

ASIAN DEVELOPMENT BANK

TAR:NEP 35170

TECHNICAL ASSISTANCE

TO THE

KINGDOM OF NEPAL

FOR PREPARING THE

COMMUNITY LIVESTOCK DEVELOPMENT PROJECT

December 2002

CURRENCY EQUIVALENTS

(as of 12 December 2002)

Currency Unit	–	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.01282
\$1.00	=	NRs78.0

- (i) The Nepalese rupee is pegged to the Indian rupee (Re) at NRs1.60 to Re1.00 and is fully convertible on all current account transactions.
- (ii) For calculations in this report, the exchange rate of \$1.00 = NRs78.0 is used, the rate prevailing during fact-finding.

ABBREVIATIONS

ADB	-	Asian Development Bank
CBO	-	community based organization
CLDP	-	Community Livestock Development Project
DLS	-	Department of Livestock Services
ha	-	hectare
HDI	-	human development index
NGO	-	nongovernment organization
TA	-	technical assistance
TLDP	-	Third Livestock Development Project

NOTES

- (i) The fiscal year (FY) of the Government ends on 15 July. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2000 ends on 15 July 2000.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Government of Nepal requested the Asian Development Bank (ADB) to provide project preparatory technical assistance (TA) for the Community Livestock Development Project (CLDP).¹ The ADB Fact-Finding Mission visited Nepal during 11-18 November 2002 and consulted with representatives of the Government, nongovernment organizations (NGOs), aid agencies, and the private sector. The Mission reached an understanding with the Government on the objectives, scope, cost estimates and financing plan, implementation arrangements, and outline terms of reference for the TA.²

II. ISSUES

2. Nepal is one of the poorest countries in the world, with a per capita income of \$246 in FY2001 and about 42% of the population below the poverty line.³ Despite significant improvements in economic and social indicators over the past 2 decades, poverty is still widespread. While Nepal was one of the countries in Asia that recorded a significant improvement in the human development index (HDI) over the last decade,⁴ the level of indicators remains low. Inequalities across geographic regions and ecological zones and the rural-urban divide remain wide, as do those across gender, ethnic, and caste lines. Poverty is much more prevalent, intense, and severe in rural areas where poverty incidence (44%) is almost double that in urban areas (23%).⁵

3. Livestock is an integral part of the Nepalese agriculture system. Many poor rural households raise livestock, which is valued for its contribution to family nutrition and income, as a capital reserve, and for social obligations and prestige. Livestock contributes to the sustainability of agriculture systems by producing dung for compost, and almost all the draft power for cropping and threshing. Livestock is the only source of high-value protein—milk, milk products, meat, and eggs—in the diet of poor families. Livestock provides about 20% of the total rural household income from the sale of products such as milk and meat. On average, 75% of households keep cattle, and 51% keep goats, buffalo, and rural chicken. Farmers with smaller landholdings of between 0.2 and 0.5 hectare (ha) keep almost 25% of the livestock. The landless or near landless (less than 0.2 ha) own about 11% of the livestock. Women play a significant role in managing and taking care of livestock, contributing 70% of the work effort in livestock raising.

4. The growth of agriculture over the last 10 years has been a modest 2.7%. Livestock on the other hand has grown on average by 3.6% per year and contributes 31% to the agricultural gross domestic product. Dairy, the most important livestock component, contributes 63% of the total livestock contribution to agricultural gross domestic product, followed by meat (32%) and eggs (5%). However, the productivity of livestock is generally low and needs improvement. The low productivity is largely due to poor livestock quality, feed and fodder quality and availability, disease control, and management. Marketing of livestock, slaughtering, and processing remain inefficient, and the cost of production is high. Removing the constraints facing the subsector will

¹ The Government has already prepared a project prefeasibility study on its own, indicating its ownership of the Project, but which requires additional consultant inputs to produce a full feasibility study.

² The TA first appeared in *ADB Business Opportunities* (Internet edition) on 21 November 2002.

³ The national poverty line is set at about NRs4,400 (\$77) per capita per annum and based on calorie intake, housing, and various nonfood standards.

⁴ The HDI value for Nepal was 0.42 in 1990, placing Nepal in 152nd position. The value has significantly increased to 0.49, improving the ranking to 142nd position in 2000.

⁵ ADB. 2002. *Poverty Reduction in Nepal*. Manila.

provide further opportunities for livestock growth to be exploited. Livestock can then contribute more to growth in the agriculture sector, and to poverty reduction.

5. The ADB Nepal Livestock Sector Review and reviews of the ongoing Third Livestock Development Project (TLDP)⁶ have shown the importance of the livestock sector and project interventions in increasing poor families' incomes. Under previous ADB projects and the ongoing TLDP, the use of farmer groups and the gradual withdrawal of the Department of Livestock Services (DLS) from the provision of livestock extension services in favor of private sector service providers have been successfully undertaken. These developments need to be reinforced and replicated more widely. DLS must continue to focus more on formulating policy, monitoring, reviewing, and regulating development activities, and leave field implementation and production-oriented activities to the private sector. DLS also needs to promote private sector involvement and investment in the livestock subsector through support in the form of training and technical information, by facilitating the availability of inputs such as microfinance and ensuring a favorable policy environment.

