

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Nepal	Project Title:	Food Safety and Agriculture Commercialization Program
Lending/Financing Modality:	Policy-Based Loan	Department / Division:	South Asia Department/Environment, Natural Resources, and Agriculture Division

<p>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</p> <p>Poverty targeting: General Intervention.</p> <p>A. Links to the National Poverty Reduction & Inclusive Growth Strategy and Country Partnership Strategy</p> <p>The proposed policy-based loan aims to transform Nepalese agriculture from a predominantly subsistence to a commercially oriented farming system. The proposed program focuses on: (i) improving food safety and quality monitoring systems, (ii) promoting agriculture commercialization, and (iii) strengthening institutional capacity. The proposed program is aligned with the Agriculture Development Strategy (ADS, 2015–2035), with a vision for a self-reliant, sustainable, competitive, and inclusive agriculture sector that drives economic growth and contributes to improved livelihoods, food security, and food sovereignty.^a It aligns with the government’s Fourteenth (FY2017–FY2019) and Fifteenth (FY2020–FY2024) periodic plans, and Envisioning Nepal 2030, which highlight agriculture commercialization as a national development priority that supports Nepal’s aspiration to attain middle-income status by 2030.^b The program is aligned with the Asian Development Bank (ADB) country partnership strategy for Nepal, 2013–2017, and the draft country partnership strategy, 2020–2024, to be approved by September 2019. The program is included in the country operations business plan for Nepal, 2019–2021.^c</p> <p>Results from the Poverty and Social Analysis during PPTA or Due Diligence</p> <p>1. Key poverty and social issues. Structural transformation of Nepal’s economy has been slow. In FY2018, 55% of the adult population above 15 years of age was still engaged in agriculture, which contributed 27% of gross domestic product in FY2019.^d About 79% of the population of Nepal resides in rural areas, where in 2011 the incidence, depth, and severity of poverty was twice as high as in urban areas.^e Overall headcount poverty fell from 41.8% in 1996 to 25.2% in 2011, and is estimated to have further declined to 18.7% in FY2018, but a large percentage of the population remains vulnerable.^f Poverty rates also differ by gender and social groups, by ecological belt, and by province. Marginalized groups such as the Dalits, Madhesis, Muslims, and indigenous peoples (IP) experience multiple levels of exclusion.^g For instance, in 2011, the incidence of poverty among Dalits was 43.6% in the hill areas and 38.2% in the Terai, compared to Newars (10.3%) and hill Brahmins (10.3%). Similarly, 15% of hill Dalits and 44% of Terai Dalits were landless. Most farmers rely on subsistence farming and are constrained by (i) limited value chain linkages to increase their production; (ii) lack of timely availability of quality seed, fertilizer, and technology; and (iii) limited access to finance. The program seeks to align policy and regulatory frameworks to address some of these constraints so that farmers can transition from subsistence farming to more profitable agricultural operations.</p> <p>2. Beneficiaries. The program aims to reduce poverty by commercializing agriculture to improve farmers’ incomes and improve regulations for seed production and testing to minimize risks to farmers. The program will support the transition of farmers from subsistence farming to commercial agriculture and improved economic conditions. Improved systems for food safety and quality monitoring will encourage sustainable agricultural practices and have a beneficial impact on human health. The program’s emphasis on better expenditure targeting in the agriculture sector by linking investment plan in a selected commodity with the provincial medium-term expenditure framework will enable subnational governments to deliver more effective services to farmers.</p> <p>3. Impact channels. Increased commercial agriculture and improved compliance with international food safety standards will help achieve the government’s development objectives, primarily by: (i) supporting important policy and regulatory changes in light of structural changes in agriculture and devolution of powers to subnational governments; (ii) achieving international accreditation of key testing laboratories, which will address impediments to exports of agricultural products from Nepal, reduce transaction costs, and make exports more competitive; (iii) improving monitoring of domestic consumption of imported and domestic agricultural produce, with long-term beneficial impacts on human health; (iv) strengthening provincial institutional capacity for strategic and investment planning, linking planning and budgeting, and disseminating agricultural best practices and business plans among farmers and the general public.</p> <p>4. Other social and poverty issues. There are several programs and/or projects in the sector financed by the Government of Nepal (e.g. the Prime Minister’s Agriculture Mechanization Program), and other development partners (e.g., the World Bank-funded Food and Nutrition Security Enhancement project) that will address other social and poverty issues. Design features. The proposed policy-based loan has the following features: (i) acts, policies, regulations, guidelines, manuals, and standards; (ii) road maps and investment plans; (iii) mainstreaming of gender and social inclusion; and (iv) institutional strengthening and capacity development.</p> <p>Poverty Impact Analysis for Policy-Based Lending</p> <p>1. Impact channels of the policy reforms. The program will support (i) policy and regulatory changes for the promotion of agriculture commercialization, enhanced food safety, and good quality seeds; (ii) international accreditation of key testing laboratories to make exports more competitive, (iii) improved monitoring of pesticide use</p>

