphasis in the future will almost certainly continue to be direct inputs to the training of paramedical and other health workers as well as in complementary service facilities. This could warrant additional capital assistance for expansion of training and service facilities.

Although the existing project in Population and Family Planning is scheduled to terminate at the end of FY 78, we plan to continue our efforts in selected aspects of this work which is critical to Nepal's long term development. The research done in the Population Policy element of the project should lead to new activities that are identified as constraints to objectives, and certainly the commodity support and training will continue to play major roles. The operational aspects of the project should gradually be folded into the integrated health services system as the latter system demonstrates the capacity to absorb them.

If approved, the Radio Education project could be expanded as a method of reaching large numbers of people in a wide range of information and education activities such as family planning, agriculture, health education, literacy efforts, and general information systems.

Technical assistance levels are projected to remain at about present levels. Even as the pace of development picks up, Nepalese financing and other external donors can be expected to provide for the bulk of increased needs. Capital assistance needs will grow, and HMG will not be able to meet these needs. While the IBRD/IDA and ADB can be expected to meet much of this increased need for capital assistance, we can expect pressure on our levels to increase, particularly for assistance in the "softer" social sectors and for local cost financing mechanisms. Of particular interest in this context is the expected need to switch from rupee funding to dollar funding beginning in FY 78. More than half our aid program in Nepal has been provided in the form of OMB allocated U.S. owned Indian rupees not appearing in our AID annual budget submissions. Roughly equal amounts are proposed to be added to our dollar program beginning in FY 78. (See Section I of ABS.)

As an RIDC which is taking strong positive measures toward achieving economic growth and equitable development, we believe Nepal should receive favorable consideration for continued US assistance in the long term. This is in keeping with AID's own Policy Determination - 50 on the RIDCs and with the recent demarches made by Secretary Kissinger at UNCTAD IV.

Country/Program Nepal

Long Range Program Plan

(Fiscal Years and $000)

	1978	1979	1980	1981	1982
Food/Nutrition	6268	6000	1000	1200	7200
Grants (T.A.)	1768	1000	1000	1200	1200
Loans/Grants (Capital)	4500	5000	-	-	6000
Population/Health	2081	2100	2300	7300	2500
Grants (T.A.)	2081 a/	2100	2300	2300	2500
Loans/Grants (Capital)	-	-	-	5000	-
(Population)	(1367)	(1300)	(1300)	(1300)	(1300)
(Grants)	(1367) a/	(1300) b/	(1300)	(1300)	(1300)
(Loans)	-	-	-	-	-
(Health)	(714)	(800)	(1000)	(6000)	(1200)
(Grants)	(714)	(800)	(1000)	(1000)	(1200)
(Loans/Grants - Capital)	-	-	-	(5000)	-
Education	661	600	5600	1000	1000
Grants	661	600	600	1000	1000
Loans/Grants (Capital)	-	-	5000	-	-

a/ Includes $874,000 centrally funded commodities.

b/ Includes centrally funded commodities and $300,000 of budget support.

	1978	1979	1980	1981	1982
Section 106	1000	250	250	250	250
Grants	1000	250	250	250	250
Loans	-	-	-	-	-
MOB USAID	(667)	(700)	(700)	(700)	(800)
AID/W	(586)	(600)	(600)	(700)	(700)
Total (exclusive MOB)	10010	8950	9150	9750	10950
Grants	4510	3950	4150	4750	4950
Loans/Grants (Capital)	5500	5000	5000	5000	6000
PL 480 (non add)	-	-	-	-	-
Title I	-	-	-	-	-
Title II	-	-	-	-	-
HIGs (non add)	-	-	-	-	-

Section XI

Mission Evaluation Schedule for FY 1977 and FY 1978

(1) Project Title and Number/ Subject	(2) Last Evaluation Submission Date	(3) Number of Last PAR (if applicable)	(4) Date of Submission FY 77 and/or FY 78 Evaluation	(5) Period Covered next Evaluation	(6) Remarks
Food & Nutrition					
Integrated Cereals	No previous evaluation		Oct. 77; Sept. 78	7/76-8/77	1978 evaluation to be conducted with AID/W participation.
Institute of Agriculture and Animal Sciences	No previous evaluation		July 77; Feb. 78	6/76-6/77	1st evaluation one year after implementation under new contract; 2nd to preceed contract negotiations.
Health and Family Planning					
Pop./Family Planning	1/23/76	76-2	Jan. 77; Jan. 78	1/76-10/76	Scheduled to conform to contract evaluations.
Integration of Health Services	7/26/74 (Current evaluation in process)	75-1	Feb. 77; Feb. 78	7/76-1/77	To conform to AID/ Contractor evaluation schedule.
Malaria Control	6/1/77	73-6	Feb. 77; Feb. 78	2/76-1/77	To conform to AID/WHO evaluation schedule.

