ADB ASIAN DEVELOPMENT BANK

Nepal: Commercial Agriculture Development

Project Name	Commercial Agriculture Development
Project Number	34308-022
Country	Nepal
Project Status	Closed
Project Type / Modality of Assistance	Grant
Source of Funding / Amount	**Grant 0063-NEP: Commercial Agriculture Development** Asian Development Fund — US$ 18.00 million
Strategic Agendas	Inclusive economic growth
Drivers of Change	Governance and capacity development Private sector development
Sector / Subsector	**Agriculture, natural resources and rural development** - Agricultural policy, institutional and capacity development - Agricultural production - Agriculture research and application - Agro-industry, marketing, and trade - Rural market infrastructure
Gender Equity and Mainstreaming	Effective gender mainstreaming
Description	The Project will reduce poverty in the rural communities of 11 EDR districts through equitable and sustainable commercialization of agriculture. The project outcome will be improved efficiency of production, marketing, and processing of HVCs such as vegetables, fruits, tea, and spices in the EDR. The project outputs include (i) increased public and private investment in commercial agriculture, (ii) inclusion of poor and semicommercial stakeholders in commercial agriculture, (iii) timely availability of market information to farmers, and (iv) enhanced capacity of project partners in supporting farmers.
Project Rationale and Linkage to Country/Regional Strategy	The Project builds on existing initiatives; responds to the needs of stakeholders; and ensures fairer benefits to poor disadvantaged communities and women. The Project is timely and based on sound experience; its design is consistent with ADB?s strategic focus under the CSP to (i) increase agricultural productivity (ii) increase agricultural income and employment opportunities for rural people, and (iii) increase commercialization of agriculture. ADB?s 2005?2009 country strategy and program (CSP) for Nepal links future ADB assistance to results sought by the Government to deal with the underlying causes and possible long-term effects of the recent conflict. Broad-based and inclusive social and economic development to achieve a steady decline in poverty is the adopted strategy. The results are in line with the objectives of the Government?s poverty reduction strategy (Tenth Five-Year Plan), which is built on four pillars: (i) broad-based and higher economic growth, (ii) social development, (iii) targeted programs for socially excluded groups, and (iv) good governance. The main thrusts of the CSP are (i) promoting greater development balance in different regions; (ii) improving access of the poor to basic services, opportunities for social advancement, and participation in the development process; and (iii) addressing the needs of disadvantaged ethnic groups, castes, and women. In project design, the CSP requires (i) simple design, (ii) service delivery through local stakeholders, (iii) demand-driven assistance, (iv) results-focused support, (v) flexible implementation modalities, (vi) community participation with social inclusion in overall project implementation, and (vii) greater transparency and accountability. These requirements guided design of the Project and are incorporated in its framework.
Impact	Reduced poverty in the rural communities of 11 districts in the Eastern Development Region (EDR) of Nepal through equitable and sustainable commercialization of agriculture

Project Outcome

Description of Outcome	Improved efficiency of marketing and processing high-value crops (HVCs) such as vegetables, fruits, tea, and spices in the EDR