6. The ongoing TLDP has had a significant impact in increasing beneficiary incomes. Lessons learned from past and current interventions (such as TLDP) have identified a number of opportunities and constraints in the subsector. The involvement of stakeholders in selecting priority "pocket" areas and in program planning and implementation is an important factor in achieving better results. All stakeholders highly appreciate livestock action teams in project districts for the latter's usefulness in project planning, but the teams' role in supporting implementation and monitoring needs to be strengthened. Elaborating and institutionalizing the concept in the planning system of local authorities are therefore important governance issues. Public-private partnerships work very well in certain aspects of livestock subsector development programs such as research and extension and should be encouraged. Promotion of district-level cooperatives for small-scale milk processing and marketing not only provides increased milk market outlets and income for farmers, but also creates employment. Social mobilization through community-based organizations (CBOs) and NGOs has increased the participation of women and disadvantaged families in livestock development programs. A mechanism to ensure the sustainability of such approaches needs to be designed, tested, and handed over to local authorities. As livestock farming becomes more commercialized, there is a need for field staff from support agencies to broaden their capabilities to advise on marketing, processing, and agribusiness matters. While CBOs and NGOs have facilitated the expansion of credit delivery, readily available rural credit is still a problem that needs to be addressed.

7. The October 2001 Poverty Reduction Partnership Agreement between ADB and the Government emphasizes the need to accelerate economic growth while addressing the rising trend in income inequality. Economic growth must be more pro-poor to ensure higher growth in the agriculture sector through diversification to crops with higher value-added and noncrop agriculture like livestock, with provision of credit as a priority. The objectives of the Tenth Five-Year Development Plan (2003-2008) in agriculture are to (i) enhance food and nutrition security by increasing production and productivity in the agriculture sector, and (ii) develop agro-based industries. The objectives will be achieved in part by commercializing agriculture, diversifying agricultural production, and implementing integrated package programs to increase the output of livestock products.

⁶ ADB. 1996. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Nepal for the Third Livestock Development Project*. Manila.

8. The livestock subsector is a major contributor to growth in agriculture, increased farm incomes, and poverty reduction, particularly for poor women. The TA and the proposed Project will build on the lessons learned from past experience and the fact that smallholder livestock production, as demonstrated in previous ADB projects and TLDP, is an effective means of reducing rural poverty, especially for women, for whom rearing of household animals provides relatively easy access to income, improved family nutritional levels, and empowerment. The TA and the proposed Project will seek to ensure that the policy environment favors the development of the skills of livestock farmers and entrepreneurs (processors and marketers); that farmers and entrepreneurs have the capacity to plan and manage their enterprises; that required inputs and services are readily accessible; that livestock marketing becomes more efficient and low cost; that good markets for livestock products exist; that a competent and efficient DLS can effectively monitor, evaluate, and control quality; and that planning for the future is participatory, holistic, and flexible to adapt to changing circumstances. The focus will be on sustainable and socially equitable development. The proposed Project is consistent with the Government's and ADB's poverty reduction and gender strategies as enunciated in the Government's Tenth Five-Year Plan, the Poverty Reduction Partnership Agreement between the Government and ADB, and ADB's 2002 Country Strategy and Program Update.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

9. The TA will assist the Government to update its prefeasibility study and design an investment project that is suitable for external financing. The project goal is to reduce the level of poverty for 63,000 farming families in Nepal by improving family nutrition and providing income and employment opportunities arising from improved livestock keeping. A package of assistance to improve livestock productivity and farmer capability will directly address poverty-related issues, while improved access to markets for livestock products will enhance the livelihoods of farmers in all five regions of Nepal.

B. Methodology and Key Activities

10. The TA will design a project that targets poverty reduction, economic growth, employment generation, promotion of private sector involvement and public-private partnerships, human resource development, and greater capacity of the public and private sector (including NGOs) to deliver microfinance, inputs, and services. The main beneficiaries will be poor rural women and smallholder farmers who will be assisted in producing and marketing livestock and livestock products. A summary initial poverty and social analysis is in Appendix 1. The ensuing project will cover such activities as (i) community mobilization and gender integration; (ii) animal productivity improvement; (iii) strengthening institutions and developing their capability; (iv) commercializing, processing and marketing animal products; and (v) a pilot project for livestock development at high altitudes.

