

## ADB'S ASSISTANCE TO AGRICULTURE AND RURAL DEVELOPMENT IN NEPAL

### A. Investment Projects for the Sector Performance Assessment

1. Eight ANR investment projects and advisory technical assistance, and two grants were approved during the last 11 years (from 1997 to 2007). These assistances will be the core of the bottom-up assessment and will determine the ratings.

2. The *Program Loan 1604: Second Agriculture Program*<sup>1</sup> approved in November 1997 to support in the implementation of the Agriculture Perspective Plan (APP) was evaluated by OED<sup>2</sup> in December 2004. Both the evaluations conducted by the operations department and OED rated it "successful." This evaluation report will be reviewed but the Program Loan itself will not be reevaluated in the SAPE. An in-depth evaluation of the remaining following projects will be conducted:

- (i) **Loan 1778: Crop Diversification (2000–2007).** The project promoted the production and marketing of secondary and other agricultural crops. The project scope included (a) the provision of extension services for farmer groups, (b) promotion of private extension services, (c) promotion of client-oriented research activities, and (d) support for project management. The project focused on the improvement of agricultural extension services and on strengthening the linkage between extension and research to address the needs of farmer groups in the project area. The project aimed at utilizing and supporting the district agricultural development committees for better coordination with the activities of other agencies in irrigation, livestock, and rural finance. The project was rated "satisfactory" in its recent project performance report (PPR). There was no project completion report (PCR) schedule yet. The project was expected to be completed in December 2007.
- (ii) **Loan 2092: Decentralized Rural Infrastructure and Livelihood (2004–2011).** The project's aim is to address the development needs of conflict-affected communities to restore income and connect the rural poor to markets and economic opportunities through investments in rural infrastructure and livelihood restoration facilities. The project support includes the improvement of rural transport infrastructure, consisting of roads, trails, and pedestrian bridges. The project also has a capacity building component at the national level and in the project area. The project was rated "satisfactory" in its recent PPR. Disbursement reached 11% within an elapsed period of 48%.
- (iii) **Loan 1650: Rural Microfinance (1998–2007).** The project aimed to improve the socioeconomic status of women, increase their employment opportunities and develop microenterprise through the provision of rural financial services, including a revolving line of credit to finance viable farm and off-farm activities. The project also supported a program to improve women's investment opportunities and skills, and strengthen the institutional and financial capabilities

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<sup>1</sup> ADB. 1997. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Nepal for the Second Agriculture Program (Loan 1604-NEP[Sf])*. Manila. Available: <http://www.adb.org/Documents/RRPs/NEP/rrp-R25197.pdf>

<sup>2</sup> ADB. 2004. *Program Performance Audit Report for on the Second Agriculture Program in Nepal (Loan 1604-NEP[Sf])*. Manila. Available: <http://www.adb.org/Documents/PPARs/NEP/ppa-nep-25361.pdf>

of microfinance institutions. The project was rated “satisfactory” in its recent PPR. Disbursement reached 100% within an elapsed period of 132%.

- (iv) **Loan 1609: Community Groundwater Irrigation Sector (1998–2007).** The main objective of the project was to increase agricultural productivity on a sustainable basis, and to improve incomes of small farmer through participatory, demand driven and community-based approaches for shallow tube-well development, and capacity building of water user groups. The project support consisted of four components: (a) community shallow tube-well development, (b) improvement of farm to market roads, (c) provision of credit for shallow tube-well investment and crop production, and (d) institutional strengthening for community-managed shallow tube-wells. PCR is scheduled in the second quarter of 2008. The project was rated “satisfactory” in its recent PPR. Disbursement reached 96% within an elapsed period of 135%.
- (v) **Loan 2143: Gender Equality and Empowerment of Women (2004–2010).** The objective of the project is to improve the socioeconomic conditions of poor rural women through a process of economic, social, legal, and political empowerment by (i) strengthening their individual capabilities to improve their access to and control over assets; (ii) building group support for individual and collective action to influence and hold institutions accountable; and (iii) reforming Government institutions and processes to become gender-responsive and include previously marginalized women into development opportunities. The project components comprise (i) economic empowerment, (ii) legal empowerment, (iii) social empowerment, and (iv) institutional strengthening and project management. The components are mutually supporting to promote a virtuous circle of socioeconomic improvement among poor rural women.
- (vi) **Loan 2102: Community-Managed Irrigated Agriculture Sector (2004–2012).** The objective of the project is to improve agriculture productivity and sustainability of existing farmer-managed irrigation systems (FMIS). The project aims to institutionalize improved service delivery mechanisms for FMIS including irrigation and agriculture extension services within the regular setup in Department of Irrigation, Department of Agriculture, and local governance institutions. The expected benefits of the project are (a) increased agricultural production, (b) increased income earning opportunities, and (c) improved nutritional status particularly among smallholders suffering from chronic food deficit. The project was rated “satisfactory” in its recent PPR. Disbursement reached 7% within an elapsed period of 42%.
- (vii) **Loan 2071: Community Livestock Development (2003–2010).** The objective of the project is to reduce the incidence of poverty in rural communities in the project area. Its purpose is to improve the food security, nutrition, incomes, and employment of 164,000 families through increased productivity of the livestock subsector in an environmentally sustainable and socially equitable manner. The project support is being used for the improvement in livestock subsectors through (a) capacity development of stakeholders (b) productivity enhancement, and (c) improvement of processing and marketing. The project was rated “satisfactory” in its recent PPR. Disbursement reached 31% within an elapsed period of 64%.

