

## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture**

#### **Project Design Report**

#### **Main report and annexes**

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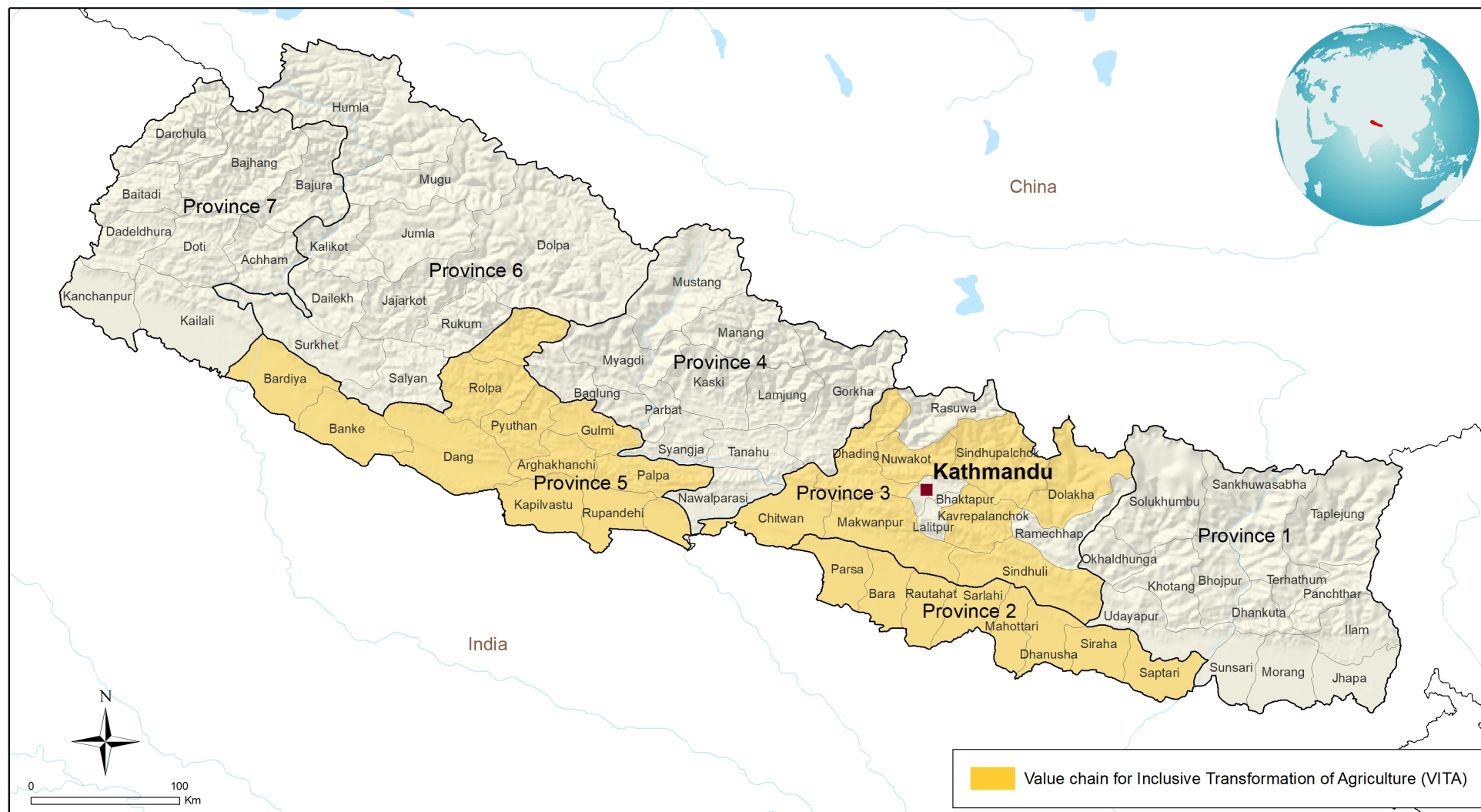
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# Map of the Project Area



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IFAD Map compiled by IFAD | 10-06-2020

## Abbreviations and Acronyms

<b>ACTS</b>	Annual Cluster Tracking Surveys (VITA)
<b>ADB</b>	Asian Development Bank
<b>ADBL</b>	Agriculture Development Bank Ltd.
<b>ADS</b>	Agricultural Development Strategy (2015-2035)
<b>AIMS</b>	Accelerating Inclusive Markets for Smallholders (IFAD - Cambodia)
<b>AKC</b>	Agricultural Knowledge Centres
<b>ASDP</b>	Agriculture Sector Development Project (IFAD)
<b>B2B</b>	Business to business
<b>BFI</b>	Bank and financial institution
<b>BSF</b>	Business Skills Facilitators (VITA)
<b>CARD</b>	Contribution to Agriculture and Rural Development project (EU)
<b>CC</b>	Climate Change
<b>CEO</b>	Chief Executive Officer
<b>CEPD</b>	Capacity enhancement and policy development facility (VITA)
<b>CGIAR</b>	Consultative Group on International Agricultural Research
<b>CI</b>	Core Indicators (IFAD)
<b>COI</b>	Core Outcome Indicators (IFAD)
<b>CSPE</b>	Country Strategy and Programme Evaluation (IFAD)
<b>DADO</b>	District Agriculture Development Offices (discontinued)
<b>DANIDA</b>	Danish Agency for International Development
<b>DCGF</b>	Deposit Credit Guarantee Fund
<b>DfID</b>	UK Department for International Development
<b>DLSO</b>	District Livestock Service Offices (discontinued)
<b>EIRR</b>	Economic Internal Rate of Return
<b>EoI</b>	Expressions of Interest
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organization of the UN
<b>FI</b>	Financial Institution
<b>FINGOs</b>	Financial non-governmental organizations
<b>FY</b>	Financial Year
<b>GALS</b>	Gender Action Learning System
<b>GDP</b>	Gross Domestic Production
<b>GII</b>	Gender Inequality Index
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
<b>GLOF</b>	Glacial lake outburst flood
<b>GON</b>	Government of Nepal
<b>HVAP</b>	High Value Agriculture Project (IFAD)
<b>ICT</b>	Information and communication technology
<b>IFAD</b>	International Fund for Agriculture Development
<b>IFI</b>	International financial institution

<b>IFPRI</b>	International Food Policy Research Institute
<b>IRMF</b>	Integrated Risk Management Framework (IFAD)
<b>IMF</b>	International Monetary Fund
<b>ISFP</b>	Improved Seed for Farmers Programme (IFAD) – also known as KUBK (see below)
<b>JICA</b>	Japan International Cooperation Agency
<b>KFAED</b>	Kuwait Fund for Arab Economic Development
<b>KMC</b>	Knowledge management and communications
<b>KUBK</b>	Kisankalagi Unnat Biu-Bijan Karyakram project (IFAD) – also known as ISFP (above)
<b>LAPA</b>	Local Adaptation Plan of Action
<b>LPA</b>	Lead Programme Agency (VITA)
<b>LPED</b>	Local and Provincial Economic Development project (GIZ)
<b>LSIP</b>	Livestock Sector Innovation Programme (World Bank)
<b>M&amp;E</b>	Monitoring and evaluation
<b>MAPS</b>	Medicinal and aromatic plant products
<b>MFI</b>	Micro finance institution
<b>MIS</b>	Management information system
<b>MoALD</b>	Ministry of Agriculture and Livestock Development (federal)
<b>MOF</b>	Ministry of Finance (federal)
<b>MoFAGA</b>	Federal Affairs and General Administration (federal)
<b>MOFE</b>	Ministry of Forestry and Environment (federal)
<b>MoLMAC</b>	Ministry of Land Management, Agriculture and Cooperatives (state)
<b>MOPE</b>	Ministry of Population and Environment (discontinued, now MOFE)
<b>MoU</b>	Memorandum of understanding
<b>MSMEs</b>	Micro, small and medium sized enterprise
<b>MSP</b>	Multi-stakeholder platforms
<b>NAPA</b>	National Adaptation Programme of Action
<b>NGO</b>	Non-governmental organization
<b>NPC</b>	National Planning Commission (federal)
<b>NPL</b>	Non-performing loan
<b>NRB</b>	Nepal Rastra Bank (central bank)
<b>ODA</b>	Official Development Assistance
<b>OFID</b>	OPEC Fund for International Development
<b>PFI</b>	Partner financial institutions
<b>PIM</b>	Programme Implementation Manual
<b>PMAMP</b>	Prime Minister Agricultural Modernization Project (MoALD)
<b>PMU</b>	Programme management unit
<b>PO</b>	Producer organization
<b>PPI</b>	Poverty Probability Index
<b>Pro-WEAI</b>	Project Women's Empowerment in Agriculture Index
<b>RERP</b>	Rural Enterprises and Remittances Project (IFAD)

<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>SACCO</b>	Savings and credit cooperatives
<b>SDC</b>	Swiss Development Cooperation
<b>SDF</b>	Supply chain Development Facility (VITA)
<b>SDG</b>	Sustainable Development Goal
<b>SECAP</b>	Social, Environmental and Climate Assessment Procedure (IFAD)
<b>SEM</b>	Socio-economic mobilizer (VITA)
<b>SFD</b>	Saudi Fund for Development
<b>SKBBL</b>	Sana Kisan Bikas Laghubitta Bittyasanstha (formerly Smallholder Development Bank)
<b>SLVC</b>	Strengthening Smallholder Enterprises of Livestock Value Chains (Heifer)
<b>SME</b>	Small and medium sized enterprise
<b>SO</b>	Strategic Objectives
<b>SPC</b>	State Planning Commission (state)
<b>SPS</b>	Sanitary and phytosanitary
<b>ToR</b>	Terms of reference
<b>ToT</b>	Training of trainers
<b>USAID</b>	United States Agency for International Development
<b>VHLSSC</b>	Veterinary Hospital and Livestock Services Specialist Centres
<b>VITA</b>	Value Chains for Inclusive Transformation of Agriculture Programme (IFAD)
<b>WB</b>	World Bank

## In line with IFAD11 mainstreaming commitments, the project has been validated as:

Gender transformational  Youth sensitive  Nutrition sensitive  Climate finance

IFAD Adaptation Finance	\$74,265,000
IFAD Mitigation Finance	N/A
Total IFAD Climate-focused Finance	\$74,265,000

### Executive Summary

**Overview:** The Value Chains for Inclusive Transformation of Agriculture (VITA) Programme is a scaling-up of the successful models of inclusive rural growth now being adopted across the IFAD country programme that have delivered substantial impacts on net farm incomes for small-scale producers (+37% versus control group), have been recognized for their strong performance in targeting benefits to women and youth alongside facilitating the growth of sustainable local supply chains. VITA advances these best practices by bringing in the largest financier of agriculture in Nepal to the core of the programme, Agriculture Development Bank Ltd (ADBL), to remove the critical constraints of access to finance for agriculture, while building climate resilience into public and private investment practices and accelerating development of digital rural financial services. It expands on the previous partnership with Heifer, who will be a key implementing partner using their proven field approaches to further strengthen the empowerment of women and youth and focus on nutrition without additional complexity.

Implementation and financing arrangements are tailored to the current institutional and fiscal context in the transition to federalism. As a nationwide state-owned commercial bank, ADBL is ideally placed to work effectively with producers, the private sector and the three tiers of government – federal, state and municipal. The programme leverages a high level of domestic co-financing (47%), a majority of which is from banks (primarily ADBL) and the private sector. Importantly, the internal financing arrangements and move away from widespread grant financing to producers reduces the fiscal burden from the programme, with the use of a subsidiary loan of around US\$81 million from the government to ADBL to finance programme operations (82% of total IFAD financing of US\$97.7 million). Only the investments in supply chain infrastructure will be retain a majority share of public financing.

In the context of COVID-19, VITA is a timely major new investment programme that will make a valuable contribution to the recovery from the pandemic as well as building resilience of rural communities to future shocks. It will create new profitable opportunities for small-scale producers including the large numbers of returning migrants. Its strong focus on expanding supply chains for high nutritional value foods will further contribute to both local and national food security and reducing reliance on imported foods. Its internal financing structure means that it will achieve this without creating fiscal burden on the government. More generally, the roll-out plans to the programme districts have been accelerated so the activities will launch in all 28 focus districts within the first 15 months of the programme. Such adjustment have been achieved without creating additional costs.

**Economic and social context.** The 2015 constitution introduced federalism with three tiers of government – federal, state and municipal – each with assigned powers. Together with the 2017 elections at federal, state and municipal level, this ushered in a period of much needed stability and growth. In Financial Year (FY) 2019, Nepal achieved its third consecutive year of +6% growth for the first time in more than 50 years. Prior to the COVID-19 outbreak, GDP growth was projected to average 6.5% over the medium-term. Most recent World Bank projections (April 2020) are for growth to slow to 2.8% in FY2020 and remain subdued in FY2021 reflecting lower remittances, trade and tourism, and broader disruptions caused by the COVID-19 outbreak. Consequently, the fiscal and current account deficits are likely to increase significantly. Risks to the outlook stem primarily from a large-scale domestic transmission of COVID-19 and limited capacity of government to implement emergency relief and recovery measures.

In 2019, the poverty headcount ratio at the USD 1.90/day line is estimated at 8% (from 15% in 2010). At the national poverty line, it is estimated at 18.7% (from 25.2% in 2010). However around a further 31.2% of the population live between USD 1.90 and USD 3.20 a day and face significant risks of falling into extreme poverty, primarily due to reduced remittances, loss of earnings of potential migrants, job losses in the informal sector, and rising prices for essential commodities as a result of COVID-19.

**The Agricultural Sector** remains the 2<sup>nd</sup> biggest sector in the economy (after services), contributing 29.3% to GDP in 2018, though declining in share reflecting ongoing structural transformation of the economy. The sector is domestically focused, with exports only 2.7% of sector value added. Agricultural growth averaged 2.9% between 2008 and 2018 compared to 4.7% GDP growth. In FY2019, agriculture growth is estimated at 5.0% versus 7.1% GDP growth. There is a large and growing trade deficit in food and agricultural products. Agricultural import growth is far higher than growth in domestic agricultural output. Despite low growth and labour productivity, 11.7 million working age people (56.5%) are involved in agriculture to some degree – with 97% living in farm households. Among farm households, 52% now sell to the market and almost three quarters of these sell a majority of their produce. (Central Bureau of Statistics, 2019).

Nepal has a comparative advantage for a range of agriculture products, though not generally lowland field crops. Varied agro-climatic zones allow tropical, sub-tropical and temperate crops to be produced and counter-seasonal production. There are therefore numerous opportunities for higher return on agriculture from a range of crops and livestock in different locations to meet market demand.

**Lessons** are drawn from the 2019 Nepal Country Strategy and Programme Evaluation, the High Value Agriculture Project (HVAP) and other programmes as well as the corporate-level evaluation of IFAD's global experience in pro-poor value chain projects. Lesson incorporated into the programme design include: the need to support the implementation of federalisms; continuing support to agricultural value chain development and financing with renewed emphasis on inclusiveness; reintroducing investment in basic infrastructure and services as a preparatory step for further economic opportunities; integrating sustainable natural resources

management and climate change adaptation; strengthening partnerships for specialized technical support and co-financing, with the ADBL as the Lead Programme Agency (LPA) and major co-financier and Heifer Nepal as the key implementing partner and also co-financier. The programme also adopts a market-first cluster-based approach alongside clear graduation strategies, which were central to driving inclusive growth in HVAP – with local networks of multiple competing buyers and service providers dealing with multiple independent producer organizations (POs) through a mix of formal and ad hoc trading relationships to meet market demand.

**Rationale.** The core problem the programme addresses is that small-scale producers' incomes in traditional farming are low and uncertain, yet there are multiple profitable market opportunities for modern small-scale farming to serve confirmed domestic and export demand. Uncertain returns are a key factor in holding back private investment, especially by small-scale producers. Women, while dominating the agricultural workforce, need greater prominence in leading local industries and more opportunities in products that give higher returns and more efficient use of their time. Many youth are also seeking opportunities for higher returns on their labours in their own communities as an alternative to migration, but need support to become professional modern small-scale producers and overcome specific problems in access to key resources including land and finance. VITA scales-up the market-driven best practices from HVAP that address many of these issues. ADBL is the leading agricultural financier in Nepal and will substantially increase access to finance among small-scale producers, women and youth working in the agricultural sector through the programme, especially for medium-term investment finance. Heifer brings a proven track record of inclusive smallholder and producer group development with increasing market orientation. Such measures are even more important in the context of COVID-19, where many migrant households will see immediate increases in household labour but face longer term loss of remittances. Finding gainful work and opportunities as small-scale producers is a priority for individual households and the country as a whole.

**Mainstreaming strategy.** VITA contributes to all four of IFAD's mainstreaming priorities. The programme will produce gender transformative outcomes as it strengthens women's agency and economic empowerment by supporting them to take leading roles in their supply chains and facilitating a combination of efficient production technology and methods (such as labor saving technologies including drip irrigation, mulching, stall feeding), easy access to credit and other financial services, market access, a comprehensive package of financial and business skills (covers business skills, financial knowledge, aspects of the Gender Action Learning Systems (GALS) – 'GALS'-lite; nutrition and balanced diet, climate change). Nutrition promotion will be mainstreamed through the same comprehensive packages such as promoting availability and utilization of knowledge on nutritious food through GALS "lite" as well as increased access to high nutrient value foods through a focus on the supply chains for such items. VITA is youth sensitive and will work with older adults and community leaders to take action towards providing better opportunities for their young adult children – especially those under 25 years - for example, local arrangements to increase opportunities to rent land for production and the provision of institutional guarantees from the municipality to facilitate access to finance for investment. VITA is attracting youth to agriculture through many measures such as identification and promotion of successful young producers as role models for modern farming, especially young women, use of social media and other channels to specifically market opportunities to youth, support mechanisms to address youth's limited access to land and finance for production.