11. A number of principles will guide the project design and implementation. A people-centered focus will be adopted, as well as a pro-poor focus concentrating on small investments, smaller animals, lower risk ventures, forage development, farmer organizations, and training. A participatory approach involving various techniques employed in TLDP will direct project planning and implementation. The proven farmer group and pocket package approach of TLDP will be adopted with modifications. Institutional mechanisms such as livestock action teams that facilitate a participatory approach and coordinated stakeholder effort at the local level will be continued. A market-led development approach will be followed. Because of its relatively

underdeveloped status, meat production rather than milk production will be emphasized. A gender-sensitive approach will ensure that women represent at least 50% of the participants in all project activities. A partnership approach in which the respective strengths and resources of the public sector (DLS and associated line agencies), the private sector (NGOs, CBOs, entrepreneurs, and private sector associations), and farmers (in groups, associations, or cooperatives) are combined and utilized will be used. The project design will provide flexibility for subsequent project management—project elements can be modified as progress and experience dictate.

12. The TA is expected to prepare a project covering 56 districts. Ten are districts in the Midwestern and Far Western regions currently covered by TLDP, and an additional 8 districts are in the Far Western and Eastern regions of the country. Those districts will have all four project components. Another 30 districts (18 under TLDP and 12 new districts) in the Western, Central, and Eastern regions will receive assistance to improve market access and the processing of meat and milk. The high-altitude pilot project will be introduced in eight districts in the Midwestern and Far Western development regions.

C. Cost and Financing

13. The total cost of the TA is estimated at \$500,000 equivalent, comprising a foreign exchange cost of \$272,000 and local currency cost of \$228,000 equivalent. ADB will provide \$400,000 to finance the entire foreign exchange cost and \$128,000 equivalent in local currency cost. The TA will be financed on a grant basis by ADB's TA funding program. The Government has given its assurance that when the TA begins, it will contribute the remaining local currency cost of \$100,000 equivalent for office accommodation, equipment, counterpart staff support, field transport, facilities for seminars and meetings, and other administrative expenses. The Government will provide all relevant information required for the TA activities. Details of the cost estimates and financing plan are in Appendix 2. The Government has been advised that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

14. The Executing Agency for the TA will be DLS, which will establish a TA implementation unit attached to the existing TLDP project office. DLS will (i) appoint a qualified and full-time TA project coordinator (a deputy director general of DLS), and sufficient counterpart and support staff to provide overall support and coordination; (ii) assist in providing transportation for the consultants and government counterparts; (iii) provide office space, equipment, utilities, furnishings, and local communications facilities for the consultants and counterparts; and (iv) assist with surveys, stakeholder workshops, and participatory exercises. The TA project coordinator will coordinate TA implementation with the concerned government ministries and agencies, NGOs, aid agencies, and other stakeholders as required.

15. The TA will be implemented in three phases over 4 months from February to May 2003, (Appendix 3). Phase 1 (1 month) will involve preparing a draft work plan and identifying new target areas and areas where to continue the ongoing TLDP; and conducting a detailed poverty and social analysis, including rapid rural appraisals, identifying stakeholders, and initiating baseline surveys. Phase 2 (2 months) will involve reviewing lessons learned and incorporating them into the project design, holding participatory workshops, completing the baseline surveys, collecting data, preparing a benefit monitoring and evaluation program for the project, planning the scope of the project components, and identifying policy issues. Phase 3 (1 month) will involve finalizing the feasibility study for an investment project.

16. Extensive participatory consultation with a wide range of stakeholders will develop commitment to the participatory development process that will be promoted during the project's design and implementation. At the end of phase 1, the Ministry of Agriculture and Cooperatives will form a TA advisory group (based on the existing TLDP project coordination committee), comprising stakeholder representatives (potential beneficiaries, NGOs, and the private sector) and chaired by the director general of DLS. The advisory group will work closely with the TA consultants by participating in workshops and working groups and contributing to the participatory planning process to develop the project strategies and design.

17. The consulting services for the TA total 35.5 person-months: 12 international and 23.5 domestic. The international consultants will have experience in (i) participatory approaches (team leader), (ii) institutional strengthening, (iii) agricultural economics, (iv) livestock forage and feed, and (iv) livestock marketing. The domestic consultants will have experience in (i) livestock forage and feed (deputy team leader); (ii) rural microfinance; (iii) poverty reduction and social analysis/NGOs; (iv) gender issues; (v) milk processing; (vi) meat processing; (vii) animal production and poultry; (viii) institutional strengthening, training, and participation; and (ix) environmental assessment. ADB will engage the international and domestic consultants as individuals in accordance with its *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. The international team leader and domestic deputy team leader will manage the consultant team and TA output finalization. The outline terms of reference for the consultants are in Appendix 4.

18. The Government has agreed to provide necessary office equipment, and the TA will provide any additional required equipment that the consultant will purchase in accordance with ADB's *Guidelines for Procurement*. The equipment will be handed over to DLS upon completion of the TA. The TA will also provide funds for workshops, working group studies, and surveys to be conducted by the consultants in accordance with arrangements acceptable to ADB.

