

Nepal

The Development Challenge: In the last 53 years, Nepal has made a transition from an isolated kingdom to a 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 literacy and increased access to basic services. Nonetheless, Nepal remains one of the poorest countries in the world, with an annual per capita income of \$250 and 42% of the population living below the national poverty line. Although 80% of the population depends on agriculture for their livelihood, population growth has fragmented land holdings and depleted forest products. Life expectancy at birth has increased, but at 59 years, it is still lower than neighboring South Asian countries. Maternal mortality is amongst the highest in the region. One of eleven children dies before they reach their fifth birthday - the vast majority during their first year. Moreover, Nepal is in the midst of a concentrated HIV epidemic, the World Health Organization/United Nations Joint Programme on HIV/AIDS (UNAIDS) estimates that 14 Nepalese adults become infected with HIV in Nepal every day.

While Nepal's human development indicators are low by any standard, they are particularly low for the very poor, and include wide disparities by region, gender and ethnic group. Economic growth has been almost exclusively in urban areas, while the rural economy has been virtually stagnant, particularly in the hill and mountainous regions. Life expectancy in Kathmandu is over 70 years, while it is under 42 years in the far western mountains. The literacy rate is 54% nationwide, but only 26% for women.

The most pressing problem facing the country today is the profound impact of a Maoist insurgency on political and economic development and security. The Maoist insurgency, which began in 1996, found fertile ground due to Nepal's poor governance, poverty and exclusion. The initial pro-people approach, which won the Maoists converts among the disenfranchised of Nepal, has degraded into a campaign of violence, lawlessness, intimidation, and destruction. More than 8,000 people have been killed by the Maoists and security forces, with almost 6,000 deaths occurring since 2001. In addition to the human toll, the conflict has severely disrupted the fragile national economy. The U.S. Embassy estimates losses to national property and the economy at \$1.5 billion.

Since a breakdown of peace talks in late August 2003, the Maoists have expanded their activities in eastern Nepal and the Terai (the fertile flatlands on the Nepal-India border), robbed banks, increased the extortion of food and money from both locals and tourists, and continued to destroy infrastructure. During the cease-fire, the Government of Nepal (GON) and Royal Nepalese Army (RNA) fortified their positions, effectively prohibiting the Maoists from launching any major scale assault on the security forces. However, by focusing their strength in a few places, the RNA has reduced its presence in much of the countryside where the Maoists have significant influence. Human rights abuses committed by both parties to the conflict are rampant.

The U.S. has an interest in an economically and politically stable multi-party 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 U.S. is making an important contribution to fighting terrorism, promoting regional stability, and diminishing the likelihood of a humanitarian crisis.

The USAID Program: 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, expand 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 GON capacity at the central and local level is generally weak, it works cooperatively with USAID to implement programs through numerous partners, primarily international non-governmental organizations that work both directly and through local non-governmental organizations. The USAID program engages the private sector significantly, for example in the hydropower sector, the delivery of health and family planning services, and through three public-private alliances.

Other Program Elements: In addition to the efforts described in the Program Data Sheets, other USAID regional and central programs provide assistance to Nepal. USAID's South Asian Regional Initiative for Energy Cooperation and Development is actively involved in regional energy cooperation, and its South Asia Regional Initiative for Women's and Children's Equity strives to eliminate trafficking of women, violence against women, and child labor. USAID's Regional Program of the Office of Economic Growth/USAID/India has granted the Kathmandu Metropolitan City Office \$25,000 to improve household and medical waste management in selected areas of the capital city through community mobilization and training of policy makers. USAID supports the Bangladesh, Bhutan, India and Nepal Network through its Environmental Health Project to coordinate inter-country cross-border issues on malaria, kala-azar, Japanese encephalitis and other vector-borne diseases in all four countries. The Asia Regional Office of USAID's Office of Foreign Disaster Assistance (OFDA) enhances medical first response, collapsed structure search and rescue, and hospital preparedness capacities of emergency responder agencies, thereby reducing the potential for earthquake damage and injury in Kathmandu Valley. OFDA also enhances regional cooperation between countries in the Hindu Kush Himalayan region for the exchange of flood information and data and develops adaptive strategies for flood and drought mitigation to enable basic and tangible reduction in vulnerability, as well as providing training in emergency management to non-governmental organizations.