VITA is a climate focused programme with estimated climate financing of US\$74.3 million, equivalent to 76% of total IFAD financing. Climate trends and future projections for Nepal indicate that seasonal variations in temperature and precipitation will increase, resulting into more frequent and intensified extreme weather events and likely impacts such as i) increased incidences of new and existing diseases, pest and insects, especially in higher altitudes; ii) greater variability in rainfall patterns within the year with increased water demand leading to higher risks of temporary water shortages for rainfed agricultural production; iii) increased heat stress to livestock from a small increase in the number of warm days, especially in the lean season, leads to reduced milk production and reduced growth in poultry. In addressing these risks, VITA will adopt a series of measures including: selection of climate resilient commodities to be promoted in different locations and agro-climatic conditions; promote and train small-scale producers and MSMEs on tools to help them factor in climate change considerations into their investment and production plans; promotion of climate smart agriculture technologies and services through strengthening of local support markets and with partner financial institutions for screening of climate risks in their loan appraisal and strengthening the capacity of staff in the area of climate change. VITA will help to reduce climate related risks and impacts by: improving farmers' understanding of climate risks to their farm business (Sub-component 1.1); increase availability and access to climate resilient technologies and advice to implement climate adaptation measures (through Support Market Development under Sub-component 1.2); providing loans to finance climate adaptation investments (Component 2.1); investing in multi-use water system and small scale irrigation to reduce the risks from temporary water shortages, and upgrade farm access roads for year round access to farms particularly during periods of heavy rain (Component 3). The programme areas are moderately vulnerable to the effects of climate change.

**Goal and development objectives** of VITA are *"Improved livelihoods, climate resilience and nutrition of poor and vulnerable people"* (goal) and that *"Farm enterprises of poor and vulnerable rural people are more resilient to climate change, increasingly profitable and sustainable, strengthen their market linkages and use appropriate financial services."* (development objective).

**Outreach and impacts:** The programme expects to directly benefit 120,000 small-scale producers, in around 111,000 distinct households with around 530,000 household members in total. Among these small-scale producers, 70,000 are expected to increase total real net farm income by at least 60% and a further 50,000 by at least 40%.

**Programme area.** VITA will focus intensive activities in 28 districts in States 2, 3 and 5. State 5 and State 2 have strong agricultural potential combined with highest numbers of people living in poverty. In State 3, the programme is more focused, working in districts with good agricultural potential that were the most severely impacted by the 2015 earthquake. VITA will also extend financial services only to targeted bankable beneficiaries of IFAD supported Rural Enterprises and Remittances Project (RERP) in State 1 and State 2 and Agriculture Sector Development Programme (ASDP) in State 6 in partnership with these ongoing projects providing similar business-focussed support to that provided under VITA Component 1.

**Target groups** will be small-scale producers, including landowners and landless, and labourers involved in supported supply chains. VITA will have at least 60% women beneficiaries and 30% youth. Disadvantaged individuals including Dalits, Janjatis and other disadvantaged groups will also be specifically targeted. Targeting will involve, among other measures, selection of crops and livestock of particular interest to the target groups with high returns on labour and technologies that are labour saving and help reducing drudgery of women. A secondary target group will be micro-, small- and medium-enterprises (MSMEs) in the supported supply chains.



**Components.** VITA is organized into three closely related components:

**Component 1: Inclusive Supply Chain Development** targets high potential commodity supply chains. It provides intensive training in foundational business skills to farmers and producer groups, so they are more confident and able to engage in the supply chains and manage their farming as a business. It encourages like-minded farmers to organize themselves into producer organizations (POs) to achieve the necessary scale to better interact with buyers and service providers and increase efficiencies and competitiveness of their local supply chains. It builds awareness of climate risk and practical adaptation measures for producers. It establishes rolling cycles of multi-stakeholder platforms (MSPs) to build networks and business relationships, facilitate market linkages and stimulate investment opportunities for producers and MSMEs. It provides sustained mentoring to producer groups so they can take advantages of the opportunities that emerge through the MSP processes. It promotes complementary investments by small and larger commercial service providers and co-operatives serving the clusters with direct or embedded services, including on climate smart agriculture technologies and practices. The MSPs are open platforms that provide a practical mechanism for financial service providers (FSPs) to better understand local demand and opportunities for them in offering financial services to various supply chain actors. Similarly, the MSPs provide a mechanism for local, state and federal government to understand specific needs for enabling public infrastructure and services to complement private investment. The expected close collaboration with municipal authorities, as seen in the RERP project, is also important in achieving complementary public and private investment in technical services, which now fall under their mandate but for which they have limited financial and human resources of their own.

In the context of COVID-19 and the potential prolonged need for safe social distancing practices, the substantial increase in collective marketing of farm produce through POs, with trucks collecting produce in bulk directly from the village, will dramatically reduce the number of small-scale producers having to regularly go to the market to sell their produce one by one. Greater use of electronic payments between buyers and producers will also reduce the need for face-to-face transactions. However, physical produce will still need to be aggregated and transported along the supply chain in a safe manner. Similarly, there will still need to be some safe face-to-face interaction, especially in the early stages as relationships are built, for example via safe MSPs. VITA will support the widespread adoption and adherence to such safe working practices in supported supply chains.

**Component 2 Expanding Financial Services to Agriculture** tackles supply-side constraints for appropriate financial services to agriculture, including systemic shortages of term finance, due to term mismatches between sources of funds and borrowers' requirements. This will be via a subsidiary loan to ADBL and wholesale term loans to partner FSPs for on-lending to small-scale producers and MSME in the supported supply chains. The component also addresses other capacity issues within partner FSPs that are limiting their capacity to offer relevant financial services and new products at the scale required to increase rural financial inclusion.

**Component 3 Supply Chain Infrastructure** supports investment in critical public infrastructure at different points along the supply chains – from upgrading of regional hub markets and establishing networks of satellite wholesale markets, to investments in productive community level infrastructure – especially linked to water for production and multi-use systems (e.g. for domestic water, livestock and horticulture) as well as farm access roads to help mitigate climate risks. Importantly, the priorities for infrastructure development will be determined through the MSP processes driven by producers and MSMEs within the supply chains. The design of new market infrastructure will also take into account the likely need for greater physical spaces as well as improved hygiene facilities in physical markets and other changes to market operating practices to adapt to COVID-19.

**Implementation arrangements.** ADBL will be the LPA and co-financier and accountable to the Programme Steering Committee (PSC) chaired by the Ministry of Finance. It will lead the implementation of all components. Heifer Nepal will be the main implementing partner and co-financier, with particular responsibilities under Component 1 on aspects of socio-economic mobilization and supply chain development. Heifer will coordinate its network of local NGOs to deliver farmer facing activities under the programme. ADBL and Heifer will operate on a one programme / one team basis. State and municipal government will be closely involved, including via local MSPs and co-ordinated investments in supply chain infrastructure and other initiatives, including co-financing investments under Component 3. In support of federalism, VITA will provide capacity building support to state and local government teams on the programme approaches.

**Costs and financing.** Total programme financing of US\$ 196.9 million is comprised of IFAD funding of US\$97.67 million (49.6%), government funding of US\$9.9 million (5.1%), ADBL and banks US\$32.4 million (16.4%), Heifer \$6.0 million (3.0%), beneficiaries US\$33.8 million (17.1%) and private sector contributions of US\$16.9 million (8.6%). All beneficiary and private sector contributions shown are in cash. There is no financing gap.

From a fiscal perspective, in terms of public sector cost per beneficiary, VITA's costs are only around 21% of ASDP's. Nominal investment costs per beneficiary household for VITA of US\$1,768 are around 9% lower than those for ASDP (US\$1,945 per household) – which has a broadly similar focus on inclusive supply chains, rural financial services and infrastructure in similar communities. However, these are financed on a very different basis. In VITA, around USD163 million (83% of the US\$197 million total) is ultimately financed by banks, private sector and beneficiaries. Only US\$34 million is born by the public sector (of which US\$27 million is for infrastructure). The cost to the public sector is therefore US\$302 per beneficiary household for VITA. On a comparable basis for ASDP, around US\$10 million are financed by the private sector and beneficiaries and US\$8.3 million in taxes and duties, leaving a public sector cost of USD50 million – equivalent to USD1,417 per beneficiary household.

**Financial and economic analysis.** The base case scenario for 20 years period of analysis shows an Economic Internal Rate of Return of around 27%. A sensitivity analysis was conducted to assess the effect of variations in (i) 10% and 20% decrease in benefits; (ii) 10% and 20% increase in costs, (iii) 1 and 2 years delay on incremental income accrual. In all scenarios, EIRR is above 19%.

**Risks.** There is a high inherent risk of institutional capacity for programme implementation in Nepal, as evident from recent performance of the country programme. The programme implementation arrangements and choice of partners are explicitly designed to remedy this challenge, by involving ADBL and Heifer as lead partners, as well as by creating State Programme Coordination Forums in each state to coordinate among stakeholders. In addition, there are around USD 2 million of institutional capacity building programmes planned for ADBL and programme partners across the three Components. Technical risks are low as the programme

scales-up proven good practice in all its main activities.

The COVID-19 pandemic potential impacts are currently highly uncertain. The extent and duration of the epidemic domestically are not yet known. It will have impacts on demand, through reduced spending capacity of households, but also the availability of rural labour. Returning migrants may bring money and a determination to try to build livelihoods in their home communities but could also create extra burdens if they cannot find gainful work to replace lost remittances incomes. VITA's focus on high return commodities, mostly of food for domestic markets, combined with affordable investment pathways should enable large numbers of supported households and returnee migrants to make gradual investments in their farm businesses, including starting with smaller collateral free loans, to increase their incomes and food supply and also provide gainful work for migrants returning to their communities. The risks to programme financing from the expected increased fiscal pressure on government is mitigated against by the programme's internal financing arrangements, with around US\$81 million being provided as a subsidiary loan to ADBL which will then finance programme operations – both lending and non-lending activities other than infrastructure.

**Social, Environmental and Climate Assessment procedures (SECAP).** The social and environmental category for VITA is B. The climate risk classification is moderate. A costed Environmental and Social Management plan has been included in the design.

**Financial Management.** The LPA, a state-owned registered commercial bank, will manage the resources made available under the programme under a financing agreement with government. The LPA's Programme Management Unit will report to the Programme Director and be accountable to the PSC for the overall financial management, preparation of AWPB, procurement plan, M&E and MIS, withdrawal applications and financial reports, and compliance requirement of internal and external audit. The financial management risk assessment of ADBL is assessed as substantial as it is the first IFAD funded programme in an extended period and should reduce to moderate with implementation of mitigating measures.

**Procurement.** The LPA will apply its own approved procurement procedures where these are consistent with IFAD procurement guidelines and apply accepted IFAD/government procurement procedures and thresholds where its own procedures do not meet IFAD requirements. It is noted that no major procurement packages are currently envisaged under Component 1 and 2. For infrastructure works under Component 3, all sub-project implementers will apply accepted IFAD/government procurement procedures and thresholds.

**Sustainability** of the programme benefits is substantially linked to the entire programme being private sector led. Sustainability is achieved at three levels:

**Farm level.** At the small-scale producer level, the programme will support a portfolio of crops and livestock that both have market demand and are suitable to local agro-ecological zones and climatic conditions. Environmental management, resource use efficiency and climatic adaptation will be enhanced in the messages and investment support to farmers. At the same time, the long-term approach to mentoring and training in business and technical skills is expected to significantly improve small-scale producers' potential to sustain the benefits even when programme support ends.

**Producer organization (PO) level.** Significant resources of the programme focus on building the capacity of POs to become successful and reliable actors in their local supply chains. Heifer will use their proven methodologies in this, with sustained mentoring over 3-4 years for each PO.

**Supply chain level (including support markets).** Where the supply chains have achieved competitiveness, they are highly likely to continue – as the producers and businesses will be making money. In addition, where producers, businesses and technical and financial service providers have established regular processes of mutually beneficial networking, including via the MSPs, then such process are likely to be continued in some form. In established clusters and supply chains such functions should have minimal costs and be readily taken on by the supply chain actors themselves – as has been the case in State 6 for commodities such as vegetables, ginger, turmeric and apples, initially supported by HVAP but now continued jointly by the agribusinesses and POs.

**Exit strategy.** The focus on sustainable results and on independent, profitable institutions and private sector-based partnerships forms the core exit strategy. By moving away from a predominantly grant-based to a loan-based system, the programme helps expand the agricultural credit system and thereby enhance access of farmers, POs, co-operatives and entrepreneurs (MSMEs) to financial resources on a continuing basis. By ensuring reflow of a large proportion of financial resources borrowed by the government from IFAD, this approach also helps improving the government's financial position in these demanding times.

**Scaling up.** The programme is itself a scaling-up programme, expanding best practices from the recent Nepal country programme on inclusive market development – especially those from HVAP as well as substantially advancing best practices in new areas including agricultural finance (to replace grant financing) and institutional implementation arrangements adapted to the new federal system. Together with the ongoing IFAD supported projects, this will mean these approaches are being implemented by major investment programme in 5 of 7 states across the country. As the LPA is a nationwide bank, with branches in all districts there remains clear scope for it to replicate these approaches across the entire country. Similarly, the expected partnerships with other FSPs is also expected to contribute to crowding-in, especially for increased agriculture finance to commercial small-scale producers. In addition, as state and municipal governments become more familiar with the practical tools and approaches of the program, they will likely want to start incorporating aspects of them into their own plans and activities.

**Policy engagement** through VITA is expected to have two major focus areas. Firstly, the policy framework, strategies and regulations to accelerate the expansion of agricultural finance and rural digital financial services. Secondly, policy development processes and capacities at state and municipal level, especially concerning local economic development strategies and investment plans.

**Innovation** in the programme is principally in four areas: i) the transition to predominantly loans-based financing for private investments by small-scale producers and MSMEs in upgrading their farms and businesses; ii) the associated large scale mobilization of domestic private co-financing from banks, businesses and beneficiaries, iii) information and communication technology (ICT) enabled product and service innovations, which play an increasingly important role for both ADBL as well as the programme participating FSPs, which will be supported and brought to scale through VITA; and iv) the innovative institutional arrangements of

having a state-owned commercial bank as the lead programme agency for an inclusive market development programme in partnership with a leading NGO bringing specific technical expertise. This innovation is highly relevant to the current Nepali context as a mechanism to better institutionalize the core capacities of facilitating inclusive supply chain development and also providing complementary implementation mechanisms for public investment in economic development that can work alongside the new three tiers of government.

## 1. Context

### A. National context and rationale for IFAD involvement

#### a. National Context

- 1. Overview:** Nepal's varied agro-climatic zones, abundant water resources and proximity to large and growing markets create a rich tapestry of opportunities for competitive commercial smallholder agriculture – for meat, fish, eggs, fruits, vegetables, tea and more. Yet the structural and growing agricultural trade deficit illustrates a lack of competitiveness in some major commodities such as cereals, oil seeds and sugar. The agricultural sector is highly fragmented and not realizing its potential - even in locations and for commodities in which there are potential comparative advantages, with millions of small farms and thousands of small agribusinesses contributing to high transaction costs and a lack of competitiveness. In terms of government support to the sector, in the five years to 2016 there was increasing momentum in reforms and modernization towards market-driven approaches – reflected in the Agricultural Development Strategy (ADS) approved in 2015. However, in the past three years much of this momentum has been overwhelmed by the restructuring to three tiers of government under the new federal constitution. Assignment of many powers in the sector to state and local government, as exclusive or concurrent powers, offers the potential for more responsive and accountable investment in public goods and services to the sector. However, this potential has yet to be realized and there remain substantial questions on the detail of how the three tiers will work together for the sector.
2. Extreme poverty has been declining steadily yet large numbers remain vulnerable to falling back into extreme poverty. In 2019, the poverty headcount ratio at the USD 1.90/day line is estimated at 8% (from 15% in 2010). At the national poverty line, it is estimated at 18.7% (from 25.2% in 2010). However around a further 31.2% of the population live between USD 1.90 and USD 3.20 a day and face significant risks of falling into extreme poverty, primarily due to reduced remittances, loss of earnings of potential migrants, job losses in the informal sector, and rising prices for essential commodities as a result of COVID-19.
3. **Economic and fiscal context:** The 2015 constitution introduced federalism with three tiers of government – federal, state and municipal – each with assigned powers. Together with the 2017 elections at federal, state and municipal level this ushered in a period of much needed stability and growth. In Financial Year (FY) 2019, Nepal achieved its third consecutive year of +6% growth for the first time in more than 50 years. Prior to the COVID-19 outbreak, GDP growth was projected to average 6.5% over the medium term. Most recent World Bank projections (April 2020 - (World Bank, 2020)) are for growth to slow to 2.8% in FY2020 and remain subdued in FY2021 reflecting lower remittances, trade and tourism, and broader disruptions caused by the COVID-19 outbreak. Consequently, the fiscal and current account deficits are likely to increase significantly. Risks to the outlook stem primarily from a large-scale domestic transmission of COVID-19 and limited capacity of government to implement emergency relief and recovery measures.
4. The transition to fiscal federalism, alongside ongoing reconstruction spending, increased expenditure substantially leading to a sharply wider fiscal deficit in 2018. However, robust revenue growth coupled with persistent underspending of the budget reduced the fiscal deficit from 6.7% of GDP in FY2018 to 1.9% in FY2019 (World Bank, 2019). For FY2019/20, the budget allocation for agriculture, forestry and fisheries was NR 79.8 billion (approx. US\$715 million), around 5.2% of the total national budget allocation. In the sector, expenditure continues to be dominated by the federal level representing 82.5%, states' share at 15.2% and local level government just 2.1%. Continuing dominance of federal level expenditure contrasts with the substantially devolved nature of the sector in the constitution and the principle of subsidiarity for the multiple concurrent powers.
5. Remittances reached an estimated US\$8.06 billion in 2018 – equivalent to 28.0% of Nepal's GDP (World Bank, 2019). Remittances have continued to grow strongly – more than doubling since 2010 – and now represent a similar share of GDP to agriculture (and substantially more than manufacturing). However, it is notable that the number of Nepali migrant workers taking up jobs abroad has slowed since 2016 (IMF, 2019). The scale and widespread distribution of remittances makes them a potentially important resources for productive investment, especially in rural areas. However, over 70% of remittances is spent on consumption (Central Bureau of Statistics, 2012). COVID-19 is likely to have significant impacts on remittances – both in the short term as migrants return home, but also potentially over the medium-term if there is a prolonged global economic slowdown, with many fewer jobs in key overseas employment sectors, such as the oil sector in the Gulf Cooperation Council (GCC) countries. In May 2020, the Foreign Employment Board estimated that around 407,000 migrant workers may return in the long run from GCC countries and Malaysia where there were around 1.5 million Nepali migrant workers (Kathmandu Post, 2020).
6. The financial sector remains stable, but a rising trend in non-performing loans point to some emerging vulnerabilities. This is likely to be exacerbated by the impacts of COVID-19. Non-performing loans (NPLs) remain low but increased by 25% in 7 of the 25 private commercial banks, as elevated lending rates pushed some borrowers into default. All banks and financial institutions (BFIs) are well capitalized and meet the capital adequacy ratio requirement of 11%. However, capital adequacy ratios have declined over the past year, with development banks recording the largest decline. The Nepal Rastra Bank (NRB) has been encouraging mergers and acquisitions to further strengthen the financial system and curb unhealthy competition (World Bank, 2019).
7. NRB already has in place a progressive framework of interest subsidies and other measures to increase lending to deprived and

priority sectors – including interest subsidies of 6% for women borrowers and 5% for agriculture and youth. Additional measures and interest subsidies are expected in the budget for FY2020/21 in response to the COVID-19 pandemic.

