

Nepal

The Development Challenge: In the last 50 years, Nepal has transformed itself from an isolated medieval kingdom to a constitutional monarchy. Progress has been made in many areas, e.g. significant decreases in child mortality and fertility rates, and substantial gains in literacy and food security. Poor governance and corruption, its forbidding terrain and lack of infrastructure all contribute to its development gains being unevenly distributed -- leading to wide disparities across regions, ethnic groups, and between rural and urban populations. For example, overall the average life expectancy has increased to 59 years. However, life expectancy in Kathmandu is over 70 years, while it is only 34 years in the very poor district of Mugu.

Nepal remains one of the poorest countries in the world, with an annual per capita income of \$220. Over 80 percent of its people are subsistence farmers. In chronic food-deficit areas, seasonal migration for employment is the only way for a family to survive. Its social indicators still are some of the lowest in the world. Nepal is one of only two countries worldwide where female life expectancy is below that for men, reflecting deep-rooted cultural and social biases. The World Bank reports that literacy rates are 54 percent nationwide, but only 24 percent for women, and 18 percent for lower caste groups. Nepal's population is projected to double in 24 years. One of eleven children dies before they reach their fifth birthday -- and the vast majority of these children die within their first year. Moreover, Nepal has serious HIV/AIDS epidemic; some 14 new cases are reported every day. If not addressed immediately, HIV/AIDS will significantly affect economic development.

The Maoist insurgency, which began in 1996 as a result of a political party being excluded from the political process and taking up arms, has found fertile ground largely in response to Nepal's poverty, exclusion, and poor governance. Shortly after entering into peace negotiations in late 2001, the Maoists withdrew from those negotiations and attacked the Royal Nepal Army (RNA). This forced the Government of Nepal (GON) to declare a State of Emergency. Since that time, the insurgency has intensified; roughly 5,000 of the total estimated 7,000 deaths have occurred within the past year. While the GON controls all 75 district centers, the Maoists now basically control seven of Nepal's 75 districts. In these districts, they have declared people's governments, established people's courts, and control basic health and education services. Maoists have a significant presence in 17 additional districts and have carried out violent activities in 74 out of 75 districts. Their initial pro-people approach, which won the Maoists converts among the disenfranchised of Nepal, has transformed into a campaign of violence, lawlessness, intimidation, and destruction.

The U.S. has an interest in an economically and politically stable multi-party democracy in Nepal. Nepal serves as a buffer between the world's two most populous nations in a volatile region. By supporting efforts to resolve the Maoist insurgency and addressing the underlying causes of poverty, inequality, and poor governance in Nepal, the U.S. is making an important contribution to fighting terrorism, promoting regional stability, and lessening the likelihood of a humanitarian crisis.

The USAID Program: The principal objectives of the USAID program are to improve primary health care, curb population growth, expand economic development, promote the expansion of environmentally friendly hydropower, improve democracy and governance, and promote the building of peace. To pursue these obligations, USAID request \$37.696 million in FY 2003 and \$38.811 million in FY 2004. While all components of the USAID program supports improved governance and mitigation of the root causes and major effects of the Maoist insurgency, USAID proposes to program some \$13.5 million in FY 2003 and \$15.1 million in FY 2004 to respond directly to the current challenges.

Other Program Elements: In addition to the efforts described in the Program Data Sheets, other USAID regional and central programs are providing assistance to Nepal. USAID's South Asian Regional Initiative (SARI) is actively involved in regional cooperation in energy and in efforts to eliminate trafficking of women and children. USAID's Regional Urban Development Office (based in New Delhi) is assisting the city of Kathmandu in improving procedures for waste management, with a particular focus on safe disposal of medical waste. USAID/Washington has provided support for non-governmental programs that

promote the conservation of biodiversity and sustainable use of Nepal's natural resources, and expand the availability of business support services and new technologies to poor farmers. USAID's Office of Foreign Disaster Assistance (OFDA) Asian Regional Office is enhancing medical first response, search and rescue and hospital preparedness capacities of emergency responder agencies; reducing the potential for earthquake damage and injury in Kathmandu Valley; enhancing regional cooperation between countries in the Hindu Kush Himalayan region for the exchange of flood information and data; developing adaptive strategies for flood and drought mitigation to enable basic and tangible reduction in vulnerability; and conducting training for NGOs.

Other Donors: Donor coordination in Nepal is good. Donors provided roughly \$100 million in grants and \$140 million in loans in calendar year 2002. The United States is the second largest bilateral donor (after Japan) in terms of funds disbursed. Other major bilateral donors and their principal areas of focus include Denmark (education, decentralization, governance, and environment), the United Kingdom [UK] (governance, rural development, health, and HIV/AIDS), Germany (rural and urban development and health), Switzerland (roads and rural infrastructure and technical training), Norway (hydropower, water, governance, and human rights), Netherlands (community development), Finland (environment and rural water), and Canada (civil society, environment, and gender).