(1) Project Title and Number/ Subject	(2) Last Evaluation Submission Date	(3) Number of Last PAR (if applicable)	(4) Date of Submission FY 77 and/or FY 78 Evaluation	(5) Period Covered next Evaluation	(6) Remarks
Education & Human Resources					
Teacher & Materials Utilization & Dev.	11/5/74	75-3	Sept. 76; Oct. 77	11/74-8/76	Providing an evaluation after completion 8/77.
Educational Skills Training	No previous evaluation		Aug. 78; Aug. 79	6/76-6/78	-
Manpower Development Training	7/31/75	76-1	Sept. 76; Sept. 77	7/75-8/76	-
Radio Education Pilot Project	-	-	Sept. 78	12/76-8/78	Assuming late FY 77 project start.
OPG					
World Education, Inc.	-	-	Sept. 77; Sept. 78	8/76-8/77	Assuming 8/76 project start.
Agricultural Development Council	-	-	Oct. 77; Sept. 78	7/76-7/77	In conjunction with Int. Cereals evaluation.
Other					
Western Hill Road*	6/76	N.A.	June 77; June 78	5/76-5/77	To conform to HMG review.

*Wholly financed with U.S.-owned Indian Rupees. All other uses of U.S.-owned Indian Rupees are programmed as integral parts of dollar financed activities and will be evaluated within those activities.

Section XII

PL-480 Title I

Country/Program: Nepal

No program is proposed for Nepal.

Section XIII

PL-480 Title II

Country/Program Nepal

All PL-480 Title II activity in Nepal is administered by and through the World Food Program. We believe that this should continue to be the case as the WFP does a credible job in difficult circumstances, and its programs are complementary to USAID/HMG project activities. Accordingly, development of a multi-year Title II Program Plan is not deemed appropriate at this time.

Section XIV

Assistance to PVOs and Cooperatives

Country/Program Nepal 1/

Support to Private Voluntary Organizations and Developing Country Cooperatives
($000)

	IQ	FY 1977	FY 1978	Functional Account
ONGOING				
A. Ongoing OPGs	-	-	-	
B. Non-OPGs	-	-	-	
NEW				
A. OPGs 2/				
1. Integrated Non-formal Education to Promote Rural Development in Nepal	150 3/	50	-	425
2. Training Nepalese in Agricultural Development Planning and Research	78 3/	106	115	402
Subtotal:	228	156	115	
of which technical assistance to cooperatives (non-additive)	(-)	(-)	(-)	
B. Non-OPGs	-	-	-	
LOANS	-	-	-	

Notes: 1/ These two OPG's, if approved, will be centrally funded by AID/W.

2/ For neither of these two OPG projects has AID/W central funding yet been provided. The OPG on Integrated Non-Formal Education was drafted by World Education, Incorporated. The OPG on Training Nepalese in Agricultural Development Planning and Research, drafted by the Agricultural Development Council, is being reviewed by AID/W.

3/ Inclusion of funding during the I.Q. assumes approval by AID/W.

Table 2

AID Bilateral Logistic and Financial Analysis of Orals

A. AID Inventory Analysis	Calendar Year				
	1976	1977	1978	1979	1980
1. Beginning of year stock	929,000	3,536,000	2,874,688	3,624,688	3,525,000
2. Add: Scheduled deliveries (See Annex B)	3,000,000	1,338,688	1,400,000	700,312	1,073,000
3. Less: Expected Use	393,000	2,000,000*	650,000	800,000	1,000,000
4. End of Year Stock	3,536,000	2,874,688	3,624,688	3,525,000	3,598,000

To be completed by AID/Washington

B. Financial Analysis (FY 77)

1. CY 1978 deliveries (Line A 2 above)
2. Estimated cost per unit in FY of purchase
3. Estimated total cost for FY 77 (to be determined by AID/W)

C. Financial Analysis (FY 78)

1. CY 1979 deliveries (Line A 2 above)
2. Estimated cost per unit in FY of purchase (To be determined by AID/W)
3. Estimated total cost for FY 1978 (To be determined by AID/W)

* unusually high use figure for FY 77 based on assumption of opening of several thousand new outlets (panchayats and commercial outlets).