Other Donors: Donor coordination in Nepal is good. The GON budget report shows that donors provided roughly \$106 million in grants and \$113 million in loans directly to the GON from June 2002 to June 2003 (the Nepali fiscal year). In addition, donors contribute approximately \$230 - \$280 million to 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 Program (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 United Nations International Children's Emergency Fund (UNICEF), United Nation Fund for Population Activities (UNFPA), United Nations Joint Programme on HIV/AIDS (UNAIDS) and United Nations International Labor Organization (ILO) are also active in Nepal.

Coordination between USAID and the British Department for International Development (DFID) has been exceptional, such that Britain contributed \$774,000 to USAID's Special Objective program to promote peace through improved incomes and governance. DFID and USAID also work closely in the health sector to address the immediate health needs of Nepalese families in conflict affected areas. USAID and the Japan International Cooperation Agency (JICA) have a Memorandum of Understanding (MOU) to collaborate closely on Maternal and Child Health and HIV/AIDS activities. USAID also funds a rural roads program initiated in collaboration with the European Union.

Nepal PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2002 Actual	FY 2003 Actual	FY 2004 Current	FY 2005 Request
Child Survival and Health Programs Fund	20,000	19,899	24,840	23,350
Development Assistance	7,597	10,247	11,274	11,000
Economic Support Fund	3,000	4,000	4,971	5,000
PL 480 Title II	2,352	0	0	0
Total Program Funds	32,949	34,146	41,085	39,350

STRATEGIC OBJECTIVE SUMMARY

367-001 Sustainable Forest and Agricultural Products				
DA	0	1,500	1,900	2,637
367-002 Health and Family Planning				
CSH	20,000	19,899	23,840	23,350
367-006 Hydropower Development				
DA	2,200	2,227	2,100	2,000
367-007 Governance				
CSH	0	0	200	0
DA	3,647	3,761	5,811	4,324
ESF	750	203	700	1,200
367-008 Ending Conflict and Expanding Democracy				
CSH	0	0	800	0
DA	1,750	2,759	1,463	2,039
ESF	2,250	3,797	4,271	3,800

Mission Director,
Donald Clark

Data Sheet

USAID Mission:	Nepal
Program Title:	Sustainable Forest and Agricultural Products
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	367-001
Proposed FY 2004 Obligation:	\$1,900,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$2,637,000 DA
Year of Initial Obligation:	FY 1995
Year of Final Obligation:	FY 2006

Summary: USAID plans to increase household income and food security by increasing production of high-value crops, expanding market participation, improving management of productive resources, and enhancing the level and content of policy dialogue with the government. 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, conducting research and studies on policy impediments to agricultural growth and trade, and support for private-public partnerships to access new technologies and new markets.

Inputs, Outputs, Activities:

FY 2004 Program:

Increase Incomes of Small Farmers through High-Value Crop Production and Increased Market Access (\$1,000,000 DA). USAID will increase the production of high-value commodities (e.g., non-timber forest products, horticulture and livestock), promote marketing channels, increase use of appropriate technologies and assist in the development of enterprises in order to respond to proven demand. This will be achieved through:

- increasing the use of micro-irrigation technology to access off-season markets in the hill areas;
- information sharing;
- supporting small-scale enterprise and business development services; and
- accessing export markets.

Prime grantees include Winrock International, Asia Network for Sustainable Agriculture and Bioresources, and Planning and Development Collaborative International.

Expand Access to Business Services and Markets (\$700,000 DA). To help promote development, sales and marketing of high-value agricultural commodities and non-timber forest products, technical and financial assistance will be provided to facilitate local business development services. Assistance to business service providers ranging from inputs suppliers to marketing organizations will enable small rural enterprises to grow, produce and market agricultural and forest products more effectively. The program also will help increase incomes of participating landless community forest users, smallholders and small and micro enterprises. International Development Enterprise is the prime grantee for this activity.

Policy Analysis and Reform on Agriculture Trade-Related Issues (\$200,000 DA). To enable Nepalese farmers to access regional markets, technical assistance and training will be provided to the Government of Nepal and the Federation of Nepalese Chambers of Commerce and Industry to analyze and disseminate agriculture trade-related issues, especially World Trade Organization accession, trade treaties, and quarantine and customs-related bottlenecks. The Agro Enterprise Center is the prime grantee.