The major multilateral donors include the United Nations Development Programme [UNDP] (local planning and governance, urban infrastructure, rural energy, and HIV/AIDS), the Asian Development Bank (governance, education, water, agriculture, and roads), the World Bank (education, roads, water, telecommunications, financial sector reform, and health sector reform), the European Union [EU] (urban development and education), and the World Food Program (food for work). Other multilateral agencies such as UNICEF, UNFPA, UNAIDS and ILO are also active in Nepal.

Multi-donor partnerships have contributed to closer donor coordination efforts, particularly in the areas of health and HIV/AIDS (with USAID in a leading role), local governance strengthening, rural infrastructure, basic education, and eco-tourism. The UK's Department for International Development [DFID] and German [GTZ] aid agencies are working closely with USAID in the health sector to address the immediate needs of Nepalese families in conflict-affected areas. USAID and the Japan International Cooperation Agency [JICA] are closely collaborating in maternal and child Health, HIV/AIDS, and tuberculosis (TB). DFID is providing funding to USAID's peace building activities. USAID also is funding a rural 'green roads' sub-project in collaboration with the EU under its peace building program; an additional five income generating activities are planned for implementation beginning in January 2003 in collaboration with the EU.

Nepal PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Child Survival and Health Programs Fund	9,250	20,000	20,449	18,500
Development Assistance	12,158	7,597	11,247	14,311
Economic Support Fund	0	3,000	6,000	6,000
PL 480 Title II	0	2,352	0	0
Total Program Funds	21,408	32,949	37,696	38,811

STRATEGIC OBJECTIVE SUMMARY

367-001 Sustainable Forest and Agricultural Products				
DA	0	0	1,500	3,000
367-002 Health and Family Planning				
CSH	9,250	20,000	20,449	18,500
DA	6,500	0	0	0
367-004 Hydropower				
DA	185	0	0	0
367-006 Hydropower Development				
DA	2,318	2,200	2,200	2,200
367-007 Governance				
DA	2,855	3,647	5,300	5,587
ESF	0	750	600	1,000
367-008 Ending Conflict and Expanding Democracy				
DA	300	1,750	2,247	3,524
ESF	0	2,250	5,400	5,000

Data Sheet

USAID Mission:	Nepal
Program Title:	Sustainable Forest and Agricultural Products
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	367-001
Status:	Continuing
Proposed FY 2003 Obligation:	\$1,500,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$3,000,000 DA
Year of Initial Obligation:	FY 1995
Estimated Completion Date:	FY 2005

Summary: Accelerating agricultural growth is a key component of USAID's strategy for alleviating poverty, facilitating economic development, and peace building. Over 80 percent of Nepal's 23 million people depend on agriculture, agri-business, and/or forestry for their livelihoods. The pervasiveness of poverty and rapid population growth in the rural areas are forcing farmers to use increasingly more marginal lands. Nepalese citizens in these straits provide fertile ground for Maoist propaganda and recruitment. Recognizing the importance of this component of its program, USAID extended the proposed activity completion date of this strategic objective from FY 2002 to FY 2005 in order to increase incomes and create employment in some of Nepal's poorest districts. Focusing on small farmers, traders and entrepreneurs, USAID plans to increase household income and security by expanding market participation, improving management of productive resources, and enhancing the delivery of government extension services. Program activities include: support for improved management of community forests and farmer-managed irrigation systems; small-scale farm and forest enterprise development; technical assistance in production and marketing of high-value forest and farm crops; and support for private-public partnerships to access new technologies and new markets. To date, some 1.8 million people have benefited from this program.

Inputs, Outputs, Activities:

FY 2003 Program:

High-Value Crop Production, Market Access, and Competitiveness for Increasing Small Farmers' Incomes (\$1,000,000 DA). To achieve this, priority will be given to increasing the production of high-value commodities (e.g., non-timber forest products, cash crops and poultry), promotion of market access, and assistance to development enterprises in response to proven demand. This includes: (1) increasing the use of micro-irrigation technology to extend the growing season in the Middle Hills and to access off-season markets; (2) facilitating savings and credit groups; (3) sharing information about appropriate technologies for value-added processing; (4) providing small-scale enterprise and business development services; and (5) arranging study tours to learn from successful businesses. From 2,000 to 5,000 farmers in selected sites will be introduced to new ways of producing and marketing higher-value and off-season cash crops. Production of agricultural and livestock commodities is projected to increase by 2,000 to 3,000 metric tons. Support also will be provided for certification of non-timber forest products and to smallholder coffee and tea producers. Some 8,500 smallholders will plant coffee or tea, thus increasing employment and income, especially in Maoist-impacted areas in western Nepal. Prime grantees include: Winrock International; Asia Network for Sustainable Agriculture and Bioresources (ANSAB); Planning and Development Collaborative International (PADCO).

Increased Productivity of Irrigated Land in Farmer-Managed Systems (\$250,000 DA). To help farmers introduce higher-yielding varieties and improve cropping patterns to obtain higher returns from available water resources, technical assistance will be provided by Government of Nepal (GON) agricultural extension agents who have received intensive training through this project. Farmers in medium-sized irrigation systems (2,000 to 3,000 families) will be assisted. The principal contractor is to be determined. Expected implementing partners are U.S. and Nepalese NGOs.