19. The consultants will prepare (i) an inception report 2 weeks after the TA starts, for discussion at the inception tripartite meeting; (ii) a progress report to be submitted 2 months after the TA starts, before the second tripartite meeting; (iii) a draft final report after 3.25 months, before the final tripartite meeting; and (iv) a final report at the conclusion of the consulting services. All reports will be submitted to the Government, the advisory group, and ADB.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$400,000 to the Government of Nepal for preparing the Community Livestock Development Project, and hereby reports this action to the Board. The technical assistance, initially financed as a grant, will be subject to the reimbursement arrangements set forth in *Technical Assistance Operations*⁷ and *Streamlining of Technical Assistance Operations*.⁸ If the technical assistance results in an ADB loan, ADB may charge against the loan, and recover from it, the portion of the initial grant that exceeds \$250,000 equivalent.

⁷ ADB. 1977. *Technical Assistance Operations*. R51-77, 20 May. Manila.

⁸ ADB. 1988. *Streamlining of Technical Assistance Operations*. R44-88, 21 March. Manila.

SUMMARY INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

Sector identified as a national priority in country poverty analysis? Yes	Sector identified as a national priority in country poverty partnership agreement? Yes
Contribution of the sector/subsector to reduce poverty in (Nepal):	
<p>Agriculture accounts for 40% of the gross domestic product, and the livestock sector contributes 31% to the agricultural gross domestic product. The country ranks 142nd out of 173 countries and has a human development index (HDI) of 0.49, lower than the weighted average for South Asia (0.57). A comparison of HDI values across the five development regions of Nepal highlights significant differences in human capabilities. For instance, the HDI of the Midwestern and Far Western regions at 0.402 and 0.385 respectively, are much lower than the HDI of the Central (0.493), Eastern (0.484), and Western regions (0.479). The gender-related development index follows the same pattern as the HDI, higher in the Central (0.476), Eastern (0.465) and Western (0.463) regions, and lower in Midwestern (0.376) and Far Western regions (0.356). Significant differences between urban and rural areas also emerge. Rural poverty at 42% is twice as high as that for urban poverty (23%), indicating that poverty is more intense and severe in rural areas where 88% of the total population reside. The population growth rate increased from 2.1% in 1991 to 2.3% in 2001. The increase was concentrated in rural areas, with rural women having more than twice as many children (4.4) as urban women (2.1). In the rural areas, poverty persists and development interventions to address disparities are needed.</p> <p>Livestock plays a vital role in food security for the poor. It is the only source of high-value protein in the diet and provides 20% of total household income in the hills. High rural population growth without commensurate growth in employment opportunities has forced many farmers to intensify the use of public land, forests, and marginal lands. Data on investment in livestock per household shows considerable increases since 1997/98, but when different quintiles are compared, the poorest had higher investments than those in the higher quintiles (13.2% compared with 4.8% of incomes, respectively). The strategy of the rural poor to increase animal numbers with the intention of increasing productivity without improvements in breeding management and animal feed has not contributed to improving household food security. Rather, it has increased pressure on grazing land, with negative environmental impacts and devastating effects on the poor, particularly women, as they collect animal feed primarily on marginal and fragile lands. Consequently, livestock productivity has remained low. The most serious limiting factor in livestock production is the acute shortage of feed supply, with only 66% of annual requirements available. When more than 80% of the economically active population are engaged in crop-livestock-forest integrated farming systems, improved performance of the livestock sector can be decisive in reducing poverty. Since a large number of smallholder farmers and the landless raise livestock, targeted development of the livestock subsector will significantly raise the incomes of the poor. Attention needs to be focused on identifying and developing market opportunities to enable poor farmers to invest in livestock inputs, such as improved animal nutrition and health and better animal husbandry methods necessary for increased productivity.</p> <p>The proposed Project is supportive of the Agriculture Perspective Plan and the Tenth Five-Year Plan and seeks to promote income growth of men and women farmers, and support poor farmers who become involved in producing, processing, and marketing livestock products, especially in the hinterlands; expanding poor farmers' access to larger market centers; disseminating knowledge of marketing alternatives; and encouraging better linkages between producers, processors, and traders of animals and animal products. The project preparatory technical assistance (TA) will assess the distribution of benefits to different categories of men and women farmers and demonstrate how project benefits will accrue disproportionately to the poor.</p>	

B. Poverty Analysis

Proposed Classification: Core Poverty Intervention
Gender and Development

What type of poverty analysis is needed?

The proposed Project will cover 56 districts (including 8 pilot hill districts) and all five development regions. Poverty is widespread with an estimated 42% of the population below the poverty line. Farms have an average size of less than 1 hectare and are highly fragmented and scattered, creating difficulties in the efficient use of land and farm labor. A considerable portion (up to 17%) of cropped land is leased by landless tenants or is under mixed tenancy. Poverty is widespread and is exacerbated in pockets, particularly in the hills but also in the terai, and among ethnic minorities and occupational caste groups. Men migrate in search of work, leaving women as the primary decision maker at both household and farm levels, especially among low-income households. Consumption per capita in the lowest decile, perhaps best captures the magnitude and intensity of poverty. The poorest allocate 69% of total expenditures to food, 16 percentage points more than those in the highest decile. Malnutrition is prevalent among the poor and involves not

only caloric deprivation but also serious deficiencies in proteins and micronutrients such as betacarotene, calcium, iron, and iodine. Thus, the poor are prone to nutritional disorders and have low overall productivity. Household food shortages and unemployment remain major risks to the majority of the people. The TA will assess movements in and out of poverty for a clearer understanding of how rural households structure their livelihoods and income base with both farm and nonfarm activities. The extent of households' dependence on rural and urban sources of income and the nature of risk management will need to be assessed and elements of pro-poor growth identified for incorporation into the project design.

