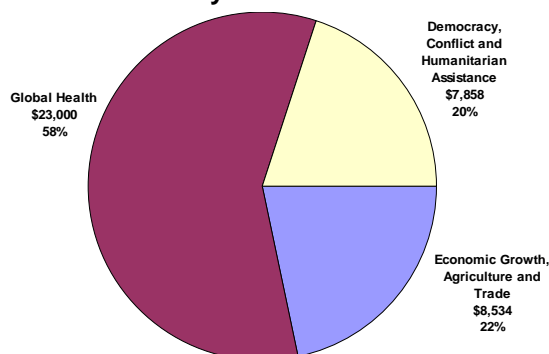
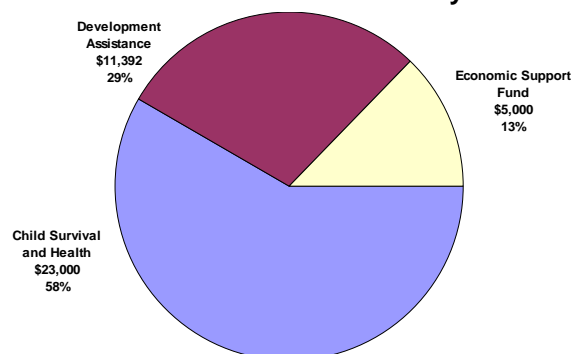


# Nepal

**FY 2006 Assistance by Sector**



**FY 2006 Assistance by Account**



## Objectives and Budget

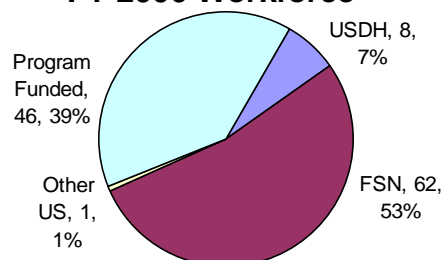
Objective	SO Number	FY 2004	FY 2005	FY 2006
Sustainable Forest and Agricultural Products	367-001	1,900	2,637	3,192
Health and Family Planning	367-002	23,840	23,540	23,000
Hydropower Development	367-006	1,600	1,700	1,900
Democracy and Governance	367-007	5,611	5,224	5,400
Ending Conflict and Expanding Democracy	367-008	5,734	5,399	5,900
<b>Total (in thousands of dollars)</b>		<b>38,685</b>	<b>38,500</b>	<b>39,392</b>

Excludes P.L. 480. See Program Annex.

## Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	2,869	2,326	2,326
USDH Salaries & Benefits	1,072	1,129	1,153
Program Funds	2,759	3,021	3,021
<b>Total (in thousands of dollars)</b>	<b>6,700</b>	<b>6,476</b>	<b>6,500</b>

**FY 2006 Workforce**



**Mission Director:** Donald Clark

## Nepal

**The Development Challenge:** In the last 54 years, Nepal has made a remarkable transition from an isolated kingdom with limited basic services and infrastructure to a functioning constitutional monarchy. Progress has been notable: substantial road infrastructure; large decreases in child mortality and fertility rates; functioning ministries such as education, finance, and health; gains in agriculture, forestry, and literacy; and increased access to basic services.

The most pressing problem facing the country today is a rebel insurgency and its profound impact on Nepal's political and economic development and overall security. The Maoist insurgency, which began in 1996, found fertile ground largely in response to Nepal's poor governance, poverty, and exclusion. The initial pro-people approach, which won the Maoists converts among the disenfranchised, has mutated into a campaign of violence, lawlessness, intimidation, and destruction. More than 10,000 people have been killed by the Maoists and security forces, with the bulk of these deaths, almost 9,000, occurring since 2001. While the Maoists have adopted terror as an instrument of policy, human rights abuses are committed by both parties to the conflict. In addition to the human toll, the continuing violence drains budget resources, restricts delivery of services and prospects for socioeconomic development, and stifles economic growth. The conflict has inflicted combined estimated costs to national property and the economy of over \$1.5 billion in the already-impooverished country.

On the political front, there are new reasons for concern given the King's February 1 dismissal of multi-party democracy, declaration of a state of emergency, suspension of fundamental constitutional rights, and detention of politicians, journalists, and human rights activists. This serious setback for Nepalese democracy risks eroding even further the Nepalese Government's ability to resist the Maoist insurgency.

On the economic front, government measures to improve the business environment, encourage investment, reduce avenues for corrupt practices, and improve the service orientation of key government agencies are progressing. In addition, Nepal joined the World Trade Organization in 2004.

Absolute poverty declined from 42% to 30% between 1996 and 2002, attributable largely to increased remittances from Nepalis living abroad. Nonetheless, Nepal remains one of the poorest countries in the world, with an annual per capita income of \$276 and 38% of the population living below the national poverty line. Life expectancy at birth has increased but at 59 years, is still lower than its neighboring South Asian countries. The literacy rate is 54% nationwide. Population growth has fragmented land holdings and depleted forest resources, negatively affecting the livelihoods of the 80% of Nepalis that depend on agriculture for their livelihood. Maternal mortality is amongst the highest in the region. One of 11 children dies before they reach their fifth birthday - the majority during their first year. Moreover, Nepal is in the midst of a concentrated HIV epidemic. The World Health Organization/UNAIDS estimate that 14 Nepalese adults become infected with HIV in Nepal every day.