Global Development Alliances (GDA). USAID funded three GDAs in FY 2002: 1) the Certification and Sustainable Marketing of Non-Timber Forest Products Alliance; 2) the Kathmandu Electric Vehicle Alliance; and 3) the Nepal Tree Crop Alliance. In FY 2003, an additional \$300,000 of GDA/Mission Incentive Funds was added to the Kathmandu Electric Vehicle Alliance. No new funding is planned for these GDAs in FY 2004 but activities continue.

FY 2005 Program:

Increase Incomes of Small Farmers through High-Value Crop Production and Increased Market Access (\$1,500,000 DA). USAID will continue to fund introduction of micro irrigation technologies in the hill regions to promote off-season horticulture production, increase access to market information, 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. Other efforts may include promoting crop diversification, sustainable agro-forestry technologies, and expanding market linkages.

Expanded Access to Business Services and Markets (\$637,000 DA). USAID will continue to promote grassroots-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.

Policy Analysis and Reform on Agricultural Trade-Related Issues (\$500,000 DA). Activities will continue to develop Nepalese technical and analytical expertise on agricultural trade-related issues and to support advocacy to remove policy constraints and implement international trade treaties. This program also may include technical assistance for Nepal's World Trade Organization commitments.

Performance and Results: All activities under this program were phased out per the original activity completion plan in 2002. However, since the program was extended in August 2002 through 2006, new projects were incorporated for which the planning began in FY 2003 and implementation in FY 2004. Despite the security situation in Nepal, most program activities are expected to progress largely unfettered since they have garnered local community support by being implemented primarily through pre-existing non-governmental organizations and local organizations and are improving the lives and livelihoods of rural families. By helping farmers and small community-based organizations produce high value crops such as coffee and non-timber forest products, this program will increase incomes of the rural poor by at least 50% and bring the target population of 40,000 households above the poverty line by program completion.

GDA activities have continued to operate in 2003. Under the Tree Crops Alliance, a U.S. specialty coffee exporter has agreed to provide training to trainers, and then buy all coffee processed under the agreed upon specifications. The Kathmandu Electric Vehicle Alliance commissioned a study on the harmful effects of airborne pollution that received wide coverage and GON acknowledgement. The Certification and Sustainable Marketing of Non-Timber Forest Products Alliance has organized communities, established a certification model, and identified two non-timber forest products for export promotion, i.e., lokta (a bark used in local paper making with a strong international market demand) and wintergreen oil (used for aromatic purposes).

US Financing in Thousands of Dollars

Nepal

	CSH	DA
367-001 Sustainable Forest and Agricultural Products		
Through September 30, 2002		
Obligations	200	22,557
Expenditures	140	21,875
Unliquidated	60	682
Fiscal Year 2003		
Obligations	0	1,500
Expenditures	60	509
Through September 30, 2003		
Obligations	200	24,057
Expenditures	200	22,384
Unliquidated	0	1,673
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	0	1,900
Total Planned Fiscal Year 2004		
Obligations	0	1,900
Proposed Fiscal Year 2005 NOA		
Obligations	0	2,637
Future Obligations	0	0
Est. Total Cost	200	28,594

Data Sheet

USAID Mission:	Nepal
Program Title:	Health and Family Planning
Pillar:	Global Health
Strategic Objective:	367-002
Proposed FY 2004 Obligation:	\$23,840,000 CSH
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$23,350,000 CSH
Year of Initial Obligation:	FY 1996
Year of Final Obligation:	FY 2006

Summary: This program aims to reduce fertility and protect the health of Nepalese families by:

- increasing access to and use of quality voluntary family planning services
- increasing access to and use of quality maternal and child health services
- preventing (reducing and combating) HIV/AIDS transmission among high-risk groups
- 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 2004 Program:

Reduce Fertility and Child Mortality (\$12,940,000 CSH). USAID will continue to 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, and strengthen nationwide availability of health commodities. USAID also will continue to 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. Principal grantees include John Snow, Inc., Johns Hopkins University, EngenderHealth, Save the Children, CARE, and Population Services International. All family planning assistance agreements will incorporate clauses that implement the President's directive restoring the Mexico City policy.