Overall, women head 10% of households, with the Western Region having the highest proportion (19%) of female heads of households and the Midwestern Region the lowest (3%). Poor women lack the means and the opportunity to challenge customary conventions. They are difficult to reach and hard to organize into groups as they have higher opportunity costs and less capacity to wait for investment payoffs. Efforts to reach women with inputs and government services have had little impact on women's incomes. All too often, programs have focused on training for income-generating activities that are low paying, less productive, and low in demand. As a result, women remain confined to traditional activities. Only a small proportion of women's groups have been trained in improved livestock care or provided with inputs to pursue these activities profitably. Among the poor, especially the landless, women share the income-earning responsibility with men. Therefore, women's income is essential for households to have an acceptable level of food security. The Project will ensure that poor women participate in livestock groups (women's groups and mixed gender groups) and will build their organizational capacity. The Project will assess the social capital of farmer groups and organizations, and identify the need for organizational strengthening and capacity building for better servicing of their members and to increase their capability to be self-reliant. Employment opportunities will be increased by commercializing livestock production and developing processing and agribusinesses. The results are reduction of poverty and of the need for men to migrate to seek employment, and positive impacts for women and children.

The Project will identify impoverished areas in the project districts and conduct needs assessments to ensure that disadvantaged groups receive equal opportunities to participate in project activities. In addition, the nature of farming practices will be assessed; and the size, fragmentation of farmland, the pattern of land usage, and patterns in livestock ownership and uses will be determined. This information will be used to (i) ensure that project benefits accrue to men and women farmers and other disadvantaged groups; (ii) identify and recommend support for mechanisms to link resource-rich areas with resource-poor areas; and (iii) identify strategies to improve marketing of agricultural products especially by poor, illiterate farmers and women, and the dissemination of market information. Poverty and gender considerations will form an integral part of the project design.

C. Participation Process

Stakeholder Analysis

(details to be finalized during implementation)

Yes

Participation Strategy

Poverty and gender specialists will conduct field consultations using rapid rural appraisal and participatory rapid assessment techniques, in addition to conducting surveys and gender analysis, identifying stakeholders, and initiating social mobilization. Selected stakeholder representatives will form an advisory group at the beginning of the fieldwork to work closely with the consultants. The Project will apply participatory planning approaches involving stakeholders in a continuous participatory planning process of workshops and working groups so that the project design will represent a consensus by representatives of all stakeholders, especially poor women and smallholder farmers, the main beneficiaries. Two major workshops will be conducted, one at the beginning of the fieldwork and the other at the end of the fieldwork to consolidate views and recommendations for project design.

Yes

D. Gender

Strategy to Maximize Impacts on Women

Women play a major role in managing and taking care of livestock, contributing 70% of work related to livestock raising. Livestock rearing has the potential for generating sustained and profitable employment for women and poor men, and will be promoted in a manner that raises productivity and profits. The proposed Project builds on the gender mainstreaming strategy of the ongoing Third Livestock Development Project that has successfully increased women's participation to 46%, the majority of whom were decision makers in their groups. The proposed Project has a specific component on community mobilization and gender integration and has allocated sufficient resources to secure its integration, 2.5 person-months each for a gender specialist, and a poverty reduction and social/NGO specialist. The TA will ensure that women have a central role in the activities intended to improve animal production, productivity, and household incomes. Eligibility and selection criteria and special support (services, training, input supply including

access to credit) will be built into the Project to expand women's opportunities to participate in project activities. The TA will assess gender capacity building needs of the executing agency (central and field staff), concerned district line agencies, such as the Women Development Office and local governance structures, and identify policy reform needed to institutionalize the gender mainstreaming process in the Department of Livestock Services.

Output Prepared

The proposed Project seeks 50% participation of women in all project activities. The TA will prepare a plan to integrate gender concerns into the overall project design and develop monitoring indicators to assess differential impacts on men and women. The high-altitude pilot project proposed for 8 districts in the Midwestern and Far Western regions is characterized by transhumance livestock practices. Little work has been undertaken to understand these livestock-farming systems. Therefore, the TA will assess gender issues and identify strategies to address gender concerns for large-scale replication.

