

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SAAE

TA No., Country and Name TA 3536-NEP: Agriculture Sector Performance Review		Amount Approved: \$600,000	
		Revised Amount: \$600,000	
Executing Agency: Ministry of Agriculture and Cooperatives	Source of Funding: Japan Special Fund	Amount Undisbursed \$14,512.83	Amount Utilized \$585,487.17
Date of Report Approval: 13 November 2000 Signing: 15 January 2001 Fielding of Consultants: 24 May 2001		TA Completion Date Original: 30 November 2001 Actual: 11 October 2002 Account Closing Date Original: 28 February 2002 Actual: 19 June 2003	

Description

The Nepal Government approved in 1995 a 20-year Agriculture Perspective Plan (APP) to (i) accelerate agricultural growth by increasing total factor productivity, (ii) reduce poverty and improve the people's standard of living particularly in rural areas, and (iii) transform the subsistence-oriented agriculture into a commercial one by diversifying and increasing interregional trade in the country. Afterwards the Government launched policy and institutional reforms for the agriculture sector in line with the APP including deregulating agricultural input markets, and joint management of operation and maintenance of public irrigation systems by water users associations (WUAs) and the Government.

The proposed technical assistance (TA) was to assess the agriculture sector performance and identify the remaining gaps and issues to contribute to the effective APP implementation. The TA was called for because, though the general approach to agricultural development proposed in the APP was broadly accepted, various doubts regarding the targets, implementation aspects, institutional linkages, and achievements of the APP were raised. The findings and recommendations of the TA were expected to help sustainable reforms and smooth transition of the agriculture sector to a market-oriented framework. The TA was post-evaluated by the Operations Evaluation Department of ADB in December 2002 and was rated as successful.¹

Objectives and Scope

The objective of the TA was to help the Government conduct a comprehensive review of agriculture sector performance and formulate measures to facilitate the implementation of the APP. The scope of the TA consisted of (i) conducting an analytical review of the current situation and performance of the agriculture sector, (ii) assessing the progress and impact of the Government's reform measures launched under the APP, (iii) examining processes and mechanisms to sustain the effects of these reforms, (iv) identifying critical issues and gaps remaining as constraints to APP implementation and to overall agricultural development, and (v) assisting the Government in preparing specific medium-term action plans for agricultural development in line with the APP.

Evaluation of Inputs

A TA team consisting of eight specialists in the fields of institutional assessment, rural finance, forest and environment, irrigation, agriculture, livestock, agrarian law, and social and participatory assessment accomplished the TA satisfactorily. The consultants surveyed 636 randomly selected households spread over 16 districts in the three main ecological zones: plains, hills, and mountains. They interviewed key stakeholders in the sector, obtained important physical and socioeconomic data, and reported the findings comprehensively. The consultants fulfilled their terms of reference, and the performance of the consultants was satisfactory.

The executing agency (EA), Ministry of Agriculture and Cooperatives (MOAC), established a TA implementation unit, appointed a project director and full-time counterpart staff. An inter-ministerial TA steering committee was established to ensure effective interactions and coordination of the relevant ministries. District offices of Department of Agriculture, MOAC, provided necessary field supports. Though initially MOAC was slow in providing the consultants data, the issue was resolved immediately after it was raised and the TA implementation was not affected. In collaboration with ADB's Nepal Resident Mission (NRM), MOAC organized three consultation meetings with major external funding agencies in the agriculture sector to inform them of the status of the TA and the TA work program and outputs. The donors' thematic group meetings played an important role in reviewing the TA reports and coordinating the donors' views. The performance of the Government was satisfactory.

ADB closely supervised the TA activities and outputs. ADB formed a TA working group with staff from concerned divisions including NRM to provide technical backstopping. The working group reviewed the consultants' reports and provided valuable feedback. Both the inception mission and the review mission had collective interactions with the TA team, and were effective in directing the work to meet the needs of the TA and the requirements of stakeholders. ADB also provided consultants guidance and suggestions through frequent email communications. The performance of ADB including NRM was highly satisfactory.

The TA was originally scheduled from February to November 2001. ADB agreed to extend the TA completion date three times under different circumstances. The first extension from 30 November 2001 to 28 February 2002 was granted on 4 May 2001 to account for the late signing of the consultant contract. The second extension to 30 May 2002 was approved on 13 February 2002 to accommodate the consultants' delay in submitting the final report caused by (i) disruption of the TA activities in June 2001 due to the national mourning following the tragic deaths in the Royal family, (ii) a one week extension of consultants' field survey in remote districts than anticipated, and (iii) extra time needed to produce the Nepali version of the final report. On 29

¹ ADB. 2002. *Technical Assistance Performance Audit Report on Selected Technical Assistance for Agricultural Planning and Statistics in Nepal*. Manila.