8. **Performance of the agricultural sector** remains important as the second biggest sector in the economy (after services), contributing 29.3% to GDP in 2018, though declining in share reflecting the ongoing structural transformation of the economy. The sector is domestically focused (exports are 2.7% of sector value added) and remains an important consumer of labour. Agricultural growth averaged 2.9% between 2008-2018 compared to overall GDP growth of 4.7%. Agricultural growth is estimated as 5.0% in FY 2018/19 versus GDP growth of 7.1%. (Central Bureau of Statistics, 2019). There is a large and growing trade deficit in food and agricultural products. Agricultural import growth is far higher than growth in domestic agricultural output. Imports are growing strongly, up 84% in the 5 years to NRs 198 billion in 2017/18, while exports remained flat with growth of 11% in the same period to NRs 22.7 billion in FY2017/18. India's share of imports is stable at 52-53% (Department of Customs, 2018).
9. Despite low growth, 11.7 million working age people (56.5%) are involved in agriculture to some degree – with 97% living in farm households. Among farm households, 52% now sell to the market and almost three quarters of whom sell a majority of their produce. Among the 11.7 million people, there are 1.52 million employed – 94% in informal sector, 6% in formal sector – representing 21.5% of all people employed in Nepal (Central Bureau of Statistics, 2019). Labour productivity in agriculture was 39%<sup>[1]</sup> of that in the overall economy in 2018 down from 43% in 2008. (World Bank)
10. **Opportunities.** Nepal has a comparative advantage for a range of agriculture products, though not generally lowland field crops. Varied agro-climatic zones allow tropical, sub-tropical and temperate crops to be produced and counter-seasonal production. There are varied opportunities for market-driven growth: spices, fruit juices, and tea are the largest export-generating and fastest-growing agribusiness subsectors. Nepal is the global market leader in large cardamom in terms of production and value. Fresh apples, coffee, honey, and cut flowers have the potential to leverage agri-climatic conditions and build on the perceived uniqueness of Nepalese products. Ginger is an export earner but volatile prices and an inability to comply with phytosanitary standards is constraining growth. Vegetables, a smallholder crop, are grown for the domestic market and has growth potential. Strengthening the supply chain from farm to retail is needed, but first-mover costs will be high. Poultry has been a growth sub-sector, for meat and eggs, benefiting from rising incomes and lower costs of poultry versus other meat, but there are signs of market saturation especially for commercial broilers and eggs. Other kinds of meat are also growing, particularly goat. Fresh meat dominates the industry, keeping it localized, with few larger players outside of poultry. Dairy also has opportunities for growth but must better manage natural differences in seasonal supply and demand. Rice and maize comprise the two largest cereal crops in terms of production and participation of small-scale producers. However, production of each crop is characterized by low yields and high costs of production. In cereals, access to reliable irrigation is likely to be a key factor in raising competitiveness. On the processing side, despite the presence of larger business houses with processing facilities, both subsectors are less competitive in efficiency and quality than competitors in India with around 80% of rice mills in eastern Nepal having shut down (World Bank, 2018).
11. The agribusiness sector is small and domestically focused. A few large business houses have stakes in larger traditional cereal crops, food and beverages and fast-moving consumer goods. Other subsectors are characterized by small firms and traders. There are only about 200 medium-sized (i.e. >US\$300,000 in fixed assets) and large firms. Three-quarters of these are in livestock, dairy, fruits, vegetables, medicinal and aromatic plant products (MAPS), coffee and tea. In recent years, several segments have had negative growth including rice mills in the east. (World Bank, 2018)
12. **Major Constraints** to the sector include low **agricultural productivity**, attributable in large part to low use of fertilizer and certified high-yielding seed, as well as limited irrigation and mechanization. The government subsidizes these inputs however supply doesn't meet demand, distribution is ineffective, and provision is not based on the needs of the soil or crop. Government policy is limiting private sector participation in these markets. Limited agricultural insurance coverage and markets is also an impediment (World Bank, 2018).
13. **Fragmented supply chains** are typical, with many small producers and traders. Transaction costs are high while market signals and trust in the chains are low. Logistics in the chains are weak creating high access-to-market costs and increased levels of post-harvest losses.
14. **Finance for private investment in agriculture is highly constrained.** Nepal's financial system is relatively healthy but heavily bank dominated with 28 public and private Commercial Banks (Class A), accounting for 87% of total assets/liabilities of the formal financial system. The remaining assets are held by 40 Development Banks (Class B), 28 Finance Companies (Class C), 53 Microfinance Development Banks (Class D) and a large pool of savings and credit cooperatives (SACCO), financial non-governmental organizations (FINGOs) and MFIs (Sakcham Access to Finance Project, 2017). With the dominance of commercial banks, agriculture accounts for only 6.4% of their total lending (at September 2019). Among commercial banks only Agriculture Development Bank Ltd (ADBL) reported substantive share of agriculture – around 30% of its total lending. Barring few exceptions, growths in institutions in recent decades have been private-sector-driven and most compete within the same business segments which are traditionally served by commercial banks and in urban areas. Despite the presence of many institutions, there are very few specialized financial institutions unlike, for example, in India or the Philippines. This lack of specifically mandated institutions may have made the banking system more efficient and competitive in traditional segments, but has made public policy interventions difficult, in particular in giving access to institutional credit to small farmers and rural entrepreneurs. Currently, 9% of small and medium-sized enterprises (SMEs) use banks while only 17% of all Nepalese have access to banking services mostly limited to urban area and better-off enterprises (World Bank, 2018).
15. For micro, small and medium-sized enterprises (MSME), the formal credit gap is estimated at US\$3.9-4.4 billion out of a total formal credit demand of US\$9.5 billion (Beed Management pvt. Ltd, 2018). The agriculture sector accounts for 17% of credit demand, implying a sector credit gap of US\$0.7 billion. Government regulations on productive and deprived sector lending requirements have helped to push credit towards the selected sectors, with the recent central bank directive requiring 10% direct lending to agriculture in addition to 5% lending to deprived sector. However, the actual achievement is much lower. Heavy reliance on collateralized lending (by the banks/FIs) and lack of quality security (from farmers/MSMEs) are systemic constraints

for lending to the sector with almost 76% of credit backed by a tangible collateral (>90% is land and/or buildings) (Sakchyam Access to Finance Project, 2017). Currently, the Deposit Credit Guarantee Fund (DCGF) has statutory responsibility to perform deposit and credit guarantees and its primary focus is on deposit guarantees. DCGF has a livestock insurance product and recently developed an agriculture credit guarantee product reported to have collectively already guaranteed/insured NR 2 billion (US\$18 million) in loans. While a positive first step, this is at a very limited scale, equivalent to <2.6% of the credit gap in the agricultural MSME sector.

16. **An Agricultural Development Strategy (ADS)** was approved in 2015 with broad donor support and reflects government strategy for the next 20 years. Its 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.” This is to be achieved through substantial growth in the sector, rising from 3% to 5% per annum, and agro-based exports and defined in four main outcomes: 1) Improved governance, 2) Higher productivity, 3) Profitable commercialization and 4) Increased competitiveness. Alongside these outcomes, the ADS seeks to promote: (i) inclusiveness (both social and geographic); (ii) sustainability (both natural resources and economic); (iii) development of the private and cooperative sectors, and connectivity to market infrastructure; (iv) information infrastructure and information and communication technology; and (v) power infrastructure. In terms of the enabling environment created by the public sector, the ADS notes that: *“In spite of frequent pronouncements in support of the agriculture sector, policies to support the sector have either not been formulated or have not been implemented. Compounding the problem are the frequent changes in tenure of the key leaders for policy, program, and project implementation and issues of consistency of policy itself. The result has been a loss of credibility in policy that is responsible in part for the failure of previous programs.”* The ADS was approved under the former unitary system. With the support of the European Union (EU) backed Contribution to Agriculture and Rural Development (CARD) project, the federal Ministry of Agriculture and Livestock Development (MoALD) is currently engaging with state Ministries of Land Management, Agriculture and Cooperatives (MoLMAC) to raise understanding of the ADS and begin to clarify a way forward for it under federalism. With the COVID-19 pandemic, agriculture is seen as increasingly important for rural economic recovery, not only for food security but as an economic engine that can absorb the returning labour force – especially given the expected slowdown in the service sector. Policy priorities for the agriculture sector at local and national level are expected to evolve accordingly.
17. **Agriculture under federalism.** The Constitution authorizes different tiers of government to assume control over different policy areas, but it is not clear what the enumerated powers mean for sector policy. Constitutionally, only a few functions are exclusively for federal government, including major irrigations projects, land use policy, water use policy, and quarantine. Many of the responsibilities are officially allocated across multiple tiers of government, leaving it unclear where certain powers should lie. Typically, when there are concurrent functions, the principle of subsidiarity prevails, which means that the lowest government tier that is capable of performing the function should be given the mandate to do so. (Kyle & Resnick, 2016)
18. A recent MoALD consultation (Upadhyaya, 2019) drew several key conclusions, noting an overwhelming similarity in stakeholders’ perceptions of the issues, namely: On staff strength, the new structure looks top-heavy and bottom-weak, with large numbers of trained and qualified agricultural manpower at federal and state levels. The municipal agricultural units are meagrely staffed but directly face the clientele. Staff shortage is constraining agricultural programs of municipalities. The agricultural programme activities of the three tiers lack coordination and conformity with the principle of subsidiarity. Concurrent agricultural powers, and the direct budget flow to Municipalities are contributing to lack of coordination among the provincial and municipal tiers. The coordination between the Prime Minister Agricultural Modernization Project (PMAMP) and state/municipal agencies is weak, and implementation of programme activities directly through PMAMP offices is inappropriate and against the spirit of the Constitution. The state structures (e.g. Agriculture Knowledge Centers) are not adequately oriented and structured to serve their intended purposes. The mandate and modality of other state agricultural development agencies are unclear.
19. On the critical issue of technical services to farmers, prior to federalism public extension services were already over-stretched and unable to meet the scale of demand from farmers. Now municipalities hold the primary mandate for such services, also in a pluralistic model involving greater private delivery, yet have neither the staff nor resources to meet the demands of farmer (only 2.1% of sector budget is at municipal level). This reiterates the need to accelerate the development of pluralistic technical services to meet farmer demand, as envisaged in the ADS.
20. **Major Development Partners:** Six major sector donors, in terms of ongoing and pipeline projects, are: IFAD, World Bank (WB), United States Agency for International Development (USAID), Department for International Development (DfID), EU, and the Asian Development Bank (ADB). Other significant donors include Swiss Development Cooperation (SDC) and Heifer International. The Danish Agency for International Development (DANIDA) was also active but have phased out their work in Nepal. Since 2011, there has been a strong trend among major donors toward market-oriented projects. The first generation of such projects have been completed and the second generation are coming forward – with new market projects being financed or planned by USAID, WB and SDC. In addition, several donors continue to invest in specific aspects including: climate change adaptation (IFAD, USAID, the Food and Agriculture Organization of the UN (FAO)); livestock (WB); seed industry (USAID, IFAD); financial services to MSMEs/agriculture (DFID, ADB). Beyond these major trends, the EU recently launched the EUR40 million ‘CARD’ project which is a policy-based instrument. ADB has also recently signed a policy-based loan for the agriculture sector of approximately US\$50 million. In irrigation sector, major donors are WB, ADB, Saudi Fund for Development (SFD), OPEC Fund for International Development (OFID) and the Kuwait Fund for Arab Economic Development (KFAED). Japan International Cooperation Agency (JICA) is understood to be considering investment in the irrigation sector. Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) is supporting, inter alia, local and regional development principally in State 5, 6 and 7 covering multiple sectors, including agriculture.

#### **b. Special aspects relating to IFAD's corporate mainstreaming priorities**

21. **Climate Change (CC) and Environment** Nepal is among the most vulnerable countries to climate change, ranked 4th in the world-wide Climate Vulnerability Index. The country, except for some isolated pockets, is becoming warmer – most especially at higher altitudes. It is also expected to see increasing variability in rainfall – though no dominant pattern of changes in total annual

precipitation, with a majority of locations projected to have modest aggregate increases or decreases in annual rainfall from relatively high levels due to the monsoon. The Government prepared its *National Adaptation Programme of Action (NAPA)* in 2010, which led to the formulation of the *Local Adaptation Plan of Action (LAPA)* framework in 2011. Based on the NAPA 2010 assessment of 75 districts at the time (now 77), 50 districts were classified as having very high or high vulnerability to one or more of the six climate related risks: rainfall / temperature; flood; drought; landslide; ecological; glacial lake outburst flooding. Such vulnerability is longstanding and to a large extent inherent to Nepal's topography and monsoon climate while exacerbated by human activities. Yet, its diverse agro-climatic conditions and monsoon-driven climate mean, production practices are often adapted to inherent climate variability.