The United States has an interest in an economically and politically stable multiparty democracy in Nepal. Nepal serves as a geographic 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 United States is making an important contribution to fighting terrorism, promoting regional stability, and diminishing the likelihood of a humanitarian crisis.

**The USAID Program:** Since 1951 and through the end of FY 2004, the United States has provided more than \$791 million in bilateral economic assistance to Nepal; U.S. contributions to multilateral organizations working in Nepal to date approach an additional \$725 million, including humanitarian assistance. The principal aims of USAID programs are to promote peace through good governance and increased incomes, improve primary health care, curb population growth, improve democracy and governance, advance economic development, and promote the expansion of environmentally-friendly hydropower. All components of the USAID program support improved governance and mitigation of the root causes and major effects of the Maoist insurgency. Although government capacity at the central and local level is weak, the Government of Nepal (GON) works cooperatively with USAID to implement programs through numerous partners, primarily international nongovernmental organizations that work

both directly and through local nongovernmental organizations.

**Other Program Elements:** Beyond the efforts described above, other USAID regional and central programs assist Nepal. USAID's South Asia Regional Initiative for Energy is actively involved in regional energy cooperation, and its South Asia Regional Initiative on Equity for Women and Children strives to eliminate the trafficking of women, violence against women, and child labor. Through a regional economic growth program, USAID/India granted the Kathmandu Metropolitan City Office funds to improve household and medical waste management through community mobilization and the training of policymakers. The Asia regional office dedicated to foreign disaster assistance enhances medical first response, collapsed structure search and rescue, and hospital preparedness capacities of emergency response agencies, thereby reducing the potential for earthquake damage and injury in the Kathmandu Valley. It also enhances regional cooperation between countries in the Hindu Kush Himalayan region to exchange flood information and data, develops adaptive strategies for flood and drought mitigation to enable basic and tangible reduction in vulnerability, and provides training in emergency management to nongovernmental organizations. The Democracy, Conflict and Humanitarian Assistance Bureau has provided Nepal with a pilot NGO-strengthening grant to improve the impact of NGO activities through organizational capacity building.

**Other Donors:** Donors provided roughly \$147.8 million in grants and \$143.4 million in loans directly to the GON during its 2003-2004 fiscal year, as well as approximately \$230-\$280 million to support Nepal's development outside of the GON budget. 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 (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 (local planning and governance, urban infrastructure, rural energy, and HIV/AIDS), the Asian Development Bank (governance, education, water, power, agriculture, and roads), the World Bank (education, roads, water, power, telecommunications, financial sector reform, and health sector reform), the European Union (urban development and education), and the United Nations World Food Program (food for work programs). Other multilateral agencies such as the United Nations Children's Fund, United Nations Population Fund, Joint United Nations Programme on HIV/AIDS, and International Labor Organization are also active in Nepal.

The donors coordinate closely in terms of both program coordination at the strategic level and developing common approaches for implementing development programs in the context of the Maoist conflict. Donors coalesced around these themes in the May 2004 Nepal Development Forum, although they differed on how much control to cede to the GON in terms of managing their funds.

## Nepal PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2003 Actual	FY 2004 Actual	FY 2005 Current	FY 2006 Request
Child Survival and Health Programs Fund	19,899	24,840	23,540	23,000
Development Assistance	10,247	8,874	10,000	11,392
Economic Support Fund	4,000	4,971	4,960	5,000
PL 480 Title II	0	0	1,000	0
<b>Total Program Funds</b>	<b>34,146</b>	<b>38,685</b>	<b>39,500</b>	<b>39,392</b>

### STRATEGIC OBJECTIVE SUMMARY

367-001 Sustainable Forest and Agricultural Products				
DA	1,500	1,900	2,637	3,192
367-002 Health and Family Planning				
CSH	19,899	23,840	23,540	23,000
367-006 Hydropower Development				
DA	2,227	1,600	1,700	1,900
367-007 Democracy and Governance				
DA	3,761	4,611	4,024	4,400
ESF	203	1,000	1,200	1,000
367-008 Ending Conflict and Expanding Democracy				
CSH	0	1,000	0	0
DA	2,759	763	1,639	1,900
ESF	3,797	3,971	3,760	4,000

Mission Director,  
Donald Clark

## Data Sheet

<b>USAID Mission:</b>	Nepal
<b>Program Title:</b>	Sustainable Forest and Agricultural Products
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	367-001
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$2,637,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$3,192,000 DA
<b>Year of Initial Obligation:</b>	1997
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** Increasing rural incomes by accelerating agricultural growth is key to USAID's strategy to alleviate poverty and facilitate economic development in Nepal, where 80% of the population lives in rural areas. Focusing on the conflict-affected West and Midwest regions, USAID plans to increase household income and food security by promoting high-value crops, expanding market participation, improving management of productive resources, and enhancing the analytical rigor of policy dialogue on trade facilitation with the Government of Nepal (GON). Program activities include: support for the various government line agencies working in agriculture; improved management of community forests; use of microirrigation technologies; small-scale farm and forest enterprise development; technical assistance to produce and market high-value forest and farm crops; research and studies on policy impediments to agricultural growth and trade; support to the Department of Customs to meet Nepal's commitments to the World Trade Organization (WTO); and facilitating private-public partnerships to access new technologies and new markets.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Increased Agricultural Productivity (\$1,137,000 DA). USAID will continue to provide economic opportunities for poor communities in conflict-affected districts, thus addressing the root causes of the conflict. USAID's activities will focus on increasing production of high-value agricultural and forest commodities (e.g., non-timber forest products, herbs, spices, vegetables, fruit, tea, and coffee); promoting marketing channels; increasing use of appropriate technologies; and helping development enterprises to respond to proven demand. This program will achieve these goals through: 1) increasing the use of microirrigation technology to access off-season markets in the hill areas; 2) information sharing amongst producers, traders and the GON; 3) supporting small-scale enterprise and business development services; and 4) accessing export markets. Principal partners: Winrock International and Asia Network for Sustainable Agriculture and Bioresources.