Progress Toward Outcome	The area covered by HVCs has increased by additional 21,599 ha to that of 154,740 ha in 2006 due project intervention alone, and the production of HVCs has increased by 52% (205502 mt) compared with 135,000 mt in 2006. In terms of monetary value, HVC production has increased by 42% (NRs 13,902 million from NRs 9,803 million in 2006) among the beneficiaries as a result of the project interventions. The infrastructure subprojects supported through the commercial agriculture fund (CAF) for farm-to-market roads (71 km) and collection centers and market sheds (serving 1,165 ha HVC production area) have contributed to enhanced market accessibility of the target communities, while irrigation subprojects have helped bring new areas (1200 ha) under HVCs production. Similarly, the non-infrastructure subprojects supported under CAF, which include production and processing of HVC, seed production and marketing, packaging and processing, and compost production and inclusive development activities (for semi-commercial and subsistence stakeholders) have also contributed to the increased cropped area under HVCs. The marketed volume of HVCs has increased by 75% per farm household and to 13,159 kg from 7534 kg in the baseline data of project intervention areas. The export volume of selected HVCs (Large cardamom, fresh vegetables, Ginger and Tea) has increased by 26% (13901 MT) in 2012 as compared with 2006/7. The Project has placed due priority in balanced use of fertilizers. The non-infrastructure SPs has also contributed to increased organic fertilizer production (vermin-compost) and utilization in fruits, vegetables and tea. This has resulted in the adoption of sustainable soil management practice and contributed to the production of better quality HVCs. The support provided through component 1 activities has resulted in increased public, private and community investment in commercial agriculture. Against the actual total CAF investment of NRs. 354 million, the local government has funded NRs. 33 million, and the private investment has reached NRs. 218 million. Furthermore, the communities have contributed NRs. 26 million in the development of market infrastructure. The completed SPs are directly as well as indirectly contributing towards sustainable and equitable commercialization of agriculture in the Project area. Besides, those SPs have helped improve the value chain of targeted HVC.
Implementation Progress	
Description of Project Outputs	1. Increased public and private investment in commercial agriculture 1.1 Establishment of the commercial agriculture alliance (CAA) 1.2 Community-based market infrastructure investments 1.3 Noninfrastructure investments add value to agriculture products 2. Inclusion of poor and semi-commercial stakeholders in commercial agriculture 2.1 Development of subsistence stakeholders 2.2 Enhancement of semicommercial stakeholders 2.3 Promotion of social inclusiveness among commercial stakeholders 3. Timely availability of market information to farmers 4. Enhanced capacity of project partners in supporting farmers