22. Climate trends and future projections for Nepal indicate that seasonal variations in temperature and precipitation will increase, resulting in more frequent and intensified extreme weather events and likely impacts such as: i) increased incidences of new and existing diseases, pest and insects, especially in higher altitudes; ii) greater variability in rainfall patterns within the year with increased water demand leading to higher risks of temporary water shortages for rainfed agricultural production; iii) increased heat stress to livestock from a small increase in the number of warm days, especially in the lean season, leads to reduced milk production and reduced growth in poultry. In addressing these risks, VITA will adopt a series of measures including: selection of climate resilient commodities to be promoted in different locations and agro-climatic conditions; promote and train small-scale producers and MSMEs on tools to help them factor in climate change considerations into their investment and production plans; promotion of climate smart agriculture technologies and services through strengthening of local support markets and with partner financial institutions to screen climate risks in their loan appraisal and strengthening the capacity of staff in the area of climate change. VITA will help to reduce climate related risks and impacts by: i) improving farmers' understanding of climate risks to their farm business (Sub-component 1.1), ii) increase availability and access to climate resilient technologies and advice to implement climate adaptation measures (through Support Market Development under Sub-component 1.2); providing loans to finance climate adaptation investments (Component 2.1); investing in multi-use water system and small scale irrigation to reduce the risks from temporary water shortages, and upgrade farm access roads for year round access to farms particularly during periods of heavy rain (Component 3). The programme areas are moderately vulnerable to the effects of climate change.
23. **Gender and social inclusion:** With a Gender Inequality Index (GII) value of 0.480 in 2017, Nepal ranks 118 of 160 countries. However, female labour market participation is high at 82.7% versus 85.9% for men, in part due to out-migration of men from rural areas. Women headed-households are 24% of rural households, with many more de facto women-headed households. Despite the overall reduction in the gender gap, discrimination persists resulting in limitation to women's equitable access to resources such as land and capital (including credit) and markets, and the control of assets. While remittance received from abroad supports household consumption, widespread migration has led to a feminization of agriculture, causing additional burden of both running the farm and heading the household. The lack of substantial sources of income and absence of assets such as land for collateral has made it difficult for women to avail larger loans that could enable them to move up the agricultural value chain. VITA has a strong focus on targeting women's economic empowerment strategies, to mitigate the short- and long-term economic impact of COVID, support recovery and build resilience for the future. It will additionally promote awareness of women's land rights via its business skills training.
24. Nepal is a signatory to several human rights instruments supporting gender equality including the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) ratified in 1991 and has put in place several legal instruments to lessen gender inequalities (FAO, 2019). This includes the establishment of the Ministry of Women Children and Social Welfare (MoWCSW) in 1995 which is now the Ministry of Women, Children and Senior citizens (MoWCSC) and the National Women Commission (NWC) in 2002. The 2015 constitution has further strengthened women's rights, such as reservation of 33 percent seats for women in federal and state parliaments, criminalization of violence against women based on any cultural, religious, or traditional practices; equal property rights for men and women; and rights for citizens to choose non-binary gender in their citizenship. Yet, the constitution also differentiates between women's and men's citizenship rights.
25. The analysis of the key national policies indicates scope for convergence and enabling environment for implementing VITA interventions to produce dividends for the mainstreaming agenda. The ADS is aligned with the Multi-Sectoral Nutritional Plan (MSNP) and the Food and Nutrition Security Plan of Action (FNSP). Its 10-year Plan of Action also includes the development of a Gender and Social Inclusion Strategy for agriculture. The ADS activities will have impact on three groups of farmers (commercial, subsistence and landless). Commercial farmers are directly affected by most of the ADS measures and in some cases, the impact is direct and very strong, particularly in the area of irrigation, mechanization, value chain development, and export. Subsistence farmers are also directly affected by most ADS measures. The direct effect is very strong in the measures related to gender, social, and geographical inclusion; land (eg. addressing the issues of tenancy, land leasing, cooperative farming, reversing the trend towards degraded land); access to quality and timely inputs (eg vouchers targeted to subsistence farmers, improved resilience); and access to microfinance and agricultural insurance. Landless or near landless will benefit from the ADS measures related to targeted food and nutrition programs; gender and social/geographic inclusion; access to forestry products; and growth of small- and medium-enterprises.
26. In alignment with the VITA objectives of building capacity on climate adaptation and impact mitigation, Climate Change Policy (2011) also stresses on ensuring the participation of poor people, Dalits, marginalized indigenous communities, women, children and youth (target groups) in the implementation of climate adaptation and climate change-related programmes. VITA is focusing on enhancing the understanding of climate risks for farm business; increase availability and access to climate resilient technologies and providing loans to finance climate adaptation investments. These activities have a strong gender lens and are focused on capacity and resilience building, service delivery mechanism to strengthen the marginalised communities, youth and rural women's ability to adapt to climate change.
27. The Office of the Prime Minister and Council of Ministers (OPMCM) has a Gender Unit to coordinate, facilitate, and monitor gender-based violence campaigns (FAO, 2019). There is also an inter-ministerial Gender-Responsive Budget Committee (GRBC) established by the Ministry of Finance (MoF) to design a methodology to monitor sectoral budget allocations and public expenditures from a gender perspective. In addition to the OPMCM, GRBC and MoWCSC key government agencies include: Ministry of Youth and Sports (MOYS); Ministry of Health and Population (MOHP); MoALD, Ministry of Forests and Environment

(MOFE), and Ministry of Industry, commerce and Supplies (MOICS).

28. **Youth**, between the ages of 15-29, represent approximately 33% of the total population and 52% of the working age population. However, in rural areas they represent only 25% of the population and around 35% of the work force – due to high out migration. Youth continue to face challenges related to education, civic engagement, political participation and unemployment. Economic disparities and demographic changes are powerful push and pull factors affecting the movement of the youth out of rural areas. Self-employment for youth is also constrained due to lack of business skills and financial literacy and the inability of youth to access finance. The challenges of young women's participation in the labour force are even more pronounced, not least as 36% of women have their first child before the age of 18. Special measures are needed to attract youth into modern smallholder agriculture as an attractive and rewarding career.
29. **Nutrition** (extracts from [USAID Nepal Nutrition Profile](#), March 2018): Nepal has made impressive strides in reducing the prevalence of stunting (chronic undernutrition) nationally, which fell from 57% in 2001, to 36% in 2016. Stunting prevalence for children under 5 years varies by region; it is 55% in state 6 and 29% in State 4. Moreover, the chronic undernutrition rate varies by maternal education and wealth levels - 46% of children whose mothers had no formal education are stunted versus 23% of children whose mothers have secondary education. The high prevalence of adolescent underweight, combined with the persistent and high adolescent pregnancy rate, is a disturbing trend. Adolescent pregnancy is associated with a 50% increased risk of stillbirth and neonatal death, and an increased risk of low birth weight, premature birth, asphyxia, and maternal mortality. The risk of stunting is 36% higher among first-born children of girls under 18 years in South Asia. This suggests that young women should be a priority for the programme for unlocking issues of gender, youth and nutrition. Of relevance to VITA is a key finding from the recent High Value Agriculture Project (HVAP) Impact Assessment (Kafle, 2018), which found a small but statistically significant increase in dietary diversity (in particular for vegetables, fruits, milk and other dairy products) for project supported households compared to the control group. This result corresponds with the small but growing literature that investigates the relationship with agricultural development interventions and dietary outcomes (Zeweld, et al., 2015). (Jodlowski, et al., 2016) (Upton, et al., 2016)

### c. Rationale for IFAD involvement

30. The core problem the programme addresses is that small-scale producers' incomes in traditional farming are low and uncertain (risky), yet there are multiple profitable opportunities in the market from modern small-scale farming to serve domestic and export markets. Uncertain returns are a key factor in holding back private investment, especially by small-scale producers. Obstacles currently preventing most small-scale producers taking advantage of these opportunities fall into four domains:
1. on their farms – and in their mindset towards agriculture, typically with very limited market orientation and business skills which holds back essential investment;
  2. in the supply chains linking farmers products to end customers - which are highly fragmented in the “1st km” from the farm-gate (largely due to a lack of aggregation by farmers in marketing their products), and “thin” – lacking competition among buyers;
  3. in the support markets which are essential to any competitive agricultural sector – especially for technical and financial services. Demand for such services has been suppressed by past development initiatives that have adopted strategies of generous subsidies and free services, even for aspiring market-driven small farmers;
  4. in accessing finance. The aggregate scale of investment required in profitable farming and downstream businesses means that private investment must play a major role in delivering large scale change in smallholder agriculture.
31. For public institutions supporting the sector, three key challenges exist:
1. Mainstreaming cost-effective and economically progressive mechanisms for the public sector to support to the sector, moving past heavy reliance on grants and subsidies;
  2. Institutionalizing the capacity and best practice already developed in past stand-alone projects in Nepal for growing competitive commercial smallholder-based agriculture;
  3. Establishing practical mechanism for better coordination of public and private investment into the sector, and between the national, regional and local levels.
32. Against these challenges, IFAD's partnership with GoN has comparative advantages, including:
1. A proven toolkit of field approaches to accelerate inclusive growth of smallholder-based commercial agriculture, much of which is from the country programme. E.g. market-driven multi-stakeholder platforms (MSP); processes for business-to-business interaction; peer-to-peer farm business skills training, and; farm business diaries;
  2. Socio-economic mobilization processes that use a 'graduation'-type approach, with individuals with less resources working together in the same producer groups with other more experienced producers, to ensure high levels of inclusions;
  3. An MSP-based process that has proven effective in Nepal as a practical mechanism for coordinated public and private investment alongside strengthening market-linkages between the primary supply chain actors, initially in HVAP and now the Rural Enterprises and Remittances Project (RERP) and Agriculture Sector Development Project (ASDP). This is highly relevant in the new devolved government system.
  4. A focus on affordable investment pathways and mitigation of non-financial risks which dramatically reduce the need for subsidies and grants, opening the opportunity for mainstream financing and widespread natural scaling-up by producers and the industry itself without ongoing need for public support;
  5. Previous financing and support for access to finance for agriculture, initially with ADBL via the Smallholder Development Programme and recently with the private sector institution Sana Kisan Bikas Laghubitta Bittyasanstha (SKBBL) under the KUBK project (Kisankalagi Unnat Biu-Bijan Karyakram);
  6. Growing experience of the Gender Action Learning System (GALS) in Nepal for supporting high-risk individuals to gain

more from programme opportunities;

7. Increasing convergence of the county programme towards best practices in inclusive market development creates opportunities for scaling-up and institutionalization of best practice i.e. with VITA, ASDP and RERP able to deliver systemic changes in five of seven states and have far deeper influence over policy and practice.

33. Beyond Nepal, IFAD's experience internationally of supporting institutional capacity development of decentralized government institutions means that it is well placed to be a valuable partner to the government as the new federal system is institutionalized.

## B. Lessons learned

34. Lessons for the programme design are drawn, among others, from three main sources:
  1. 2019 Nepal Country Strategy and Programme Evaluation (CSPE);
  2. Corporate-level evaluation of IFAD global experience in pro-poor value chain projects;
  3. Implementation experiences from HVAP and other programmes, drawn from Independent Impact Assessments, Project Completion and Supervision reports.
35. **Support to federalism:** The CSPE recommends the focus should be to support local governments in promoting rural development, including infrastructure, advisory services, and economic opportunities. VITA will actively support state and municipal governments, building on positive experiences in RERP. It will work with them as key partners in developing local supply chains including: capacity building of their staff, e.g. on supply chain development approaches; their full participation in relevant MSPs; collaboration on identification and financing of priority public goods and services to meet needs that emerge via the MSP processes; the development of local service markets, and; co-investment in productive small-scale community infrastructure via Component 3
36. **Continue support to agriculture value chain development with renewed emphasis on inclusiveness** given the good progress made by HVAP and the priority of value chains for the ADS2015-2035. VITA will scale-up the successful HVAP targeting process – with an even greater focus on: 1) a graduation approach to group mobilization to ensure poorer and vulnerable households can successfully join and benefit from the programme by working with their more able neighbours; 2) use of affordable investment pathways as a key commodity selection criteria to reduce barriers to entry for poorer households; 3) widespread provision of affordable finance and a set of supply-side financial inclusion measures, and; 4) adoption of Heifer's VBHCD approach and Cornerstones tool.
37. **Reintroduce funding support to community development, basic infrastructure and services** as a preparatory step for further economic opportunities, based on overall past positive results. VITA will 1) include support for small-scale community infrastructure including farm access roads and productive and multi-use water infrastructure (Component 3) and 2) widespread training on financial literacy and business skills as a vital activity to change mindsets and empower small-scale producers, using the successful peer-to-peer models from HVAP for delivering this training.
38. **Integrate natural resource management and climate change adaptation in all project designs**, and given the portfolio's ubiquitous investment in livestock, environmental consequences on forests and grasslands need to be monitored systematically. In VITA, climate change (CC) adaptation is fully mainstreamed. All candidate commodities have been screened for potential exposure to CC-related risks (see SECAP). Technical measure and mitigation strategies for small-scale producers have been identified and will be mainstreamed via the promotion of technical service providers in clusters. In addition, the programme will ensure a mandatory carrying capacity assessment is completed in all potential livestock cluster locations prior to programme interventions and will not support further development that increases production to unsustainable levels.
39. **Strengthen partnerships for specialized technical support and co-financing** reflected in Agriculture Development Banks Limited (ADBL) as the Lead Programme Agency (LPA) and major co-financier and Heifer Nepal as the key implementing partner and also co-financier.
40. **Enhance portfolio management and implementation preparedness.** VITA is scaling-up programme using all the current PBAS allocation. The full design process has been conducted by a joint team from the LPA and IFAD, under the guidance of an assigned senior government coordination team from Ministry of Finance (MOF), MOALD and ADBL. As such it is both realistic and practical. Similarly, it has been explicitly designed to complement the other two main ongoing projects working on inclusive market development, ASDP and RERP, and will provide loan financing to their beneficiaries as well as sharing a substantive part of the core cluster development approach. As such, VITA will help evolve a deeper programmatic approach for the IFAD country programme.
41. **Pro-poor value chain projects have frequently suffered from substantial delays, based on IFAD's global experience**, in large part assigned to limited pre-existing capacity and familiarity with the specific approaches and, secondly, many project managers having a background in more traditional production-focussed agriculture and little background in market-driven approaches (IFAD, 2019). For VITA, the capacity of LPA is a central consideration. ADBL has almost 500 staff with combined agricultural and finance backgrounds. VITA staff will be primarily mobilized from this cadre. In the field, Heifer will bring substantial capacity in mobilization and development of producer group. VITA also includes substantial institutional capacity building (>USD2 million) covering all three components. Senior managers likely to lead VITA have also been fully involved in the entire design process. In addition, in Nepal, the availability of experienced domestic cadres familiar with the specific approaches should further reduce start-up and operational risks.
42. **Market-first approach to production on a cluster basis: a prerequisite to substantially increase income of farmers.** HVAP made fundamental changes in the way it worked: (i) fixing of target for increasing the income of the farmers by NPR 30,000 per annum and continuous monitoring of results related to this; (ii) implementing a "cluster approach" to improve economies of scale and competitiveness; and (iii) introducing MSPs where producers and agribusinesses took decisions on what



and when to produce and what price the produce will be purchased. These three aspects brought fundamental changes in the farmers' attitudes to produce what the market demands and gave them confidence to invest. VITA directly replicates these three elements, with a target threshold for return on labour benchmarked against the minimum wage.

43. **A lead firm-based approach for inclusive market development has proved problematic in the Nepali context** such as the '4Ps' (Public-Private-Producer Partnerships). HVAP spent considerable time seeking participation of big firms for linking up POs/Cooperatives, but was able to secure only one such deal, for organic ginger processing and export. There are few suitable lead firms in many sub-sectors in Nepal. HVAP then evolved its approach to a cluster-based model, working with a wider range of smaller, aspiring traders and businesses – with local networks of multiple competing buyers, MSMEs and service providers dealing with multiple independent producer organizations (POs) through a mix of formal and ad hoc trading relationships to meet market demand. VITA will primarily use these cluster-based approaches while partnerships with larger lead firms are likely to be relevant entry points, but only in specific supply chains and locations, likely to be dairy, cereal seeds and poultry.
44. **Grassroots institution development is essential to successfully commercialize smallholder agriculture** The necessity of a coherent POs focused on the market becomes evident from HVAP, KUBK and RERP. VITA will engage with existing POs where they are 'market ready', i.e. a large majority of members are ready to trade together with buyers and service providers to meet market demand. Where no such groups exist, new groups will be mobilized. Heifer will lead this process, using its Values-based Holistic Community Development (VBHCD) approach and Cornerstones tool with additional business skills strengthening informed by the HVAP experience.
45. **Grants for productive smallholder investment are not necessary for inclusive growth** including among poorer individuals, if there are credible market opportunities, specific affordable investment pathways and affordable finance available. In Nepal in states 1 and 2 in RERP, to date around 3,000 farm households have engaged in business-to-business interaction as the first stage in supply chain development in fish, vegetable, dairy and essential oils – many of whom have seen immediate increases in their sales and income without any grants. (IFAD, 2019); in Cambodia in the Accelerating Inclusive Markets for Smallholder (AIMS) project tangible results have been seen in mobilizing private investment in backyard chicken, vegetable, rice and cassava value chains without grants. In the 12 months to October 2019, around 6,300 small-scale producers participated in local MSPs. This has resulted in an estimated US\$1.37 million in additional private investment, of which US\$760,000 by small-scale producers and US\$610,000 by agricultural cooperatives and businesses. This has been financed by an around 20% from investors own funds and 80% from loans. Inclusion rates are high – with 48% women and 27% youth - and concentrated in the most profitable commodities (chicken and vegetables) (IFAD, 2019). VITA represents an evolution of IFAD's approach to smallholder investment in Nepal, being the first new programme to eschew widespread use of grants in favour of affordable loan finance combined with a strategy of promoting affordable investment pathways and a graduation process for poorer producers.
46. **Harmonization of free and fee-based service provision is essential to effectively support small-scale producers** Government led free services became the norm when the service market environment was not mature. The scenario is changing with economic expansion and also development of road corridors. Government led free/subsidized services will never be able to service all small-scale producers efficiently. For example, MoALD recently estimated the are 6000 vacancy in the government technical and extension system compared to current policy at local, state and federal levels. The government led free/subsidized service competes particularly along the road corridors with the fee-based services of private service providers affecting development of sustainable support markets. Municipal authorities are now responsible for these services for farmers, with state government supposed to be supporting municipalities via the Agricultural Knowledge Centres (AKC) and Veterinary Hospital and Livestock Services Specialist Centres (VHLSSC). However, AKCs and VHLSSCs do not have a mandate for direct service delivery. At the same time, municipalities do not have the human resources to establish or sustain such services. New modalities are evidently required, based on the pluralistic model advocated by the ADS, for example a hybrid model wherein grassroots service provision is by private providers with government technical officials providing overall technical guidance and regulatory oversight. Many municipal authorities are already showing interest in developing more sustainable and affordable technical services, as seen in RERP. HVAP supported the establishment/upgrading of 108 private service providers in both crops and livestock, with the support of the predecessors to the AKCs and VHLSSs. VITA will adopt a similar approach in promoting local service markets, in coordination with municipal authorities for mobilizing local service providers and with state ministries for technical backstopping from AKCs and VHLSSCs.

## 2. Project Description

### C. Project objectives, geographic area of intervention and target groups

47. The programme goal, development objective and outcomes are:

Goal	Improved livelihoods, climate resilience and nutrition of poor and vulnerable people
Development Objective	Farm enterprises of poor and vulnerable rural people are more resilient to climate change, increasingly profitable, strengthen their market linkages and use appropriate financial services.
Outcome 1	Improved small-scale producers' capacities to run profitable farm enterprises and establish linkages with suppliers and buyers.