Increase Private Sector Growth (\$1,000,000 DA). Expand access to business services and markets. To promote development, sales, and marketing of high-value agricultural commodities and non-timber forest products, USAID will furnish technical and financial assistance to business service providers ranging from inputs suppliers to marketing organizations. This will enable small rural enterprises to grow, produce, and market agricultural and forest products more effectively and help participating landless community forest users, smallholders, and small and micro enterprises increase their incomes. To enable Nepalese farmers to access domestic and regional markets, USAID will provide technical assistance and training to the GON and the Federation of the Nepali Chambers of Commerce and Industry. Experts will analyze agriculture trade-related issues, especially WTO accession, trade treaties, and quarantine and customs-related bottlenecks. Principal partners: Agro Enterprise Center of the Federation of Nepalese Chambers of Commerce and Industry and International Development Enterprises.

Increase Participation in Global Trade and Investment (\$500,000 DA). USAID will provide technical assistance to the Department of Customs to implement a customs valuation system that complies with Nepal's WTO commitments and establish an organizational structure that helps to reduce bureaucracy and corruption. Also, policy advocacy work will contribute towards improving Nepal's global trading position.

**FY 2006 Program:** Increase Agricultural Productivity (\$1,492,000 DA). USAID will continue to fund the introduction of microirrigation technologies in hilly regions to promote off-season horticulture production; increase access to market information; advocate for improved policies for more open trade; and promote business development services. The program may be expanded to additional districts, depending on the conflict situation and its impact on market access and mobility. USAID programs will continue to operate in several districts in the conflict-affected West and Midwest regions. Same partners as above.

Increase Private Sector Growth (\$1,300,000 DA). Expanded access to business services and markets. USAID will continue to promote grassroot level small and micro enterprises, build capacity of business development service providers, link enterprises to sustainable marketing networks and business development services, introduce new innovative technologies, and develop market information services. Nepalese technical and analytical expertise on agricultural trade-related issues will continue to be developed, and advocacy programs to remove policy constraints and implement international trade treaties will be supported. This program may also include technical assistance for Nepal's WTO commitments. USAID will continue to support efforts to lobby the GON to create a less regulated, more trade-friendly environment. Same partners as above.

Increased Participation in Global Trade and Investment (\$400,000 DA). USAID will continue to assist Nepal's Department of Customs to establish and implement an efficient and effective customs valuation system that is consistent with WTO commitments. Two Global Development Alliances (GDAs) that promote the international marketing of Nepali products - the Coffee and Tea GDA and the Non-Timber Forest Products GDA - will also continue to receive support. Same partners as above.

**Performance and Results:** In FY 2004, USAID's agricultural programs targeted more than 37,000 small farm and forest households, thereby increasing household income by more than \$100 and benefiting more than 200,000 poverty-stricken people in rural areas. This was achieved by promoting high-value agriculture and non-timber forest products (e.g., vegetables, fruits, tea and coffee, and herbs and spices). Total agricultural sales of \$3.69 million exceeded the target of \$2.5 million by 48%. FY 2004 was the first full year of the Small Holder Irrigation Market Initiative, which worked directly with individuals from 15,694 households, of whom 47% were women and 15% were from disadvantaged communities.

USAID's GDA investments leveraged private sector resources by at least 1:1, with activities that have continued to work despite the Maoist conflict. For example, a container load of specialty coffee worth \$28,300 (a relatively high price in the international market) was shipped to the U.S.-based Holland Coffee Inc. The buyer, a major importer of specialty coffee whose clients include Starbucks, has agreed to buy all coffee processed under this GDA for the next five years.

USAID activities to improve the policy environment and facilitate trade have led the GON to begin discussions with India, Bangladesh, Pakistan, and China to resolve various trade barrier issues such as plant quarantine and phytosanitary requirements. Reforming the Department of Customs - which accounts for 50% of government revenue - is one of Nepal's WTO commitments. To this end, an initial USAID study identified gaps in the Department of Custom's operations and has made recommendations for streamlining processes and improving accountability. USAID will continue to strengthen this vital institution in the future.