HIV/AIDS Prevention (\$8,700,000 CSH). USAID will expand and improve behavior change interventions along all major highway routes in Nepal among the most-at-risk groups. A cross-border "Safe Migration" strategy will be developed in regions where there are high rates of migration to India. Services will be expanded and strengthened to address sexually transmitted infections (STIs) including the addition of pre-packaged therapy based on STI care-seeking behavior. Voluntary counseling and testing sites will be established and training in HIV rapid test application and counseling will be provided. Ongoing technical assistance will strengthen the Government of Nepal's capacity to implement and manage its National HIV/AIDS Strategy and National Operational Plan, assist with the development of national clinical guidelines and training curricula, and improve surveillance systems. Principal grantees include Family Health International, Population Services International, and The Futures Group International.

Infectious Disease (\$2,200,000 CSH). USAID will continue to pilot community-based surveillance, prevention and control interventions for malaria and kala-azar, and scale them up if successful. National level support for integrated malaria control activities and for Japanese Encephalitis surveillance will be expanded, as will work to promote hand washing with soap (public-private partnership) and the national lymphatic filariasis control program. Principal grantees include: John Snow, Inc., Johns Hopkins University, CARE, and the United State's Armed Forces Research Institute of Medical Sciences.

USAID will continue to implement the “Other Vulnerable Children” program that provides social, health and economic assistance to children and their families most severely affected by the conflict. It includes income generation activities and scholarships for children who have lost a parent due to the conflict. Principal grantees include Save the Children and World Education, Inc.

FY 2005 Program:

Reduce Fertility and Child Mortality (\$13,650,000 CSH). USAID will continue to strengthen integrated maternal and child health programs, and public and private sector family planning services at the community level. Principal grantees include John Snow, Inc., Johns Hopkins University, EngenderHealth, Save the Children, CARE, and Population Services International. All family planning assistance agreements will incorporate clauses that implement the President’s directive restoring the Mexico City policy.

HIV/AIDS prevention (\$8,700,000 CSH). USAID will continue to expand and strengthen behavior change interventions. Six voluntary counseling and testing sites, and associated care and support activities, will be expanded and linked to ongoing behavior change interventions to establish a continuum of prevention-to-care services in target areas. Ongoing technical assistance and policy support will be provided to strengthen the Government of Nepal (GON) capacity to implement and manage its National HIV/AIDS Strategy and improve surveillance systems. Principal grantees include Family Health International, Population Services International, and The Futures Group International.

Infectious disease (\$1,000,000 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. Principal grantees include John Snow, Inc., Johns Hopkins University, CARE, and the United State’s Armed Forces Research Institute of Medical Sciences.

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

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%. 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%.

Despite the conflict and political instability, the program met all FY 2003 annual performance targets. Couple Years of Protection (CYP) increased by 7% in target areas. The vitamin A supplementation program was implemented in all of Nepal’s 75 districts reaching 98% of all eligible children, and the community-based treatment of child pneumonia program was expanded from 16 districts to 22 districts. These two life-saving community level interventions avert 45,000 [15,000 + 30,000] child deaths every year.

The HIV sero-prevalence rate among female sex workers, a target high-risk group, has been reduced from 3.9% in 1999 to 3% in 2003 and the active syphilis rate, a significant correlate of the risk for HIV transmission, was reduced from 18.8% in 1999 to 9.5% in 2003.

US Financing in Thousands of Dollars

Nepal

	CSH	DA
367-002 Health and Family Planning		
Through September 30, 2002		
Obligations	62,347	52,515
Expenditures	38,549	50,367
Unliquidated	23,798	2,148
Fiscal Year 2003		
Obligations	19,899	0
Expenditures	15,871	2,148
Through September 30, 2003		
Obligations	82,246	52,515
Expenditures	54,420	52,515
Unliquidated	27,826	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2004 NOA		
Obligations	23,840	0
Total Planned Fiscal Year 2004		
Obligations	23,840	0
Proposed Fiscal Year 2005 NOA		
Obligations	23,350	0
Future Obligations	0	0
Est. Total Cost	129,436	52,515

Data Sheet

USAID Mission:	Nepal
Program Title:	Hydropower Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	367-006
Proposed FY 2004 Obligation:	\$2,100,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$2,000,000 DA
Year of Initial Obligation:	FY 2001
Year of Final Obligation:	FY 2006

Summary: This program addresses the energy and economic development needs of Nepal, as well as the clean energy needs of the region. It increases private sector participation in environmentally and socially sustainable hydropower development through 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, as a catalyst for energy investment.