Outcome 2	Transformational increase in investment in the smallholder agricultural sector in supported programme states.
Outcome 3	Improved access by small-scale producers and clusters' actors to productive infrastructure.

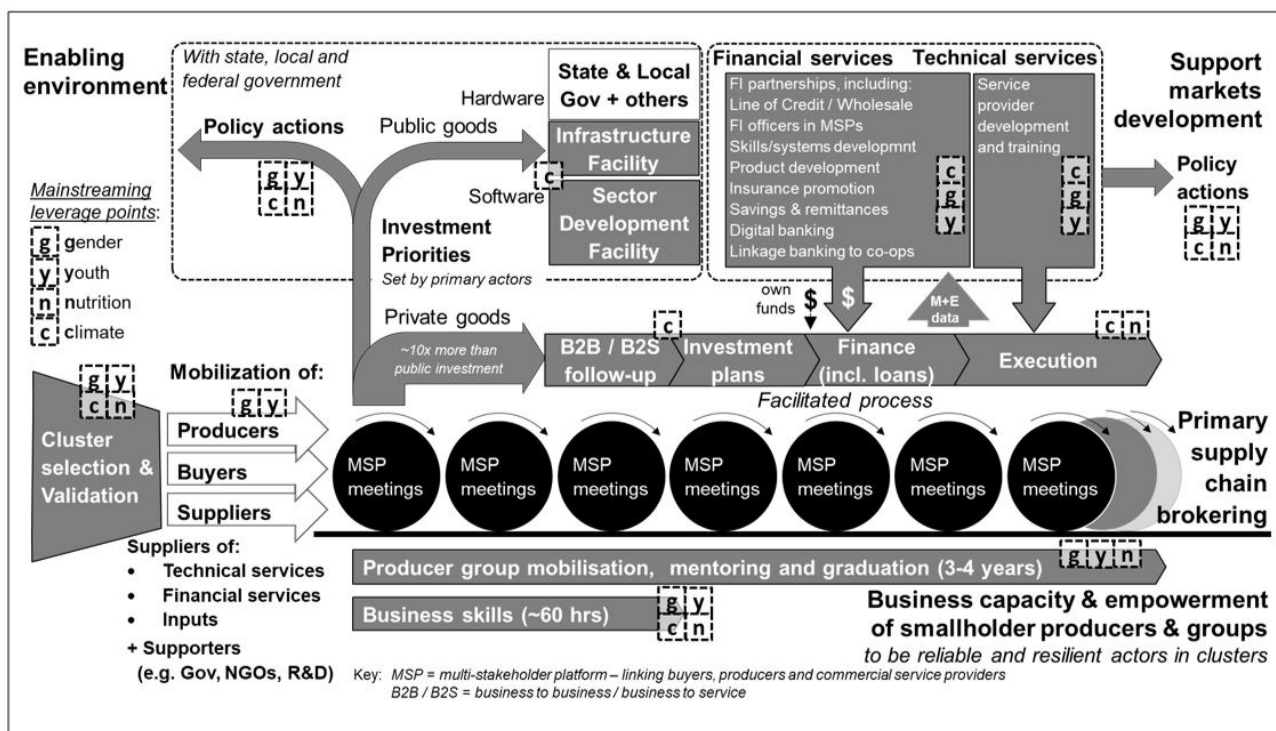
48. The programme is also strongly aligned with the objectives of IFAD's Strategic Framework 2016–2025, that: "poor rural people overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods." It will directly contribute to all three of IFAD's Strategic Objectives (SO), namely SO1: Increase poor rural people's productive capacities; SO2: Increase poor rural people's benefits from market participation; and SO3: Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities. To this end, the VITA programme derives its rationale squarely from the conclusion of the COSOP which identifies Nepal's '*central challenge as facilitating the transformation of a subsistence-based rural economy into a sustainable market driven productive sector generating equitable benefits for poor rural people and disadvantaged groups.*'
49. **Geographical area:** While the programme will have a mandate to operate nationwide as part of its scaling-up objective, it will initially focus intensive activities within 28 districts in three states where all three programme components will operate (see Table 1 below): in State 2 in all 8 districts, in State 5 in all 12 districts, and; in State 3 in 8 of 13 districts. Within these districts, the programme will work in specific locations linked to clusters for specific supported commodities with priority given to locations with high agricultural potential and higher concentrations of poorer households. State 5 and State 2 have strong agricultural potential combined with highest numbers of people living in poverty – together they are home to 55% of all people living in multi-dimensional poverty in the country (NPC, 2018). In State 3, the programme be more focused, working in districts with good agricultural potential that were the most severely impacted by the 2015 earthquake. VITA will also provide financial services under Component 2 to small-scale producers in State 1 and Sate 6 in partnership with other ongoing programmes providing business-focussed support similar to that provided under Component 1. In the IFAD portfolio, this includes the ASDP in State 6 and RERP in State 1. RERP is also already active in State 2 and VITA is designed to build-on RERP activities there.
50. **Target groups:** VITA has two target groups. Its primary target group is small-scale producers, including landowners and landless, and labourers involved in selected supply chains. VITA will have a strong focus of women and youth – with at least 60% women beneficiaries and 30% youth. Disadvantaged individuals including Dalits, Janjatis, landless and other disadvantaged groups will be specifically targeted using similar approaches and to be outlined in an inclusions strategy to be included in the Programme Implementation Manual (PIM). Inclusion of small-scale producers and poor and vulnerable rural populations will be ensured by selecting supply chains that have promise to deliver the biggest benefits to the largest number of poor and by propagating technologies that benefit the intended target group most. This will involve, among other measures, selection of crops and livestock with high returns on labour and technologies that are labour saving and help reducing drudgery of women. A secondary target group are MSMEs and producer groups active in the supported supply chains.
51. Within the overall target group, two specific vulnerable groups have been identified and will be supported with additional measures to ensure they can fully participate and benefit from the programme. Firstly, young women - who often have low nutritional status, a high level of teenage childbirth (contributing to multi-generation nutrition issues) and are typically economically dis-empowered with limited decision-making power and access to resources to be able to start their own farm enterprise. A second vulnerable group are married women whose husband are working overseas and who live with their husband's family. These women may have limited access to and control over the incomes and remittances earned by their husbands as well as low status within their family-in-law's household and not seen as contributing financially to the household.
52. **Graduation in VITA.** To maximize the inclusion of disadvantaged individuals and households, the programme will adopt an explicit 'graduation' approach among supported small-scale producers and groups, building on experience from HVAP. In the context of VITA, this means that producer groups will be mobilized on an inclusive basis, i.e. with the voluntary participation of like-minded small-scale producers in a community but with varying levels of individual resources and starting incomes. More able and less risk averse small-scale producers from a community may be the first to mobilize themselves into producer groups to interact jointly with the market. As initial linkages with buyers and service providers become more established, other interested but poorer or risk averse individuals will then be supported by the programme and existing groups members to join these producer groups and learn from the experience of their friends and neighbours. This natural 'graduation-based' growth of producer groups allows the groups to achieve scale and so attract more buyers and services providers, hence delivering benefits to all the members and creating a natural self-motivation within groups to support these graduation-based inclusion processes, as was seen in HVAP.
53. **Outreach:** 120,000 small-scale producers are expected to directly benefit from programme supported services, falling into three categories: a) around 70,000 will be in the main focus states 2, 3 and 5 where all three components will be active and receive full package of programme support; b) around 20,000 who are already in relatively mature self-help groups and co-operatives supported by Heifer's SLVC2 project in 19 of the 28 project districts and will receive business capacity and market linkage support under Component 1 and be eligible for support under component 2 and 3 on the same basis as those under category (a) and; c) around a further 30,000 households outside these primary locations who will benefit only from financial services supported under Component 2. In addition, many more individuals and MSMEs will benefit as users of public infrastructure supported by the programme, such as markets and access roads.
54. **Duration** of the programme will be 72 months, with the actual completion date to be the end of the financial year in which 72 months of implementation have been passed.

#### D. Components/outcomes and activities

55. The programme has three closely related components that drive the inclusive supply chain development process (see Figure 1):

1) Inclusive supply chain development, 2) Expanding financial services to agriculture, and 3) Supply chain infrastructure.

56. Figure 1: VITA's inclusive supply chain development process



57. Table 1: Programme locations and outreach

VITA Coverage	State	Districts	by Agro-ecological zone		Small-scale producers under VITA	Branches ADBL
			Terai and Siwalik	Mid and High Mountain		
Full programme coverage Comp: 1, 2 & 3	<b>Newly engaged groups</b>					
	Five	All - 12	Nawalparasi West (Parasi), Banke, Bardiya, Dang, Kapilvastu, Rupandehi	Arghakhanchi, Palpa, Pyuthan, Rolpa, Gulmi, Rukum East	30,000	33
	Two	All - 8	Saptari, Siraha, Dhanusha, Bara, Mahottari, Sarlahi, Rautahat, Parsa		25,000	37
	Three	8/21 of 13	Chitwan	MakawanpurSindhuli, Kavre, Dhading, Dolakha Sindhupalchok Nuwakot	15,000	20
	Sub-total	28	15	13	70,000	90

	<b>Co-ops already supported by Heifer</b>				<b>20,000</b>	
<b>Finance services only, Comp 2 only - with partner projects</b>					<b>30,000</b>	
<b>Total</b>					<b>120,000</b>	

58. COVID-19: VITA is a major investment that will contribute to the recovery from the COVID-19 pandemic as well as building resilience of rural communities to future shocks. Its internal financing structure means that it will achieve this without creating fiscal burden. Several adjustments to this end are incorporated in the components as outlined below. More generally, the roll-out plans to the programme districts have been accelerated such the activities will launch in all 28 focus districts within the first 15 months of the programme. Such adjustment have not create additional COVID-19 related costs, but rather build on what was already planned.

**a) Component 1: Inclusive Supply Chain Development**

59. **The Programme will initially focus on seven main commodities** vegetables, goats, fish, cereal seed, potato (seed), dairy and banana. Market analysis during the design confirms these commodities meet the following selection criteria, illustrated in **Error! Reference source not found.**:
60. Clear, current market demand for the specific products - sufficient to absorb the expected increase in production;
61. Substantial confirmed interest from:
- ○ ■ traders and businesses to increase their sourcing from small-scale producers and producer groups in the cluster locations;
  - producers, including small-scale producer, women and youth, to expand and improve their production to a commercial basio
  -
62. Opportunities for competitive, profitable and sustainable small-scale production via affordable investment pathways;
63. Practical intervention opportunities for the programme to facilitate the accelerated development of the particular supply chain and local clusters.
64. Commodities and smallholder-based production systems can be viable and competitive in target production areas under current and future agro-climatic conditions, including via the adoption of climate smart agriculture practices



**Figure 1: VITA's nexus of opportunity**

65. **The programme will adopt a cluster development approach.** Clusters offer many advantages for small-scale producers in competitive supply chains and enable more inclusive growth. Aggregating supply reduces transaction costs among buyers and farmers and for financial or technical services, making them more viable. Such efficiencies are vital for small-scale producers to

become reliable suppliers in the market. They are especially important for youth and poorer households who can only make the minimum initial investments and must expand their farm business gradually. Clustering thus improves market access for small producers and make such investment pathways viable. In VITA, the cluster development will operate at four levels: i) regional market level covering several road corridors, ii) road corridor level covering several clusters, and iii) cluster level covering one or more producer groups, typically in a municipality and iv) producer group level.

66. **Cluster development processes will be driven by primary actors themselves, principally farmers and MSMEs** Farmers and businesses are the ones who must make their investments successful and carry the risk of failure. It is they who must drive the process. Facilitating an ongoing process of action-oriented brokering among these key actors in each corridor is a central element of the approach. The initial focus of these dialogue processes is grounded in immediate opportunities for actions and improvements that build trust and momentum in the cluster. As momentum and trust begin to emerge it is feasible to jointly consider longer-term aspirations and begin to tackle them. The brokering process among key cluster actors should establish jointly owned, albeit informal, action plans and progress tracking for growth of their cluster. Municipality and State authorities will be fully engaged during the cluster development processes, including via the multi-stakeholder platforms, as key supporters.
67. **Multi-stakeholder platforms (MSP) are the core of the cluster development approach** MSPs are a rolling process of action-oriented brokering, dialogue and investment facilitation among the key actors in each cluster and road corridor to catalyse investments and remove bottlenecks to increase trading and profits, and to make the most of practical growth opportunities. VITA will organise MSPs in each commodity at two levels: road corridor and regional hub. The MSPs will facilitate: (i) primary actors to jointly identify practical opportunities and bottlenecks for developing their supply chains and priorities for individual or joint actions, (ii) trust among different players, (iii) common understanding of opportunities and challenges among critical suppliers, such as research and financial institutions; and (iv) local coordination of various public investment initiatives. These are expected to result in the realization of practical trading plans between producers and buyers. MSPs will be held regularly at the road corridor (typically 1-2 times per year) and regional hub level (annually), initially facilitated by the programme team but later jointly by the producers and businesses themselves. Initial handover of the facilitation role typically begins after around 3 years, once there is momentum in the supply chain, maturing trust among actors and experience of the MSP process. MSPs for regularly traded products (e.g. vegetables, milk, fish, bananas) tend to mature more quickly than for products with one annual crop – due to more frequent interaction among producers, buyers and service providers.
68. **Support market development forms a vital part of the cluster development process**(e.g. technical, financial) as they are essential for sustaining competitive clusters and for enabling other clusters to emerge to copy the initial successes (sometime called “crowding in”). Within profitable clusters and supply chains, the costs of such services and inputs should be an affordable routine business cost for producers and businesses and should not require external subsidy. The programme will therefore focus on facilitating investments that develop, in a broadly harmonized manner, the demand and supply of these market-based services and inputs in the clusters, consistent with the pluralistic framework envisaged in the ADS. This will also include suppliers of appropriate renewable energy technologies in the supply chain.
69. **Implementation of Component 1** will be led by the LPA through a dedicated Supply Chain team working with the Socio-Economic Mobilization (SEM) teams of local NGO partners managed by Heifer in all districts, as is their regular practice. The component will be coordinated centrally via the Programme Management Unit (PMU) in a single team including staff of ADBL’s SME and Agriculture Department and Heifer. Specialist supply chain staff from both partners will be assigned to participating branches and regional offices. The Supply Chain team will be responsible for overall delivery of Component 1 and activities under Sub-component 1.2 (see below). The SEMs will be primarily responsible for delivery of Sub-component 1.1. ADBL and Heifer will operate a ‘one programme’ approach with all staff working as a single team. In addition, there will be a small team of specialist staff to provide technical leadership and capacity building of programme teams on specific areas, including a Targeting, Gender and Inclusion Specialist; Heifer teams will also have a focus on nutrition – which is mainstreamed in their Values-based Holistic Community Development (VBHCD) approach and Cornerstones tool.

#### **Sub-component 1.1: Farm business capacity development**

70. Two major intervention areas will focus on building the business capacity of individual small-scale producers and their producer groups to transform themselves into successful farm businesses, empowered and capable of being resilient and reliable actors in their supply chains:
71. **Mentoring and mobilization of small-scale producers** in the clusters will be led by a team of market-oriented SEMs of local NGO partners managed by Heifer in all districts with support from the Supply Chain teams at State and District level. This will draw on Heifer’s successful experience in Nepal, using its VBHCD approach and Cornerstones tool. The programme will work with newly mobilized groups where needed, including women-led groups, as well as linking with ‘market-ready’ existing producer groups, such as the many groups supported by Heifer and other IFAD-backed projects. Mentoring and mobilization of producers and producer organizations will enable them to make successful investments and become reliable supply chain partners for buyers and customers.
72. Heifer’s Cornerstones tool is based on a set of 12 core values. All small-scale producers Component 1 will take part in training around the Cornerstones, establishing a set of common values between them at the beginning of the partnership. The Cornerstones include, inter alia: 1. Passing on the Gift 2. Accountability 3. Sharing and Caring 4. Sustainability and Self-Reliance 5. Improved Animal and Resource Management 6. Nutrition and Income 7. Gender and Family Focus 8. Genuine Need and Justice 9. Improving the Environment 10. Full Participation 11. Training, Education and Communication 12. Spirituality. Several are notable in the context of VITA: Passing the Gift embodies the expectation that the first wave of beneficiaries in the producer organization will be expected to actively mobilize and support their less able friends and neighbours to join as soon as possible. This gift being the know-how, market networks and mutual support (not physical or monetary inputs) – a practical graduation approach to inclusion.
73. On nutrition, the Cornerstones tool supports individuals within the POs to identify practical ways to improve the nutrition of their

families. In VITA this will include nutritional practices in the home and also how to better use increased incomes and increased local supply of high nutritional value foods created by the programme. A specific focus will be on improving the nutritional status of women, especially teenage girls, as well as early childhood nutrition.