Section XV

Table 3

AID Bilateral Logistic and Financial Analysis of Condoms

A. AID Inventory Analysis	Calendar Year				
	1976	1977	1978	1979	1980
1. Beginning of year stock	14,964,000	20,532,528	27,380,802	26,960,000	27,580,000
2. Add: Scheduled deliveries (See Annex B)	7,068,528	21,848,274	2,579,198	5,120,000	6,560,000
3. Less: Expected Use	1,500,000	15,000,000*	3,000,000	4,500,000	6,000,000
4. End of year stock	20,532,528	27,380,802	26,960,000	27,580,000	28,140,000

To be completed by AID/Washington

B. Financial Analysis (FY 77)

1. CY 1977 deliveries (Line A 2 above)
2. Estimated cost per unit in FY of purchase
3. Estimated total cost for FY 77 (to be determined by AID/W)

C. Financial Analysis (FY 78)

1. CY 1978 deliveries (Line A 2 above)
2. Estimated cost per unit in FY of purchase (To be determined by AID/W)
3. Estimated total cost for FY 1978 (To be determined by AID/W)

"Full Supply" Analysis

(000's)

	1975	1976	1977	1978	1979	1980
A. "Full Supply" Analysis						
1. Women (15 - 49) - (See Annex A)	2,518	2,576	2,635	2,696	2,758	2,814
2. 65% of line A1 (Contracepting women required to achieve replacement level)	1,637	1,674	1,713	1,752	1,793	1,829
3. 50% of line A1 (Contracepting women utilizing orals and condoms)	1,259	1,288	1,318	1,348	1,379	1,407
4. Annual stock requirements for "full supply"						
a. Orals - ½ of line A3 x 13 monthly cycles	8,184	8,372	8,564	8,762	8,964	9,146
b. Condoms - ½ of line A3 x 100 units	62,950	64,400	65,875	67,400	68,950	70,350
B. Annual New Supply From Non-AID Bilateral Sources						
1. Private Commercial Sector						
a. Orals						
b. Condoms						
2. Other Donors						
a. Orals	75	20	57	57	60	60
b. Condoms	420	576	498	500	550	575
3. Host Country Government Procurement						
a. Orals						
b. Condoms						
4. Total In-Country Stock						
a. Orals	75	20	57	57	60	60
b. Condoms	420	576	498	500	550	575
C. Gap to be filled to Achieve "Full Supply"						
1. Orals (line A4a less line B4a)	8,109	8,352	8,507	8,705	8,904	9,086
2. Condoms (line A4b less line B4b)	62,530	63,824	65,377	66,900	68,400	69,775
D. AID Bilateral Supply Objectives						
1. Orals	3,198	3,329	3,369	3,448	3,525	3,598
2. Condoms	24,760	25,184	25,852	26,460	27,030	27,565
E. Total New Supply						
1. Orals (line B4a plus line D1)	3,273	3,349	3,426	3,505	3,585	3,658
2. Condoms (line B4b plus line D2)	25,180	25,760	26,350	26,960	27,580	28,140
F. Remaining Supply Gap						
1. Orals (line A4A less line E1)	4,911	5,023	5,138	5,257	5,379	5,488
2. Condoms (line 4Ab less line E2)	37,770	38,640	39,525	40,440	41,370	42,210
G. People Gap						
1. Orals (line F1 + 13)	378	386	395	404	414	422
2. Condoms (line F2 + 100)	378	386	395	404	414	422
3. Total (line G1 plus line G2)	756	772	790	808	828	844

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT IDENTIFICATION DOCUMENT FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE: C (A = ADD, C = CHANGE, D = DELETE)

PID

2. DOCUMENT CODE: 1

3. COUNTRY/ENTITY: Nepal

4. DOCUMENT REVISION NUMBER: 1

5. PROJECT NUMBER (7 DIGITS): 367-0119

6. BUREAU/OFFICE: A. SYMBOL ASIA; B. CODE 4

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS): Suspension Bridges

8. PROPOSED NEXT DOCUMENT: A. 2 (2 = PRP, 3 = PP); B. DATE MM YY 10 76

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION: a. INITIAL FY 78* b. FINAL FY 78

*FY 77, if funds available.

10. ESTIMATED COSTS $000 OR EQUIVALENT, $1 =Rs 12.45 NC)

FUNDING SOURCE		LIFE OF PROJECT
A. AID APPROPRIATED		1,500
B. OTHER U.S.	1.	-
	2.	-
C. HOST COUNTRY HMG		500
D. OTHER DONOR(S)		-
	TOTAL	2,000

11. PROPOSED BUDGET AID APPROPRIATED FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE C. GRANT	PRIMARY TECH. CODE D. LOAN	E. FIRST FY 78 F. GRANT	E. FIRST FY 78 G. LOAN	LIFE OF PROJECT H. GRANT	LIFE OF PROJECT I. LOAN
(1) FN	133B	829	-	1,500	-	1,500	-
(2)							
(3)							
(4)							
			TOTAL	1,500	-	1,500	-

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

-	-	-	-	-	-

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

						14. SECONDARY PURPOSE CODE
BS	BL	LAB	EQTY	-	-	-

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)

To integrate isolated rural economies and people into the economic and political life of Nepal and increase their well being.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)

To facilitate transport of agricultural inputs (improved seeds, fertilizers, implements, etc.) to farmers and agricultural produce from farms to markets in subsistence farming hill areas.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)

Local contract up to $5,000 equivalent.