Policy Analysis and Reform on Agriculture Trade-Related Issues (\$250,000 DA). To enable Nepalese farmers to access regional markets, technical assistance and training will be provided to the GON and the Federation of Nepali Chambers of Commerce and Industry to analyze agriculture trade-related issues, especially WTO accession, trade treaties, and quarantine and customs-related bottlenecks. A U.S. firm will be selected.

FY 2004 Program:

High-Value Production, Market Access, and Competitiveness for Increasing Small Farmers' Incomes (\$1,500,000 DA). USAID/Nepal will continue to fund training and farmer-to-farmer extension activities to support sharing lessons learned and best practices. Farmer group marketing will be increased, depending on the conflict situation and its impact on market access and mobility. Other efforts may include promoting crop diversification; sustainable agro-forestry technologies; and expanding market linkages.

Increased Productivity of Irrigated Land in Farmer-Managed Systems (\$1,000,000 DA). USAID/Nepal will continue support for training of GON agricultural extension agents working in areas with farmer-managed irrigation systems. If GON agencies are not able to deliver extension services, the program will shift emphasis to farmer-to-farmer extension or assistance through community-based organizations.

Policy Analysis and Reform on Agricultural Trade-Related Issues (\$500,000 DA). Funded activities will continue at the same level as in FY 2003 to develop Nepalese technical and analytical expertise on agricultural trade-related issues and to support implementation of international trade treaties.

Performance and Results: Despite the worsening security situation in Nepal, most activities under this program have been able to progress largely unfettered. This is because the program is improving the lives and livelihoods of Nepal's farmers. USAID's programs achieved two important results in 2002: (1) significant increases in rural income-generation through production, collection, and sales of high-value agricultural and forest products; and (2) better management of forests and water through community forestry and water user groups. USAID's technical assistance also complemented support from the Asian Development Bank for the reconstruction and rehabilitation of ten irrigation systems. Damage to several systems from flooding in July 2002 hindered the transfer of management to farmers. Nevertheless, five irrigation systems have been successfully handed over to local farmers who have increased production substantially. Moreover, support to community forestry user groups has facilitated the development of forest-based enterprises, strengthened women's participation, and promoted the use of democratic processes in decision-making. Partner organizations report that in 2002 that the sales of forest and high-value agricultural and livestock products amounted to \$47,000,000, reflecting an overall increase in production to 335,599 metric tons - nearly double the program's target. Some 2,900 forest and water user groups have been established and have had a positive impact on forest conditions and biomass production.

US Financing in Thousands of Dollars

Nepal

	CSH	DA
367-001 Sustainable Forest and Agricultural Products		
Through September 30, 2001		
Obligations	200	22,557
Expenditures	72	20,098
Unliquidated	128	2,459
Fiscal Year 2002		
Obligations	0	0
Expenditures	68	2,032
Through September 30, 2002		
Obligations	200	22,557
Expenditures	140	22,130
Unliquidated	60	427
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	0	1,500
Total Planned Fiscal Year 2003		
Obligations	0	1,500
Proposed Fiscal Year 2004 NOA		
Obligations	0	3,000
Future Obligations	0	0
Est. Total Cost	200	27,057

Data Sheet

USAID Mission:	Nepal
Program Title:	Health and Family Planning
Pillar:	Global Health
Strategic Objective:	367-002
Status:	Continuing
Proposed FY 2003 Obligation:	\$20,449,000 CSH
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$18,500,000 CSH
Year of Initial Obligation:	FY 1996
Estimated Completion Date:	FY 2006

Summary: This program aims to reduce fertility and protect the health of Nepalese families by (1) increasing access to and use of quality voluntary family planning services; (2) increasing access to and use of quality maternal and child health services; (3) preventing HIV/AIDS transmission among high-risk groups; and (4) controlling infectious diseases. The ultimate beneficiaries are 11 million men and women of reproductive age and 3.5 million children under the age of five years.

Inputs, Outputs, Activities:

FY 2003 Program:

USAID is among the lead donors in the health sector and provides technical supports for six Government of Nepal (GON) national programs: Family Planning, Vitamin A, Community-Based Child Health, Safe Motherhood, Female Community Health Volunteer, and the GON's new HIV/AIDS Program. USAID launched three new activities in FY 2002: (1) the Nepal Family Health Program, an integrated family planning, maternal and child health activity, focused at the district and community level; (2) an expanded HIV/AIDS strategy to further HIV prevention efforts, to initiate voluntary counseling, testing and care, and to support activities for HIV positive persons; and (3) a program to strengthen private sector health care.