## US Financing in Thousands of Dollars

Nepal

367-001 Sustainable Forest and Agricultural Products	CSH	DA
<b>Through September 30, 2003</b>		
Obligations	200	24,057
Expenditures	200	22,384
Unliquidated	0	1,673
<b>Fiscal Year 2004</b>		
Obligations	0	1,892
Expenditures	0	1,581
<b>Through September 30, 2004</b>		
Obligations	200	25,949
Expenditures	200	23,965
Unliquidated	0	1,984
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	0	2,637
<b>Total Planned Fiscal Year 2005</b>		
Obligations	0	2,637
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	0	3,192
Future Obligations	0	0
Est. Total Cost	200	31,778

## Data Sheet

<b>USAID Mission:</b>	Nepal
<b>Program Title:</b>	Health and Family Planning
<b>Pillar:</b>	Global Health
<b>Strategic Objective:</b>	367-002
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$23,540,000 CSH
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$23,000,000 CSH
<b>Year of Initial Obligation:</b>	1996
<b>Estimated Year of Final Obligation:</b>	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) strengthening the prevention-to-care HIV/AIDS program among most-at-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 2005 Program:** Improve Child Survival, Health and Nutrition (\$12,840,000 CSH). USAID will continue to strengthen integrated maternal and child health programs and family planning services at the community level. Activities will expand public and private sector family planning services; increase the number of skilled family planning providers; expand the delivery of community-based treatment of diarrheal disease and pneumonia; continue Vitamin A supplementation for children; strengthen nationwide availability of health commodities; and expand the literacy and reproductive health programs. USAID will also strengthen national-level advocacy for improved maternal and neonatal health outcomes through competency-based training curricula, and scale up the community-level childbirth preparedness program. New activities include: pilot programs to improve neonatal health outcomes and nightblindness in pregnant women; assistance to strengthen preservice curriculum in the area of family planning; and alternative interventions to address diarrheal disease through promotion of handwashing and activities to improve water quality at the point-of-use. USAID will expand life skills education and literacy programs to reach 85,000 young women and out-of-school girls and strengthen the capacity of Female Community Health Volunteers (FCHVs) to convey health education to young mothers. Principal partners: John Snow, Inc., Johns Hopkins University, EngenderHealth, Save the Children, CARE, and Population Services International. New partners: United Nations Children's Fund (UNICEF), World Education Inc., and the Center for Development and Population Activities.

Reduce Transmission and Impact of HIV/AIDS (\$8,700,000 CSH). USAID will continue to expand and strengthen behavior change interventions using the Abstinence, Behavior Change, and Consistent Condom Use (ABC) multisectoral approach. The 13 sites for voluntary counseling and testing, and care and support activities will be expanded with three additional sites linked to ongoing behavior change interventions to establish a continuum of prevention-to-care services in target areas. USAID will develop a new home and community-based care and support program targeting people living with HIV/AIDS (PLHAs) among migrant communities in the Far West. It will be linked to prevention activities for migrants traveling between Nepal and Mumbai, India. Ongoing technical assistance and policy support will be provided to strengthen GON capacity to implement and manage its National HIV/AIDS Strategy, improve surveillance systems, and address policies, laws, and regulations which are discriminatory towards persons living with or affected by HIV/AIDS. USAID will improve adolescents' knowledge to prevent transmission of HIV/AIDS by supporting the adaptation of a revised national curriculum to incorporate HIV prevention with a life skills-based educational approach. Approximately 400,000 children from grades one through ten in nonformal education classes will pilot the curriculum. In addition, USAID and UNICEF will develop and institutionalize inclusive school enrollment and teacher hiring policies for PLHAs. USAID will strengthen reproductive health and HIV prevention components in UNICEF's nationally broadcast radio program for youth, increase broadcast range through community FM stations, and form listeners'



groups to discuss the radio program content in-depth. Principal partners: Family Health International, The Futures Group, Population Services International, UNICEF, and local non-governmental organizations (NGOs).

Prevent and Control Infectious Diseases of Major Importance (\$2,000,000 CSH). USAID will provide limited assistance to build GON capacity to strengthen surveillance for Japanese encephalitis and develop and help implement activities at the community level to address malaria. A pilot program will be initiated focusing on the integration of population, health, and environment in order to demonstrate the benefits of combining conservation, population control, community development, and health interventions. Principal partners: John Snow International and an international NGO to be determined (TBD).

Overall, USAID will continue to strengthen health care services and systems at local levels to mitigate the impact of the conflict.

**FY 2006 Program:** Improve Child Survival, Health and Nutrition (\$12,300,000 CSH). USAID will continue to strengthen integrated maternal and child health programs and public and private sector family planning services. Same partners as above.

Reduce Transmission and Impact of HIV/AIDS (\$8,700,000 CSH). USAID will continue to expand and strengthen behavior change interventions using the ABC multisectoral approach and strengthening GON capacity to implement and manage its National HIV/AIDS Strategy. Same partners as above.

Prevent and Control Infectious Diseases of Major Importance (\$2,000,000 CSH). USAID will continue to build GON capacity to carry out relevant infectious disease programs including population, health, and environment activities and improve access to clean water in the home. Same partners as above.

**Performance and Results:** The number of children born to the average Nepalese family has decreased 20% in the last 10 years from five children in 1991 to 4.1 in 2001. During this time, child mortality also declined by 40%. USAID will work with the GON and other donors 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. All family planning assistance agreements will incorporate clauses that implement the President's directive restoring the Mexico City Policy. USAID will also decrease the number of deaths of children under five years from 91 per 1,000 live births in 2001 to 70 in 2006, and reduce HIV/AIDS transmission by achieving condom use of 80% among high-risk groups.