Inputs, Outputs, Activities:

FY 2004 Program:

Improve the Enabling Environment for Sustainable Hydropower Development (\$1,800,000 DA). Nepal needs to implement policy and energy sector reforms to increase private participation and investment in hydropower. It also must establish sound guidelines and increase the GON's capacity to review and approve stringent environmental and social impact assessments. 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. This includes amending the Electricity Act of 1993 to reflect the new hydropower policy that, for the first time, mandates establishment of an independent regulator and a timetable for the state-owned utility to reform and restructure. USAID also will provide continued support to establish a Power Development Fund with World Bank funding, designed to catalyze investment. USAID will fund training and study tours for key GON officials and policy makers. International Resources Group is the principal contractor.

Promote Effective Public-Private Energy Entity Partnerships (\$200,000 DA). USAID will promote executive exchanges and energy partnerships between the 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. This will yield a better understanding of the reform process and an action plan to improve energy efficiency. The United States Energy Association is the principal grantee.

Support to Local Hydropower Developers and Financial Institutions to Participate and Invest in Small (1-10 megawatts) Projects (\$100,000 DA). 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 also will promote the development of a clean energy and infrastructure development bank aimed at promoting investments in small-scale projects that support rural electrification. Winrock International is the principal grantee.

FY 2005 Program:

Improve the Enabling Environment for Sustainable Hydropower Development (\$1,700,000 DA). USAID will continue activities aimed at promoting policy and regulatory reforms. In addition to the 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. Assistance also will be provided 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 policy makers. International Resources Group is the principal contractor.

Promote Effective Public-Private Energy Entity Partnerships (\$200,000 DA). Executive exchanges and energy partnerships will be consolidated, 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 consolidate. The United States Energy Association is the principal grantee.

Support to Local Hydropower Developers and Financial Institutions to Participate and Invest in Small (1-10 megawatts) Projects (\$100,000 DA). USAID will continue to furnish technical assistance and training to local enterprises to develop bankable projects and acquire financing from local banks. Technical support and training will be provided to the clean energy and infrastructure development bank as it will be closer to being established. As more private power comes on line, more support will be provided to local cooperatives to distribute power to rural areas. Winrock International is the principal grantee.

Performance and Results: This program is now in its second year of operation and continues to attract private sector participation in hydropower development. Three new investments were made in FY 2003 totaling \$12 million, thereby increasing the cumulative total private sector investments from \$348 million reported in FY 2002 to \$360 million in FY 2003. This is very significant given the current situation when other sectors of the economy have contracted. Significant progress was made in the power sector reform process. The state-owned utility commenced 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 that will be funded by the World Bank. 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 \$2.2 million investment in FY 2003 successfully leveraged private sector investments in hydropower amounting to \$12 million, a significant return. Each MW of hydropower that comes on line electrifies at least 2,000 households, and each MW of exported hydropower 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, helping to remove one of the major root causes of the Maoist insurgency.

By program completion, at least 450,000 more Nepalese will have access to electricity and 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
Through September 30, 2002	
Obligations	4,510
Expenditures	1,268
Unliquidated	3,242
Fiscal Year 2003	
Obligations	2,227
Expenditures	1,638
Through September 30, 2003	
Obligations	6,737
Expenditures	2,906
Unliquidated	3,831
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2004 NOA	
Obligations	2,100
Total Planned Fiscal Year 2004	
Obligations	2,100
Proposed Fiscal Year 2005 NOA	
Obligations	2,000
Future Obligations	0
Est. Total Cost	10,837

Data Sheet

USAID Mission:	Nepal
Program Title:	Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	367-007
Proposed FY 2004 Obligation:	\$200,000 CSH; \$5,811,000 DA; \$700,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$4,324,000 DA; \$1,200,000 ESF
Year of Initial Obligation:	FY 2001
Year of Final Obligation:	FY 2006

Summary: This program addresses critical problems of poor governance, weak rule of law, and inconsistent democratic practices that slow economic development, fuel the ongoing Maoist insurgency and erode public confidence in democratic institutions; citizen participation in governance and performance of institutions to enhance access to justice, combat corruption, improve the management of natural resources, and address human rights abuses. It provides training and technical assistance to:

- improve the democratic functioning and management capacity of community-based natural resource management groups;
- strengthen participation, advocacy, and oversight by civil society groups to hold government more accountable to the needs of the poor and marginalized;
- enhance leadership skills of elected women, community leaders, and under-represented (lower caste and ethnic/regional minority) groups; and
- build the capacity of, and cooperation between, government and non-governmental organizations that safeguard and advance democracy and rule of law.