## B. Advisory Technical Assistance for the Sector Performance Assessment

- (i) **TA 4774: Economic and Social Inclusion of the Disadvantaged Poor Through Livelihood Enhancement with Micro-Irrigation (2006–2007).** The TA aimed to establish effective micro-irrigation service delivery systems to the poorest and most disadvantaged groups—including ethnic minorities, *dalits* (low occupational castes), women, marginal farmers, and landless families—to back up the Community-Managed Irrigated Agriculture Sector Project.
- (ii) **TA 3008: Institutional Reforms in the Agriculture Sector (1998–2001).** The TA’s objective was to assist the Government in facilitating its ongoing policy and institutional reforms in the agriculture sector. The TA comprised of two components: (i) support—to reform agriculture institutions, and (ii) strengthen the management capability for local infrastructure development. The TA was completed in January 2000. The TCR rated the project “generally successful.”
- (iii) **TA 3247: Monitoring of the Agriculture Perspective Plan (1999–2001).** The objective of the TA was to assist the Government in improving the monitoring of the APP. The TA aimed to (a) institutionalize the Internal Audit Unit’s (IAU) activities into the project and budget screening mechanisms of the National Planning Commission; (b) improve the quality of IAU’s management information system; (c) capacity development of staff of IAU and other agencies on the effective use of the database and the computer program; and (d) conduct field surveys; (e) exchange of information with wide range of stakeholders in agricultural sector; and (f) recommend practical measures to ensure that the IAU’s monitoring activities will become sustainable.
- (iv) **TA 3536: Agriculture Sector Performance Review (2000–2002).** The proposed TA assessed the agriculture sector performance and identify the remaining gaps and issues to contribute to the effective APP implementation. The findings and recommendations of the TA were expected to help implement sustainable reforms and promote a smooth transition towards market-oriented agriculture. The TA was post-evaluated by the OED in December 2002 and was rated “successful.” The TCR was circulated in July 2003 and rated the TA “successful.”
- (v) **TA 4397: Capacity Building in Rural Infrastructure Institutions (2004–2009).**<sup>3</sup> The TA supported capacity development in the Department of Local Infrastructure Development and Agricultural Road’s (DOLIDAR) in a number of key complementary areas at the sector level.<sup>4</sup> The TA aimed to draw together, assess, and build on the achievements and experience of procedures already being used in different programs within the sector. The TA is expected to be completed in December 2009.
- (vi) **TA 4969: Strengthening Land Administration (2007–2008).** The TA is expected to contribute to the improved social justice and poverty reduction through the development of an effective land management system. The TA was

<sup>3</sup> This TA was piggy-backed to Loan 2092: Decentralized Rural Infrastructure and Livelihood Project.

<sup>4</sup> The TA was also expected to support the development of national policies and strategies that previous ADB TAs had initiated (ADB. 1996. *Technical Assistance to the Kingdom of Nepal for Institutional Strengthening for Rural Infrastructure Development*. Manila, and ADB. 1998. *Technical Assistance to the Kingdom of Nepal for Institutional Reforms in the Agriculture Sector*. Manila).

expected to increase the effectiveness of the land administration system and, in the long term, improve social justice and the rights of the poor. The key expected outputs are: (a) a revised business process; (b) a strategy on technology use in land administration; (c) accessible, secure, and upgraded land records; (d) an action plan and costing to implement the strategy; (e) pilot testing of the strategy in selected areas within districts; and (f) a road map towards a comprehensive national land policy framework. The TA is expected to be completed in December 2008.

- (vii) **TA 2851: Third Livestock Development (1997–2003).**<sup>5</sup> The TA's was provided to further strengthen the institutional, technical, and management capacity of the Department of Livestock Services (DLS) to implement livestock programs in a participatory manner. In addition, the project aimed to promote marketing/processing of livestock through enhanced private sector participation. In particular, the TA was expected to assist DLS in (a) further refining, applying and managing participatory livestock development strategies and approaches, (b) technical and management capacity building through training for delivery of quality extension services, (c) establishing small and medium-sized business enterprises on milk and meat processing and marketing, and (d) developing modalities for collaboration with NGOs, the private sector, and participating financial institutions to implement livestock programs. The TCR rated the project "successful."
  
- (viii) **TA 4353: Promoting Pro-Poor and Gender Responsive Service Delivery (2004–2007).** The TA was designed to enhance participation of poor and disadvantaged women and men through gender responsive service delivery in *Lamjung* and *Nawalparasi* districts. The TA objective was to identify and pilot-test effective approaches to inclusive poverty reduction. The TCR rated the project "partly successful."

### C. Grant Assistances for the Sector Performance Assessment

- (i) **Grant 63: Commercial Agriculture Development (2006–2013).** Poverty reduction is expected to be realized by targeting poor areas and expanding the economic opportunities of the rural poor, catalyzing private sector investment in agriculture, and strengthening the capacity of local institutions. A primary focus is on helping farmers become more knowledgeable, capable, and competitive within the market chain to secure improved incomes. Investment in local infrastructures in the form of collection and storage centers, cool stores, access to market information and agribusiness and/or product improvement technology will be provided. Attention will also be given to traders and processors to improve the quality and regularity of supply of products purchased by them and to encourage their investment in the market chain through linkages to farmers. The project is expected to reduce poverty in 11 districts (5 hill districts, 5 *terai* districts, and 1 mountain district) in the Eastern Development Region (EDR) of Nepal.

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<sup>5</sup> The TA was approved subsequent to the approval of its piggy-backed Loan 1461: Third Livestock Development Project.

- (ii) **Grant 9101: Improving the Livelihoods of Poor Farmers and Disadvantaged Groups in the Eastern Development Region (2006–2010).** The objectives of the JFPR Project are to (i) improve the livelihoods of the rural poor in the agriculture sector and (ii) increase participation in the development process in the EDR. The purpose of the Project is to reach 12,000 very poor people in Dhankuta, Morang, Saptari and Sunsari, districts, increase their incomes, and enhance skills in effective participation in development efforts.