Nepal: Supporting the Food Safety and Agriculture Commercialization Program
CURRENCY EQUIVALENTS
(as of 6 September 2019)

Currency unit – Nepalese rupee/s (NRe/NRs)

NRe1.00 = $0.00872
$1.00 = NRs114.65

ABBREVIATIONS

ADB – Asian Development Bank
ADS – Agriculture Development Strategy
MOALD – Ministry of Agricultural and Livestock Development

NOTES

(i) The fiscal year (FY) of the Government of Nepal and its agencies ends in mid-July. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2019 ends on 16 July 2019.

(ii) In this report, "$" refers to United States dollars.

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I. THE PROPOSED PROGRAM

1. Nepal has undergone many years of political turmoil, including an armed conflict that ended in 2006, but is now on a path to political stability and economic recovery. Agriculture contributed 27.0% to gross domestic product in 2019 (second only to services), and has contributed to the recovery through largely inclusive growth: the national poverty rate has declined from 25.2% in FY2011 to an estimated 18.7% in FY2018. However, Nepal remains one of the poorest countries in Asia, with gross domestic product per capita of $993.9 in FY2018. Agriculture continues to engage 55% of Nepalese above 15 years of age, and a disproportionate share (61%) of women. Furthermore, 48% produce only for their own consumption, with less than 10% farming exclusively for sale. Nepal has diverse agro-climatic conditions suitable for high-value and off-season production, and has identified several agro-based commodities with high export potential (e.g., cardamom, tea, ginger, and medicinal and aromatic plants). However, Nepal has been unable to capitalize on these opportunities because of underlying policy and institutional bottlenecks. Nepal’s recent transition to federalism has devolved much of the mandate related to agriculture to subnational governments; policy, legislative and institutional reforms are needed to realign agricultural public service delivery.

2. The program will provide budget support for reforms to (i) improve food safety and quality monitoring systems that will reduce transaction time and costs for exporters, and protect public health from unsafe food consumption; (ii) promote agriculture commercialization to support farmers in their transition from subsistence farming to profit-making production and sales; and (iii) strengthen institutional capacity, particularly at the subnational government level. The program will also support Nepal’s agriculture sector with required policy and regulatory amendments as the country transitions from a unitary to a federal structure. The government has requested a concessional loan of $50 million equivalent from ADB’s ordinary capital resources to help finance the program, which will be released in two equal tranches, one at project effectiveness, and the second about 18 months following project effectiveness.

II. THE TECHNICAL ASSISTANCE

A. Justification

3. The proposed transaction technical assistance (TA) is being processed at the request of the Government of Nepal to facilitate program implementation. The TA will support the implementing agencies to prepare the policy actions required to comply with the program’s second tranche conditions. The recent transition to federalism has resulted in the reorganization of responsibilities among the three tiers of the government and the creation of new institutions to deliver public services related to agriculture. A key issue at present is the weak coordination among the three tiers of the government and among the various institutions. Fulfillment of their new responsibilities is also constrained by inadequate staffing levels within these institutions. The

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3 Government of Nepal, Central Bureau of Statistics. 2019. Report on the Nepal Labour Force Survey, 2017/18. Kathmandu. In addition to those formally or informally “employed”, the survey also reports on “other forms of work”, including producing and/or processing of agricultural products for own use. A total of 11.4 million (55%) Nepalese over 15 years of age are involved in subsistence foodstuff production, including 61.3% of women 47.2% of men. While 21.5% of the population were “employed” in agriculture, forestry, and fishing, only 1.3% of these were in formal employment.

TA will provide capacity building support to foster coordination among the different tiers of the government and the various institutions. The public sector’s regulatory function for ensuring food quality and safety will also be strengthened.

4. The results framework, implementation arrangements, cost estimate, and terms of reference of key consultants were discussed with the Government of Nepal during the fact-finding mission and was finalized during the loan negotiations mission.

B. Outputs and Activities

5. **Output 1: Agribusiness advisory services delivered.** The TA will support the government in (i) preparing sample business plan templates for at least two high-value commodities; (ii) preparing a sample business plan template and operational guidelines for custom hiring of agricultural machinery; (iii) preparing a training manual for promotion of inclusive agriculture and agribusiness, and delivering training (ensuring at least 50% of participants are women, and that indigenous peoples are informed and represented in the training); (iv) preparing socially and gender-inclusive provincial strategic investment plans for prioritized commodities; (v) facilitating orientation on the ADB-assisted Agricultural Development Strategy (ADS), 2015–2035, to local levels of Gandaki Province, including orientation on the flagship program and gender equality and social inclusion strategy of the ADS; (vi) drafting terms of reference for mainstreaming gender and social inclusion in the operations of the Ministry of Land Management, Agriculture, and Cooperatives; (vii) organizing various capacity building programs for government staff; and (viii) undertaking any other activity needed to comply with the second-tranche actions.