74. **Business skills training to small-scale producers** will be provided to all members of producers group on a voluntary basis. The 'enhanced' business skills courses will cover: essentials of financial literacy and household finances; managing your own farm as a business; managing a group enterprise. 'Enhanced' elements to the training include aspects of climate change, youth, nutrition and elements of the Gender Action Learning System ("GALS-lite"). It will also address opportunities for more productive use of remittances within migrant households and raise awareness of women's lands right. The course will be approx. 60-70 hours spread over 32-36 session, over 1-2 session per week, delivered on a peer-to-peer basis by Business Skills Facilitators (BSF) trained by the programme. BSF's will also play an important role on the programme's M&E and data collection through Farm Business Diaries – building on the HVAP tools. On climate adaptation, the modules will apply the Participatory Integrated Climate Services for Agriculture<sup>[3]</sup> (PICSA) approach to help small-scale producers identify and access relevant climate and weather information; assess pertinent options for crops and livestock investments and adaptations; and the use of participatory planning tools to improve and enlighten their decision-making based on their situations. These adaptation investments for all priority commodity are summarized in the attached SECAP Report (Table 15) and will be financed under Component 2.1.

### **Sub-component 1.2: Brokering and investment facilitation**

75. **Brokering and cluster facilitation** – to improve linkages between farmers, buyers and service providers and better exploit market opportunities. Facilitation of rolling MSPs and associated business-to-business (B2B) follow-up is a central element of this process. Similar experiences from Heifer Smallholder Livestock Value Chains project (SLVC2) will also be embedded in the approach.
76. In the context of COVID-19 and the potential prolonged need for safe social distancing practices, the substantial increase in collective marketing of farm produce through POs, with trucks collecting produce in bulk directly from the village, will dramatically reduce the number of small-scale producers having to regularly go to the market to sell their producer one by one. Greater use of electronic payments between buyers and producers will also reduce the need for face to face transaction. However, physical produce will still need to be aggregated and transported along the supply chain in a safe manner. Similarly, there will still need to be some safe face-to-face interaction, especially in the early stages as relationships are built, for example via safe MSPs. VITA will support the widespread adoption and adherence to such safe working practices in supported supply chains.
77. **Supply chain development facility (SDF)** (excluding physical infrastructure) – to make small "public good" investments to address issues that emerge from the supply chains. These will primarily be "software" type investments (e.g. market research, varietal trials, sanitary and phytosanitary (SPS) protocol development, improved technology demonstration, service market development) that cannot otherwise be financed as private investments. The facility will specifically not finance public infrastructure – which will be addressed by collaboration with local, state and federal government investment programmes (e.g. via the MSPs) and under Component 3. Three additional activities that will be financed via the SDF include: i) a series of measures to accelerate the development of critical local support markets for key technical services and inputs, and ii) technical capacity development of state and local governments working with the programme, iii) carrying capacity assessments at municipality or ward level of proposed production clusters.
78. For support market development, a key focus will be to expand the network of local private technical service providers that can provide advice to small-scale producers on appropriate climate adaptation investments and climate smart agriculture practices for their farm enterprises – for crops, livestock and fish. VITA will partner with municipal authorities, POs and buyers to identify, train and mentor suitable technical service providers in the municipality – operating as either embedded or independent service providers. Similarly, VITA will partner with state MOLMACs to ensure the Agriculture Knowledge Centres (AKCs) and Veterinary Hospital and Livestock Specialist Service Centres (VHLSSCs), who have more higher qualified staff, provide technical backstopping to the municipalities and local service providers supported by the municipalities and the programme - which is a stated role and justification for the AKCs/VHLSSCs.
79. The SDF is also expected to support the greater use of information and communication technologies (ICT) in the supply chains, based on demand. Three areas are anticipated as priorities:
1. Agriculture Market Information System for market price discovery. Previous project supported systems have worked well but proved financially and institutionally unsustainable. ADBL will build on these previous systems to provide this key service to the supply chain actors while addressing the sustainability issues for the system.
  2. Mobile 'expert systems' primarily for use by technical service provider to give better advice to farmers, building on the successful pilot of this under HVAP as well as through collaboration with other initiatives in this area.
  3. Piloting e-market/trading tools – initially within more standardized commodities where such systems can add value and efficiency to the supply chains, for example in goats.

### **Sub-component 1.3: Inclusive supply chains knowledge and policy**

80. **M&E within supply chains** – to actively monitor the commercial development of each cluster from season to season, providing insights back to producers and businesses as well as data for evidence-based management of activities and results, including on targeting and inclusion.
81. **Policy insights and development** As evidence is built, VITA will prepare a series of evidence-based policy discussion inputs relevant to federal, state and local levels. A key policy focus under the Component will be on strengthening the processes and capacities for local economic development policies and plans at state and municipal level, in particular to create the space for genuine voice from women, youth and other target groups as well as MSMEs into the policy processes. The MSPs under VITA will act as practical role models for this, often focusing on priority local sectors. The sub-component will then use evidence and insights from these to champion the adoption of similar policy dialogue processes into other aspects of local economic

development policy and planning, including potentially into sectors other than agriculture.

## **Component 2: Expanding Financial Services to Agriculture**

82. The component will address supply-side constraints for appropriate financial services to agriculture, especially to small-scale producers and MSMEs – including credit, savings and investment, value chain financing, remittance payment services and insurance among others. In addition to ADBL itself strengthening its delivery of financial service to agriculture, VITA will also provide similar wholesale lending and capacity building support to other partner Class A and Class D financial institutions. As well as expansion of credit, emphasis will also be given to expansion of savings and investment – for the better management of existing incomes (including remittances) but also to increase the accumulation of household wealth and financial assets from the significant increases in net income expected to result from the programme.
83. **Implementation of Component 2.** Overall coordination will be by the PMU. ADBL's SME and Agriculture Department will provide technical leadership supported by a fulltime agri-finance specialist attached to the PMU. However, as primarily a lending operation the component will be mainstreamed in ADBL structures (costs shown as implementation support costs). As ADBL is a wholesale lender to other financial institutions, the wholesale loans under VITA will be managed by the relevant departments in ADBL responsible for these activities. Similarly, the specific identified capacity development sub-projects will be managed by the relevant departments – e.g. on Digital Banking – and accountable to the PMU. For capacity building activities with external partner financial institutions (PFI), the PMU will be responsible for coordinating these activities with the relevant PFI.

### **Sub-component 2.1: Private investment financing**

84. The subsidiary loan to ADBL, part of which will be on-lent to PFIs (Class A and Class D financial institutions) on wholesale basis, is specifically for increased provision of medium- and longer-term credit (>12 months term) to farmers and MSMEs in supported supply chains. ADBL will provide such loans to partner FIs and bear the administrative responsibility and credit risk in a way that will limit the transaction cost of GON. Short-term working capital finance expansion, to compliment the term finance above, will be financed by ADBL and PFI from their own resources.
85. It is expected that a large majority of the investments by small-scale producers financed under the sub-component will be to upgrade their farm production practices including adapting to climate risks. Such investment decisions will be informed by the business skill training under Component 1.1, including the tools for farmers to factor in climate considerations into their investment and production plans. For example, these include investment in poly-tunnels for vegetables, in water efficient technologies like drip irrigation, developing in-field water catchment ponds, construction of shed and shifting to stall-fed production systems for livestock with increased planting of fodder and forage, adaptation of fish ponds to reduce risks from flooding, planting of wind breaks to protect from more frequent storms etc. Expected typical adaptation investments for all commodities and which farmers will select from using a defined selection criteria are listed in the attached SECAP Report (Table 15).

### **Sub-component 2.2: Capacity enhancement and policy support**

86. Capacity enhancement and policy development facility (CEPD) - will provide for capacity enhancement across all its activities pertaining to financial inclusion and supply of financial services to agriculture and rural communities. The programme will use this facility for any relevant technical support during implementation, including the following: capacity development for financial intermediaries on rural MSME and smallholder lending; improvements in digital banking operations for rural areas; internal systems and processes improvement to reduce transaction costs and improve supply chains analysis and financing, and integrating climate adaptation measures; development of specific value chain financing and risk assessment manuals; improvement of remittance related products and services; capacity for the design of new financial products more suitable to rural MSMEs and small-scale producers, including micro-insurance; relevant financial market research, thematic studies, sectoral assessment and analysis. Amongst others, priorities will be to support further business enhancement of ADBL and digital innovation. On insurance, the programme will harmonize its support with the proposed new project on insurance between ADBL and GIZ, to be coordinated by the same PMU.
87. Expansion of rural digital financial services by ADBL and others, for example including electronic payment systems as well as savings and loans products, will be an important focus for the sub-component. To increase youth access to finance for farm investment, specific measures and instruments will be developed to address the current obstacles – including piloting of arrangements for institutional guarantees provided by the local municipality and or POs.
88. On policy, the priority will be to generate high quality evidence to contribute to improvements in the policies, regulations and strategies for expanding agricultural finances, especially to small-scale producers and MSME, as well as digital rural financial services. A related area for policy engagement will be to demonstrate the viability and practical policies and strategies to use loan finance to support productive investments by small-scale producers and MSME instead of through grants and subsidies. Where feasible, the programme will seek to collaborate with others economic research institutions to enhance the quality of the evidence and analysis generated through the programme to feed into this policy dialogue.

## **Component 3: Supply Chain Infrastructure**

89. To improve supply chain efficiency, the enabling environment, and reduce the risks and impacts of changing weather patterns and climate conditions, VITA will invest in critical supply chain infrastructure prioritized via the MSP processes at corridor and

regional level (which includes climate risk assessments and integration of measures to strengthen the infrastructure against changing weather patterns and climate conditions). Three types of infrastructure to be supported include:

1.
  1. Regional wholesale markets serving the wider supply chain of supported commodities across multiple districts and the state. The programme will support up to 1 such market in each of states 2, 3 and 5. Sub-project implementors will be the state authorities.
  2. Satellite wholesale markets serving one or more municipalities in a supported road corridor to improve the aggregation and sale of products from clusters out to larger regional and wholesale markets. The programme expects to support networks of 5-8 satellite markets in each of states 2, 3 and 5. Sub-project implementors will be individual municipal authorities or consortia of municipal authorities in programme districts.
  3. Small-scale community infrastructure, including small-scale productive and multi-use water and irrigation schemes for crops and livestock (< 5 Ha. each) and upgrading farm access roads (under 10 km each). The number and mix of community infrastructure will be based on the needs identified through the various corridor-level MSP processes. Sub-project implementors will be registered producer groups or co-operatives participating in the MSP or the host municipality authorities on their behalf.
90. All infrastructure will apply locally relevant climate smart design principles and practices. Furthermore, due to COVID-19, the design of new market infrastructure will also take into account the likely need for greater physical spaces, introduce health and safety protocols and as well as provide water and sanitation facilities in physical markets to reduce the risk of markets becoming centres of transmission.
91. Increased variability of rainfall due to climate change has been identified as a specific risk to small-scale producers. Investments in multi-use water systems for livestock and domestic purposes, and small-scale irrigation for crops are specially intended to mitigate these risks by reducing reliance on purely rainfed production systems. Similarly, climate proofed farm access roads will further reduce risks from periods of more intensive rainfall disrupting the ability to get produce to market, especially during the monsoon season.
92. The Component will operate as a financing facility available to eligible sub-project implementers. Sub-project implementers awarded works will be fully responsible for the implementation of all aspects of the works. The programme will hire appropriate technical staff to conduct site inspections to supervise works and for payment release purposes. In the case of municipal authorities, the programme will additionally offer capacity building support as necessary to raise the permanent capacity of the local authorities and their staff to implement such works.
93. For regional and satellite wholesale markets, VITA will finance up to 75% of approved costs with the balance financed by sub-project implementers or other sources. Financing will be on a reimbursement basis with verified physical and financial progress against payment milestones. For small-scale community infrastructure VITA will finance up to 85% of the approved costs.
94. **Implementation of component 3.** The LPA will appoint a small team of technical advisors, including engineers, overseers and procurement specialists to oversee the component. They will coordinate the evaluation of all Expressions of Interest (EoI) and technical review of the detailed designs and proposal. The Component team will include staff at both PMU and state level who will carry out site inspection of the proposed sites and actual works to authorize payment release.
95. Eligible sub-project implementers may submit EoIs for sub-projects to the LPA. EoIs meeting the eligibility criteria will be ranked against an agreed set of criteria, linked to their contribution to the programme's development objectives and key performance indicators. Within the limits of available funding for each round, the highest ranked EoIs for each category of infrastructure will be invited to submit fully costed technical designs alongside a clear business case and rationale for the sub-project. The programme will contribute to the costs of necessary technical assistance to the sub-project implementers to develop the detailed proposals to the required standard. Detailed design will be evaluated by the LPA, with evaluation sub-contracted out as necessary, and those confirmed as meeting the agreed criteria will then be approved by the LPA for full implementation by the respective sub-project implementer. All procurement and contracting of design and works will be the responsibility of the assigned sub-project implementer.

## E. Theory of Change

96. The core problem the programme addresses is that Nepalese small-scale producers' incomes in traditional farming are low and uncertain (risky), yet there are multiple profitable opportunities in the market from modern small-scale farming to serve both domestic and export markets. In response the programme will: i) builds trust and networks among primary actors (farmers, buyers, suppliers) and facilitates them to develop their own priorities for their local market development; ii) enable other stakeholders and support programmes to identify and respond to the priorities raised by the primary actors, especially for investment in public goods; iii) mentor individuals and producer groups to transition to farming as a business, equipping them with the skills and confidence to make successful climate-smart farm investments and access the necessary suppliers and services; and iv) address the supply-side constraints on rural financial services, especially for longer-term investment finance.
97. Component 1 will target high potential commodity supply chains of interest to poor and vulnerable small-scale producer, mostly those of high nutritional value foods. It will build the capacities of small-scale producers to run sustainable, profitable farm enterprises and establish linkages with suppliers and buyers in these supply chains. This will be achieved through providing intensive training in foundational business skills to farmers and producer groups, so they are more confident and able to engage in the supply chains and manage their farming as a business. It will provide addition training on key issues, including: how to assess climate risks and integrate adaptation measures into their investment and production plans; good nutritional practices, and; women's land rights. It will mobilize like-minded farmers to organize themselves into POs to achieve the necessary scale to interact with buyers and service providers and increase efficiencies and competitiveness of their local supply chains. It will ensure women take genuine leadership roles in these groups and other high-status roles, including business skills facilitators, to have greater voice in their communities, supply chains and policy dialogue with local and state authorities. It will establish rolling cycles



of MSPs to build networks and relationships, facilitate market linkages and stimulate investment opportunities for producers and MSMEs as well as giving greater voice to women in local policy processes. It will provide sustained mentoring to producer organizations so they can take advantages of the opportunities that emerge through the MSP processes. To ensure farmers have good access to climate smart production technologies and practices, the programme will support complementary investments by small and larger commercial service providers serving small-scale producers – as direct or embedded services. This will be done in collaboration with municipal and state authorities to achieve the pluralistic service models envisaged in the ADS – as currently seen under RERP.

98. Through their participation in the MSP, the programme will improve the understanding of financial services provider of specific local demand and opportunities for them in offering financial services to various supply chain actors. Similarly from a policy and public investment perspective, the MSPs will provide a mechanism for local, state and federal government to understand specific needs for enabling public infrastructure, services and policies to complement private investment and, importantly, for women, youth and poor to have a greater voice in these processes.
99. Component 2 will deliver a transformational increase in investment in the smallholder agricultural sector in supported programme states by tackling the supply-side constraints for appropriate financial services to agriculture. Through the provision of the subsidiary loan, it will reduce the systemic shortages of term finance in the sector. It will address other capacity issues within partner financial institutions to increase their capacity to offer relevant financial services at the scale required and to increase rural financial inclusion. The loans provided to small-scale producers will be used to upgrade farm production practices including adopting more climate resilient practices, for example, investment in poly-tunnels for vegetables, use of water efficient technologies like drip irrigation, developing in-field water catchment ponds, construction of shed and shifting to stall-fed production systems for livestock with increased planting of fodder and forage, adaptation of fish ponds to reduce risks from flooding, planting of wind breaks to protect from more frequent storms etc.
100. Component 3 will improve access by small-scale producers and clusters' actors to productive infrastructure through investment in critical public infrastructure along the supply chains. This will include upgrading of regional hub markets and establishing networks of satellite wholesale markets to increase market access for small-scale producers, POs and MSMEs. The programme will invest in productive community level infrastructure to raise agricultural productivity and reduce risks and impacts associated with changing weather patterns and climate conditions – through multi-use water systems (e.g. for domestic water, livestock and horticulture), small-scale irrigation as well as upgrading farm access roads to facilitate efficient and reliable transport of produce from the field to market all year round. Importantly, the priorities for infrastructure development will be determined through the MSP processes driven by producers and MSMEs within the supply chains to ensure beneficiaries determine these priorities.
101. VITA contributes to all four of IFAD's mainstreaming priorities. The programme will produce gender transformative outcomes as it strengthens women's agency and economic empowerment by supporting them to take leading roles in their supply chains and facilitating a combination of efficient production technology and methods (such as labor saving technologies including drip irrigation, mulching, stall feeding), easy access to credit and other financial services, market access, a comprehensive package of financial and business skills (covers business skills, financial knowledge, aspects of the Gender Action Learning Systems (GALS) – 'GALS-lite'; nutrition and balanced diet, climate change). Nutrition promotion will be mainstreamed through the same comprehensive packages such as promoting availability and utilization of knowledge on nutritious food through 'GALS-lite' as well as increased access to high nutrient value foods through a focus on the supply chains for such items. VITA is youth sensitive and will work with older adults and community leaders to take action towards providing better opportunities for their young adult children – especially those under 25 years - for example, local arrangements to increase opportunities to rent land for production and the provision of institutional guarantees from the municipality to facilitate access to finance for investment. VITA will attract youth to agriculture through many measures such as identification and promotion of successful young producers as role models for modern farming, especially young women, use of social media and other channels to specifically market opportunities to youth, support mechanisms to address youth's limited access to land and finance for production.
102. Climate trends and future projections for Nepal indicate that seasonal variations in temperature and precipitation will increase, resulting into more frequent and intensified extreme weather events and likely impacts such as: i) increased incidences of new and existing diseases, pest and insects, especially in higher altitudes; ii) greater variability in rainfall patterns within the year with increased water demand leading to higher risks of temporary water shortages for rainfed production; iii) increased heat stress to livestock from a small increase in the number of warm days, especially in the lean season, to reduced milk production and reduced growth in poultry. In addressing these risks, VITA will adopt a series of measures including: selection of climate resilient commodities to be promoted in different locations and agro-climatic condition, including via carrying capacity assessments; promote and train small-scale producers and MSMEs on tools to help them factor in climate change considerations into their investment and production plans; promotion of climate smart agriculture technologies and services through strengthening of local support markets and with partner financial institutions to strengthen the consideration of these issues in their loan appraisal and risk assessment systems and strengthen the capacity of their staff in these areas. VITA will help to reduce climate related risks and impacts by, inter alia: i) improving farmers' understanding of climate risks to their farm business (Sub-component 1.1), ii) increase availability and access to climate resilient technologies and advice to implement climate adaptation measures (through Support Market Development under Sub-component 1.2); providing loans to finance climate adaptation investments (Component 2.1); investing in multi-use water system and small scale irrigation to reduce the risks from temporary water shortages, and upgrade farm access roads for year round access to farms even in periods of heavy rain (Component 3). The programme areas are moderately vulnerable to the effects of climate change.