Despite the conflict and political instability, the program met all FY 2004 annual performance targets. Couple years of protection increased by 11% in target areas. USAID's support to the private sector's social marketing and social franchising family planning program was very successful, demonstrating an increase in couple years of protection of 30%, compared to an average growth of 9% over the previous three years.

The Vitamin A supplementation program was implemented in all of Nepal's 75 districts and reached 98% of all eligible children. FCHVs implemented the community-based treatment for pneumonia program and diagnosed and treated 250,000 children for pneumonia - accounting for 67% of all community-based treatment (target 66.8%).

In 2004, 19.9 million condoms were sold through social marketing outlets, a one-year increase of 31%. Of these, nearly 8.1 million were Number One brand condoms, which are promoted for HIV/STI prevention. In 2004, 4.1 million condoms (21% of all condoms sold) were sold in nontraditional outlets such as dance and cabin restaurants, bars, and by betel-nut sellers and rickshaw pullers. The HIV/AIDS social marketing program began a strategic shift in 2004 from targeting "youth" for its Number One condom sales to a more geographic focus. Condom sales will now be targeted to most-at-risk groups in places where they congregate and aligned more closely with the USAID HIV/AIDS strategy.

## US Financing in Thousands of Dollars

Nepal

	CSH	DA
367-002 Health and Family Planning		
<b>Through September 30, 2003</b>		
Obligations	82,246	52,515
Expenditures	54,120	52,515
Unliquidated	28,126	0
<b>Fiscal Year 2004</b>		
Obligations	24,175	0
Expenditures	19,545	0
<b>Through September 30, 2004</b>		
Obligations	106,421	52,515
Expenditures	73,665	52,515
Unliquidated	32,756	0
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	23,540	0
<b>Total Planned Fiscal Year 2005</b>		
Obligations	23,540	0
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	23,000	0
Future Obligations	0	0
Est. Total Cost	152,961	52,515

## Data Sheet

<b>USAID Mission:</b>	Nepal
<b>Program Title:</b>	Hydropower Development
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	367-006
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$1,700,000 DA
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$1,900,000 DA
<b>Year of Initial Obligation:</b>	2001
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** USAID's program to increase private sector participation in sustainable hydropower development includes technical assistance and training to: improve the enabling conditions for private investment in hydropower by setting up a streamlined legal and regulatory framework and simpler licensing procedures; strengthen institutional capacity to address environmental and social impacts; assist the Government of Nepal (GON) to implement a new hydropower policy that promotes investment in both domestic and export markets; and establish a Power Development Fund, with World Bank support, to catalyze investment. This program addresses the energy and economic development needs of Nepal and the clean energy needs of the region.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Expand and Improve Access to Economic and Social Infrastructure (\$1,700,000 DA). USAID will fund technical assistance and training to GON entities responsible for policy and energy sector reforms in order to improve the enabling conditions needed for private sector participation and investment in hydropower. Beyond sector reforms, sound guidelines and increased GON capacity to review and approve stringent environmental and social impact assessments are needed. Thus, USAID will provide technical assistance and training to the GON's Department of Electricity Development and other key GON entities, such as the Nepal Electricity Authority, to develop strategies for regulatory and utility reforms in the energy sector. A key goal is to amend the Electricity Act of 1993 to reflect the new hydropower policy that, for the first time, mandates the establishment of an independent regulator and a time table for the state-owned utility to reform and restructure. USAID will also provide continued support to the Power Development Fund which was designed to catalyze investment. USAID will fund training and study tours for key GON officials and policymakers. Principal partner: International Resources Group.

USAID will also promote executive exchanges and energy partnerships between the GON and U.S. regulatory bodies and utilities, which will provide opportunities for GON decision-makers and energy professionals to meet with their peers in the United States and other countries. It will also expose U.S. private businesses to energy sector opportunities in Nepal and the region. This will yield a better understanding of the reform process and an action plan to improve energy efficiency. Principal partner: The United States Energy Association.

Finally, USAID will fund technical assistance and training to local enterprises to develop bankable projects, acquire local financing for these small projects, and build the capacity of local cooperatives engaged in rural electrification. USAID will also promote the development of a clean energy and infrastructure development bank aimed at encouraging investments in small-scale projects that support rural electrification. Principal partner: Winrock International.

**FY 2006 Program:** Expand and Improve Access to Economic and Social Infrastructure (\$1,900,000 DA). USAID will continue activities aimed at promoting policy and regulatory reforms. This will include assistance in formulating a new electricity act, which will provide the necessary legislation for the formation of an independent regulator - The Nepal Electricity Regulatory Commission. In addition to technical assistance and training activities, USAID will fund feasibility studies for five small hydropower projects to assist the GON develop a roster of projects for private sector development. USAID will provide

assistance to launch the first build-own-operate-and-transfer hydropower project through international competitive bidding procedures. USAID will continue training and capacity building study tours for key GON officials and policymakers. Same partner as above.

USAID will continue to fund executive exchanges and energy partnerships aimed at consolidating existing partnerships and exposing U.S. private businesses to energy sector opportunities in Nepal and the region. Important outputs in the energy efficiency and private business arena are expected to result as the partnerships are strengthened. Same partner as above.