6. **Output 2: Government regulatory capacity improved.** The TA will support the government in (i) developing minimum national standards for establishing seed testing laboratories at national and subnational levels; (ii) drafting plant protection regulations; (iii) drafting pesticide management regulations; (iv) developing maximum residue levels of pesticides for at least ten priority food items; (v) developing a pesticide residue surveillance protocol and an operational plan for two priority commodities; (vi) preparing a plan for upgrading existing and establishing new food safety laboratories under the Department of Food Technology and Quality Control; (vii) completing all pre-requisites for International Organization for Standardization/International Electrotechnical Commission (ISO/IEC) 17025 certification for pyro phosphates and carbamates pesticides testing at the Central Food and Feed Reference Laboratory; (viii) completing all pre-requisites for ISO/IEC 17025 certification of molecular unit in the Central Veterinary Laboratory; (ix) completing all pre-requisites for ISO/IEC 17025 certification for newcastle disease and Peste des Petits Ruminants vaccine production units of the National Vaccine Production Laboratory; and (x) organizing capacity building programs for government staff.

C. Cost and Financing

7. The TRTA is estimated to cost $600,000, of which $500,000 will be financed on a grant basis by ADB’s Technical Assistance Special Fund (TASF 6). The key expenditure items are listed in Appendix 1.

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5 Local levels mean urban and rural municipalities.
6 The Farmers’ Commission, farmers groups and cooperatives will be consulted in preparing the sample business plans and guidelines.
7 ISO/IEC 17025 is the main ISO standard used by testing and calibration laboratories; most laboratories must hold accreditation to this standard to be deemed technically competent. At least one unit among pyrethroid and carbamate pesticide group testing units in the National Food and Feed Reference Laboratory will be considered for certification.
8. The government will provide counterpart support in the form of counterpart staff, office accommodation, and other in-kind contributions. The government was informed that the approval of the TRTA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

9. ADB will administer the TA. ADB’s Environment, Natural Resources and Agriculture Division under the South Asia Department will select, supervise, and evaluate consultants, and procure consultancy goods. A total of 4 person-months of international and 35.5 person-months of national consultancy services will be required intermittently. The transaction TA is estimated to begin in March 2020 and will be implemented over 15 months until June 2021. Transaction TA consultants will provide support to the proposed implementing agencies for the program. The implementation arrangements are summarized in Table 2.

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicative implementation period</td>
<td>March 2020–June 2021</td>
</tr>
<tr>
<td>Executing agency</td>
<td>Ministry of Agriculture and Livestock Development</td>
</tr>
<tr>
<td>Implementing agencies</td>
<td>SAER will select, supervise, and evaluate consultants. ADB’s NRM will provide implementation oversight support to SAER, including verifying consultant’s time sheets, and delivery of goods.</td>
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<tr>
<td>Consultants</td>
<td>To be selected and engaged by ADB</td>
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<td></td>
<td>Firm: QCBS</td>
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<tr>
<td></td>
<td>Program Implementation Support $500,000</td>
</tr>
<tr>
<td>Disbursement</td>
<td>The TA resources will be disbursed following ADB’s Technical Assistance Disbursement Handbook (2010, as amended from time to time).</td>
</tr>
<tr>
<td>Asset turnover or disposal arrangement upon TA completion</td>
<td>In accordance with agreement with the government</td>
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</tbody>
</table>

ADB = Asian Development Bank; NRM = Nepal Resident Mission; QCBS = quality- and cost-based selection; SAER = Environment, Natural Resources and Agriculture Division; TA = technical assistance.

Note: Procurement Plan (accessible from the list of linked documents in Appendix 2).

Source: ADB estimates.

10. **Consulting services.** ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.†

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† Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).
### COST ESTIMATES AND FINANCING PLAN

($'000)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td><strong>A. Asian Development Bank</strong>&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>1. Consultants</td>
<td></td>
</tr>
<tr>
<td>a. Remuneration and per diem</td>
<td></td>
</tr>
<tr>
<td>i. International consultants</td>
<td>110.0</td>
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<tr>
<td>ii. National consultants</td>
<td>230.0</td>
</tr>
<tr>
<td>b. Out-of-pocket expenditures</td>
<td></td>
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<tr>
<td>i. International and local travel</td>
<td>30.0</td>
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<tr>
<td>2. Surveys</td>
<td>6.0</td>
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<tr>
<td>3. Training, seminars, and conferences</td>
<td>74.0</td>
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<tr>
<td>4. Equipment</td>
<td>25.0</td>
</tr>
<tr>
<td>5. Contingencies</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500.0</strong></td>
</tr>
</tbody>
</table>

Note: The technical assistance is estimated to cost $600,000 of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office accommodation, and other in-kind contributions. The value of the government contribution is estimated to account for 17% of the total TA cost.

<sup>a</sup> Financed by the Asian Development Bank’s Technical Assistance Special Fund (TASF 6).

Source: Asian Development Bank estimates.
LIST OF LINKED DOCUMENTS
http://www.adb.org/Documents/LinkedDocs/?id=48218-010-TARreport

1. Terms of Reference for Consultants