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Nepal  
Agriculture Sector Development Programme  
Addendum

Executive Board — 122<sup>nd</sup> Session  
Rome, 11-12 December 2017

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For: Approval

# Agriculture Sector Development Programme

## Addendum

The attention of the Executive Board is drawn to the following addenda and modifications to the President's report on the Agriculture Sector Development Programme (EB 2017/122/R.19). For ease of reference, the changes to the text of the report are shown in boldface, while underscore denotes deleted text.

Page iv, Financing summary

Amount of IFAD loan: SDR 27.2 million (equivalent to approximately US\$38.20 million)

The line regarding the financing gap should be deleted.

Page 1, paragraph 1

The last sentence should read:

"Additionally, food insecurity remains a key concern, with rates of stunting and wasting being the highest in the newly formed \_\_\_ State 6."

Page 1, paragraph 4

The first sentence should read:

"The programme will be implemented in 10 districts of \_\_\_ State 6 and will target smallholder producers and landless rural people interested in engaging in targeted value chain activities."

Page 2, paragraph 5

The first sentence should read:

"The development objective is to contribute to achievement of Nepal's target for Sustainable Development Goal 8 – Decent Work and Economic Growth."

Page 2, paragraph 8

The paragraph should read:

"Overall responsibility for the ASDP will be assumed by the lead programme agency, the Ministry of Agricultural Development or any legal successor as authorized by the borrower/recipient. A programme coordination office (PCO) established in the Surkhet District will coordinate programme implementation, building on synergies with other ongoing programmes within the state \_\_\_. A programme steering committee will assist the Ministry of Agricultural Development and other stakeholders in ensuring achievement of programme objectives. \_\_\_ A \_\_\_ State 6-led technical advisory group, comprising federal and provincial agriculture, livestock, forestry, agribusiness and food technology/safety experts, will be established to advise the PCO on technical aspects of programme implementation. The programme will work with cooperatives and microfinance development banks in financing producers, and with commercial banks in facilitating credit linkages for agribusinesses. For subcomponent 1.4, the \_\_\_ Government of Switzerland, represented by the Swiss Federal Department of Foreign Affairs, acting through the Embassy of Switzerland, will provide funding to Helvetas Swiss Intercooperation for technical assistance for the programme activities, formalized through a memorandum of understanding."

Page 4, paragraph 15

The paragraph should read:

"Flow of funds arrangement. Disbursement arrangements for the ASDP will employ the national system. The programme will be able to start its activities and spend funds once the first annual workplan and budget is approved and input into the Integrated Financial Management Information System, assuming that other disbursement conditions, if any, are also met. For execution of financial transactions, the programme will refer to the District Treasury Comptroller Office. \_\_\_\_ IFAD funds will be transferred to two designated accounts opened at the central bank (Nepal Rastra Bank): one for the loan and one for the grant. The use of the treasury single account system will increase reliance on the internal control system, avoiding the need to open programme bank accounts and minimizing cash transactions."

Page 5, paragraph 21

The paragraph should read:

" IFAD financing includes an IFAD performance-based allocation system (PBAS) loan allocation of US\$38.2 million (including the reallocated US\$10 million) and a grant allocation of US\$1.8 million. \_\_\_\_ "

Page 5, paragraph 22

The paragraph should read:

" The recipient shall provide counterpart financing of US\$11.5 million. Smallholder beneficiaries and municipalities will contribute about US\$6.7 million and US\$3.44 million respectively (9.8 per cent and 5.1 per cent respectively of total cost) as cofinancing of community infrastructure and the value chain group. Private entrepreneurs will contribute US\$3.5 million (5.1 per cent of total cost) to finance value chain investment. \_\_\_\_ The Government of Switzerland, represented by the Swiss Federal Department of Foreign Affairs, acting through the Embassy of Switzerland, will provide funding to Helvetas Swiss Intercooperation in the amount of US\$3 million, towards technical assistance."

Page 6, table 1 should be replaced with the table below

Table 1  
**Programme/project costs by component and financier**  
 (Thousands of United States dollars)

Component	Municipality		IFAD Loan		IFAD Grant		SDC		Beneficiaries		Private Sector		Borrower/ counterpart		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1. Value chain development</b>																
1.1 Inclusive and sustainable agriculture value chains expanded and diversified	-	-	10 179	48.1	488	2.3	-	-	4 231	20.0	3 273	15.5	2 998	14.2	21 169	31.1
1.2 Market-oriented infrastructure functional	2 244	12.1	12 622	67.8	-	-	-	-	1 325	7.1	-	-	2 429	13.0	18 620	27.3
1.3 Rural financial services funding value chain development	-	-	3 464	75.1	332	7.2	-	-	-	-	215	4.7	601	13.0	4 613	6.8
1.4 Agriculture services sustainably support innovation and value chain development	1 196	7.4	8 183	51.0	851	5.3	3 000	18.7	1 125	7.0	-	-	1 703	10.6	16 059	23.6
<b>Subtotal</b>	3 440	5.7	34 448	57	1 671	2.8	3 000	5.0	6 681	11.1	3 488	5.8	7 731	12.8	60 461	88.8
<b>2. Programme coordination</b>	-	-	3 752	49.2	128	1.7	-	-	-	-	-	-	3 749	49.1	7 629	11.2
<b>Total</b>	3 440	5.1	38 200	56.1	1 800	2.6	3 000	4.4	6 681	9.8	3 488	5.1	11 480	16.9	68 090	100.0