Status of Implementation Progress (Outputs, Activities, and Issues)	- CAA has 532 active members - Membership comprises farmer group 55%, co-operative 28%, traders 10%, and processors 7%. - Six annual general meeting held, regular district meetings are being held. - 76 market infrastructure subprojects approved and agreements signed between DDC and concerned user groups, all completed. Of the 76 subprojects, farm to market roads are 22, market shed 23, collection centers 17, storage/go down 3, small irrigation 9 and other 2. - 100% of the completed market infrastructures are being managed by communities. 322 non-infrastructure subprojects approved, of which, 319 sub-projects are completed and 3 dropped. - 77% of sub-projects include HVC promotion. - 11% of sub-projects include quality control. - One percent of sub-projects include equipment for product testing. - 11% of sub-projects include agro-processing technology, equipment and machinery. - CAA members participated in promotional activities such as observation visits -9 (Palpa 1 visit on commercial vegetable farming; Darjeeling 1 on tea; Dhupgadi (India) 1 on tomato and chilly farming; Pusha (India) 1 on honey production/marketing; Ludhiyana (India) 1 on national level agri fair; Bhagalpur (India) 1 on state level agri fair; Thailand 1 on OVOP and cooperative marketing), Bangalore International Agri fair-1, Chandigarh Agri fair-1, Pusa/Delhi Agri fair-1 General members participated in the fairs on agri-business organized in Siraha, Morang and Panchthar. One event of Trade Expo (Birat expo 2011) organized Project organized an orientation program to CAA members on intellectual property right protection - CAA members have been provided 3 events of skill based promotional training on home processing, branding and labelling - 5 promotional activities and one national level workshop have been organised for HVCs promotion and industry networking. These include: tea farmers/processors/traders visit to India (April 2010), workshop on honey and visit to different markets for Producers (2010), one workshop on potato, chilli and tomato among different stakeholders (2010) - Contract signed with 11 NGOs for development of subsistence stakeholders in 11 districts. - A total 902 group formed and mobilized - 165 HVC production pockets and 35 marketing points identified by the partner NGOs. - NGOs and PMU assisted 23,379 households in implementing income generating activities. - 902 farmer groups formed and mobilized. - 5,684 landless people identified, organized into groups, and provided training. - 378 groups adopting small scale commercial activities. - Contract signed with 11 partner NGOs for promotion of semi-commercial stakeholders in 11 districts. - 255 groups formed and mobilized - 255 farmer groups (Semi and Other Stakeholders) graduate as marketing entities. - Efforts have been made to affiliate 81 marketing groups and other agribusiness stakeholders with existing associations of key HVCs like ginger, cardamom and tea in project districts - 57 cooperatives graduate as marketing entities. - 81 quality improvement groups established comprising of 1704 households - 15 groups comprising 375 households formed, capacitated and mobilized in improving post-production and quality improvements. - 15 training events organized in post-harvest, value addition and quality improvement. - 31 farmer groups/cooperatives received CAA Membership. - 22 NGOs as service providers contracted as per demand - 17 other service providers (training and logistics providers) shortlisted - 749 commercial stakeholders oriented in gender, social mobilization, inclusion, and environment management. - 21 group/cooperative based market information system (GMIS) established and functional. - 21 group/cooperatives assisted in operating and maintaining the market information system. - Consolidated district data systemized, integrated with centralized system and disseminated through AMIS website www.amis.gov.np, monthly bulletins, daily price e-bulletin, FMs Radios, SMS mobile phone service, Monthly TV program, weekly FM Radio, AMIS centre at APMCs-3 and DCCIs-4, GMIS Centers-17 and scrolling price notice board-2 - 43 project standardization training completed. - 136 basic marketing development training completed. - 39 training to partner NGO staff completed. - 50 training to DADO staff completed. - 90 events (24 training to CAA staff + 66 events to members completed). No major issues were noted during the implementation. However, the following issues need attention: - There is a growing concern among the CAA stakeholders about its long term sustainability. None of the Project related documents speaks about the operational modalities of CAA after the Project completion. So, these concern need to be addressed - Continuation of market information system established by the Project even after the closure of the project - Linking farmers' primary institutions (groups and cooperatives) with private sector/agribusinesses and service providers to facilitate increased value addition and achieving greater role in respective value chains
Geographical Location	Eastern Development Region of Nepal