18. ORIGINATING OFFICE CLEARANCE

Signature: [illegible]

Mission Director

Date Signed: MM DD YY 06 18 76

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

MM DD YY [illegible]

AID 1330-2 (5-76)

PID for Suspension Bridges

I. Summary of Problem and Proposed Response

Nepal's economic development has been severely hindered by its physical characteristics, poor internal communications and almost total isolation. The nation is composed of many loosely linked valley economies physically compartmentalized and isolated by numerous rivers and intervening mountain ranges. Communication networks play in indispensable role in beginning to link Nepal's regions economically and socially.

Even though Nepal has made commendable strides in developing a road network, it will be many years before a nationwide road network can be constructed and made operable. In the interim most of the 2/3 of Nepal's people who live in the hills must continue to rely on its rudimentary system of porter trails, developed over the centuries, which are estimated to cover more than 10,000 kilometers. Even these trails cannot be used year round because of the numerous rivers which are impassable during the rainy season.

Since a modern road and air transport system will take many years to develope, HMG has undertaken a rural bridge building program to facilitate the movement of goods and people in the hill areas and provide them with access to population and market centers. This bridge building program has been a continuing activity since 1958, with assistance from USAID, SWISS aid, and IBRD. To date some 32 such bridges have been constructed in various parts of the Kingdom. As a result of the technical assistance provided by the Swiss, which will continue during the life of the proposed project, HMG should have the technical and administrative capability to carry out such projects in the future if the financial resources are available.

The project is designed to overcome the difficulties of communications and transportation in the hill areas of Nepal by providing stream crossings on major trails where traffic is blocked for several months of each year due to monsoon water levels. Improving transportation in the hills will act as a stimulus to the development of improved government services there and in general, will provide easier access for development efforts. It will open up markets, improve the exchange of goods and services, and motivate people for change. It should also prove an important factor in developing a sense of national unity among people who are presently isolated from one another and from the administrative centers.

This project directly affects the poorest segments of Nepal's poor people, the disadvantaged and often neglected hill people. Approximately 60% of the population is concentrated in the central hills and Kathmandu Valley on only 30% of the country's arable land. Improved trails and

bridges in the hills are essential requisites for increased foodgrain production and income generation. Improved transport facilities will enable the agricultural extension workers, health and population workers and malaria control teams to reach more population with less travel time.

In order to facilitate the movement of people and goods and to provide access for delivering basic services to otherwise inaccessable areas, HMG has made provisions in their Fifth Five Year Plan for the construction of 50 additional bridges. Depending on the site conditions, the bridges may be suspension bridges, truss bridges, or cable cars (large enough for one man and a pack animal). The bridges will be approximately four feet wide and spans will range from one hundred to three hundred feet. Cable car spans could be up to one thousand feet. The cable, steel, and cement will be imported from India, but the bridges will be fabricated in Nepal. Supervision of construction will be done by the Ministry of Transport which has a suspension bridge section with staff trained under an earlier USAID suspension bridge project (financed with local currency). Presently there are Swiss engineers assisting HMG in their design and construction efforts and the Swiss intend to continue to provide such assistance for the foreseeable future. Other than the Swiss program, no other expatriate technical assistance is anticipated.

II. Financial Requirements and Plans

The IBRD, using a special allocation of UNDP funds, has fielded a team to do a feasibility study of the HMG proposed program to construct 50 suspension bridges during the next five years. The team has tentatively concluded that only 32 of the 50 bridges proposed should be constructed at an estimated cost of approximately $2 million. Initially it was suggested that AID and IBRD jointly finance the project but since the number of proposed bridges subsequently has been reduced and because of AID's past experience in this field, HMG has asked AID to finance the program in its entirity. USAID proposes that capital authorization be made in FY 78 (or FY 1977, if funds become available) with expenditures into FY 80. The project will be financed through a dollar grant with AID contributing 75% of the project cost and HMG the remaining 25%.

III. Development of the Project

The IBRD feasibility study and site investigation should be completed by September 1976. This should serve as the basis for a PRP to be submitted in October 1976. Since the PRP and PP will be based on the World Bank feasibility study, we do not at this time see the need for additional consultants in developing the project. It may be desirable to contract with a Nepalese firm to visit and inspect previously constructed suspension bridges under an earlier USAID project financed with U.S.-owned Indian rupees. Such a contract would provide data on

maintenance and usage to enable USAID to independently evaluate and appraise the World Bank study, particularly from a social analysis point of view. Estimated cost would be approximately $5,000 equivalent in rupees available to USAID/N. The PP will be submitted by January 1977 to allow for possible obligation of FY 1977 funds.