Reduce Fertility and Child Mortality (\$9,449,000 CSH). This project will continue to increase the number of skilled family planning providers and services; expand the delivery of community-based treatment of diarrheal disease and pneumonia, and vitamin A supplementation for children; and ensure national-level availability of health commodities. USAID will continue to increase national-level advocacy of maternal health, improve skills in emergency obstetrics, and scale up an innovative community-level tool to assist families in better preparing for pregnancies. Principal grantees include: John Snow, Inc.; Johns Hopkins University; Save the Children; CARE; World Education; and Population Services International.

HIV/AIDS Prevention (\$9,000,000 CSH). Increased awareness and condom use among high-risk groups will be promoted in Kathmandu Valley and along the southern border with India and in migrant worker communities in western regions of Nepal. Further support will be provided to strengthen the GON capacity to implement and manage its new National HIV/AIDS Strategy and improve surveillance systems. Principal grantees include: Family Health International, Population Services International, and The Futures Group.

Control of Infectious Disease (\$2,000,000 CSH). USAID will continue to strengthen the capacity of Nepal's Vector-Borne Disease Research and Training Center to routinely and accurately report on infectious disease outbreaks by improving the Early Warning Reporting System. Community-based activities will continue to test prevention and control interventions for the three leading vector borne diseases - Malaria, Kala-azar, and Japanese Encephalitis. Principal grantees include: Camp Dresser and McKee International, International Center for Diarrheal Disease Research-Bangladesh, Armed Forces Research Institute of Medical Sciences (a joint U.S.-Thailand military medical research organization), Centers for Disease Control, and Management Sciences for Health.

To mitigate the impact of the conflict on health care services overall and to protect our investment to date, USAID conducted an extensive assessment of health care services across the entire country to identify vulnerable geographic areas. Partnering with DFID, the British Development Agency, USAID is addressing the immediate needs and strengthening the health care delivery system within those vulnerable areas, which includes replacing essential medical equipment and restocking medical stores. Initiated in FY 2002 and continuing into FY 2003, using "Other Vulnerable Children" funding, USAID is implementing the "Children Affected by Conflict" program, carried out by NGOs partnering with local community organizations. This program addresses the emotional, health care, and educational needs of children most affected by the conflict. Principal grantees include: Save the Children and World Education.

FY 2004 Program:

Reduce Fertility and Child Mortality (\$9,000,000 CSH). USAID will continue, as described above, to increase emphasis on further integrating maternal health activities at the community level into family planning and child health activities.

HIV/AIDS Prevention (\$8,000,000 CSH). USAID will continue to expand HIV/AIDS prevention activities to include voluntary testing and counseling, and care and support services.

Infectious Disease (\$1,500,000 CSH). USAID will continue to build the capacity of the GON to respond to infectious disease outbreaks, and expand prevention and control interventions at the community level.

Overall, USAID will continue to strengthen health care services affected by the conflict. Pending availability of additional funding, USAID will expand the "Children Affected by the Conflict" program.

Performance and Results: Within the last ten years, the number of children born to the average Nepalese family has decreased from 5 children to 4.1 in 2001; a 20 percent decline. Also, during this time, child mortality declined by 40 percent. Between 2001 to 2006, USAID aims to reduce population growth further by meeting the demand for family planning services and decreasing the average family size from 4.1 children in 2001 to 3.6 by 2006; decrease the number of children under five years dying from 91 deaths per 1,000 live births in 2001 to 70 in 2006; and reduce HIV/AIDS transmission by increasing condom use to 90 percent.

Despite the conflict and the past year's political instability, the program met all FY 2002 annual performance targets with the exception of couple-years of protection (CYP), the best annual proxy for contraceptive use. The Maoist insurgency constrained couples' access to family planning services and is directly linked to a one-year one percent nationwide decline in CYP over the FY 2001 level from all sources. Fortunately, however, the geographic program areas served by USAID experienced a CYP increase of five percent, suggesting that USAID-focused technical assistance is an essential factor towards achieving development results even in the current conflict environment. Key child health services were expanded: 1) Vitamin A supplementation covered 73 of Nepal's 75 districts reaching more than three million children; and 2) Community-based treatment of child pneumonia expanded from 14 to 16 districts, treating more than 170,000 child pneumonia cases. Combined, these two community based child health activities are now averting the deaths of more than 50,000 children annually. A new HIV/AIDS advocacy campaign, "Let's talk about HIV/AIDS", reached more than 10 million people. HIV prevention efforts in USAID geographic program areas have maintained consistently high condom use of at least 80 percent. Routine reporting of vector borne diseases has improved; the GON identified early and appropriately responded to a malaria outbreak in a remote rural region. The national Safe Motherhood Newsletter reached more than 10,000 maternal health providers and continues to raise awareness of maternal mortality issues. The pilot of an innovative community-based intervention is better preparing families for pregnancy and childbirth and is being scaled up in two districts and one municipality.