Safeguard Categories

Environment	B
Involuntary Resettlement	C

Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	The project has been implementing acceptable level of environmental safeguards. The environmental safeguards are incorporated in subproject concept notes (SCN) and subproject detail proposals. Implementation is being monitored by environment consultant, district-based CAA monitoring officers and district technical office (DTO) staff. The adherence to labor-based approach, disposal of spoil, drainage management, replantation for cleared trees, protection from erosion, and encroachment of private land are a few important issues require carefully screened and addressed in subprojects. Infrastructure built under the Project are engineered and supervised for quality control by DTO and PMU engineers and users committees. It was agreed to intensify environmental monitoring in project implementation; avoid use of private property or submit as an annex to SCN a consent letter signed by owners and endorsed by village development committee or an independent NGO confirming that lands were donated voluntarily to subproject; prohibit use of heavy equipment for construction works and adopt labor-based approach; replant cleared trees at 1:25 ratio; carefully implement integrated pest management; and select subprojects based on priority. It was also agreed to increase technical staff for timely preparation, implementation monitoring and quality control of infrastructure subprojects. The quarterly progress report will include a section on status of environmental safeguards compliance in infrastructure and non-infrastructure subprojects.
Involuntary Resettlement	There is community infrastructure included in the commercial agriculture packages but no proposal from the beneficiaries has been accepted that might involve involuntary resettlement. However, the resettlement component is reflected in each of the proposal selection criteria. While selection of subprojects, the Project is carefully considering that no person is adversely affected due to land acquisition, resettlement or land donation and in terms of ADB's Policy on Involuntary Resettlement and the prevailing laws and regulations of the country.
Indigenous Peoples	The Project has no negative impact on indigenous people. The Project has been addressing the issues of social and economic exclusion through its component 2: inclusive development of stakeholders, which assists disadvantaged people and poor subsistence farmers to develop and participate in income-generating agricultural activities. Social Development Specialist at PMU has been assisting in ensuring the equitable distribution of project resources and equal access to project activities and structures. The associated JFPR grant targets and benefits the most disadvantaged people by focusing on building their capacity and on income generation opportunities through a specialized package of targeted support to ensure their participation. The Project has made a considerable progress in achieving the targets. Out of 274 CAA members, women comprise 48%, dalit 6%, janajati 41%, and others4 53%, which meets the GAP target. Of the total CAA members, farmer groups are 47%, cooperatives 32%, traders 11%, and processors 10%. Out of the total farmer groups, women only groups are 12%, while women only cooperatives are 20%. Rest of the farmer groups and cooperatives has women and men members. The traders (16) and processors (13) are mostly male groups. Of the total 25,144 subsistence and semi-commercial members, women are in high numbers 66% subsistence and 51% semi-commercial. Similarly, representation of dalit (26%) and janajati (53%) are also high in subsistence groups. The Project has institutionalized the systemic collection of disaggregated data from the field to centre, and proper formats have been used for periodic monitoring and reporting.
Stakeholder Communication, Participation, and Consultation	
During Project Design	Participatory design workshops with stakeholders conducted at several stages during PPTA implementation.
During Project Implementation	The Project will reduce rural poverty in the EDR through equitable and sustainable commercialization of agriculture. Impacts include increased economic activities and jobs in the project area. Social inclusion activities will promote the participation of all stakeholders including the poor, disadvantaged, and women in commercial agriculture; help them receive fair benefits from such participation; and in turn contribute to restoring peace and stability in the EDR. The Project will directly generate employment opportunities for subsistence stakeholders by promoting HVC production and marketing, transporting products from the field to storage and processing centers, and assisting small-scale community-based market infrastructure development. The landless poor will, through skill-based training, be made more employable and capable of income generation. Commercial stakeholders will be assisted to add value to agriculture products and encouraged to adopt socially inclusive behavior to help the less advantaged.

Business Opportunities

Consulting Services	A team of consultants will be engaged, through two firms, by MOAC to support project management, and to provide technical advice and assistance in implementing specific interventions. The consulting services requirement is estimated at a total of 420 person-months, comprising 103 international nd 317 domestic person-months.Two key experts, the international advisor and the lawyer, will be recruited individually.
Procurement	Procurement of goods and services under the Project will be carried out in accordance with ADB's Guidelines for procurement.

Responsible Staff

Responsible ADB Officer	Govinda Gewali
Responsible ADB Department	South Asia Department

Responsible ADB Division	Nepal Resident Mission
Executing Agencies	*Ministry of Agriculture and Cooperatives* *Tek Bahadur Bam* *mail@cadp.gov.np* *Biratnagar, Morang, Nepal*

Timetable

Concept Clearance	22 Sep 2004
Fact Finding	02 Feb 2004 to 14 Feb 2004
MRM	28 Jul 2006
Approval	-
Last Review Mission	-
PDS Creation Date	21 Apr 2006
Last PDS Update	30 Sep 2013

Grant 0063-NEP

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
16 Nov 2006	23 Feb 2007	06 Aug 2007	30 Jun 2013	-	11 Feb 2014

Financing Plan		Grant Utilization			
	Total (Amount in US$ million)	Date	ADB	Others	Net Percentage
Project Cost	18.00	Cumulative Contract Awards			
ADB	18.00	16 Nov 2006	14.88	0.00	99%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	16 Nov 2006	14.88	0.00	99%

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	Satisfactory	Satisfactory	Satisfactory	Satisfactory	-	Satisfactory

Project Page	http://www.adb.org/projects/34308-022/main
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