April 2002, ADB extended the TA completion date further to 15 July 2002 for the consultants to develop and distribute a Nepal agricultural database (NAD).

ADB approved several other contract variations, including recruiting two external reviewers to review the consultants' interim report and the draft final report. The external reviewers contributed both to improving the content of the reports, and to better dissemination of the findings. Despite the contract variations and extended scope, the amount of funds utilized was within the TA budget.

Evaluation of Outputs

The primary output of the TA is a final report in both English and Nepali versions submitted to ADB on 27 March 2002. The report (i) reviewed the agricultural sector and assessed its past performance; (ii) presented past trends and current status of different subsectors including crops, livestock, forestry, agro-enterprises, inputs, irrigation, and rural finance; (iii) assessed the APP strategy and plan, and examined the impact of reforms and programs; and (iv) highlighted issues and constraints for future development. The report conducted comprehensive institutional and management analysis, provided a set of recommendations built upon past achievements, and developed a medium-term action plan. Outputs of the TA contributed directly to the agriculture and rural development section of the Tenth Five-year Plan (FY2003-2007) of the Government. MOAC felt a strong ownership of the TA outputs.

The TA report highlights three important aspects to focus on: commercialization, marketing, and participation of private firms. Contrary to most people's perception, the performance of the Nepal agriculture sector was found to have improved relative to the past. This encouraging finding increased donors' incentive to continue funding in the sector. The TA found that the impact of policy reforms such as fertilizer deregulation has been positive, but still modest and fragile. To improve performance in the agriculture sector, the TA recommended that attention must be paid to improving the credibility of policy, increasing agricultural productivity, developing post harvest and marketing systems, promoting the effective participation of stakeholders, reducing the vulnerability of farm households, and improving the management of natural resources. Examples of specific action plans recommended include (i) dissolving the Agriculture Inputs Cooperation and setting up a private seed company by 2002, (ii) deregulating milk prices by 2003, and (iii) gradually increasing the cover of operation and maintenance cost of irrigation scheme by irrigation fees and reaching at least 50 percent by the end of the tenth plan.

However, the impact of the TA, including the Government's response in terms of policies and programs, is yet to be seen. Nevertheless, its findings were highly attended to by the Government and external funding agencies and have been widely consulted for subsequent loan projects. The proposed ADB-assisted Commercial Agricultural Development Project, the National and District APP Implementation Program assisted by British Government Department for International Development, and the Agriculture Training and Extension Improvement Project assisted by the Japan International Cooperation Agency are all in line with recommendations of this TA.

Utilizing the TA savings, the TA extension developed and distributed to public and private stakeholders a compact disk (CD) containing the NAD and users' guide. Aiming to cover a wide variety of agricultural, markets, agro-ecological and general economic data, the NAD would be a valuable resource for projects and researches on Nepal agriculture. The NAD CD did not include the data of the farm survey held under the TA itself, but a lot of agricultural data collected from MOAC and other government agencies. The Agribusiness Promotion and Statistics Division of MOAC was responsible for obtaining the data. Some time series data were found to be incomplete and hard to retrieve. No institutional arrangements were made to update the NAD on an ongoing basis.

Various stakeholder workshops and technical group meetings were organized throughout the TA with active participation from a wide range of public and private organizations, increasing awareness of alternative approaches to the agriculture sector development. The national seminar conducted at the end of the TA contributed to effective dissemination of the TA findings. Regional seminars outside Kathmandu could not be organized due to security concerns.

Overall Assessment and Rating

The TA achieved its objective with all intended components delivered. Overall the TA was rated as successful.

Major Lessons Learned

1. To accomplish such a comprehensive study within limited time period, it is important to prepare well and agree on the field survey period in advance, and for the consultants to allocate time properly and adhere to the schedule.
2. The TA demonstrated the success of the donors' thematic group meetings in sharing TA findings with other external funding agencies, and obtaining feedback from them. Close consultation and collaboration with a wide range of stakeholders including the Government and major donors is essential in conducting a comprehensive review and formulating a well-designed action plan.
3. ADB's close monitoring in coordination with other ongoing relevant studies contributed to the success of the TA. ADB's flexibility in TA implementation in response to changing circumstances enabled improved TA results.

Recommendations and Follow-Up Actions

The Government needs to make further efforts in sector monitoring and reform, and to strengthen the linkage between the agriculture sector and urban markets. Continued sector dialogue with the Government is required in collaboration with other funding agencies to ensure that the policy and institutional reform measures recommended by the TA are to be implemented.