US Financing in Thousands of Dollars

Nepal

	CSH	DA
367-002 Health and Family Planning		
Through September 30, 2001		
Obligations	27,759	19,441
Expenditures	16,591	10,961
Unliquidated	11,168	8,480
Fiscal Year 2002		
Obligations	20,700	0
Expenditures	7,819	4,329
Through September 30, 2002		
Obligations	48,459	19,441
Expenditures	24,410	15,290
Unliquidated	24,049	4,151
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	20,449	0
Total Planned Fiscal Year 2003		
Obligations	20,449	0
Proposed Fiscal Year 2004 NOA		
Obligations	18,500	0
Future Obligations	0	0
Est. Total Cost	87,408	19,441

Data Sheet

367-003: No Summary and/or Pillar information entered for this SO.

Data Sheet

USAID Mission:	Nepal
Program Title:	Hydropower
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	367-004
Status:	Continuing
Proposed FY 2003 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$0
Year of Initial Obligation:	
Estimated Completion Date:	

Summary:

Inputs, Outputs, Activities:
FY 2003 Program:

FY 2004 Program:

Performance and Results:

Data Sheet

367-005: No Summary and/or Pillar information entered for this SO.

Data Sheet

USAID Mission:	Nepal
Program Title:	Hydropower Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	367-006
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,200,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$2,200,000 DA
Year of Initial Obligation:	FY 2001
Estimated Completion Date:	FY 2006

Summary: USAID's program to increase private sector participation in environmentally and socially sustainable hydropower development includes technical assistance and training to: (1) improve the enabling conditions for private investment in hydropower by setting up a streamlined legal and regulatory framework and simpler licensing procedures; (2) strengthen institutional capacity to address environmental and social impacts; (3) assist the GON to implement a new hydropower policy that promotes investment in both domestic supply and export; and (4) establish a Power Development Fund, with World Bank support, as a catalyst for energy investment. This program is complemented by USAID's South Asian Regional Initiative for Energy and is seeking to attract private sector investment in hydropower to meet domestic demand and boost export earnings.

Inputs, Outputs, Activities:

FY 2003 Program:

The program includes three major components as follows:

-- Improve the Enabling Environment for Equitable and Sustainable Hydropower Development and Strengthen Environmental and Social Assessment Procedures, with Broadened Stakeholder Participation (\$1,600,000 DA). To promote policy and regulatory reforms, USAID will fund technical assistance and training for the GON Department of Electricity Development (DOED) and other key GON entities such as the Nepal Electricity Authority (NEA) and the Nepalese Water and Energy Commission Secretariat (WECS) to develop strategies for regulatory reforms in the energy sector. For example, the program will facilitate amending the Electricity Act of 1993 to reflect the new hydropower policy that, for the first time, creates private sector-friendly processes and promotes energy exports. Assistance will be provided to encourage the state-owned utility to reform and restructure. With the World Bank, continued support will be provided to establish a Power Development Fund designed to catalyze investment. USAID will fund training and study tours for key GON officials and policy makers. International Resources Group is the Prime Contractor.

-- Promote Effective Private-Public Partnerships in Energy (\$400,000 DA). This component will promote executive exchanges and energy partnerships between GON and U.S. regulatory bodies and utilities, and provide opportunities for GON decision makers and energy professionals to meet with their peers in the U.S. or other countries. It also will expose U.S. private businesses to energy sector opportunities in Nepal and the region. The result will be a better understanding of the reform process and an action plan to improve energy efficiency. This program is being executed through the United States Energy Association (USEA) partnership program.

-- Support to Local Hydropower Developers and Financial Institutions to Participate and Invest in Small (1-10 megawatt (MW)) Hydropower Projects (\$200,000 DA). Technical assistance and training will be provided to local enterprises to develop bankable projects and acquire local financing. Equitable distribution of rural electrification and support for cooperatives will be promoted. USAID also will promote the development of a clean energy and infrastructure development bank aimed at promoting investment

in small-scale hydropower projects that support rural electrification. Winrock International is implementing this program.

FY 2004 Program:

Improve the Enabling Environment for Equitable and Sustainable Hydropower Development and Strengthen Environmental and Social Assessment Procedures, with Broadened Stakeholder Participation (\$1,600,000 DA). FY 2003 activities will continue in FY 2004 with emphasis on launching at least one Build-Own-Operate-Transfer (BOOT) project under the Power Development Fund.

Promote effective private-public partnerships in energy (\$400,000 DA). In FY 2004, the initial partnership will be consolidated and the United States Energy Association (USEA) will embark on a second partnership between regulatory bodies from the US and Nepal, resulting in a road map to the formation of an independent regulator for the energy sector.

Support to local hydropower developers and to local financial institutions to participate and invest in small (1-10 MW) hydropower projects (\$200,000 DA). USAID's technical assistance and training to local enterprises will continue in FY 2004 to assist in developing bankable projects and acquiring local financing. It is expected that at least one bankable project deal will be closed each year and that the benefits of hydropower will be equitably distributed to increased numbers of the rural poor through sharing of royalties with local governments.