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Page 6, table 2 should be replaced by the table below

Table 2

**Programme/project costs by expenditure category and financier**

(Thousands of United States dollars)

	Municipality		IFAD Loan		IFAD Grant		SDC		Beneficiaries		Private Sector		The Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>I. Investment Costs</b>																
<b>A. Consultancies</b>																
1. International consultancies	-	-	73	11.9	459	75.0	-	-	-	-	-	-	80	13.0	612	0.9
2. National consultancies	-	-	5 586	55.5	316	3.1	3 000	29.8	-	-	-	-	1 158	11.5	10 060	14.8
<b>Subtotal</b>	-	-	5 659	53.0	775	7.3	3 000	28.1	-	-	-	-	1 237	11.6	10 672	15.7
B. Equipment & materials	-	-	900	66.3	281	20.7	-	-	-	-	-	-	177	13.0	1 358	2.0
C. Goods, services & inputs	-	-	512	60.4	11	1.2	-	-	-	-	215	25.3	111	13.0	848	1.2
D. Grants & subsidies	562	2.6	9 499	44.2	-	-	-	-	5 356	24.9	3 273	15.2	2 804	13.0	21 494	31.6
E. Workshops	-	-	816	62.1	326	24.8	-	-	-	-	-	-	171	13.0	1 313	1.9
F. Training	634	7.0	6 845	75.5	408	4.5	-	-	-	-	-	-	1 183	13.0	9 068	13.3
G. Vehicles	-	-	474	62.5	-	-	-	-	-	-	-	-	284	37.5	758	1.1
H. Works	2 244	12.6	11 876	66.9	-	-	-	-	1 325	7.5	-	-	2 317	13.0	17 763	26.1
<b>II. Recurrent Costs</b>																
A. Salaries & allowance	-	-	1 620	62.5	-	-	-	-	-	-	-	-	971	37.5	2 590	3.8
B. Operation costs	-	-	-	-	-	-	-	-	-	-	-	-	2 226	100.0	2 226	3.3
<b>Total</b>	3 440	5.1	38 200	56.1	1 800	2.6	3 000	4.4	6 681	9.8	3 488	5.1	11 481	16.9	68 090	100.0

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Page 7, paragraph 23

The first sentence should read:

"The ASDP assumes a 75 per cent success rate for 35,000 households, contributing to the reduction of poverty and food insecurity in about 26,250 households in the hill and mountain areas of State 6.\_\_\_\_"

Page 7, paragraph 28

The paragraph should read:

"At the development objective level, key risks are associated with the maintenance of stable socio-economic conditions in the programme area, involving business regulatory systems and effective communication of messages on nutrition. \_\_\_\_State 6 is enjoying economic growth leading to reduced poverty, with the biggest socio-economic risk associated with climatic disaster. The programme will advance the national agenda for climate change adaptation and will ensure that all programme-financed interventions are climate change adapted. The relatively weak private business environment in the \_\_\_\_States is a significant risk and \_\_\_\_State 6 and its municipalities will need to commit to an improved investment environment. Communication on nutrition-related behavioural change is now well established in Nepal, supported by the multisectoral nutrition strategy and plan, and should not be a high-risk activity in the\_\_\_\_ State."

Page 9, paragraph 37

The first resolution should read as follows:

"RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Federal Democratic Republic of Nepal for the Agriculture Sector Development Programme in the amount of twenty-seven million two hundred thousand special drawing rights (SDR 27,200 000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein."