<p>in food for improved public health, and (iii) strengthening of provincial institutional capacity for improved strategic and gender equality and social inclusion (GESI)-sensitive strategic investment planning.</p> <p>2. Impacts of policy reforms on vulnerable groups. The program will not impact negatively on vulnerable groups (e.g., women and IP) (Section IV). The program will provide positive benefits to the groups through training, implementation of a gender-sensitive and socially inclusive strategic investment plan, and improved quality of agricultural inputs.</p> <p>3. Systemic changes expected from policy reforms. The program will increase the number of agribusinesses, create employment, and increase farmer incomes, thereby contributing to achievement of Sustainable Development Goals (SDGs) 1, 8, 9, 12, 13; promote people's health and productivity, and opportunities to access export markets, thereby contributing to economic development and achievement of SDGs 3 and 8; promote import substitution, expand export possibilities, and lower food costs through increased agricultural productivity, and contribute to achievement of SDGs 2, 8, 9, and 12; and promote effective resource management and inclusive agriculture sector development, contributing to achievement of SDGs 5, 10, and 16.</p>
II. PARTICIPATION AND EMPOWERING THE POOR
<p>1. Participatory approaches and project activities. The policy reforms and technical support under the program will provide an enabling environment for poor and marginalized farmers to participate in commercial agriculture and agribusinesses. The proposed provincial government investment plan will be prepared in consultation with farmers, so that the plan adequately reflects their challenges and needs. Local governments will be oriented on the ADS GESI strategy so that development plans and programs include this dimension, and program implementation will be coordinated with the projects and programs supported by other development partners in Nepal, mainly through (i) the Development Partners' Food Security Group; and (ii) the ADS Joint Sector Review Committee, a joint development partner–government platform.</p> <p>2. Civil society organizations. The participation of civil society organizations (CSOs) will be through farmers' groups, including cooperatives. They could participate in (i) operating customs hiring centers of agricultural machinery, for which a business plan and operational guidelines will be prepared under the program; (ii) starting new agribusinesses supported through sample business plans comprising technical, financial, branding, and marketing aspects for at least two high-value commodities. The following forms of CSO participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA): <input checked="" type="checkbox"/> Information gathering and sharing (M) <input checked="" type="checkbox"/> Consultation (L) <input checked="" type="checkbox"/> Collaboration (L) <input checked="" type="checkbox"/> Partnership (L)</p> <p>3. Participation plan. The plan will not be prepared because while the participation of CSOs (e.g. cooperatives) has been envisaged (para. 2), CSOs are not the major interest holder.</p>
III. GENDER AND DEVELOPMENT
Gender mainstreaming category: Effective Gender Mainstreaming (EGM)
<p>A. Key issues. A greater proportion of women are engaged in subsistence farming (about 61.3%) than are men (47.2%). There are gender disparities in formal and informal employment—more men work in construction, manufacturing and transport industries, while women work mostly in agriculture, forestry and fishing. Women lack equitable access to and control over productive resources such as land, credit, and technology to move into commercial agriculture. Women are therefore mostly confined to microfinance and microenterprises, in addition to subsistence farming. Farms managed by women produce less value per hectare than those managed by men; this results from gender inequalities, particularly in accessing and adopting technologies. The limited availability of outreach and extension services also hinders women from obtaining full benefit of such services.</p> <p>B. Key actions. The envisaged reforms will strengthen and institutionalize GESI through (i) orientation on for the provincial government regarding GESI aspects of ADS, which will assist the authority to incorporate GESI elements in their plans and programs; (ii) a GESI-sensitive strategic investment plan; (iii) equal opportunity agribusiness training for women and men farmers; and (iv) designation of a GESI focal person in the Ministry of Land Management, Agriculture, and Cooperatives (MOLMAC) in Gandaki Province who will monitor and ensure that GESI-focused actions are well integrated in plans and programs. <input type="checkbox"/> Gender action plan <input checked="" type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure The design and monitoring framework includes monitorable GESI performance indicators and targets aligned with policy actions. The technical assistance attached to the program has a provision for 1.5 person-months of consultant inputs for a GESI specialist to support implementation of GESI-related policy actions.</p>
IV. ADDRESSING SOCIAL SAFEGUARD ISSUES
<p>A. Involuntary Resettlement Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Key impacts. There is no physical or economic displacement because of land acquisition or restriction of land use, because the policy actions do not involve any type of civil works.</p> <p>2. Strategy to address the impacts. Not applicable.</p> <p>3. Plan or other actions.</p>