Performance and Results: This program has just completed its first year of operation. Three major investments in hydropower have taken place. The largest is the award and initial deposit for the purchase of Butwal Power Company -- a 17 MW public utility -- by a group of investors headed by Interkraft, a Norwegian firm, valued at \$11 million. The other two investments comprise two small hydropower facilities valued at \$14 million. Total investments this year were \$25 million, bringing the cumulative total private sector investments from \$323 million reported in FY 2001 to \$348 million in FY 2002. In addition, four new survey and two construction licenses were issued this year

Significant progress was made in establishing, with World Bank support, a Power Development Fund (PDF) as a vehicle to attract investment. With USAID assistance, the Nepalese Department of Electricity Development launched an international competitive bidding process to select a bank that would act as the PDF Administrator. The selection process is substantially completed and the World Bank invited GON officials for final loan negotiations early next year.

The program's primary beneficiaries are the GON's energy sector entities (DOED, NEA, WECS) and the private sector. The intended beneficiaries are the 80 percent of Nepal's population living mostly in the rural areas without access to electricity. USAID's investment of \$2.2 million in FY 2002 resulted in successfully leveraging private sector investments in hydropower amounting to \$25 million, a significant return. Each MW of hydropower that comes on line provides electricity to light up, at a minimum, 2,000 households, and each MW of exported hydropower will sequester 6,000 tons of greenhouse gases. This program will reduce Nepal's dependence on fuel wood for its energy needs, and thereby reduce deforestation and soil erosion. Hydropower is the sole natural resource that provides an alternative source of clean and renewable energy for Nepal and the region, and addresses the U.S. Government's Climate Change Initiative (Global Climate Change funds totaling \$2.2 million per year support this objective). In addition, harnessing Nepal's hydropower will pave the way for developing modern sector employment opportunities for millions of Nepalese citizens, contributing to removing one of the major root causes of the Maoist insurgency.

US Financing in Thousands of Dollars

Nepal

367-006 Hydropower Development	DA
Through September 30, 2001	
Obligations	2,429
Expenditures	38
Unliquidated	2,391
Fiscal Year 2002	
Obligations	2,206
Expenditures	1,306
Through September 30, 2002	
Obligations	4,635
Expenditures	1,344
Unliquidated	3,291
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2003 NOA	
Obligations	2,200
Total Planned Fiscal Year 2003	
Obligations	2,200
Proposed Fiscal Year 2004 NOA	
Obligations	2,200
Future Obligations	0
Est. Total Cost	9,035

Data Sheet

USAID Mission:	Nepal
Program Title:	Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	367-007
Status:	Continuing
Proposed FY 2003 Obligation:	\$5,300,000 DA; \$600,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$5,587,000 DA; \$1,000,000 ESF
Year of Initial Obligation:	FY 2001
Estimated Completion Date:	FY 2006

Summary: This program addresses critical problems of poor governance, weak rule of law, and inconsistent democratic practices -- issues that slow economic development, fuel an ongoing Maoist insurgency and erode public confidence in democratic institutions. The program provides training and technical assistance to: 1) improve the democratic functioning and management capacity of community-based natural resource management groups; 2) strengthen participation, advocacy, and oversight by civil society groups to hold government more accountable to the needs of the poor and marginalized; 3) enhance leadership skills of elected women, community leaders, and under-represented (lower caste and ethnic/regional minority) groups; and 4) build the capacity of, and cooperation between, government and non-governmental organizations that play critical roles in safeguarding and advancing democracy and rule of law. The program emphasizes assistance to improve citizen participation in governance and improve the performance of institutions that can enhance access to justice, combat corruption, improve the management of natural resources, and address human rights abuses.

Inputs, Outputs, Activities:

FY 2003 Program:

Increase Capacities of Natural Resource Management (NRM) User Groups (\$1,400,000 DA). USAID will fund training for 700 community-based NRM user groups in leadership, record keeping, financial management, transparency, and benefit sharing. This component will assist district and local governments in participatory planning to use revenues from natural resources, including hydropower projects. Principal grantees include: CARE/Nepal (prime), World Wildlife Fund, Resource Identification and Management Society, Research Institute of Training in Irrigation, and Appropriate Technology.

Improve Performance of Selected Institutions (\$3,800,000 DA). This component will provide assistance to strengthen justice sector and government anti-corruption organizations. Training and equipment will be provided for newly established anti-corruption tribunals, prosecutor units, and other key government and civil society organizations. Assistance also will be provided to establish improved standards and practices for more transparent and accountable management of public funds by local and central government departments. Local, regional, and national non-partisan civil society groups, federations and coalitions will be trained in policy analysis and advocacy skills. Principal grantees include: National Democratic Institute, The Asia Foundation (prime), Pro Public, Informal Sector Service Center, Forest Action (subs). Other U.S. and Nepali partners will be selected.

