Expenditure Analysis & Tracking of Earthquake Reconstruction Programmes (A case study)

KISHOR MAHARJAN
Outline

- Background
- Objectives
- Rationale
- Methodologies
- Norms
- Fund-flow Process
- Expenditure Analysis and Tracking
- Some Facts
- Major Issues
- Suggested Measures
- A case: INGO (Samaritan’s Purse)
The devastating earthquake measuring 7.8 on the Richter scale struck Nepal on 25 April, 2015 causing a huge loss of lives and property.

More than 500,000 houses were completely destroyed. The earthquake severely impacted 14 districts (Kathmandu, Bhaktapur, Lalitpur Kavre, Kavrepanchok, Sindhupalchok, Dolakha, Ramechap, Okhaldhunga, Dhading, Gorkha, Makawanpur, Rasuwa, Sindhuli and Nuwakot) where about 5.4 million people live.
Rationale

Rural areas of many districts hit by the quake; Government of Nepal (GoN) and many INGOs/NGOs are pouring their funds into affected district for the reconstruction of damaged houses and infrastructure.

National media and general public are in doubt whether the funds are being reached/utilized properly.

International media also has raised questions on cash transfers.
Objectives

- To identify the process of how the fund flows for earthquake reconstruction programs from center to beneficiaries
- To analyze and track expenditures
- To assess the effects and to highlight the issues.
- To recommend improvements for enhancing effectiveness
Methodologies

- **Literature Review**
  - Reviews of the government legal procedure
  - Budget Speech 2074-75
  - Economic Survey 2073-74
  - Red book 2074-75
  - Earthquake Affected Private House Reconstruction Grant Distribution Procedure 2073
  - Newspapers

- **Field Survey**
  - Meeting with authorities – MoF, NRA, FCGO, Division physical planning office, Municipality
  - Coordination with victims
  - KII, FGD

- **Location** – Kavre, Namo Buddha Municipality
- **Respondents:** 20 households
Norms

1. Eligibility Identification
   - Data collected by CBS
   - House/individuals not having other houses for residence
   - Victim ID issued by CBS data collection team

2. Designs
   - Approved design from NRA
   - Construction as per approved design only
   - Compliance to existing housing norms
   - Establishment of Norm Determination Committee
   - Unit offices provide construction designs
   - Enter into Agreement
   - Supervision by District Project Implementation Unit (DPIU) or Local Bodies technical staffs
3 Grant Agreement and Fund Administration

A. Agreement:

- Release fund to DPIU through CPIU under MoLD
- DPIU provides victims’ name list to the Banks (agreement between local bodies and victims)
- First tranche – Rs. 50,000, Second tranche – Rs.150,000, Third tranche – Rs.75,000 and Rs. 25, 000 for toilets and alternative energy.
- No additional cost other than Rs.300,000 and Rs. 100,000 (in case of retro)
- NRB provision for loan without interest (on constructing house mortgage)
- Loan from banks and financial institutions on concessional interest rate
- Ensure construction on loan (group mortgage) through NRB
- Grant to be used only in house construction
- Documentation of agreement, cost statement to be maintained in DPIU, DDC office and periodic reporting to PIU under MoLD and NRA.
- Provision of redresses on ambiguity (grievances and procedural problems)
B  No grants for individuals having assistance for construction from national/international organizations

C  No grants for multiple houses owned by individual, grant for only one house construction (applies in case of retro also)

D  Grant for temporary house construction to government occupied private areas.

4 Assistance to make construction material available
   a. Establishment of Construction Material Supply Management and Facilitation Committee headed by Chief District Officer (CDO)
   b. Supervision by NRA’s district coordination secretariat

5 Establishment of DPIU

6 Training on Skill Development and Capacity Building at local levels

7 NRA direction to all concerned parties, they need to comply.

8 Punishment- in case of false statement and false recommendation (cancel agreement)
Fund-flow

Parliament

MoF

NRA

MoUD CPIU
MoLD CPIU
MoE CPIU
MoCTCA CPIU
MoH CPIU

Concerned Ministries
NRA District Secretariat
Implementing offices

DPIU
DPIU
DPIU

DTCO

FCGO
Expenditure Analysis
## Central Budget: National Reconstruction Authority Fund