USAID will also continue to furnish technical assistance and training to local enterprises to develop bankable projects and acquire financing from local banks. USAID will also provide technical support and training to the clean energy and infrastructure development bank as soon as it is established. As more private power comes on line, more support will be provided to local cooperatives to distribute power to rural areas. Same partner as above.

**Performance and Results:** This program is now in its third year of operation and continues to attract private sector participation in hydropower development. Four new investments were made in FY 2004 totaling \$20 million, thereby increasing cumulative total private sector investments from \$360 million in FY 2003 to \$380 million in FY 2004. This is a very significant increase given the current political and economic difficulties caused by the insurgency. Significant progress was made in power sector reform. The state-owned utility began distribution reforms this year, creating autonomous “profit centers” that reduced losses significantly within only six months of operation. Similar progress was made in establishing a Power Development Fund. With USAID assistance, the GON selected a Fund Administrator and completed final loan negotiations with the World Bank.

This program will benefit Nepal’s poor living mostly in the rural areas, 83% of whom lack access to electricity. USAID’s \$2.0 million investment in FY 2004 successfully leveraged private sector investments in hydropower amounting to \$20 million, a significant return. Each megawatt of hydropower that comes on line electrifies at least 2,000 households and sequesters 6,000 tons of greenhouse gases. This program reduces Nepal’s dependence on fuel wood for its energy needs, thereby reducing deforestation and soil erosion. In addition, harnessing Nepal’s hydropower is paving the way for developing modern sector employment opportunities for millions of Nepalese citizens, reducing poverty and thereby helping to address one of the major root causes of the Maoist insurgency. By program completion, at least 450,000 more Nepalese will have access to electricity. Private sector investment in the power sector is expected to increase by at least 10% per year, creating thousands of low skilled and hundreds of high skilled employment opportunities in rural areas.

## US Financing in Thousands of Dollars

Nepal

367-006 Hydropower Development	DA
<b>Through September 30, 2003</b>	
Obligations	6,737
Expenditures	2,906
Unliquidated	3,831
<b>Fiscal Year 2004</b>	
Obligations	1,638
Expenditures	1,728
<b>Through September 30, 2004</b>	
Obligations	8,375
Expenditures	4,634
Unliquidated	3,741
<b>Prior Year Unobligated Funds</b>	
Obligations	0
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	1,700
<b>Total Planned Fiscal Year 2005</b>	
Obligations	1,700
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	1,900
Future Obligations	0
Est. Total Cost	11,975

## Data Sheet

<b>USAID Mission:</b>	Nepal
<b>Program Title:</b>	Democracy and Governance
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	367-007
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$4,024,000 DA; \$1,200,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$4,400,000 DA; \$1,000,000 ESF
<b>Year of Initial Obligation:</b>	2001
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** USAID's program to strengthen governance includes training and technical assistance to: improve management and technical capacity of natural resources management groups; improve the advocacy capacity of selected civil society groups and their federations; increase women's participation; and improve performance of selected public and civil institutions.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$1,140,000 DA). USAID will expand natural resources governance in 18 districts for 1,800 community forest, buffer zone, and water user groups, and communities impacted by hydropower projects. A program exit strategy will be developed. Principal partner: CARE/Nepal.

Reduce Trafficking in Persons (\$800,000 DA). USAID will strengthen border institutions to intercept and prosecute traffickers. Two hundred individuals in four border districts will receive anti-trafficking training to protect 1,000 potential victims. USAID will work with Ministry of Labor and Transportation on anti-trafficking and safe migration alternatives for migrants. Advocacy training for 10,000 persons from civil society will assist them to combat trafficking. Principal partners: Ministry of Women, Children and Social Welfare (executed by the United Nations Development Fund for Women), and The Asia Foundation.

Improve Justice Sector/Legal Framework (\$270,000 DA). USAID will improve the justice sector by providing training to justice sector leaders to create an adequate legal framework for justice sector reform. Principal partner: Associates in Rural Development, Inc. (ARD).

Strengthen Democratic National Governance Institutions (\$400,000 DA). USAID will assist the Ministry of Finance to develop a strategic plan to manage donor funding and draw increased levels of support. USAID will also provide assistance to increase women's participation in the civil service through technical assistance and training. Principal partners: ARD (contractor) and the United Nations Development Programme (grantee).

Support Democratic Local Government and Decentralization (\$60,000 DA). USAID will support local government to develop and adopt a nationwide system to report and disseminate information on local government budget results to civil society. Principal partner: Association of District Development Committees of Nepal.

Promote and Support Free and Fair Elections (\$800,000 ESF). USAID will assist the Election Commission to design strategic plans for institution building and conducting elections under difficult conditions. USAID will also design and execute voter awareness campaigns. Principal partner: Consortium for Election and Political Process Strengthening/International Foundation for Election Strengthening.

Strengthen Democratic Political Parties (\$270,000 DA; \$400,000 ESF). USAID will build the capacity of major political parties for internal reform and increase disadvantaged groups' participation in political parties. USAID will assist parties and civil society build consensus for reinstating parliamentary

democracy. Principal partner: National Democratic Institute.

Strengthen Civil Society (\$544,000 DA). USAID will assist key civil society groups in advocacy, good governance, gender sensitization, and awareness-raising activities. Principal partners: CARE, The Asia Foundation, Pro-Public, Law Schools, Forum for Women, Law and Development, Research and Media Against Corruption, and Transparency International.