Inputs, Outputs, Activities:

FY 2004 Program:

Increased Management Capacities of Natural Resource Management User Groups (\$1,400,000 DA). USAID will continue to fund natural resources governance strengthening activities in 16 of Nepal's 75 districts and improve management capacity of approximately 500 community forestry and buffer zone groups, 1,100 irrigation water user groups, and community groups affected by hydropower projects. Training, technical assistance and grant activities to enhance democratic decision making processes, improve institutional and technical management skills and support more transparent and equitable distribution of benefits from natural resources are being implemented. The grantees are CARE/Nepal (principal), the World Wildlife Fund, Resource Identification and Management Society and the Research Institution and Training in Irrigation (sub-grantees).

Increased Advocacy Capacity of Selected Civil Society Groups at Community and Federation Levels (\$1,011,000 DA). USAID provides training and technical assistance to user groups, women's groups (including groups working against trafficking of girls and women), federations and coalitions in order to enhance capacity of participating groups to advocate for members interests, strengthen partnerships, and monitor government performance. Principal grantees are the Asia Foundation and CARE/Nepal.

Increased Women's Participation (\$200,000 CSH, \$200,000 DA, \$400,000 ESF). USAID will continue to provide training, technical assistance and support to party dialogue efforts to increase women's participation in politics and their effectiveness in local and national leadership positions. Also, CSH funds will be used in vocational training and education for women and vulnerable children. Approximately 3000 politically-active community women will receive training on election campaigning and leadership skills for positions in locally-elected government institutions. The principal grantee is the National Democratic Institute.

Improved performance of selected institutions (\$3,200,000 DA, \$300,000 ESF). USAID will provide training and technical assistance, grant support and modest logistics support to enhance the quantity and quality of state and civil society justice sector reform and anti-corruption initiatives, including the design and implementation of new electoral and political process-strengthening programs. In addition, USAID will provide small grants to non-governmental organizations and local government federation organizations for activities that enhance transparency and accountability of national and local governments. Principal implementing partners will include a new Rule-of-Law institutional contractor (to be selected) as well as current program partners, National Democratic Institute, Transparency International and Pro-Public, and new non-partisan civil society non-governmental organization partners to be selected.

FY 2005 Program:

Increased Management Capacity of Natural Resource Management Groups (\$1,000,000 DA). USAID will continue to fund natural resources governance initiatives to enhance democratic decision making processes, improve the technical and managerial skills of the groups, and improve transparency and equitable distribution of benefits derived from natural resources.

Increased Advocacy Capacity of Selected Civil Society Groups at Community and Federation Levels (\$500,000 DA, \$200,000 ESF). USAID will expand its support for community-based civil society strengthening and coalition building activities. Through technical assistance, training and grant support, USAID will connect local interest groups to broader and more effective regional and national networks, enabling them to better influence national policy and implement programs in national resources management, combating human trafficking, and empowering women and disenfranchised groups in democratic and governance processes. Principal grantees are the Asia Foundation and CARE/Nepal.

Increased Women's Participation (\$324,000 DA, \$550,000 ESF). USAID will continue to provide grants, training and technical assistance to national programs increasing women's participation in politics and expanding the pool of women qualified for and occupying positions of national and local community leadership. The principal grantee is the National Democratic Institute.

Improved performance of selected institutions (\$2,500,000 DA, \$450,000 ESF). Programs that will strengthen the still fragile Nepal democracy and promote good governance will be expanded in core areas such as rule of law, respect for human rights, government accountability and combating public sector corruption. Electoral support and political reform initiatives will be expanded; the scope of the latter depending in part on critical issues of Government of Nepal (GON) adherence to constitutional democratic norms and related, dynamic and sometimes volatile, electoral plans and political developments. Principal implementing partners will be the same as under the FY04 program.