(Rs. In “ooo”)

Source: MoF

<table>
<thead>
<tr>
<th>Year</th>
<th>Heading</th>
<th>Starting Budget</th>
<th>Actual Budget</th>
<th>Expenditure</th>
<th>Balance</th>
<th>Utilization %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2072/73</td>
<td>National Reconstruction Authority Fund</td>
<td>74,000,000.00</td>
<td>81,221,000.00</td>
<td>22,475,670.00</td>
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<td>2073/74</td>
<td>National Reconstruction Authority Fund</td>
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<td>63,164,275.00</td>
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<td>National Reconstruction Authority Fund</td>
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<td>Growth (%)</td>
</tr>
<tr>
<td></td>
<td>Growth (%)</td>
<td>74.08</td>
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</table>
### Institutional/Individual Grant

<table>
<thead>
<tr>
<th>Year</th>
<th>Starting Budget</th>
<th>Actual Budget</th>
<th>Expenditure</th>
<th>Balance</th>
<th>Utilization %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2072/73</td>
<td>33,000,000.00</td>
<td>35,221,000.00</td>
<td>14,386,688.00</td>
<td>20,834,312.00</td>
<td>40.85</td>
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<td>2073/74</td>
<td>45,367,408.00</td>
<td>52,917,408.00</td>
<td>35,331,440.00</td>
<td>17,585,968.00</td>
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<tr>
<td>2074/75</td>
<td>63,337,017.00</td>
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<tr>
<td>Growth (%)</td>
<td>39.61</td>
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</table>
## Public Construction

<table>
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<th>Year</th>
<th>Starting Budget</th>
<th>Actual Budget</th>
<th>Expenditure</th>
<th>Balance</th>
<th>Utilization %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2072/73</td>
<td>22,000,000.00</td>
<td>21,341,158.00</td>
<td>890,412.00</td>
<td>20,450,746.00</td>
<td>4.17</td>
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<td>2073/74</td>
<td>7,747,124.00</td>
<td>12,258,155.00</td>
<td>2,461,151.00</td>
<td>9,797,004.00</td>
<td>20.08</td>
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<tr>
<td>2074/75</td>
<td>20,760,777.00</td>
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</table>

**Growth (%)** 167.98
## Building Construction

<table>
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<tr>
<th>Year</th>
<th>Starting Budget</th>
<th>Actual Budget</th>
<th>Expenditure</th>
<th>Balance</th>
<th>Utilization %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2072/73</td>
<td>17,000,000.00</td>
<td>23,712,641.00</td>
<td>6,479,692.00</td>
<td>17,232,949.00</td>
<td>27.33</td>
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<tr>
<td>2073/74</td>
<td>24,848,512.00</td>
<td>40,203,312.00</td>
<td>8,240,666.00</td>
<td>31,962,646.00</td>
<td>20.50</td>
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<tr>
<td>2074/75</td>
<td>47,632,539.00</td>
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</tr>
<tr>
<td>Growth (%)</td>
<td></td>
<td>91.69</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
## Others

<table>
<thead>
<tr>
<th>Year</th>
<th>Starting Budget</th>
<th>Actual Budget</th>
<th>Expenditure</th>
<th>Balance</th>
<th>Utilization %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2072/73</td>
<td>2,000,000.00</td>
<td>946,200.00</td>
<td>718,878.00</td>
<td>227,322.00</td>
<td>75.98</td>
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<tr>
<td>2073/74</td>
<td>5,870,995.00</td>
<td>7,200,567.00</td>
<td>3,381,910.00</td>
<td>3,818,657.00</td>
<td>46.97</td>
</tr>
<tr>
<td>2074/75</td>
<td>14,204,607.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth (%)</td>
<td>141.95</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Tracking earthquake affected households, tranches and status
(14 Districts)
Source: Central Level Project Implementation Unit/MoLD

- Construction Completed: 28219
- Under Construction: 68342
- App for third: 3258
- Approved second: 38247
- Application for second: 53777
- Received First Tranche: 544996
- Aggreement signed: 557461