Appendix 2, the Logical framework should be replaced with the one below

## Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline <sup>1</sup>	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Goal: To contribute to the achievement of Nepal's SDG 1 - Poverty and SDG 2 – Zero Hunger targets by reducing poverty and nutrition insecurity amongst women and men in hill and mountain areas of State 6</b>	24,000 more women of 15-49 years of age, consume at least 5 out of 10 defined food groups daily <sup>2,3</sup>	TBD	+10,000	+24,000	Field survey	Mid-term and completion surveys	ASDP	
<b>Development Objective: To contribute to the achievement of Nepal's SDG 8 Decent Work and Economic Growth target through sustainable improvement in the income and food security of smallholders and disadvantaged rural groups<sup>4</sup> involved in commercially-oriented production and marketing systems in selected high value agricultural value chains.(number of beneficiaries effectively reached assuming a 75 per cent success rate)</b>	Reduction in poverty incidence amongst 35,000 Programme households (measured as a lower HFIAS <sup>5</sup> score)	TBD	-30%	-60%	Field survey	Mid-term and completion surveys	ASDP	Socioeconomic conditions remain reasonably stable and manageable climatic disasters. Macro-economy continues to improve New provincial and municipal administrative systems take time to stabilize Business regulatory system does not deteriorate with new Federal structure
	26,000 value chain linked farm households double their household income	0	10,000HH double income	26,000 HH double income	Field survey	Mid-term and completion surveys	ASDP	
<b>Sub-components (Outcomes):</b> Sub-component 1: Inclusive and sustainable agriculture value chains expanded and diversified	Amount of agribusiness and household investment leveraged by ASDP co-financing (USD million)	0	6.0	10.0	ASDP records	Annual	ASDP	Municipal governments committed to participatory, market-led development Elite capture/ disadvantaged groups unable to participate effectively
<b>Outputs:</b> 1.1 Strategic Investment Plans prepared.	12 commodity-based Value Chain strategic investment plans prepared	0	12	12	ASDP records	Annual	ASDP	Adequate skills available from local /national service providers
1.2 Agricultural value chain development co-financed	Profitable new agriculture value chains operating in Programme area at project-end (IRR>12%)	0	8	18	Field survey	Periodic surveys	ASDP	"Market gatekeepers" and farmers willing to invest in value adding agri-businesses
Sub-component 2: Market-oriented infrastructure functional	Percentage of households reporting satisfaction with Programme infrastructure development	0	70 per cent	80 per cent	Field survey	Mid-term and completion	ASDP	Value chain infrastructure requirements align with municipal investment plans

<sup>1</sup> Baseline measures for several indicators will be established through the HVAP completion survey.

<sup>2</sup> IFAD RIMS indicator

<sup>3</sup> Agriculture Development Strategy indicator

<sup>4</sup> Dalits, Janajatis, Muslims, youth, landless, others

<sup>5</sup> Household Food Insecurity Access Scale (HFIAS), ([http://www.fao.org/fileadmin/user\\_upload/eufao-fsi4dm/doc-training/hfias.pdf](http://www.fao.org/fileadmin/user_upload/eufao-fsi4dm/doc-training/hfias.pdf))

<b>Outputs:</b> 2.1 Co-financed public and community market infrastructure	Kilometres of rural roads constructed	0	30	70	ASDP records	n surveys Annual	ASDP	Municipalities willing to co-finance infrastructure needs Timely implementation of Infrastructure O&M
	Hectares of small-scale irrigation established	0	400	1,000	ASDP records	Annual	ASDP	
2.2 Marketable skills development.	Number of youth and women trained	0	400(youth)	800	ASDP records	Annual	ASDP	Rural youth perceive better economic opportunities
		0	600(women)	1,200				
Sub-component 3: <i>Rural financial services for value chain development strengthened</i>	Increase in number of households using rural financial services	TBD	120 %	150 %	Field survey	Periodic surveys	ASDP	No major change in financial climate, lending terms Financial service providers not interested to invest in Programme-targeted value chains
<b>Outputs:</b> 3.1 Rural financial services development	Number of financial service providers delivering innovative financial products and services	0	10	20	ASDP and financial service provider records	Annual	ASDP, banks, MFIs, credit coops.	Borrowers divert loans for other purpose Insufficient historic weather data limits spread and quality of insurance products
3.2 Support to credit access	Number of persons in rural areas trained in at least two of the following capacities: (i) financial literacy; (ii) business development and (iii) use of financial products and services	0	15,000	35,000	Field survey	Mid-term and completion surveys	ASDP	Cooperatives not interested in amalgamation and increased business efficiency
Sub-component 4: Agriculture services sustainably support innovation and value chain development	Percentage of households reporting adoption of new / improved inputs, technologies or practices	0	50%	70%	Field survey	Periodic surveys	ASDP	Municipalities adopt ADS-recommended institutions and approaches for agricultural service governance and delivery
<b>Output s:</b> 4.1 <i>Participatory and pluralistic extension services and strengthened farmers organizations</i>	Number of community agricultural extension service centres (CAESCs) in Wards delivering pluralistic extension service delivery at producer level	0	100	400	ASDP records	Annual	ASDP	Technical service support system is pluralistic and responds to the grassroots level needs
	Number of new farmer groups linked to Value Chains	0	300	1,200	ASDP records	Annual	ASDP	
4.2 Women's empowerment and household nutrition <sup>6</sup>	40 % improvement in Women's empowerment in agriculture index	TBD	110% of base	140% of base	Field survey	Mid-term and completion surveys	ASDP	Programme-promoted methodologies for women's empowerment successfully applied

<sup>6</sup> The IFPRI-developed Women's empowerment in agriculture index measures the roles and extent of women's engagement in the agriculture sector in five domains: (i) decisions about agricultural production; (ii) access to and decision-making power over productive resources; (iii) control over use of income; (iii) leadership in the community; and (iv) time use.