Promote and Support Anti-Corruption Reforms (\$270,000 DA). USAID will provide assistance to investigate, prosecute, and report corruption and support the GON's anticorruption strategic plans. Principal partner: ARD.

Protect Human Rights and Equal Access to Justice (\$270,000 DA). USAID will work towards protecting victims of trafficking by enhancing administration of justice in courts, assisting prosecutor and public defense organizations, and increasing access to justice for the disenfranchised. Principal partner: ARD.

**FY 2006 Program:** Improve Sustainable Management of Natural Resources and Biodiversity Conservation (\$1,590,000 DA). USAID will continue activities to strengthen natural resource governance at district and national levels. Advocacy and curriculum development will continue. Same partner.

Reduce Trafficking in Persons (\$800,000 DA). USAID intends to build on successes from FY 2005. It may implement a program responding to the rise in people displaced and migrating due to the insurgency. Same partners.

Improve Justice Sector/Legal Framework (\$250,000 DA). USAID intends to support efforts for improving the justice sector and legal framework. Same partners.

Strengthen Democratic National Governance Institutions (\$250,000 DA). USAID expects to continue to provide technical assistance and targeted training to women aspiring to join the civil service; implement a new legislative strengthening program; and support parliamentary committees in financial accountability and ethics if the Parliament is reconstituted. Same partners.

Support Democratic Local Government and Decentralization (\$60,000 DA). USAID will support initiatives to improve the transparency and accountability of local government. Same partners.

Promote and Support Free and Fair Elections (\$700,000 ESF). USAID plans to continue electoral reform with the Election Commission and civil society. Same partners.

Strengthen Democratic Political Parties (\$350,000 DA; \$300,000 ESF). USAID will work to build the capacity of parliamentary political parties for internal reform and increase women's and disadvantaged groups' participation in political parties. Same partner.

Strengthen Civil Society (\$500,000 DA). USAID may expand its civil society strengthening program to accompany rule of law and political process reforms. Same partner.

Promote and Support Anti-Corruption Reforms (\$300,000 DA). USAID expects to continue government anticorruption reform efforts and enhance the GON's capacity to investigate and prosecute corruption cases. Same partner.

Protect Human Rights and Equal Access to Justice (\$300,000 DA). USAID will work to protect the rights of victims of trafficking and increase access to justice for the poor and disenfranchised. Same partners.

**Performance and Results:** USAID's activities improved the advocacy capacity of selected civil society groups. This success led to an increase in membership of federations of community forestry from 9,000 to 9,164 and federations of water user associations from 1,500 to 2,139. Approximately 8,000 women gained knowledge and leadership skills, increasing their participation in key leadership positions by 23%.

## US Financing in Thousands of Dollars

Nepal

367-007 Democracy and Governance	DA	ESF
<b>Through September 30, 2003</b>		
Obligations	10,608	702
Expenditures	2,245	0
Unliquidated	8,363	702
<b>Fiscal Year 2004</b>		
Obligations	4,592	1,000
Expenditures	3,170	686
<b>Through September 30, 2004</b>		
Obligations	15,200	1,702
Expenditures	5,415	686
Unliquidated	9,785	1,016
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	4,024	1,200
<b>Total Planned Fiscal Year 2005</b>		
Obligations	4,024	1,200
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	4,400	1,000
Future Obligations	0	0
Est. Total Cost	23,624	3,902



## Data Sheet

<b>USAID Mission:</b>	Nepal
<b>Program Title:</b>	Ending Conflict and Expanding Democracy
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	367-008
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$1,639,000 DA; \$3,760,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2006 Obligation:</b>	\$1,900,000 DA; \$4,000,000 ESF
<b>Year of Initial Obligation:</b>	2002
<b>Estimated Year of Final Obligation:</b>	2006

**Summary:** USAID's conflict program mitigates the suffering of conflict-affected individuals and communities and strengthens capacity for conflict mediation and peacebuilding by: 1) implementing income-generating infrastructure projects, 2) providing support services to victims of the conflict, 3) supporting government and civil society efforts to address the conflict, and 4) strengthening community capacity to resolve disputes and participate in local governance.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Support Peace Processes (\$331,400 DA; \$331,400 ESF). The newly-formed Government of Nepal (GON) Peace Secretariat is poised to play a key role in reaching an eventual peace settlement between the GON and the Maoists. USAID will provide support to the Secretariat in a number of areas, including equipment and logistics, training in conflict resolution and negotiation techniques, technical assistance on key policy and programmatic issues, and developing a communications strategy. USAID will also work with civil society networks to enhance their participation in the government's policy development process. Principal partner: Academy for Educational Development (AED).

Protect and Increase the Assets and Livelihoods of the Poor during Periods of Stress (\$143,800 DA; \$858,400 ESF). To increase the assets of individuals in rural conflict-affected areas, USAID will fund infrastructure projects that provide employment income, improve access to markets and services, and increase agricultural productivity. Approximately 500,000 days of paid employment will be valued at \$547,945. Approximately 8,000 women will receive support to establish or expand savings and credit groups and training in skills that will help them generate income. In FY 2005, the groups aim to save \$20,000, which will enable them to make \$36,000 in loans. This will allow women to set up microenterprises and create sustainable sources of incomes for their families. Principal partners: Louis Berger Group and World Education International.