Increase Women's Participation and Combat Trafficking (\$100,000 DA, \$600,000 ESF). Over 5,000 local women leaders will be trained on effective representation. Training also will be extended to other under-represented (lower caste and ethnic/regional minority) groups, when possible. Literacy training and materials will be provided to 8,000 women, and post-literacy materials will be made available countrywide. Anti-trafficking activities will include awareness-raising for recent migrants to urban areas, developing information packages on safe external migration, and supporting GON anti-trafficking enforcement/prosecution initiatives. Skills training will be provided to facilitate the occupational reintegration of returned trafficking victims. Principal grantees for women's participation include: National

Democratic Institute (prime); CARE (prime), Center for Development and Population Activities (CEDPA), Pact, and Winrock (subs). Principal grantees for anti-trafficking include: The Asia Foundation (prime), Women Rehabilitation Center (WOREC), Center for Legal Research and Resource Documentation (CeLRRD), Forum for Women, Law and Development (FWLD), Center for Victims of Torture (CVICT), Agroforestry, Basic Health and Cooperatives (ABC Nepal), National Network Against Girl Trafficking (NNAGT), Maiti Nepal, and the Non-Governmental Organizations (NGO) Federation (subs).

FY 2004 Program:

Increase Capacities of Natural Resource Management (NRM) User Groups (\$1,750,000 DA). Capacity building for community groups and their federations will continue, chiefly via training in group management, financial management, governance, advocacy and resource management. This component will also link community NRM user groups to GON environmental law/corruption prosecution efforts. USAID will assist 39 community forest and buffer zone groups in revising their operational plans. Two areas affected by hydropower projects will be made aware of government policies on compensation and impact mitigation.

Improve Performance of Selected Institutions (\$3,537,000 DA, \$750,000 ESF). Justice sector reform and anti-corruption activities will continue with nascent rule-of-law and anti-corruption coalitions, as well as efforts to strengthen civil society's capacity to conduct policy analysis, advocacy, and ombudsman role. Media training will be linked to these efforts. Assistance will be provided to support civil society and GON initiatives to ensure that women and members of disadvantaged groups are better prepared to qualify for the civil service, and to increase their representation.

Increase Women's Participation and Combat Trafficking (\$300,000 DA and \$250,000 ESF). Training and advocacy activities aimed at increasing women's political participation and leadership -- as well as the leadership of other under-represented (lower-caste and ethnic/regional minority) groups -- will continue. Assistance for anti-trafficking initiatives will emphasize strengthened and diversified prevention activities, as well as improved national and transnational anti-trafficking enforcement. A pilot project on reintegration of victims of trafficking also will be implemented.

Performance and Results: The program has made slow but steady progress toward achieving its targeted results in strengthening the advocacy capacity of civil society groups, increasing women's participation, improving natural resource management, enhancing voter awareness, and combating trafficking. Advocacy training was provided to 950 members of forestry, irrigation, and women's groups in four districts leading to the subsequent formation of eight district level coalitions on natural resource management and women's issues -- a significant step toward their political empowerment. A new program to increase women's political participation and functional literacy in 12 districts is in its initial phase. Voter education activities and the training of women candidates was delayed when elections were postponed indefinitely. Before the polls were suspended, district election officials and local civic/political leaders were trained in conducting elections; voter education materials were produced; and a highly successful radio drama on voters' rights had been aired in ten local languages.

Activities to combat the trafficking of women and children were less affected by the political turmoil, although work with district anti-trafficking task forces was suspended when local political bodies were dissolved. Awareness raising programs for vulnerable women and girls, teachers and students, staff of transit homes for returning victims of trafficking, and local government and transport workers were highly successful; strong demand led to the expansion of class size and adding sessions. Critical reviews of both the SAARC Convention on trafficking and of Nepal's labor and migration laws related to trafficking and women's rights to migrate were completed and recommendations discussed with concerned officials. Partner organizations reissued anti-trafficking materials which address the issue from a rights-based perspective and published new materials on trafficking and safe migration.

US Financing in Thousands of Dollars

Nepal

	DA	ESF
367-007 Governance		
Through September 30, 2001		
Obligations	2,550	1,022
Expenditures	0	405
Unliquidated	2,550	617
Fiscal Year 2002		
Obligations	3,112	810
Expenditures	290	550
Through September 30, 2002		
Obligations	5,662	1,832
Expenditures	290	955
Unliquidated	5,372	877
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	5,300	600
Total Planned Fiscal Year 2003		
Obligations	5,300	600
Proposed Fiscal Year 2004 NOA		
Obligations	5,587	1,000
Future Obligations	0	0
Est. Total Cost	16,549	3,432

Data Sheet

USAID Mission:	Nepal
Program Title:	Ending Conflict and Expanding Democracy
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	367-008
Status:	Continuing
Proposed FY 2003 Obligation:	\$2,247,000 DA; \$5,400,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2004 Obligation:	\$3,524,000 DA; \$5,000,000 ESF
Year of Initial Obligation:	FY 2002
Estimated Completion Date:	FY 2006

Summary: USAID's conflict mitigation program focuses on ameliorating the suffering of conflict affected communities, strengthening capacity for conflict resolution and peace building, and improving governance at the local level through: 1) technical assistance for the construction and/or renovation of employment generating rural infrastructure projects; 2) technical assistance and training to support victims of the conflict; 3) technical assistance to support the GON in its efforts to address the conflict; and 4) technical assistance and training to improve access to justice, strengthen community capacity to participate in local government and enhance peace negotiation strategies and skills.