E. Social Safeguards and other Social Risks

Subject	Significant/ Nonsignificant/ None	Strategy to Address Issues	Plan Required
Resettlement	None	Not applicable	No
Affordability	None	The Project will take steps to ensure that the cost of credit and inputs is reasonable and that poor men and women farmers have equal access to credit through appropriate arrangements for collateral.	No
Labor	Nonsignificant	The Project will generate incremental employment through increased production and commercial activities. However, no major impact on the labor market is envisaged. The Project will monitor child labor and compliance with the International Core Labor Standards. The Project will ensure equal pay between men and women for the same work.	No
Indigenous People	Nonsignificant	The project focus and design center around detailed social analysis and participatory approaches, and therefore the process will ensure that ethnic, caste and other disadvantaged groups receive equal access to project benefits.	No
Other Risks/ Vulnerabilities	None	The effective use of participatory planning approaches will ensure full participation of stakeholders in the design process; thus, any potential risks of vulnerabilities will be addressed and commitment to and ownership of the ensuing project ensured.	No

COST ESTIMATES AND FINANCING PLAN
(\$)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	216,000	0	216,000
ii. Domestic Consultants	0	47,000	47,000
b. International and Local Travel	25,000	5,000	30,000
c. Reports and Communications	0	6,000	6,000
2. Equipment ^b	0	5,000	5,000
3. Vehicle Rental	0	10,000	10,000
4. Seminars and Meetings ^c	0	10,000	10,000
5. Studies and Surveys ^d	0	20,000	20,000
6. Miscellaneous Administration and Support Costs ^e	0	10,000	10,000
7. Contingencies	31,000	15,000	46,000
Subtotal (A)	272,000	128,000	400,000
B. Government Financing			
1. Office Accommodation and Equipment	0	25,000	25,000
2. Remuneration and Per Diem of Counterpart Staff	0	25,000	25,000
3. Field Transport	0	20,000	20,000
4. Facilities for Seminars and Meetings	0	15,000	15,000
5. Other Administrative Expenses	0	15,000	15,000
Subtotal (B)	0	100,000	100,000
Total	272,000	228,000	500,000

^a Financed by ADB's TA funding program.

^b Procurement of required office equipment.

^c Costs for local seminars and meetings.

^d Costs for surveys and rapid appraisals as required.

^e Including office utilities and supplies, and secretarial expenses.

Source: Asian Development Bank estimates.

IMPLEMENTATION SCHEDULE

Phases	Phase I				Phase II									Phase III				
	Activities				Activities									Activities				
Weeks	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
International Consultants^a																		
Team Leader/Participation Specialist (4.0)																		
Institutional Strengthening Specialist (1.5)																		
Agricultural Economist (3.0)																		
Livestock Forage/Feed Specialist (2.0)																		
Livestock Marketing Specialist (1.5)																		
Domestic Consultants^a																		
Deputy Team Leader/Livestock Forage and Feed Specialist (4.0)																		
Rural Microfinance Specialist (2.5)																		
Poverty Reduction and Social/NGO Specialist (2.5)																		
Gender Specialist (2.5)																		
Milk Processing Specialist (2.5)																		
Meat Processing Specialist (2.5)																		
Animal Production/Poultry Specialist (2.0)																		
Institutional Strengthening/Training/Participation Specialist (3.5)																		
Environment Specialist (1.5)																		
Workshops (W)																		
Tripartite Meetings (TM)																		
Reports (R)																		

NGO = nongovernment organization.

^a Person-months in parentheses.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The livestock subsector is a major contributor to growth in the agriculture sector, increased farm incomes, and poverty reduction, particularly for poor women. The technical assistance (TA) team will design a project that further increases the effectiveness of the livestock sector in contributing to poverty reduction and economic growth. In preparing the Project, the consultants will coordinate closely with the consultant team preparing the commercial agriculture development project to ensure consistency of approaches where appropriate. The TA will have three phases.

A. Phase 1 - Preparing the Work Plan, Rural Appraisal, Identifying Stakeholders, Poverty and Social Analysis, and Collecting Baseline Data (1 month)

2. Phase 1 will begin before the main group of consultants is fielded. The international team leader (participation specialist) and the domestic deputy team leader (livestock forage and feed specialist) will perform the following tasks:

- (i) Review the terms of reference for the TA; relevant documents such as the prefeasibility study of the Community Livestock Development Project (CLDP); Third Livestock Development Project (TLDP) implementation reviews; and studies and reports on poverty reduction, agriculture, and the livestock subsector in Nepal, particularly the Nepal Livestock Sector Review. Start dialogue with relevant government agencies on implementing the TA to prepare CLDP and the need for a changed role for the Department of Livestock Services (DLS).
- (ii) Prepare the detailed draft work plan, approach, and methodologies to be used in preparing the feasibility study for CLDP, including individual consultant inputs and logistic plans for office, communication, transport, secretarial, and accommodation requirements.
- (iii) Ensure that the detailed poverty and social analysis is undertaken as required. Assist the consultants undertaking the analysis, with the support of the DLS, in identifying the stakeholder representatives to participate in the first workshop.
- (iv) With the approval of the Asian Development Bank (ADB), help select and engage the other domestic consultants for the TA, following ADB's guidelines for recruiting individual consultants.
- (v) Assist the domestic institutional strengthening, training, and participation specialist to make arrangements for the first workshop and to train facilitators for the workshops. Form the TA advisory group.