Performance and Results: In a difficult environment with multi-dimensional crises, the program continues to progress slowly but steadily toward achieving targeted results in areas critical to consolidating democracy. It has exceeded targets for the "community and government improved capacity to manage natural resources and irrigation system" program. To combat human trafficking, a new policy to protect economic migrants was promulgated and the number of interceptions in areas increased significantly where awareness programs on trafficking were conducted among youth groups and adolescents. Revitalization of GON-constructed task forces in seven districts prevented trafficking by raising awareness and allocating funds for preventive initiatives. Further, training of approximately 7,000 community women on election campaigning and effective leadership skills resulted in many of them occupying key positions within their parties. A USAID electoral system assessment, completed in November 2003, identified fundamental requirements for political party reform and will serve as a tool for design of future electoral and political process reform programs. Key partnerships with and preliminary support to the judiciary, anti-corruption and civil society entities is already resulting in more visible and positive combat of corruption. USAID programs are expected to strengthen national capacity (civil society, local and national government) in natural resources governance, increase women's participation in key leadership positions in targeted districts by 25%, and defend against democratic reversals by sustaining and advancing democracy in Nepal.

US Financing in Thousands of Dollars

Nepal

367-007 Governance	CSH	DA	ESF
Through September 30, 2002			
Obligations	0	6,447	400
Expenditures	0	373	262
Unliquidated	0	6,074	138
Fiscal Year 2003			
Obligations	0	4,161	203
Expenditures	0	2,484	200
Through September 30, 2003			
Obligations	0	10,608	603
Expenditures	0	2,857	462
Unliquidated	0	7,751	141
Prior Year Unobligated Funds			
Obligations	0	0	0
Planned Fiscal Year 2004 NOA			
Obligations	200	5,811	700
Total Planned Fiscal Year 2004			
Obligations	200	5,811	700
Proposed Fiscal Year 2005 NOA			
Obligations	0	4,324	1,200
Future Obligations	0	0	0
Est. Total Cost	200	20,743	2,503

Data Sheet

USAID Mission:	Nepal
Program Title:	Ending Conflict and Expanding Democracy
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	367-008
Proposed FY 2004 Obligation:	\$800,000 CSH; \$1,463,000 DA; \$4,271,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$2,039,000 DA; \$3,800,000 ESF
Year of Initial Obligation:	FY 2002
Year of Final Obligation:	FY 2006

Summary: USAID's conflict mitigation program focuses on ameliorating the suffering of conflict-affected individuals and communities, strengthening capacity for conflict resolution and peace building, and increasing income opportunities through:

- employment generating infrastructure projects
- providing support services to victims of the conflict
- supporting Government of Nepal (GON) and civil society efforts to address the conflict, and
- enhancing community capacity to resolve disputes and participate in local governance.

Inputs, Outputs, Activities:

FY 2004 Program:

Improving Infrastructure and Expanding Economic Opportunities in Conflict-Affected Areas (\$705,000 DA and \$2,541,000 ESF). USAID provides technical assistance, equipment and materials to construct and/or rehabilitate small, labor-intensive infrastructure projects, thus creating short-term paid employment in rural conflict affected areas. These include rural roads, schools, clinics, trails, footbridges, and small drinking water and irrigation schemes. Through these projects, approximately 650,000 days of paid employment will be generated during FY 2004, injecting nearly \$700,000 into impoverished, conflict-affected, rural areas.

With technical assistance from USAID, rural communities and local governments will plan and implement projects that they consider to be of highest priority. Activities providing longer-term income generation opportunities - such as skills training, establishing savings and credit groups, improving agricultural production, and providing business services - will be implemented alongside the infrastructure projects so that once these projects have ended, community members have an alternative means of earning income. The prime contractor is the Louis Berger Group.

Supporting Services for Victims of Conflict (100,000 DA; 400,000 CSH and 400,000 ESF). To alleviate conflict-induced suffering, USAID provides comprehensive medical and psycho-social rehabilitation services, as well as legal counseling to 2,260 torture victims and their families as well as children affected by conflict. Psychosocial support for torture centers will serve 80 victims in 10 conflict-affected districts. A center for female trauma victims will provide rehabilitation services to 80 women. Activities to improve community coping mechanisms will include training to village-level service providers to help rural villages withstand the stress of prolonged conflict. Orphans and other disadvantaged youths will receive scholarships, while other forms of economic support will be identified for war widows. The prime grantee is the Center for Victims of Torture - Nepal.