<input type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and IP plan								
<input type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and IP planning framework								
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action								
4. Indigenous Peoples	Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI								
<p>1. Key impacts. The program does not (i) affect the dignity, human rights, livelihood systems, or culture of IP; or (ii) affect the territories or natural or cultural resources that IP own, use, occupy, or claim as an ancestral domain or asset. IP are neither targeted nor excluded from the program. The policy actions will not make IP more vulnerable. The training on agriculture and agribusiness will provide positive benefit to IP. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>									
<p>2. Strategy to address the impacts. IP are neither targeted nor excluded from the training on agriculture and agribusiness. They will be informed of such training and participation is voluntary. The training manual used in the training will be socially inclusive, i.e. relevant IP organizations will be consulted prior to finalization. A training report will be prepared and submitted.</p>									
<p>3. Plan or other actions.</p> <table> <tr> <td><input type="checkbox"/> IP plan</td> <td><input type="checkbox"/> Combined resettlement plan and IP plan</td> </tr> <tr> <td><input type="checkbox"/> IP planning framework</td> <td><input type="checkbox"/> Combined resettlement framework and IP planning framework</td> </tr> <tr> <td><input type="checkbox"/> Environmental and social management system arrangement</td> <td><input type="checkbox"/> IP plan elements integrated in project with a summary</td> </tr> <tr> <td><input checked="" type="checkbox"/> Social impact matrix</td> <td></td> </tr> </table>		<input type="checkbox"/> IP plan	<input type="checkbox"/> Combined resettlement plan and IP plan	<input type="checkbox"/> IP planning framework	<input type="checkbox"/> Combined resettlement framework and IP planning framework	<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> IP plan elements integrated in project with a summary	<input checked="" type="checkbox"/> Social impact matrix	
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V. ADDRESSING OTHER SOCIAL RISKS									
A. Risks in the Labor Market									
<p>1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). <input checked="" type="checkbox"/> unemployment (L) <input checked="" type="checkbox"/> underemployment (L) <input checked="" type="checkbox"/> retrenchment (L) <input checked="" type="checkbox"/> core labor standards (L)</p>									
<p>2. Labor market impact. No loss of employment is foreseen. Agribusiness and commercial agriculture will eventually increase employment opportunities for low-income and vulnerable households.</p>									
B. Affordability. Not applicable in this program.									
C. Communicable Diseases and Other Social Risks.									
<p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> Communicable diseases (NA) <input type="checkbox"/> Human trafficking (NA) <input type="checkbox"/> Others (please specify)</p>									
<p>2. Risks to people in project area. Not applicable.</p>									
VI. MONITORING AND EVALUATION									
<p>1. Targets and indicators. These include: (i) sample business plans for at least two high-value commodities to facilitate development of bankable agribusiness proposals; (ii) increased commercial bank credit to agriculture and/or agribusiness; (iii) business plan and operational guidelines for custom hiring of agricultural machinery (farmers and cooperatives could benefit from this); and (iv) GESI-sensitive provincial agriculture strategic investment plan with resource allocation.</p>									
<p>2. Required human resources. Human resources will include (i) high-level committee members (para. 4) comprising MOALD staff and MOLMAC representatives; (ii) national and international experts to support implementation, including a GESI specialist and social safeguards and/or IP specialist; and (iii) ADB staff.</p>									
<p>3. Information in the project administration manual. Not applicable.</p>									
<p>4. Monitoring tools. (i) The high-level committee in MOALD, chaired by the MOALD secretary (with representation of three MOLMACs) will monitor, review, and guide program implementation. They will meet every 6 months. The working committee will present the progress and discuss issues at the meetings. ADB will conduct quarterly review missions, including a mission for the release of Tranche II, and a program completion mission. Progress in implementing Nepal's 14th and 15th periodic plans (footnote b) will be monitored as an indirect reference.</p>									

^a Government of Nepal, Ministry of Agricultural Development. 2014. *Agricultural Development Strategy, 2015–2035*. Kathmandu.

^b Government of Nepal, National Planning Commission. 2016. *An Approach Paper of Fourteenth Plan, FY2016/2017–FY2018/2019*. Kathmandu; Government of Nepal, National Planning Commission. 2018.

^c ADB. 2012. *Country Partnership Strategy: Nepal, 2013–2017*. Manila (extended to 2019). ADB. Forthcoming. *Country Partnership Strategy: Nepal, 2020–2024—Promoting Connectivity, Devolved Services, and Resilience*. Manila.

^d Central Bureau of Statistics. 2019. *Report on the Nepal Labour Force Survey, 2017/18*. Kathmandu; and Central Bureau of Statistics. 2019. *National Accounts 2018/19*. Kathmandu.

^e Government of Nepal, Central Bureau of Statistics. 2011. *Poverty in Nepal 2010–2011*. Kathmandu.

^f World Bank Group. 2016. *Moving Up the Ladder: Poverty Reduction and Social Mobility in Nepal*. Kathmandu; and Government of Nepal, Ministry of Finance. *Economic Survey 2018–2019* (in Nepali). Kathmandu. Actual poverty rates will be determined after the next national living standards survey likely to be completed in 2020. At \$1.90/day, the poverty rate fell from 62% in 1995 to 15% in 2010, and 51% on less than \$3.20/day in 2010. The term “Dalit” is reserved for a certain socially-marginalized caste group that historically suffered from caste-based discriminations such as untouchability. Dalits constitute 13% of Nepal's population.