

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. Nepal’s agriculture subsector is guided by the Agriculture Development Strategy (ADS, 2015–2035), which was prepared with broad development partner support. The strategy’s vision is for a “self-reliant, sustainable, competitive, and inclusive agricultural sector that drives economic growth and contributes to improved livelihoods and food and nutrition security leading to food sovereignty.”¹ This is to be achieved through four main outcomes: (i) improved governance, (ii) higher productivity, (iii) profitable commercialization, and (iv) increased competitiveness. Nepal’s transition to federalism has devolved much of the public sector service delivery function related to agriculture to the subnational governments, which have been given autonomy to form their own policies and plans, thereby necessitating the ADS be adapted to the subnational context.

2. Recent development partner support has largely focused on promotion of market-led agricultural value chains, providing partial grant financing for demand-driven agribusinesses proposed by farmer groups, cooperatives, and entrepreneurs. Much of the support has gone towards high-value crops, with higher profitability per unit of land than in cereal production. Some development partners also supported specific areas, such as strengthening sanitary and phytosanitary facilities, climate change adaptation, and the seed subsector. The European Union (EU) recently launched the €40 million Contribution to Agriculture and Rural Development in Nepal budget support program (with €4 million in technical assistance) that focuses on ADS implementation. Under the current country partnership strategy (2013–2017) ADB completed two projects on agricultural value chain development.² The World Bank-financed Nepal Livestock Sector Innovation Project has a component on institutional strengthening of the livestock sector, including upgrading vaccine production facilities and support for vaccination campaigns. The project is also focusing on updating technical manuals at the Veterinary Standards and Drug Administration Laboratory. Similarly, the World Bank is supporting the construction of the Central Plant Protection Laboratory under the Nepal–India Regional Trade and Transport Project. These complement the proposed ADB program, which will upgrade and implement process improvements in the Central Veterinary Laboratory, National Vaccine Production Laboratory, and National Food and Feed Reference Laboratory.

Table 1: Major Development Partners in the Agriculture Sector in Nepal

Development Partner	Project Name	Duration	Amount ^a (\$ million)
ADB	Raising Incomes of Small and Medium Farmers Project	2010–2019	20.1
	High Mountain Agribusiness and Livelihood Improvement Project	2011–2018	20.0
World Bank	Project for Agriculture Commercialization and Trade	2009–2018	60.0
	Nepal Agriculture and Food Security Project	2016–2018	46.5

¹ Government of Nepal, Ministry of Agriculture and Livestock Development. 2015. *Agriculture Development Strategy 2015–2035*, pp. 61. Kathmandu. This is the government’s long-term national development strategy for agriculture in Nepal.

² Asian Development Bank. 2013. *Country Partnership Strategy: Nepal, 2013–2017*. Manila. The country partnership strategy was extended until 2019. ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to Nepal for Raising Incomes of Small and Medium Farmers Project*. Manila; and ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to Nepal for High Mountain Agribusiness and Livelihood Improvement Project*. Manila.

Development Partner	Project Name	Duration	Amount ^a (\$ million)
	Nepal Livestock Sector Innovation Project	2018–2023	80.0
	Food and Nutrition Security Enhancement Project (financed by Global Food Security Program)	2018–2023	22.7
IFAD	Improved Seeds for Farmers Programme	2012–2020	59.7
	Rural Enterprises and Remittances Project	2015–2022	68.1
	Agriculture Sector Development Programme	2018–2024	61.2
	High Value Agriculture Project	2011–2018	18.9
USAID	Promoting Agriculture, Health, and Alternative Livelihoods	2014–2019	37.0
	Sustainable Action for Resilience and Food Security	2014–2019	59.0
	Feed the Future: Nepal Seed and Fertilizer Project	2016–2021	15.0
	Knowledge-based Integrated Sustainable Agriculture & Nutrition	2017–2021	32.7
	Suaahara II	2016–2021	63.0
	Policy Reform Initiatives Project	2014–2018	5.5
DFID	Nepal Market Development Programme-SAMARTH	2016–2019	23.1
	Access to Finance for the Poor Programme-Sakchyam	2013–2020	45.4
EU	Trade and Investment Programme	2019–2024	8.9
	Contribution to Agriculture and Rural Development in Nepal	2018–2023	44.2
	Trade and Private Sector Development Project	2014–2018	6.7
Heifer International	Strengthening Smallholder Enterprises of Livestock Value Chain II	2017–2021	12.6
SDC	Nepal Agricultural Services Development Programme	2014–2019	9.8
	Nepal Agricultural Markets Development Programme	2016–2019	9.0