Building the Capacity of the GON and Civil Society to Respond to the Conflict (\$354,000 DA, \$700,000 ESF). To assist the GON in addressing the conflict and its root causes, USAID will support technical assistance and training in conflict analysis and resolution, developing and implementing a coherent communications strategy, and creating post conflict plans, including plans for future demobilization and disarmament. USAID has offered the GON institutional strategic planning and strengthening assistance

for a government office that can perform these functions effectively. USAID also will fund study tours for GON and civil society leaders to expose them to successful conflict-mitigation experiences in other countries, national polls to collect information on citizen views related to the conflict and political crisis, and fora for national and local level dialogues on peace-building strategies between the GON, civil society and other key actors in Nepal.

Strengthening Community Peace Building Capacity (\$304,000 DA; \$400,000 CSH and \$630,000 ESF). To increase civic participation and peace building at the community level, USAID will support training for community members in tolerance, dispute resolution, negotiation and advocacy. Small-scale community development projects will be implemented to galvanize communities around a common interest or goal. Projects will include building potable water, wastewater and irrigation systems, as well as schools, health centers, community centers or other infrastructure needs identified by the communities. In addition, funds will link educational, vocational-technical training for vulnerable children and their families to community development projects.

FY 2005 Program:

Improving Infrastructure and Expanding Economic Opportunities in Conflict-Affected Areas (\$1,450,000 DA, \$2,850,000 ESF). USAID will expand the program to additional districts, increase the number of labor-intensive small rural infrastructure projects that provide short-term employment for rural communities, and increase the number and scope of long-term income generating activities along corridors where infrastructure projects are implemented. Same implementing partner as above.

Supporting Services for Victims of Conflict (\$59,000 DA, \$300,000 ESF). USAID will continue to implement the activities under this component as described above. If Nepal moves into a post-conflict phase, activities may shift to increase support services for demobilized ex-combatants. Same implementing partner as above. Other partners will be sought to implement community-level activities to support torture survivors.

Building the Capacity of the GON and Civil Society to Respond to the Conflict (\$280,000 DA, \$400,000 ESF). USAID will continue to provide technical assistance and training to the GON and civil society organizations to improve their capacity to plan, monitor and formulate appropriate policies depending on evolving security and political scenarios.

Strengthening Community Peace Building Capacity (\$250,000 DA, \$250,000 ESF). USAID will expand the training programs and community development projects discussed above to additional districts. Implementing partners to be determined.

Performance and Results: Approximately 600 people were employed daily on an environmentally-sound road construction project, providing each household with an average monthly income of \$46 in an area where non-farm income is extremely scarce. Over 2,300 victims of torture benefited from medical, psychosocial, and legal support, and 1,300 community mediators were trained in local dispute resolution skills in order to bring accessible, affordable justice to communities. USAID assisted the GON to conduct a rigorous Integrated Peace and Development strategic assessment and planning exercise with 11 GON entities that has led to self-critique and identification of significant shortfalls in GON management structures to address the conflict and peace process opportunities.

US Financing in Thousands of Dollars

Nepal

367-008 Ending Conflict and Expanding Democracy	CSH	DA	ESF
Through September 30, 2002			
Obligations	0	2,855	2,250
Expenditures	0	153	0
Unliquidated	0	2,702	2,250
Fiscal Year 2003			
Obligations	0	4,773	4,147
Expenditures	0	1,064	708
Through September 30, 2003			
Obligations	0	7,628	6,397
Expenditures	0	1,217	708
Unliquidated	0	6,411	5,689
Prior Year Unobligated Funds			
Obligations	0	0	0
Planned Fiscal Year 2004 NOA			
Obligations	800	1,463	4,271
Total Planned Fiscal Year 2004			
Obligations	800	1,463	4,271
Proposed Fiscal Year 2005 NOA			
Obligations	0	2,039	3,800
Future Obligations	0	0	0
Est. Total Cost	800	11,130	14,468