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT IDENTIFICATION DOCUMENT FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE: C (A = ADD, C = CHANGE, D = DELETE)

PID

2. DOCUMENT CODE: 1

3. COUNTRY/ENTITY: Nepal

4. DOCUMENT REVISION NUMBER: 1

5. PROJECT NUMBER (7 DIGITS): 367-0118

6. BUREAU/OFFICE: A. SYMBOL: ASIA; B. CODE: 2

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS): Seed Production and Input Storage

8. PROPOSED NEXT DOCUMENT: A. 2 (2 = PRP, 3 = PP); B. DATE: MM 10, YY 76

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION: a. INITIAL FY 78; b. FINAL FY 78

10. ESTIMATED COSTS ($000 OR EQUIVALENT, $1 = Rs 12.45 NC)

FUNDING SOURCE		LIFE OF PROJECT
A. AID APPROPRIATED		3,000
B. OTHER U.S.	1.	-
	2.	-
C. HOST COUNTRY		2,000
D. OTHER DONOR(S)		-
	TOTAL	5,000

11. PROPOSED BUDGET AID APPROPRIATED FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE C. GRANT	PRIMARY TECH. CODE D. LOAN	E. FIRST FY 78 F. GRANT	E. FIRST FY 78 G. LOAN	LIFE OF PROJECT H. GRANT	LIFE OF PROJECT I. LOAN
(1) FN	123B	010	-	3,000	-	3,000	-
(2)							
(3)							
(4)							
			TOTAL	3,000	-	3,000	-

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

023 | 070 | 110 | 312 | 721 | 030

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

BR | BS | DEL | LAB | NUTR | PART

14. SECONDARY PURPOSE CODE: 253

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)

To increase agricultural productivity and the well being of farmers, with special reference to the disadvantaged hill farmer.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)

To develop a seed production and distribution system for Nepal (possibly in cooperation with the IBRD). This would include a processing capacity of 20,000 tons in several processing plants of varying sizes and capabilities and 20,000 tons of storage capacity for seed and other agricultural inputs built in varying sizes and variously equipped to meet the needs of the industry throughout the country - especially in the hills.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)

Four to six person-months of TDY assistance will be required from AID/W for preparation PRP and PP.

18. ORIGINATING OFFICE CLEARANCE

Signature

Title: Mission Director

Date Signed: MM 06, DD 18, YY 76

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

MM DD YY

AID 1330-2 (3-76)

PROJECT IDENTIFICATION DOCUMENT
SEED PRODUCTION AND INPUT STORAGE

I. Summary of Problem and Proposed Response

A. Summary of Problem

Agriculture constitutes the most important sector of Nepal's economy. The sector affords employment for 66% of the active labor force. Agricultural production, which increased by an estimated 1.3% per annum during the last decade, has not kept pace with the 2.5% annual increase in population. Nearly all of the slow increase in agricultural production has been attributed to additional land brought under cultivation, not increases in productivity. In fact, the aggregate productivity of major crops actually stagnated or declined during the period.

Ways to increase production in Nepal are strictly limited to the following: (1) increase the area under cultivation; (2) increase the intensity of land use, primarily through irrigation; and (3) increase per unit yields through improved production technology. (See the Nepal DAP for further analysis.)

There is some potential for further increase in area under cultivation, but this is limited to where approximately 320,000 hectares of the Terai forest land is being converted to small farms. Increases in the cultivated area in the hills is virtually impossible inasmuch as the limited new land brought under cultivation each year by encroachment on the forest and the cultivation of ever steeper slopes is cancelled by the loss of acreage from erosion and abandonment. Increased intensity of land use has a substantial potential if irrigation is fully utilized, but again this is limited mostly to the Terai (rather than the hills) because of topographic and climatic characteristics. Of the available alternative methods for increasing agricultural production, raising per hectare yields through improved production technology has the greatest potential and is the one alternative offering benefit to the hill regions. According to USAID and HMG estimates, average yields in Nepal can be improved by 50% of more, not only increasing the amount of food available, but raising the incomes of small farmers in the hills.

USAID, together with HMG, the Rockefeller Foundation, IRRI, and CIMMYT has developed an Integrated Cereals Project to improved production technology. It is an out-reaching research project, of which an important element is design of an improved system for production, quality control, and distribution of new seed varieties to be developed.