ADB = Asian Development Bank, DFID = Department for International Development (United Kingdom), EU = European Union; IFAD = International Fund for Agriculture Development, SDC = Swiss Development Cooperation, USAID = United States Agency for International Development, WB = World Bank.

^a Project amounts are commitments from financing agency and not total project cost estimates. Commitments in currencies other than the United States dollar are expressed as dollar equivalents calculated as of 9 September 2019.

Source: Asian Development Bank.

B. Institutional Arrangements and Processes for Development Coordination

3. Development partner coordination in Nepal is undertaken at various levels. Heads of agencies meet regularly to discuss Nepal's overall development context through the International Development Partner Group. The main coordination mechanisms among development partners engaged in agriculture are the (i) Food Security Group, which usually meets on a monthly basis to exchange information and provides an important platform to explore opportunities for collaboration; and (ii) the recently formed ADS Joint Sector Review Committee, which is a joint development partner–government platform currently co-chaired by the United States Agency for International Development and the Ministry of Agriculture and Livestock Development and created to jointly monitor ADS implementation. However, mechanisms for federal ministries and development partners to coordinate with subnational governments are not clear in the new federalized context. The government is enacting a coordination bill that is expected to clarify how development partners and federal ministries can coordinate with subnational governments, which

will be crucial to align development partner support for subnational governments priorities, given that much of the mandate for the agriculture sector is now assigned to the subnational level. Alignment of subnational government strategies and programs with the national ADS has also emerged as a key issue.

C. Achievements and Issues

4. The majority of the first-generation agricultural value chain projects financed by development partners focused on high-value commodities such as livestock, vegetables, fruits, and spices. Very little support has been provided to cereals, largely because of the demand-driven approach adopted by these projects, which indicates farmers' preferences are clearly shifting from cereals to commodities, which are more profitable. A key lesson is that Nepal lacks production aggregation, which hinders market access, with unfavorable land-use policies that restrict economies of scale in production. Nepal needs to find practical solutions to this critical barrier by promoting stronger contract farming provisions. Another key lesson is that Nepalese farmers and agro-entrepreneurs lack sound business planning skills, especially in anticipating capital requirements for business growth and working capital. Most successfully established new agribusinesses are now reaching the point where access to formal financing will be critical for further growth. An emerging public concern centers on the supply of safe food, which requires the government to increase its regulatory capacity for effective food safety monitoring to cater to both domestic demand and facilitate export of agricultural commodities.

D. Summary and Recommendations

5. Building on the first-generation value chain projects that have successfully kick-started agro-entrepreneurship in Nepal will require focusing on strengthening the business planning capacity of farmers and agro-entrepreneurs, and for government to identify key incentives to further support the ongoing transition from subsistence farming towards commercialization. This will require key policy reforms to strengthen inter-governmental coordination and planning; capacity building of both public sector agencies and potential agro-entrepreneurs; and actions to ensure that the correct policies are in place. Catering to the emerging food safety concerns will be a central public service that requires strengthening of food safety laboratories to ensure domestic supply chains are providing safe food to Nepal's citizens, and moving towards international accreditation to facilitate trade. Nepal's varied agro-ecological zones provide diverse opportunities, but agricultural planning must be driven by sound market analysis and selection of commodities in which Nepal has clear comparative advantage in regional and global markets. Close coordination will be maintained with the World Bank to ensure complementarities between the ADB program loan and the World Bank's Nepal Livestock Sector Innovation Project and Nepal-India Regional Trade and Transport Project.