0 100000 200000 300000 400000 500000 600000
Tracking earthquake affected households, tranches and status in selected district (Kavre)
Source: Central Level Project Implementation Unit/MoLD
Tracking earthquake affected households, tranches and status in Namobuddha Municipality

Source: Namobuddha Municipality

No of identified affected household: 4519
No of household entered into agreement: 4058
No of first tranche receiver: 3620
No of second tranche receiver: 44
No of third tranche receiver: 0
Tracking earthquake affected households, tranches and status
Namobuddha Municipality – Ward wise
Source: Namobuddha Municipality
Facts: (Central)

Significant increment in resource fund (74.08%)
Below average expenditure (43.89%)
Slow expenses in public construction and building construction (just around 20%)
High allocation in others (141.95%)

Agreement entered (more than 88%)
First tranche receiver (97.7%)
Application for second tranche (9.6%)
House construction completed (5%)
House under construction (12%)
Kavre District:
Agreement entered (89.6%)
First tranche receiver (99.0%)
Application for second tranche (10%)
Minimum house construction completed (4%)
House under construction (11%)

Namobuddha Municipality:
Agreement entered (89.7%)
First tranche receiver (89.0%)
Second tranche receiver (1.2%)
Third trance receiver (0%)
Issues raised

- Trained labors are not involved in construction (90%)
- Transportation problem to carry construction material (70%)
- Inability of victims to pay pass charges (65%)
- Rigid design catalogue (85%)
- Lengthy grant release process (95%)
- Inadequate grant amount (70%)
- Cashflow problem (40%)
- No capacity to bear additional cost (35%)
- Cost increase (90%)
- Lack of sufficient technical support (75%)
- No coordination among agencies (90%)
- Poor database (55%)
- Lack of technical manpower for approval and supervision (60%)
- House design does not address local requirements (75%)
- No loan facility utilization (100%)
- Local goons atrocities (40%)
- Still left real victims (65%)
<table>
<thead>
<tr>
<th>Suggested measures for effective implementation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special consideration for remotest areas</td>
<td>60%</td>
</tr>
<tr>
<td>Public buildings should be constructed...</td>
<td>70%</td>
</tr>
<tr>
<td>Effective monitoring</td>
<td>70%</td>
</tr>
<tr>
<td>Active involvement of local government</td>
<td>90%</td>
</tr>
<tr>
<td>Trained labors involvement</td>
<td>90%</td>
</tr>
<tr>
<td>Pass charge waive</td>
<td>85%</td>
</tr>
<tr>
<td>Flexible design catalogue</td>
<td>95%</td>
</tr>
<tr>
<td>Lessen grant release process</td>
<td>90%</td>
</tr>
<tr>
<td>Reimbursement system</td>
<td>80%</td>
</tr>
<tr>
<td>Addition in grant</td>
<td>95%</td>
</tr>
<tr>
<td>Enhanced coordination</td>
<td>95%</td>
</tr>
<tr>
<td>Prepare database</td>
<td>65%</td>
</tr>
<tr>
<td>Additional technical manpower</td>
<td>80%</td>
</tr>
<tr>
<td>Allow NGOs for additional support</td>
<td>75%</td>
</tr>
<tr>
<td>Security against goons atrocities</td>
<td>50%</td>
</tr>
<tr>
<td>Include leftover real victims</td>
<td>100%</td>
</tr>
</tbody>
</table>
Samaritan’s Purse in technical support of State Fast, US is building houses for victims

Status:
Construction of house by Earth Bag (popularly known as “Bora Ghar”)
Agreement with NRA

Selection Criteria:
- Ultra poor
- Single women
- Old aged (60-75)
- Disabled
- Chronics
- Child horded
- Grant not received from NRA

Contribution by community:
- 50 days per house
- Stones for soling
- Old usable wooden materials
- Soil carrying
Operation:

Initial household identification – 255
Construction – (In plan 288), (221 completed), (14 under construction)
Time taken 30 days per house (constructed 90 houses in a month)
Total cost Rs. 700,000/per house (on average) – variation due to transportation cost
Approved NRA design
Follow NGO guidelines

Challenges:

Permission from NRA, DDC, Municipality
New Technology
Availability of good soil
Skilled labour
Self contribution in colouring, electricity, toilet construction