The Integrated Cereals Project provides financing for a pilot seed plant and three foundation feed facilities. A principal reason for financing of the pilot facility was so that experience gained in operation could be incorporated into the design of this proposed activity. (See the Integrated Cereals PP of May 1976 for further detail). Development of this activity is built into the Integrated Cereals implementation plan because it is perceived that, while improved production involves the use of inputs such as irrigation, fertilizers, pesticides, etc. in addition to seed, the genetic yield potential of seeds determines to a large extent how fruitful and effective the use of these other inputs will be. Moreover, inputs other than seeds are provided through other donor activities and do not at this time constitute a serious bottleneck to increased production. Availability of quality seed must be assured if results of the research outputs of the Integrated Cereals Project are to be made available to farmers.

Historically, Nepal has imported most of its improved seed from India, but more recently a systematic attempt is being made to increase the domestic production of seed. However, in order to increase effective demand for domestic seed, farmers must have confidence in the locally produced seed. This requires a reliable system of seed procurement, processing, storage and distribution which Nepal does not have at present. Varietal purity, freedom from foreign matter, and the maintenance of high germination as well as (initially) better varieties are all essential to meet growers demands for quality seed.

B. <u>Proposed Response</u>

While the Seed Production and Input Storage project has not yet been precisely defined, it will entail assistance to HMG to increase annual effective seed processing capacity to some 20,000 MT and a substantial, commensurate increase in HMG's storage capacity for Agricultural inputs. It will assist Nepal with the development of an indigenous seed production and processing capability, as well as a contracting and distribution system. It will also provide an inputs storage capacity which will not only make available quality seeds throughout the country but also provide Nepal with a significant buffer stock capability.

HMG has accorded a very high priority to development of a domestic seed industry. The Agricultural Inputs Corporation (AIC) which is responsible for the procurement, storage and distribution of improved seed, is developing an ambitious processing storage plan for Nepal's seed requirements, and has placed some orders for processing equipment. Experience with this equipment plus that already installed under an FAO project and that to be procured under the Integrated Cereals Project, will be evaluated in course of project design.

II. Financial Requirements and Plans

Within HMG, the Ministry of Finance and the Department of Agriculture both have often stressed a preference for AID participation in development of Nepal's seed industry. Several studies (see III below) have attempted to satisfy HMG requests. Planned project development activities should meet the requirements of all parties.

The magnitude and nature of the project will not be fully developed until further studies have been completed; for planning purposes we estimate the total project cost at approximately $5 million with actual drawdowns extending into FY 81. If the cost significantly exceeds this amount the IBRD has stated its willingness to finance a portion providing the Bank's requirements are met during the project's preparation — which we plan to do. (The IBRD, for example, has participated in preparing the terms of reference for the feasibility study.) Given the high priority HMG places on this activity, we are fully confident that requisite government support will be available at all stages of project development and implementation.

III. Development of the Project

In December 1973, a Mississippi State University team financed by AID made a number of recommendations to HMG and USAID for improving the organization and operation of a quality seed program. These recommendations dealt with the need: to improve the staffing and organization of the AIC; to improve the cooperation of the AIC and the Botany Section of the Ministry of Food, Agriculture, and Irrigation; and to establish seed processing plants and associated storage. (The MSU study is available at the Nepal Desk.)

In March 1975, Dr. D.P. Singh from the Seeds Corporation of India conducted a reconnaisance study of seed plant needs in Nepal for the IBRD. He recommended building a single seed plant with a capacity of about 20,000 MT. This proposal has not been accepted by the IBRD, HMG or USAID. However, it provides valuable background information to development of this project.

Subsequently HMG and the IBRD agreed that the International Agriculture Development Service (prime contractor under the Integrated Cereals Project) should provide short term consultants in appropriate areas to help prepare the technical project documentation, with AID/W providing assistance in preparing those parts of the PRP and PP dealing with environmental impact, status of women, cultural and social impact, financial and economic analysis, etc. USAID anticipates that a PRP will be prepared by October 1976 and a PP by March 1978, drawing upon experience gained in the Integrated Cereals Project and following the division of technical resources noted above.

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT IDENTIFICATION DOCUMENT FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE: A = ADD, C = CHANGE, D = DELETE

PID

2. DOCUMENT CODE: 1

3. COUNTRY/ENTITY: Nepal

4. DOCUMENT REVISION NUMBER: Original

5. PROJECT NUMBER (7 DIGITS): 367-0127

6. BUREAU/OFFICE: A. SYMBOL: ASIA; B. CODE: 4

7. PROJECT TITLE (MAXIMUM 40 CHARACTERS): Consulting Services

8. PROPOSED NEXT DOCUMENT

A. 2 (2 = PRP, 3 = PP)

B. DATE: MM 10 YY 76

9. ESTIMATED FY OF AUTHORIZATION/OBLIGATION

a. INITIAL FY 78* b. FINAL FY 80

*Initial incremental funding proposed for FY 77, if available.