3. Assisted and guided by the team leader and deputy team leader the poverty and social analysis/nongovernment organization (NGO) and gender specialists will carry out the following tasks:

- (i) Following ADB's guidelines in the *Handbook on Poverty and Social Analysis*, conduct a rapid rural appraisal and detailed poverty and social analysis of the tentatively identified project areas and confirm their suitability for inclusion in the project. Pay particular attention to issues of excluded and disadvantaged groups. Assist in selecting suitable representatives to participate in the advisory group. Carry out other tasks as detailed in the specialists' specific terms of reference.
- (ii) Conduct a baseline survey on the status of development of the livestock subsector and recommend appropriate mechanisms for a results-based benefit

monitoring and evaluation system that is cost-effective and participatory, and has monitorable indicators from the project framework that can be incorporated into the project performance management system.

- (iii) Prepare a report covering the details and findings of the activities conducted.

4. The international and local participation specialists will have the following responsibilities:

- (i) Assist the team in conducting team-building exercises for the consultants.
- (ii) Incorporate participatory planning approaches into the project design process.
- (iii) Assist in forming the advisory group.
- (iv) Prepare the initial phase 2 workshop, including training the facilitators.

B. Phase 2 - Participatory Planning, Fieldwork, Developing the Project Concept, and Detailed Components (2 months)

5. Phase 2 will begin with the fielding of the main group of international and domestic consultants. The consultants, working in collaboration with government counterparts and the advisory group, will have the following responsibilities:

- (i) Conduct the initial workshop to develop a common vision for the livestock subsector, focusing on poverty reduction; initiate a participatory approach; develop team spirit and commitment; and prepare the preliminary project outline and the proposed work plan. The findings of phase 1, the preliminary outline, and the work plan will be reviewed at the first tripartite meeting of the Government, ADB, the consultants, and the advisory group.
- (ii) Following the first tripartite meeting, start field studies to develop the details of the project. A project framework will be progressively developed for periodic review throughout project preparation, consistent with ADB's guide for *Using the Logical Framework*.
- (iii) Determine the scope of any additional detailed poverty and social analysis that may be required to ensure that the project has an effective gender-sensitive, pro-poor focus, consistent with ADB's *Handbook on Poverty and Social Analysis*. Identify social and gender factors contributing to project risk and viability.
- (iv) Update information on existing animal husbandry and management practices, and services to livestock raisers; and identify trends in livestock productivity and management practices and their underlying causes. Assess the impact of TLDP on poverty reduction, and incorporate the lessons learned from previous projects and ongoing projects such as TLDP into the project design. Include recommendations for dairy and goat production and agro-enterprises in the credit program's scope.
- (v) Using the Nepal Livestock Sector Review, examine external influences such as government policies and subsidies and issues of public funding that substantially affect the livestock subsector and the marketing of livestock products. Identify required policy changes, including those to promote greater private sector involvement in livestock development. In particular, examine the issue of the privatization of the Pokhara Milk Supply Scheme. Prepare a summary of previous and ongoing external assistance in the subsector.

- (vi) Evaluate the influence of improved veterinary, animal breeding, livestock extension, and microfinance services on livestock development, referring particularly to the changing roles of the public and private sectors in delivering those services and to new programs that have proved effective. Give particular attention to the needs, demands, and capacity of the beneficiaries to make use of these services, especially microfinance.
- (vii) Review and assess the institutional arrangements, conditions, and delivery mechanisms for credit, particularly interest rates and service charges, as used in TLDP and other projects with microfinance in poverty reduction programs. Make recommendations for implementing sustainable microfinance delivery systems that benefit poor farmers.
- (viii) Investigate and analyze the supply of feed and fodder to meet smallholder livestock production requirements, and the role of the private sector and research in developing alternative sources of supply. Recommend ways of improving the availability of forage and fodder for grazing animals.
- (ix) Review studies on farming systems and the options for improvement, especially at high altitudes. Investigate progress in implementing the recommended research programs aimed at developing appropriate packages to the beneficiaries. Assess the mechanisms for reviewing and adjusting training programs.
- (x) Update the information on the breed composition of different livestock in national and private sector programs for improving breeds and their relevance to the management and husbandry environment. Recommend changes to national livestock breeding policies and identify the human, capital, and financial resources required.
- (xi) Examine the impact of animal diseases on livestock production in Nepal and establish priorities for managing them, and research and control programs, especially when Nepal joins the World Trade Organization.
- (xii) Outline the impact of a changing supply of and demand for smallholder livestock products, the potential for trade, and the extent of border trade in livestock; and indicate needed adjustments (including quality control and regulation), particularly under a World Trade Organization regime. Analyze alternative arrangements for livestock marketing and processing, and recommend least-cost approaches. Prepare a marketing plan for project outputs, making recommendations for local and export marketing strategies. Give special attention to value-added processing.
- (xiii) Review the capability, adequacy, and management of public and private sector human resources involved in livestock development; and formulate strategies for improving and expanding them, including education and training.
- (xiv) Define the mechanisms—training, reorientation, and institutional arrangements—for the evolution of DLS as a facilitator of the subsector's development process, utilizing partnership arrangements with the private sector and NGOs, and a people-centered participatory approach that incorporates demand-led development as specified by the beneficiaries. In particular, examine in detail the performance of the livestock action teams under TLDP and their cost-effectiveness as a community-based service provider, and identify the critical factors (or risks and assumptions) for their effective replication. The analysis will

assess the incremental benefits (or cost savings) to be used for the farm budget and benefit-cost analyses.