## F. Alignment, ownership and partnerships

103. **National priorities:** The programme is fully aligned with Nepal's current 14th 3-years Plan (2017/18-2019/20) which calls for sustained and inclusive growth to allow poor, marginalized and climate vulnerable communities to benefit more substantially from economic growth and socio-economic development. It is strongly aligned with both the objectives of the ADS and also the continuing efforts to increase lending to agriculture being led by NRB through its deprived and priority sector lending policies and the 2016 financial inclusion road map.

104. **Country ownership of the programme is high** The original concept was developed by ADBL in close consultation with the leadership of Nepal Rastra Bank, MoF and MoALD. There is wide recognition of the need to evolve government support to agriculture away from subsidies and towards more privately financed and market-based approaches. Under federalism, implementation modalities for investment programme with development partners also need to evolve. VITA seeks to provide a practical model for tackling these various issues and so has strong country ownership. In ADBL, the recently appointed CEO has won support of the Board and staff for a new strategy to revitalize the banks leading role in inclusive modern agricultural development. VITA is seen as a key pillar to that strategy and so has strong commitment across the ADBL leadership team, evident from their commitment of around USD30 million in co-financing from their own resources.
105. **Sustainable Development Goals (SDGs)** VITA is aligned to are: no poverty (Goal1), zero hunger (Goal2), gender equality (Goal5), economic growth (Goal8) and climate action (Goal13).
106. **COSOP 2013-2020 Strategic Objectives** are fully reflected, including SO1: Promote rural income diversification and stimulate employment; SO2: Strengthen food security and resilience to climatic and other risks, and; SO3: Promote inclusive, accountable and sustainable rural institutions.
107. **Harmonization and partnerships:** Heifer are proposed to be a full implementing partner and co-financier for the programme. More broadly, IFAD supported the development of the ADS along with other donors, especially ADB, and have continued a close dialogue since. ADB recently approved a new US\$40 million agri-finance project to fund SKBBL which will primarily support 50 co-operative agri-enterprises. As ADBL was SKBBL's original parent bank and is a major shareholder, the two continue to have a close relationship (including ADBL providing wholesale funding to SKBBL). This is expected to further deepen through the two respective investment programmes, especially with the sharing of experience on inclusive market development practices. At the same time ADBL, with retail and wholesale operations, has a far larger agricultural staff and technical capacity than SKBBL – which is purely a wholesale financial institution. It is noted that the two programmes combined will mobilise approximately US\$100 million in capital for credit operations across the two institutions. This compares to the estimated MSME credit gap in agriculture of around US\$700 million, so the programmes are complementary and not competing.
108. In addition, other donors in the sector are understood to be developing new investment projects – including USAID, DfID, SDC and the World Bank, with whom IFAD are in discussion about co-financing. There are also other specialist projects of relevance to build working collaboration with during implementation, such as GIZ Local and Provincial Economic Development project (LPED) running on States 5, 6 and 7 from 2019-2022. In the case of the GIZ's LPED, there are clear complementarities in the approaches and scope of LPED and VITA – with both using similar modalities of private-public dialogues and capacity building of local authorities on these approaches to inclusive economic development. LPED deals with *all* economic sectors in the locality while VITA has a deeper focus and greater resources only in agriculture. Thus, in the municipalities in which LPED is working, it has been agreed with the GIZ country team that VITA will specifically seek to collaborate and build on the work already done via LPED to identify opportunities in the agriculture sector that can then be further developed through VITA.
109. The World Food Programme has extensive expertise on nutrition – especially in Karnali State (6). VITA will build on their information, education and communication (IEC) materials and expertise in behavior change for nutrition when developing the nutrition modules/ToT for its enhanced business skills training courses.
110. The Food and Agriculture Organization of the UN (FAO) began implementation of the GCF-funded “Building a Resilient Churia Region in Nepal (BRCRN)” in May 2020 and will last 7 years. The project will be implemented in 26 river systems within States 1, 2, and 3 and there is expected to be substantial geographical overlap with VITA. BRCRN will work with around 750 community-based organization (CBO) to promote a range of climate smart agriculture (CSA) and climate-resilient sustainable natural resource management practices, including agro-forestry/livestock system. In locations and supply chains where the two projects overlap, the CBO's that also pursue links with the market (equivalent to the producer groups under VITA), are expected to be eligible for support under VITA – both on the business capacity development and MSP under Component 1 and also for financial services under Component 2. This is expected to be a similar arrangement to the collaboration with Heifer's SLVC2 project supported groups. In addition, there are also expected to be opportunities for collaboration between VITA and BRCRN in the development of local service providers for CSA-related technologies and advice in these locations.
111. **IFAD Policies and Priorities:** The programme will directly contribute to all three of IFAD's Strategic Objectives. Furthermore, it seeks to fully mainstream all four of IFAD's current mainstreaming priorities, including being gender transformational.
112. IFAD's corporate mainstreaming priorities within the programme
113. **Climate Change.** VITA is a climate focused programme with estimated climate financing of US\$74.3 million, equivalent to 76% of total IFAD financing. Climate trends and future projections for Nepal indicate that seasonal variations in temperature and precipitation will increase, resulting into more frequent and intensified extreme weather events and likely impacts such as i) increased incidences of new and existing diseases, pest and insects, especially in higher altitudes; ii) greater variability in rainfall patterns within the year with increased water demand leading to higher risks of temporary water shortages for rainfed agricultural production; iii) increased heat stress to livestock from a small increase in the number of warm days, especially in the lean season, leads to reduced milk production and reduced growth in poultry. In addressing these risks, VITA will adopt a series of measures including: selection of climate resilient commodities to be promoted in different locations and agro-climatic condition.; promote and train small-scale producers and MSMEs on tools to help them factor in climate change considerations into their investment and production plans; promotion of climate smart agriculture technologies and services through strengthening of local support markets and with partner financial institutions to screening of climate risks in their loan appraisal and strengthening the capacity of staff in the area of climate change. VITA will help to reduce climate related risks and impacts by: i) improving farmers' understanding of climate risks to their farm business (Sub-component 1.1), ii) increase availability and access to climate resilient technologies and advice to implement climate adaptation measures (through Support Market Development under Sub-component 1.2); providing loans to finance climate adaptation investments (Component 2.1); investing in multi-use water system and small scale irrigation to reduce the risks from temporary water shortages, and upgrade farm access roads for year round access to

farms particularly during periods of heavy rain (Component 3). The programme areas are moderately vulnerable to the effects of climate change. Gender and social inclusion: Agriculture is heavily feminized in much of Nepal, yet women are under-represented in leadership roles in agriculture and often along the supply chains. Social exclusion, for Dalits and Janajati, also remains a major issue. VITA will build on the strong mainstreaming performance of HVAP to be a gender transformation programme. It will implement a series of measures through its mobilization activities to ensure full and equitable participation of women and disadvantaged groups including in leadership and high-status roles (e.g. business skills facilitators). This will include the promotion of existing government policies to encourage their involvement (e.g. 6% interest subsidy to women vs 5% for agriculture in general) as well as actively supporting them to form their own producer groups to participate in the MSPs where there are sufficient numbers and interest to do so. Heifer has a strong track record of ensuring women are the genuine leaders in producer groups. Such producer groups would not exclude male members, but would ensure that women hold leadership roles and are the majority of members and would represent their own interest in the MSP and supply chain development processes. Achieving a critical mass of such groups and powerful women's voice within in a road corridor will lead to deeper transformative effects on women's role in the local economy and more broadly. A focus on increasing labour productivity, and returns of labour, is also a key strategy that will benefit rural women. This is achieved through a combination of a focus on high return on labour crops/livestock production systems, such as fish ponds, stall-base goat raising, horticulture, and promotion of labour-saving technologies (e.g. drip irrigation to reduce watering time, mulch sheets to reduce weeding, poly-tunnels to reduce the need for spraying). Support to multi-use water systems, for example designed for use for domestic as well as productive purposes, will also significantly reduce workload for women using such schemes. These measures are especially important to young working women in rural areas given the multiple demands on their time, not least as more than one in three (36%) of Nepali women currently have their first child before the age of 18.

114. As well as specific targets and routine reporting on women's programme participation and share of benefits, the programme will conduct an IFAD' empowerment indicator surveys to monitor its performance on women's empowerment against a specific logical framework target.
115. In addition, individuals from some communities are vulnerable to key social risks within households and in local communities undermining efforts to improve livelihoods. High-risk households are considered migrant households, especially in the Terai, where the husband is overseas and the wife is living in their own household or with her husband's relatives. These will be a priority through the Corner Stones process, so progress on economic opportunities and social issues goes hand in hand. Social mentoring will be integrated with the larger mentoring package, which will include financial and business skills education building and producer group mentoring.
116. Youth. Nepal has a long history of out-migration of youth from rural areas, especially young men. Low and uncertain incomes from farming, hard and un-glamorous work, low social status of agriculture (affecting prospect of finding a wife/husband) are all factors pushing youth to leave their homes in search of a better life. Yet many would be happy to return, or not leave at all, if there were decent prospect for them closer to home. An income of round NRs 15,000 per month is widely anecdotally reported by communities to be at a level that would be attractive for youth to stay. Modern smallholder farming as a business offers credible opportunities to achieve this as well as transforming the social status of agriculture, to a skilled profession – farming with the head not just the hands. But to be attractive, such opportunities must offer reasonably quick results – to build confidence and belief among youth that they have real prospects.
117. A key aspect of targeting youth in the programme is therefore in the selection of the commodities themselves – being those that, as well as having good market potential, offer good returns on labour, short payback periods as well as credible affordable investment pathways to deliver further growth. Beyond the commodity selection, active participation of youth in the producer groups and along the supply chain (for example as service providers) will be a specific target, addressed through the mobilization activities. The government's interest subsidies and policies on collateral free credit to youth will be leveraged (similarly for women and disadvantaged groups). Through the Corner Stones approach and GALS-like elements of the wider business skills training, VITA will facilitate older adults and community leaders take action towards providing better opportunities for their young adult children – especially those under 25 years - for example, local arrangements to increase opportunities to rent land for production and the provision of institutional guarantees from the municipality and/or co-op to facilitate access to finance for investment.
118. Similarly, the programme will seek opportunities to collaborate with youth-focused agriculture programmes, such as the Israeli 'Learn and Earn' youth agricultural training programme that has trained >2,000 young Nepalis since 2013. Furthermore, VITA will emphasise digital communication with and among programme participants through mainstream media, social media and digital platforms specifically designed to appeal to youth, promoting youth role models as well. Logframe targets have been set for youth participation and benefits in the programme.
119. Nutrition. As individuals, especially women, and groups become more empowered, economically and socially through their participation in the programme, the programme will use its mobilization teams to facilitate discussion and action plans among group member on how they can more actively improve the nutrition and health of their children and families. Nutrition is one of the 12 elements of the Corner Stone approach to be used. In addition, this will also draw on techniques inspired by household mentoring approaches, such as GALS, to encourage individual women and their families to set out their visions for their families and then progressively take steps themselves to achieve these objectives, including healthy well-nourished children. For families with teenage children, a particular emphasis will be on improving the nutritional status of teenage girls, given the high prevalence of teenage childbearing and the consequential impacts on early childhood nutrition and development. The extra financial and social capital created by the programme will be important resources for households to draw on for this process. In parallel, the programme is prioritising a majority of high-nutrition value crops and livestock. This will substantially increase the availability and accessibility of these foods within households and their wider communities. Accordingly, VITA interventions will contribute to the nutrition agenda through improving: (a) availability, affordability and awareness for direct beneficiaries, and (b) availability dimension (increased production/supply) for consumers who are not direct beneficiaries of the VITA. The programme will monitor performance against a women's minimum dietary diversity logical framework target using a survey module in-line with IFAD's Core Outcome Indicator methodology and guidelines.

## G. Costs, benefits and financing

### a. Project costs

120. Total programme costs are estimated as around US\$196.9 million over the six years implementation period as summarized in below.

121. Programme Component 1: Inclusive supply chain development, Component 2: Expanding financial services to Agriculture), and Component 3: Supply chain infrastructure are partially counted as climate finance. As per the Multilateral Development Banks Methodologies for Tracking Climate Adaptation and Mitigation Finance, the total amount of IFAD climate finance for this programme is preliminarily calculated as US\$74.3 million.

**Table 2: Programme costs by component and financier**

Component	(US\$ '000)		IFAD Loan		Heifer		ADBL CSR		Private sector		Beneficiaries		Banks		Government: State / local		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1: Inclusive supply chain development</b>																		
1.1 Farm Business Capacity Development	4,418	61	1,764	24	149	2	-	-	-	-	-	-	932	13	-	-	7,263	4
1.2 Brokering and Investment Facilitation	7,105	75	1,545	16	151	2	-	-	-	-	-	-	692	7	-	-	9,492	5
1.3 Supply Chain Knowledge and Policy	276	75	-	-	-	-	-	-	-	-	-	-	92	25	-	-	368	0
<b>Subtotal</b>	<b>11,799</b>	<b>69</b>	<b>3,309</b>	<b>19</b>	<b>300</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,716</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>17,123</b>	<b>9</b>
<b>2: Expanding financial service to agriculture</b>																		
2.1 Private Investment Financing	63,563	46	-	-	-	-	16,876	12	33,751	24	24,100	17	-	-	-	-	138,290	70
2.2 Capacity enhancement and policy support	1,458	87	-	-	-	-	-	-	-	-	218	13	-	-	-	-	1,675	1
Component Implementation Support (by banks)	439	8	-	-	-	-	-	-	-	-	4,858	92	-	-	-	-	5,297	3
<b>Subtotal</b>	<b>65,459</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,876</b>	<b>12</b>	<b>33,751</b>	<b>23</b>	<b>29,176</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,262</b>	<b>74</b>
<b>3: Supply chain infrastructure</b>	<b>17,335</b>	<b>64</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,947</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>27,282</b>	<b>14</b>
<b>Programme Management</b>																		
Monitoring and Evaluation	1,083	83	137	10	-	-	-	-	-	-	-	-	93	7	-	-	1,313	1
Programme Management Office	1,995	34	2,554	43	-	-	-	-	-	-	1,387	23	-	-	-	-	5,936	3
<b>Subtotal</b>	<b>3,078</b>	<b>43</b>	<b>2,691</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,480</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,249</b>	<b>4</b>
<b>Total</b>	<b>97,671</b>	<b>50</b>	<b>6,000</b>	<b>3</b>	<b>300</b>	<b>0</b>	<b>16,876</b>	<b>9</b>	<b>33,751</b>	<b>17</b>	<b>32,371</b>	<b>16</b>	<b>9,947</b>	<b>5</b>	<b>196,917</b>	<b>100</b>		

**Table 3: Programme costs by expenditure category and financier**

Expenditure category	(US\$ '000)		IFAD Loan		Heifer		ADBL CSR		Private sector		Beneficiaries		Banks		Government: State / local		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Investment costs</b>																		
i. Civil Works	16,973	63	-	-	-	-	-	-	-	-	-	-	-	-	9,846	37	26,820	14
ii. Private Investment Financing	63,563	46	-	-	-	-	16,876	12	33,751	24	24,100	17	-	-	-	-	138,290	70
iii. Training	6,421	67	1,764	18	12	0	-	-	-	-	1,426	15	2	-	-	-	9,625	5
iv. Consultancies	1,317	69	-	-	288	15	-	-	-	-	292	15	-	-	-	-	1,897	1
v. Workshops	1,463	82	-	-	-	-	-	-	-	-	-	-	314	18	14	1	1,791	1
vi. Grants and subsidies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
vii. Vehicles and equipment	504	76	-	-	-	-	-	-	-	-	-	-	150	23	9	1	663	0
<b>Total investment costs</b>	<b>90,241</b>	<b>50</b>	<b>1,764</b>	<b>1</b>	<b>300</b>	<b>0</b>	<b>16,876</b>	<b>9</b>	<b>33,751</b>	<b>19</b>	<b>26,281</b>	<b>15</b>	<b>9,871</b>	<b>6</b>	<b>179,084</b>	<b>91</b>		
<b>Recurrent costs</b>																		
viii. Salary and allowances	6,133	44	2,624	19	-	-	-	-	-	-	5,215	37	76	1	-	-	14,048	7
ix. Operating costs	1,297	34	1,612	43	-	-	-	-	-	-	875	23	-	-	-	-	3,784	2
<b>Total recurrent costs</b>	<b>7,430</b>	<b>42</b>	<b>4,236</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,090</b>	<b>34</b>	<b>76</b>	<b>0</b>	<b>17,832</b>	<b>9</b>		
<b>Total</b>	<b>97,671</b>	<b>50</b>	<b>6,000</b>	<b>3</b>	<b>300</b>	<b>0</b>	<b>16,876</b>	<b>9</b>	<b>33,751</b>	<b>17</b>	<b>32,371</b>	<b>16</b>	<b>9,947</b>	<b>5</b>	<b>196,917</b>	<b>100</b>		