Inputs, Outputs, Activities:

FY 2003 Program:

Improved Infrastructure and Expanded Employment and Income Opportunities in Targeted Areas (\$247,000 DA and \$3,000,000 ESF). USAID will provide technical assistance, equipment, and materials for the construction and/or rehabilitation of small, labor-intensive rural infrastructure projects that provide short-term paid employment for rural communities in conflict affected areas. Rural roads, schools, clinics, trails, footbridges, and small drinking water and irrigation schemes are among the types of projects to be undertaken. With technical assistance from USAID, rural communities and local governments will plan and implement projects that they themselves consider highest priority. Should the influx of internally displaced persons into urban areas and market towns reach critical levels, the program may shift to those areas. USAID will consider, where appropriate, follow-on activities for longer term income generation. Contractor is to be determined.

Targeted Support for Victims of the Insurgency (\$300,000 DA). To alleviate the adverse conditions and consequences of the conflict, USAID will provide comprehensive medical and psychosocial rehabilitation services, as well as legal counseling to torture victims and their families. Psychosocial support centers for torture victims will be established in ten conflict affected districts. One hundred medical professionals will be trained to examine, document, and treat torture cases. A shelter will be established in Kathmandu to treat 80 female trauma victims per year. Initiatives to cope with increasing numbers of internally displaced persons (IDP) will be explored and implemented as appropriate. As the conflict evolves, programs to rehabilitate and socially reintegrate combatants who have laid down their arms will be considered. The prime contractor is Center for Victims of Torture (CVICT).

Technical Assistance to Strengthen Government Policy Decisions (\$1,200,000 ESF). To assist the GON in its efforts to address the conflict and its root causes, USAID will support technical assistance and training in conflict analysis and resolution; study tours to expose Nepalese leaders to successful conflict-mitigation experiences in other countries; training of political party members to enable them to better fulfill their roles in promoting peace; and training to improve GON prioritization and allocation of human and financial resources. In view of the worsening economic situation, technical assistance will be provided to support key GON macroeconomic policy measures necessary to address the conflict. Contractors are to be identified.

Short-Term Support for Local Governance (\$1,700,000 DA and \$1,200,000 ESF). To bring accessible and affordable justice to rural Nepalese, USAID will support the training of local community representatives in alternative dispute resolution skills (i.e. negotiation, conciliation, mediation, and arbitration). USAID also will provide technical assistance and training to civil society community leaders to strengthen community capacity to participate in local government. As part of the process to achieve peace, selected government, regional, and community leaders will receive training in negotiation skills. In addition, USAID will provide low profile strategic planning/coalition building assistance to selected GON and political party leaders to provide them with the tools to define a common vision in an increasingly challenging environment. The prime contractor is The Asia Foundation.

FY 2004 Program:

Improved Infrastructure and Expanded Employment and Income Opportunities in Targeted Areas (\$2,424,000 DA and \$3,300,000 ESF). USAID plans to expand the program area and increase the number of labor-intensive small rural infrastructure projects that provide short-term employment for rural communities in conflict affected areas.

Targeted Support for the Victims of the Insurgency (\$200,000 DA): USAID plans to continue implement the activities under this component as described above.

Technical Assistance to Strengthen Government Policy Decisions (\$400,000 DA and \$550,000 ESF): USAID will continue to provide technical assistance to the GON in areas such as allocation of human and financial resources, improving human rights policies, enhancing the justice system, improving GON and civil society efforts to combat corruption, and improving the private sector and trade environment.

Short-Term Support for Local Governance (\$500,000 DA and \$1,150,000 ESF): In addition to expansion of the community based alternative dispute resolution component, the program will continue to assist Nepalese initiatives to bring accessible, affordable justice under the rule of law.

Performance and Results: Infrastructure repair activities which began in late 2002 are expected to improve access to markets and social services and is expected to generate 114,000 person-months of employment by the end of the program.

USAID is laying the groundwork for implementation of national community mediation structures and practices under the "Judicial Rights" provisions of the Nepal Local Self-Governance Act of 1999, which have never before been implemented. Baseline studies to determine the demographics and density of civil and criminal cases suitable for mediation have been completed in 11 districts (8 with USAID funding). Training materials have been drafted and are undergoing pilot testing; training of trainers is scheduled to begin in March 2003.

US Financing in Thousands of Dollars

Nepal

	DA	ESF
367-008 Ending Conflict and Expanding Democracy		
Through September 30, 2001		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2002		
Obligations	2,850	2,250
Expenditures	153	0
Through September 30, 2002		
Obligations	2,850	2,250
Expenditures	153	0
Unliquidated	2,697	2,250
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2003 NOA		
Obligations	2,247	5,400
Total Planned Fiscal Year 2003		
Obligations	2,247	5,400
Proposed Fiscal Year 2004 NOA		
Obligations	3,524	5,000
Future Obligations	0	0
Est. Total Cost	8,621	12,650