



Nepal: Nuts and Fruits in Hilly Areas Project

Project Name	Nuts and Fruits in Hilly Areas Project
Project Number	48218-006
Country / Economy	Nepal
Project Status	Active
Project Type / Modality of Assistance	Grant Loan

Grant 0845-NEP: Nuts and Fruits in Hilly Areas Project

Asian Development Fund US\$ 10.00 million

Grant 0846-NEP: Nuts and Fruits in Hilly Areas Project

Source of Funding / Amount Global Agriculture and Food Security Program US\$ 9.00 million

Grant: Nuts and Fruits in Hilly Areas Project

World Food Programme US\$ 3.00 million

Loan 4211-NEP: Nuts and Fruits in Hilly Areas Project

Concessional ordinary capital resources lending US\$ 60.00 million

Operational Priorities OP1: Addressing remaining poverty and reducing inequalities
OP2: Accelerating progress in gender equality
OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability
OP5: Promoting rural development and food security
OP6: Strengthening governance and institutional capacity
OP7: Fostering regional cooperation and integration

Sector / Subsector **Agriculture, natural resources and rural development /** Agricultural policy, institutional and capacity development - Agricultural production - Agro-industry, marketing, and trade

Gender Effective gender mainstreaming

Description The project will increase agricultural income of approximately 40,000 farm households in 100 municipalities in hilly areas of five provinces: Province 1, Bagmati, Gandaki, Karnali and Sudurpashchim. This will be mainly achieved through the development of approximately 10,000 hectares (ha) of climate resilient fruit and nut orchards providing value-addition to the nuts and fruits produced by at least 30,000 farm households. The project will also improve the institutional capacity for managing the nursery and horticulture sector. For about 10,000 smallholder households, who are not capable of investing in fruit and nut orchard development in the project provinces, the project will assist them to improve their vegetable and other nutritious crop production and its marketing.

Project Rationale and
Linkage to
Country/Regional
Strategy

Nepal is experiencing a rapid change in its farming systems, particularly in hilly areas that are between 500 and 3,000 meters (m) above sea level. In these areas, agriculture still provides livelihoods to 66% of the population, but the share of agriculture in rural income was merely 11.4% in 2014-2015, and remittance has become the most important source of household income. As outmigration from these areas continuously rises, about 30% of cultivated land has now been abandoned from farming. Also, climate change is shifting crop cultivation altitude, and increasing diseases, insect pests and wet days. Climate vulnerability index is highest in the West, Northwest and Northeast with mountain regions in the Northwest having the lowest adaptation capacity. These land abandonment, outmigration and climate vulnerability result in less livelihood options, further accelerating youth outmigration to urban areas and abroad. The effective exploration of Nepal's horticulture potential has been constrained by a wide range of factors including: (i) lack of business and marketing channel; (ii) high post-harvest losses up to 40% of production due to poor quality planting materials, poor post-harvest management techniques and inadequate equipment and infrastructure for grading, packaging, and climate-controlled storage; (iii) limited access to loans, particularly the medium term loans required for horticulture production, due to complex loan acquisition and collateral valuation processes; (iv) shortage and high cost of seasonal labor; and (v) steadily declining farm productivity by 20% over the last 15 years. The declining fruit and nut crop productivity has led to Nepal's orchard productivity falling below the world average in 2017. This is a result of: (i) poor quality planting materials in the absence of nursery regulations such as Nursery Act; (ii) old and senile orchards with limited use of machinery; (iii) small landholding farms, characterized by land fragmentation, with an average size of 0.6 ha; (iv) limited water storage in hilly areas preventing year-round farming; and (v) lack of resilient varieties to climate change induced diseases. Also, female farmers in hilly areas are more likely to face a lack of equitable access to, and control over, productive resources such as land, credit, and technology.

Yet, there are new opportunities emerging for farmers in hilly areas. Nepal's diverse agro-climatic conditions and geophysical locations provide a wide range of opportunities for tropical, sub-tropical and temperate fruit and nut production. Between 2008-2018, both the total area and the volume of fruit production has increased by more than 70%.⁴ Still, domestic fruit and nut supply is not meeting the fast-growing demand. Fruit and nut demand in Nepal is increasing because of urbanization, rising national wealth, improved knowledge of nutrition and increased tourist flow. Between 2013-2017, nut importation rose by 43% and apple importation rose by 260%. This resulted in a 136% increase in the cost of fruit, nut, and potato importation during the same period.

Higher profits from commercial fruit and nut farming could help retain the younger population. It also offers income generation opportunities for women who are heading households after male outmigration and are disadvantaged in finding off-farm employment. Engagement of women, and excluded and vulnerable groups in less labor-intensive horticulture production, marketing, and processing could help them be economically empowered and socially recognized in the household decision-making process. Through supporting fruit and nut farmers, the project will help the country to meet the horticulture demand, and increase hilly area farmers' income, employment opportunities and climate resilience.

Impact Livelihoods of rural households improved (Agriculture Development Strategy 2015-2035).
Resilience of farmers to climate change improved (Agriculture Development Strategy 2015-2035).

Project Outcome

Description of Outcome Beneficiary farmers' agricultural income from climate-resilient horticulture farming increased.

Progress Toward Outcome

Implementation Progress

Description of Project Outputs Institutional capacity for nursery and horticulture sector management improved.
Production and productivity of project farmers increased.
Value addition to hilly area horticulture produce enhanced.

Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location Bagmati Province, Gandaki Pradesh, Karnali Pradesh, Province 1, Sudurpashchim Pradesh

Safeguard Categories

Environment B

Involuntary Resettlement C

Indigenous Peoples B

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Business Opportunities

Consulting Services All consulting services will be carried out using the ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Procurement All procurement activities will be undertaken following the ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Responsible ADB Officer Kim, Sunae

Responsible ADB Department Sectors Group

Responsible ADB Division Agriculture, Food, Nature, and Rural Development Sector Office (SG-AFNR)

Executing Agencies Ministry of Agriculture and Livestock Development

Timetable

Concept Clearance 07 Jun 2021

Fact Finding 19 Jul 2021 to 02 Aug 2021

MRM 25 May 2022

Approval 12 Sep 2022

Last Review Mission -

Last PDS Update 12 Sep 2022

Grant 0845-NEP

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Sep 2022	07 Nov 2022	02 Dec 2022	28 Feb 2030	-	-

Financing Plan

Grant Utilization

	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	10.00	Cumulative Contract Awards			
ADB	10.00	15 May 2024	0.48	0.00	5%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	15 May 2024	0.40	0.00	4%

Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	-	-	-	Satisfactory

Grant 0846-NEP

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Sep 2022	07 Nov 2022	02 Dec 2022	28 Feb 2030	-	-

Financing Plan

Grant Utilization

	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	9.00	Cumulative Contract Awards			
ADB	0.00	15 May 2024	0.00	0.03	0%
Counterpart	0.00	Cumulative Disbursements			

Cofinancing	9.00	15 May 2024	0.00	0.02	0%
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Loan 4211-NEP

Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Sep 2022	07 Nov 2022	02 Dec 2022	28 Feb 2030	-	-

Financing Plan

Loan Utilization

	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	74.45	Cumulative Contract Awards			
ADB	60.00	15 May 2024	0.14	0.00	0%
Counterpart	14.45	Cumulative Disbursements			
Cofinancing	0.00	15 May 2024	0.13	0.00	0%

Status of Covenants

Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	-	Satisfactory	-	-	-	Satisfactory

Project Page <https://www.adb.org/projects/48218-006/main>

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