10. ESTIMATED COSTS ($000 OR EQUIVALENT, $1 = Rs 12.45 NC)

FUNDING SOURCE		LIFE OF PROJECT
A. AID APPROPRIATED		2,000
B. OTHER U.S.	1.	-
	2.	-
C. HOST COUNTRY		200
D. OTHER DONOR(S)		-
	TOTAL	2,200

11. PROPOSED BUDGET AID APPROPRIATED FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE C. GRANT	D. LOAN	E. FIRST FY 78 F. GRANT	G. LOAN	LIFE OF PROJECT H. GRANT	I. LOAN
(1) SD	790B	970	-	1,000	-	2,000	-
(2)							
(3)							
(4)							
			TOTAL	1,000	-	2,000	-

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

-	-	-	-	-	-

13. SPECIAL CONCERNS CODES (MAXIMUM SIX CODES OF FOUR POSITIONS EACH)

						14. SECONDARY PURPOSE CODE
BR	RGEN	RDEV	INTR	TECH	-	-

15. PROJECT GOAL (MAXIMUM 240 CHARACTERS)

To improve the capacity of Nepal for development efforts directed at benefiting the poor majority.

16. PROJECT PURPOSE (MAXIMUM 480 CHARACTERS)

To improve project identification, formulation and design of development activities benefiting the poor majority.

17. PLANNING RESOURCE REQUIREMENTS (staff funds)

One man month of AID/W consultation, plus brief consultation from other missions in region $5,000 travel and per diem.

18. ORIGINATING OFFICE CLEARANCE

Signature

Title: Mission Director

Date Signed: MM 06 DD 18 YY 76

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

MM 06 DD 30 YY 76

AID 1330-2 (3-76)

Special Development Activities
(Section 106)

PIT for Consulting Services

I. Summary of Problem and Proposed Response

Nepal is one of the least developed of the developing countries. By the established criteria Nepal is an RLDC with an annual per capita income of around $90, a literacy rate estimated at 14% and a population density of 579 per square kilometer of cultivated land. Over 90% of the population works in agriculture and 80% of export earnings come from agriculture. There is only one physician per 40,000 people.

Growth has stagnated and per capita income has not increased over the past ten years. Much of this may be due to the emphasis over this period on the basic infrastructure and institutions needed to support development in the more productive sectors. Under the Fifth Plan, however, priorities are being shifted to the more productive sectors and to the social sectors in recognition of the need for a greater participation of the people in the benefits of development. HMG's priorities in the plan coincide to a remarkable degree with the Congressional mandates of AID and the objectives of the USAID program in Nepal.

The realization of these objectives will be very difficult, however. Not only are resources going to be a restraint, but the absorptive capacity will be severely limited by the skills needed to develop cohesive and rational projects and organize the multi-discipline inputs to implement efforts in these areas. A recent World Bank analysis has identified the virtual absence of a capability to prepare projects as a critical bottleneck in Nepal's development process. This project is proposed to assist His Majesty's Government of Nepal (HMG) in identifying priority efforts, formulating project proposals, designing workable project plans to achieve objectives, and to document them to meet criteria for foreign assistance where appropriate.

The primary means of achieving the project purpose will be through providing the skills needed to complement Nepalese capabilities and the specialized expertise that can be crucial to preparing development projects. Secondarily, the project would establish a mechanism for promoting greater Nepalese participation in determining priorities and implementing project activities. This envisages moving the process of determining needs, selecting projects and contracting more to HMG and away from the foreign donor and thereby encouraging further development of HMG managerial capabilities in directing its own development.

What we propose is a block grant to HMG to be used in hiring foreign expertise to help identify key needs and develop project proposals.

These experts would be used for project identification, feasibility studies, project preparation, and project documentation in a form satisfactory to a potential foreign funding source. Experts would also be used to assist HMG in developing its own capability in project preparation.

The project design will establish the parameters for assistance provided under the grant. We suggest allowing for contracting of Nepalese feasibility and design services and recruitment of experts from the U.S. and LDC sources. Consultant services would be related to AID sectors of emphasis and consistent with program objectives of the HMG Fifth Plan. Some approval as well as monitoring role would be exercised by USAID; but this should be kept to the minimum consistent with good management and the results of experience over time as the funds are used. HMG should be given the maximum feasible authority to select the type of expertise needed and to choose the instrumentality for implementation. They would be expected to negotiate the contracts and provide the support required. On request USAID might assist in some of these matters, e.g., with selection of contractors and drafting contracts, but over time we would hope HMG would take over all the actions necessary to implement the project.