Address Conflict Transitional Issues (\$1,043,000 DA; \$2,280,000 ESF). To strengthen support for victims of conflict and conflict-affected communities, USAID will fund an integrated community-level program combining economic and social support activities. In FY 2005, 2,600 households will experience an increase of \$68 - \$123 in their annual income through the establishment or expansion of microenterprises in a country where annual per capita income is \$276. In addition, 3,424 children and adolescents will receive psychosocial support, and 2,240 children will receive education support in the form of supplies and scholarships. A radio soap opera program will be broadcast across the country, reaching at least 80,000 rural listeners with essential information on coping strategies related to the negative social and economic impacts of the conflict. The program will also convey messages on important development topics, such as HIV/AIDS and trafficking. USAID will launch a program benefiting internally displaced persons and the communities in which they live, with a focus on skills training and counseling services. Principal partners: Save the Children/U.S., CARE, and Winrock International.

Improve Justice Sector/Legal Framework (\$120,800 DA; \$290,200 ESF). At a time when communities remain fraught with division, USAID will continue to support community mediation as a way to resolve disputes locally and promote community solidarity. In the last year of the program, lessons learned from

USAID's local dispute resolution activity will be consolidated in order to lay the foundation for the roll-out of a nationwide dispute resolution program over the next few years. By the activity's closing date, the number of trained mediators in USAID's targeted areas will reach approximately 2,700, and the number of disputes brought before community mediators and satisfactorily resolved will increase from 939 in FY 2004 to 1,400. Principal partner: The Asia Foundation.

FY 2005 activities with prior-year funding. In FY 2005, USAID will continue its program supporting victims of torture. The program is scheduled to be expanded in FY 2004, but the expansion was delayed to allow the implementing partner to rectify management issues identified through an audit. In FY 2005, USAID will support a donor initiative led by the United Nations Development Programme (UNDP) to support capacity building for the National Human Rights Commission, which will improve monitoring of human rights abuses in Nepal. New activities will be initiated to support the physical rehabilitation and reintegration of war victims. Various innovative, short-term, high-impact activities that contribute to achieving USAID's conflict program objectives will also be implemented using FY 2004 funds; details concerning the inputs and outputs will only be known once specific activities have been identified. Principal partners: UNDP and others to be determined (TBD).

**FY 2006 Program:** Protect Human Rights and Equal Access to Justice (\$1,000,000 ESF). USAID plans to expand its support for capacity building of the National Human Rights Commission and for human rights monitoring efforts. Principal partner: UNDP.

Support Peace Processes (\$750,000 ESF). USAID will continue to support the Peace Secretariat by providing training and short-term consultants with technical expertise on issues of high priority to the government. The types of training and external expertise needed will vary depending on the status of the conflict in FY 2006. Principal partner: AED.

Protect and Increase the Assets and Livelihoods of the Poor during Periods of Stress (\$500,000 DA; \$1,000,000 ESF). USAID will continue to fund infrastructure activities to provide immediate income to rural populations, while increasing access to markets and services and improving agricultural productivity. The program will also continue to support skills training and savings and credit programs that help people identify options for more stable and sustainable incomes. Principal partners: TBD.

Address Conflict Transitional Issues (\$1,400,000 DA, \$1,250,000 ESF). USAID plans to provide economic and social support services, such as skills training and counseling, to victims of the conflict, including internally displaced persons, widows, and vulnerable children. Special programs targeting former child combatants will also be designed pending legal decisions about providing assistance to the latter. Additional activities are likely to focus on strengthening the media and supporting local peacebuilding initiatives. Principal partners: TBD.

**Performance and Results:** More than 29,000 families have benefited from employment income earned on road construction projects, providing each household with an average monthly income of \$53 in a country where monthly per capita income is \$23. More than 3,102 victims of torture and trauma have received medical, psychosocial, and legal support, and 1,335 community mediators have been trained in local dispute resolution skills, providing rural populations with a viable alternative to Nepal's inefficient and inaccessible justice system. USAID played a key role in the GON's decision to establish a Peace Secretariat, which will be pivotal in preparing for peace negotiations and eventually reconstruction. Due to the nature of the armed conflict, it would be unrealistic to discuss an "end state" in detail.

## US Financing in Thousands of Dollars

Nepal

367-008 Ending Conflict and Expanding Democracy	CSH	DA	ESF
<b>Through September 30, 2003</b>			
Obligations	0	7,628	6,397
Expenditures	0	951	982
Unliquidated	0	6,677	5,415
<b>Fiscal Year 2004</b>			
Obligations	1,000	2,160	3,970
Expenditures	0	1,472	1,083
<b>Through September 30, 2004</b>			
Obligations	1,000	9,788	10,367
Expenditures	0	2,423	2,065
Unliquidated	1,000	7,365	8,302
<b>Prior Year Unobligated Funds</b>			
Obligations	0	0	0
<b>Planned Fiscal Year 2005 NOA</b>			
Obligations	0	1,639	3,760
<b>Total Planned Fiscal Year 2005</b>			
Obligations	0	1,639	3,760
<b>Proposed Fiscal Year 2006 NOA</b>			
Obligations	0	1,900	4,000
Future Obligations	0	0	0
Est. Total Cost	1,000	13,327	18,127