- (xv) Analyze the need for a more effective review and enforcement of regulations and quality control and the Government's planned budgetary allocations to support livestock development. Make recommendations for the cost-effective financing of activities, and identifying possible cofinancing sources.
- (xvi) Examine environmental protection policies and the practicality of implementing them in developing the livestock sector, following ADB's *Environmental Guidelines for Selected Agricultural and Natural Resources Development Projects*.
- (xvii) Finalize an effective project benefit monitoring and evaluation system, considering mechanisms that provide qualitative feedback from farmers and other beneficiaries.
- (xviii) Conduct the second workshop to review the findings of phase 2 and to obtain consensus on the details proposed in the feasibility study for CLDP. Begin drafting the final report, incorporating the findings from the TA fieldwork and the deliberations of the advisory group during the participatory planning process.

C. Phase 3 - Completing the Feasibility Study and Summary Initial Environmental Examination (1 month)

6. The consultants, in collaboration with the advisory group, will complete the detailed draft final report begun in phase 2, building on the experiences TLDP. The consultants will finalize the project framework. The draft final report including the project framework will be reviewed at a meeting of the advisory group about 2 weeks after phase 3 begins, and any additional suggestions and comments will be decided at a final tripartite meeting. The consultants will incorporate comments and finalize the feasibility study for submission about 2 weeks later. During phase 3, the consultants will carry out these tasks:

- (i) Finalize a feasibility study (in English) for an investment project suitable for external financing. The Project will use participatory approaches for development and will focus on smallholder farmers and women, and encourage the sustainable development of the private sector.
- (ii) Describe the project scope in detail using an integrated systems approach, including comprehensive descriptions of the inputs and outputs, strategies, policy recommendations, training and research requirements, and the underlying technical assumptions.
- (iii) Define the criteria and select the project areas and locations for the project components and activities, clearly indicating the timing, content, and mechanisms for review of a phased development process.
- (iv) Using the COSTAB computer software, prepare detailed project cost estimates and arrangements for procuring goods and services.
- (v) Propose details of the institutional arrangements for project implementation, including microfinance arrangements, particularly the channels of funds flow, interest rates, and repayment requirements. Define the institutional mechanisms for adopting a process approach, and detail the mechanisms for incorporating participatory planning processes into project management and implementation.

Clearly indicate the process by which DLS will reorient its role to that of a facilitator of development.

- (vi) Describe strategies for institutional strengthening and local governance improvement, particularly in respect of policy support, human resource development, decentralization, and supply of inputs and services. Indicate mechanisms for establishing partnerships between government agencies (including local authorities) and the private sector (including NGOs and community-based organizations) in development activities. Give detailed recommendations for human resource development; and consultant, NGO, and community organization support, including detailed TOR.
- (vii) Prepare detailed financial and economic analyses including estimates of financial and economic internal rates of return as specified in Sections 35 and 36 of ADB's Operations Manual. Highlight the economic impact on the socially disadvantaged members of the community. Prepare budgets for model farm enterprises.
- (viii) Identify project beneficiaries by income group and indicate the likely distribution of project benefits among the various groups.
- (ix) Prepare a detailed project implementation schedule with supporting charts. Indicate required procurement arrangements and packages.
- (x) Design an appropriate project benefit monitoring and evaluation system as indicated in para. 3 (ii), consistent with ADB's *Handbook on Benefit Monitoring and Evaluation*, and detail any supporting and strengthening inputs, including funding and training, for effective monitoring.
- (xi) Indicate the environmental impacts of the project and recommend remedial measures. Prepare an initial environmental examination and summary initial environmental examination in accordance with ADB's *Environmental Assessment Requirements and Environmental Guidelines for Selected Agricultural and Natural Resources Development Projects*. Finalize the detailed poverty and social analysis of the proposed project.
- (xii) Prepare an executive summary in the format of an ADB report and recommendation to the President and submit the feasibility study and executive summary in printed and electronic versions, using Microsoft 2000 software.

D. Reporting Requirements

7. Under the direction of the team leader, the consultants will submit the following reports to the Government and ADB:

- (i) An inception report including a work plan will be submitted 2 weeks after the start of phase 1, for review and comment at the first tripartite meeting at the start of phase 2.
- (ii) A progress report with a detailed project outline will be reviewed at the second workshop and submitted to ADB and the Government before the second tripartite meeting.
- (iii) The draft final report will be submitted 2 weeks before the final meeting of the advisory group in the second week of phase 3. The final report will be submitted 21 days after the final tripartite meeting.