II. Financial Requirements and Plans

We propose a block grant of $1,000,000, with subsequent amounts to be determined by experience with the use of these funds. The initial grant would be adequate for HMG to undertake negotiations with several potential consulting firms, both Nepalese and foreign, for a variety of possible advisory tasks. The Ministry of Finance would manage the grant in the first instance, perhaps obtaining the assistance of a consultant in evaluating and refining some of its own procedures for processing and review of projects proposed for foreign assistance financing.

Additional consulting tasks might be contracted to assist the Ministry of Agriculture in establishing a Project Design Cell. Some specific project feasibility and design work already identified by the Ministries of Finance and Agriculture as potential uses for the proposed bloc grant would be for data gathering and field investigations of minor irrigation schemes in the hills & inner Terai, access roads, agricultural credit, horticulture, health facilities, etc. in small area development undertakings. Longer range project development might entail plans for resettlement in Terai areas and land use management in the hills.

III. Development of the Project

In design of this project, USAID Nepal intends to draw extensively on the experience of the World Bank and other donor organizations in

working with HMG in project preparation. The World Bank is particularly in favor of this type of assistance being provided in areas of AID emphasis and has strongly encouraged AID in the preparation of this project.

In order to draw on AID experience with similar projects in other countries and to assure conformance with AID procedures and regulations, consultations will be required with AID/W and possibly with personnel of other Missions having experience with the mechanisms of bloc grant technical assistance projects. While the Mission would defer to AID/W as the best judge of what is required in this regard, the Mission estimates that 2-3 weeks consultation for PRP preparation would be required. This would include collecting & developing the following information:

- AID and other relevant experience. What has been the experience of other AID missions in designing and carrying out this type of project? Keep in mind the limited scope of this proposed project, i.e. increased capability to design projects consistent with AID mandates and the HMG 5th Plan.

- Beneficiaries. To what extent must linkage be shown to benefit the poor majority? What pre-approval or post-evaluation requirements would be satisfactory for assuring that AID mandate requirements are met?

- Implementation Plan, Logframe matrix and Project Performance Tracking chart. Experience in designing these elements for bloc grants in other missions would be useful.

Simultaneously with preparation of the PRP, the Mission and HMG Ministry of Finance would prepare specific plans for contracting for the first consultant services to be financed under the bloc grant. With this initial proposal as a nucleus, a PP for the entire bloc grant would be designed. Problems and issues in preparing the PP design according to Handbook 3 could be expected, as follows:

Part I. Summary and Recommendations - no problem

Part II. Project Background and Detailed Description - no problem

Part III. Project Analyses

A. Technical Analysis including Environmental Assessment. - This section will demonstrate the critical need for developing projects and a project development capability. What type of environmental provisions; if any, will be required?

B. Financial Analysis and Plan. - Scope of work, conditions of service, time period, etc. could be specified in detail for the initial consultancy and this established as a pattern on which to estimate the full requirement of funds proposed under the bloc grant. Can overall cost criteria/standards be established for use of the balance of the grant?

In-kind support might cost out at 10-15% of total costs. Due to RLDC status of Nepal and technical assistance nature of this grant, can the 25% rule be waived with HMG providing only in-kind support normally made available to expatriate advisors in Nepal?

C. Social Analysis. - Can this be waived in favor of rigorous evaluation criteria under IV. C below.

D. Economic Analysis. - Can this be likewise waived in favor if IV. C below?

Part IV. Implementation Planning

A. Administrative Arrangements. This would be the most detailed part of the PP, providing for clear understanding of standard contracting terms, methods of selection and approval of studies and other tasks, terms of reference to be used in selection of contractors, support and privileges of expatriate advisors, etc. Preferably, HMG standard provisions could be utilized. To what extent do these need to be incorporated into the PP?

B. Implementation Plan. This would lay out the intended uses and schedule for drawdown of the initial grant during the first two years of operation with more generalized uses throughout the life-of-project under subsequent bloc grants to be based on performance under the initial grant. Some extent of flexibility would be desired to allow HMG to meet unforeseen requirements during the initial grant period. Evaluations would be pre-scheduled.

C. Evaluation Plan. Clear economic and social criteria for periodic evaluations would be required. Experience of other missions with this type evaluation would be useful in designing this part.

D. Conditions, Covenants and Negotiating Status. These would follow from the above.

Annexes. What should be the format for Annex I? Project Agreement or Grant Agreement?

AID/W is requested to consider the above design questions and anticipate others. With specific advance guidance and a timely consultation from AID/W, we would like to prepare a concise PP which would meet AID/W requirements for monitoring and accountability of funds and allow timely action by HMG to procure its necessary project preparation services. If such a PP could be prepared simultaneously with or shortly after the PRP in October 1976, we would request an initial increment of the bloc grant be obligated from FY 1977 funds to finance specified project preparation tasks under detailed scope of work with the balance of the bloc grant from FY 1978 funds.