**Table 4: Programme costs by component and year**

Component	(US\$ '000)	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Total	%
<b>1: Inclusive supply chain development</b>									
1.1 Farm Business Capacity Development		804	1,617	2,308	1,413	1,061	61	7,263	4%
1.2 Brokering and Investment Facilitation		1,767	1,836	1,946	1,736	1,307	901	9,492	5%
1.3 Supply Chain Knowledge and Policy		21	54	62	65	81	85	368	0%
<b>Subtotal</b>		<b>2,592</b>	<b>3,506</b>	<b>4,316</b>	<b>3,214</b>	<b>2,449</b>	<b>1,047</b>	<b>17,123</b>	<b>9%</b>
<b>2: Expanding financial service to agriculture</b>									0%
2.1 Private Investment Financing		21,514	31,480	27,623	22,404	20,131	15,138	138,290	70%
2.2 Capacity enhancement and policy		190	398	418	439	230	-	1,675	1%
Component Implementation Support		384	758	982	1,006	1,057	1,109	5,297	3%
<b>Subtotal</b>		<b>22,088</b>	<b>32,636</b>	<b>29,023</b>	<b>23,849</b>	<b>21,418</b>	<b>16,247</b>	<b>145,262</b>	<b>74%</b>
<b>3: Supply chain infrastructure</b>		<b>51</b>	<b>13,417</b>	<b>10,683</b>	<b>3,021</b>	<b>110</b>	<b>-</b>	<b>27,282</b>	<b>14%</b>
<b>Programme Management</b>									0%
Monitoring and Evaluation		222	192	186	282	161	272	1,313	1%
Programme Management Office		947	887	937	963	1,011	1,192	5,936	3%
<b>Subtotal</b>		<b>1,169</b>	<b>1,078</b>	<b>1,122</b>	<b>1,245</b>	<b>1,172</b>	<b>1,464</b>	<b>7,249</b>	<b>4%</b>
<b>Total</b>		<b>25,900</b>	<b>50,638</b>	<b>45,144</b>	<b>31,329</b>	<b>25,148</b>	<b>18,758</b>	<b>196,917</b>	<b>100%</b>

## b. Project financing/co-financing strategy and plan

122. Total programme financing of US\$ 196.9 million is comprised of IFAD funding of US\$97.67 million (49.6%), government funding of US\$9.9 million (5.1%), ADBL and banks US\$32.4 million (16.4%), Heifer \$6.0 million (3.0%), beneficiaries US\$33.8 million (17.1%) and private sector contributions of US\$16.9 million (8.6%). All beneficiary and private sector contributions shown are in cash. There is no financing gap.
123. Of the funds set aside for line of credit, while IFAD funds will be used exclusively for meeting medium term credit needs of farmer and MSME borrowers, ADBL and PFIs will finance the associated short-term credit in entirety using their internal resources. Of the government and ADBL financing US\$ 2.6 million and US\$ 1.98 million, respectively are estimated to be the amount for taxes. ADBL will meet the tax expenditure from the income which will be generated from the interest spread that the GON will provide on the subsidiary loan for the purpose.
124. The taxes and duties to be paid on expenses incurred for the project will be funded from the counterpart funds provided by the state and local government for the infrastructure construction expenses and by ADBL for the inclusive supply chain development of component 1; capacity enhancement and policy development facility of component 2; and project management expenses. In case of private investment financing, the private sector and beneficiaries will cover the taxes and duties from their equity, cash contribution and bank loan while Heifer will provide funds for expenses inclusive of taxes and duties. Because of above funding modality, the federal government will not provide counterpart funds for this project. The resources it will allocate for the use of provincial and local government may be used for the meeting the expenditures thus incurred, however.
125. The proposed funding modality follows the principle of fiscal devolution befitting a federal system of governance and has several advantages. Firstly, by putting tax burden of productive infrastructure on state and local governments, it enhances transparency with respect to the total financial cost of investment proposals which will encourage these governments to consider the proposals with due care and diligence. Secondly, it also makes ADBL and PFIs independent of the governmental annual budget allocation and release system and also helps reducing the transaction cost by eliminating expenditure settlement process.

**Table 5: Programme financing plan**

Financier	(US\$ 000s)	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Total	%
<b>IFAD Loan</b>		16,173	31,429	25,352	13,715	8,306	2,696	97,671	49.6%
<b>Co-financing - domestic</b>									
State and local government		14	5,040	4,089	782	23	0	9,947	5.1%
Banks		5,254	7,003	5,858	5,296	4,585	4,375	32,371	16.4%
ADBL CSR Fund		13	88	106	84	7	2	300	0.2%
Private sector		1,205	2,027	2,841	3,468	3,710	3,625	16,876	8.6%
Beneficiaries		2,409	4,053	5,682	6,936	7,421	7,250	33,751	17.1%
<b>Total - domestic</b>		8,894	18,211	18,576	16,566	15,747	15,252	93,246	47.4%
<b>Co-financing - international</b>									
Heifer		833	999	1,215	1,049	1,095	810	6,000	3.0%
<b>Total</b>		25,900	50,638	45,144	31,329	25,148	18,758	196,917	100.0%
		13%	26%	23%	16%	13%	10%	100%	

## c. Disbursement

126. The withdrawal and use of funds by VITA out of its Loan will be governed by the IFAD's Loan Disbursement Handbook (LDH) and Financing Agreement between IFAD and the Government of Nepal. The procedures of disbursement, financial reporting and maintenance of appropriate project records will be described in details in a Letter to the Borrower (LTB) subsequently after signing the Financing Agreement between IFAD and the Government of Nepal. Three standard disbursement procedures are available for IFAD financing:
- - Advance withdrawal
    - Direct payment
    - Reimbursement
127. **Advance withdrawal.** This modality is used to advance and/or replenish funds to a bank account as designated by the borrower. IFAD places a limit on the amount to be advanced and/or replenished. Relevant details on the modality – which is project specific – are to be agreed between the borrower and the Fund, and be detailed in the LTB.
128. The ceiling amount will be a reasonable limit, sufficient enough to cover average projected eligible expenditures of VITA for a period of six months. VITA will need to submit a withdrawal application (WA) to IFAD for the advance withdrawal. The ceiling amount may be set depending on the level of expenditures as to be incurred based on (i) the approved AWPB; and (ii) the project's specific reporting of actual and projected expenditures foreseen within that AWPB period. IFAD will ascertain and certify clearance of the figure to be advanced, which may vary during the implementation of the project, depending on the projected expenditure requirements. Should it be found necessary to revisit the ceiling figure considered a reasonable limit at any time during project implementation, this shall be subject to prior agreement between the borrower and the IFAD, with communication by IFAD to the borrower through modification of the LTB.

129. The advance withdrawal is foreseen to be the principal method to be used for the disbursement of VITA. The main conditions precedent to withdrawal the initial advance from the Loan to the respective Designated Accounts (DAs) of the Project are: (i) evidence that the respective DAs have been opened; (ii) authenticated specimen signatures of each authorised person that will operate the DAs; and (iii) sufficient evidence of the authority of the persons who will sign the withdrawal applications on behalf of VITA.
130. Supporting documentation and records of the expenditures claimed should be maintained and be readily available for review by IFAD's supervision missions or any other review team assigned by IFAD and external auditors. The PMU will be responsible to ensure the SOEs are elaborated in accordance with IFAD requirements.
131. **Direct payments.** This modality is used for eligible project expenditures to be paid directly by IFAD as per the request of the PMU, generally for large contracts, to suppliers, contractors, consultants or third parties, as authorized by the borrower. This procedure is generally suitable for payment of large civil works, consultant fees (when these are of substantial), import of goods for which a letter of credit is not practical, and when exchange rate control regulations are present in the country. The minimum value threshold for direct payments is specified in the LTB. Under this procedure, VITA will request IFAD to pay the supplier directly on its behalf from the loan or grant account of IFAD. VITA must indicate in the WA the date on which payment becomes due to the supplier. The WA will need to be accompanied by a signed copy of the contract and relevant supporting documents evidencing the eligibility of the expenditure.
132. **Reimbursement.** This is applicable when eligible project expenditures, reimbursable under the financing, have been pre-financed by the project or incurred (that is, the suppliers of goods, works, consulting or other services has already been paid by the project from its own funds). This reimbursement procedure is generally suitable for payment of: (i) local currency costs; (ii) petty cash or small purchases; and (iii) the borrower's provision of financial resources to the project when, for example, requests for advance replenishment to the designated account have not been submitted promptly, thus enabling the project to continue uninterrupted implementation. Usually, IFAD will reimburse the project in the currency of payment as affected by the borrower. Nevertheless, the borrower may request reimbursement to be made in the currency of the Financing Agreement. However, the amount to be paid will be determined by IFAD using the rate of exchange determined by IFAD Treasury. This methodology is used as a safeguarding principle. Requests for reimbursement are to be submitted to IFAD within ninety calendar days from the date of payment by the project. Should special circumstances prevail for the loan, these will be described in the agreed-on, project-specific LTB.
133. **Flow of Funds.** The ADBL, on receipt of authorized signatories from the MoF, shall open a designated bank account in USD at Nepal Rastra Bank (NRB) for the loan to be provided by government in which IFAD will disburse initial advance as specified in the letter to the borrower and thereafter reimburse eligible expenditures on submission of withdrawal application. The ADBL will open separate project bank account in local currency in which the advance amount of as specified in the letter to the borrower will be transferred from designated account on imprest system. The amounts received from the federal government as grant and ADBL from corporate social responsibility fund for non-lending project activities will also be deposited in the project bank account. The ADBL will make payments from the project bank account for incremental operating cost, capacity building expenses, other project related expenses and infrastructure construction expenses to the respective payees. The payment to the local government will be made as per memorandum of understanding entered between the ADBL and local government. The ADBL will provide wholesale loan to other partner financial institutions and ADBL for loan provided to the borrowers based on the statements of loan from the project bank account. The ADBL will request next advance when 75% of the previous advance amount has been spent but not exceeding threshold of advance. The Heifer International will incur expenses for the activities as specified in the districts not directly covered by own funded activities and request for reimbursement. The PMU will submit WA to IFAD for direct reimbursement of the expenses based on the statement of expenses to Heifer. The PMU will be directly responsible for the management, maintenance and reconciliation of the DA and project bank accounts.
134. The local government or other implementing agencies will open separate bank account for construction of market and other infrastructure in which the counterpart fund and project loan/grant will be deposited. The local government or other implementing agencies and sub-project implementers will incur expenses and request for reimbursement of instalment of loan/grant as agreed in the memorandum of understanding. The sub-project implementers (private sector/beneficiaries) will deposit their contribution in the separate bank account of the implementers in which ADBL and other partner financial institutions will disburse the loan to the borrowers for approved sub-project activities.
135. The PMU will prepare withdrawal applications for advance amount and eligible expenditures already paid and submit to IFAD along with the supporting documents required for IFAD disbursements. The IFAD will disburse the advance and eligible expenditures to the designated bank account maintained by the ADBL. The disbursement arrangements and budget release process are detailed in the PIM.

#### **d. Summary of benefits and economic analysis**

136. **Benefits.** The primary benefit streams will be through increased net incomes from household farm enterprises for the various commodities supported by the programme. As the basis for the economic analysis, eight enterprise models were prepared to illustrate potential income for VITA-supported supply chain. Investments are financed by beneficiaries' contribution, and short to medium term loans from ADBL and other partner financial institutions. Incremental annual net benefits vary widely across activities, ranging from USD 499 from dairy production to USD 971 from fish farming. These enterprises have potentials in employment generation, both for family members and hired labourers. All the models demonstrate satisfactory Benefit/Cost ratios and Financial Internal Rates of Return and positive net present value. This demonstrates the attractiveness of such investments from financial perspectives and for individual farmers.
137. **Economic analysis.** The base case scenario for 20 years period of analysis shows an Economic Internal Rate of Return of around 27%. The estimated Net Present Value (NPV) for a 9% discount rate is NPR 303,693 million (USD 302.69 million) and

the Benefit:Cost Ratio is 2.92. A positive NPV under the current opportunity cost of capital of 9% indicates that the programme investments were sound. A sensitivity analysis was conducted to assess the effect of variations in (i) 10% and 20% decrease in benefits; (ii) 10% and 20% increase in costs, (iii) one year and two year delay on incremental income accrual, and (iv) 10% and 20% decrease in adoption rate. In all these scenarios, EIRR was above 19%. Result of sensitivity analysis revealed that the programme is highly sensitive to delay in benefit accrual by one and two year compared to decrease on programme benefits and cost.

138. From a fiscal perspective, in terms of public sector cost per beneficiary, VITA's costs are only around 21% of ASDPs. Nominal investment costs per beneficiary household for VITA of US\$1,768 are around 9% lower than those for ASDP (US\$1,945 per household) – which has a broadly similar focus on inclusive supply chains, rural financial services and infrastructure in similar communities. However, these are financed on a very different basis. In VITA, around USD163 million (83% of the US\$197 million total) is ultimately financed by banks, private sector and beneficiaries. Only US\$34 million is born by the public sector (of which US\$27 million is for infrastructure). The cost to the public sector is therefore US\$302 per beneficiary household for VITA. On a comparable basis for ASDP, around US\$10 million are financed by the private sector and beneficiaries and US\$8.3 million in taxes and duties, leaving a public sector cost of USD50 million – equivalent to USD1,417 per beneficiary household.
139. In calculating the cost per beneficiary and EIRR, only the beneficiaries served in the first cycle have been included. By recycling repayments received on loans in second and subsequent cycles, VITA will serve far larger number of beneficiaries in its economic life of about 25 years. VITA's nominal cost per beneficiary is therefore far lower and its economic and social returns substantially higher if the actual impact of the way its financing instruments works is taken into account.

#### e. Exit Strategy and Sustainability

140. Sustainability of the programme benefits and results can be approached at three different levels: the individual farm, the producer group/cooperative and the supply chain. The exit strategy and its success is closely linked to results achieved at each of these levels. In total, the combination of the programme impact on farmers, producer organizations and the whole supply chain, as well as the private sector focus of the programme, is expected to ensure favourable results on sustainability of the programme benefits.
141. **Farm level.** At the smallholder farmer level, the programme will support a portfolio of crops and livestock that both have market demand and are suitable to local agro-ecological zones and climatic conditions. Environmental management, resource use efficiency and climatic adaptation will be enhanced in the messages and investment support to farmers. At the same time the long-term approach to mentoring and training in business and technical skills is expected to significantly improve small-scale producers' potential to sustain the benefits from programme interventions even when programme support ends.
142. **Producer organization level.** A key focus, and significant resources of the programme, is on building the capacity of producer organization to become successful and reliable actors in their local supply chains. The PO will receive focused capacity building and training as well as sustained mentoring over a 3-4 year period. The objective is that all producer groups in supported clusters should graduate to being fully independent, financially robust and self-managing within four years of programme engagement. Success in this area will be a decisive factor for the whole sustainability of programme results and benefits.
143. **Supply chain level** (including support markets). Where the supply chains have achieved genuine competitiveness, they are highly likely to continue – as the producers and businesses will be making money. In addition, where the producers and businesses have established regular processes of mutually beneficial dialogue and networking, including via the MSPs, then such process are likely to be continued by their members in some form. Key service providers that also profit from these processes, such as the banks and FIs, are also expected to have an interest in supporting the continuation of the MSP-type functions in the supply chain to help sustain competitiveness and continued investment and growth. The programme will therefore explicitly explore practical arrangements with supply chain actors for sustaining key networking functions initiated by the programme where these are considered important to the cluster and supply chain. In established clusters and supply chains such functions may have minimal costs and be readily taken on by the supply chain actors themselves.
144. Beyond the specific supply chains, there is expected to be a systemic and lasting increase in ADBL's capacity to reach and finance small-scale farm enterprises and also in the capacity of state institutions and municipalities in delivering inclusive rural local economic development. Similarly, VITA is expected to result in a better balancing of public and private sector led delivery of agricultural services to increase their sustainability and relevance to producers.
145. The programme will invest in a range of public and productive infrastructure. Arrangements for management, operation and maintenance of these will be a mandatory requirement prior to approval of each sub-project. These will follow established best practice in the country – including the market management committee arrangements seen in Bulbule wholesale market in Surkhet (supported by HVAP) recently recognized by MOALD as one of the two best run markets in the country. For community-level irrigation this will follow best practices, for example those of ADB's Community Irrigation Project.
146. **Exit strategy.** The focus on sustainable results and on independent, profitable institutions and private sector-based partnerships forms the core exit strategy. Similarly, development of local service markets will help rebalance the provision of technical and advisory services to producers between public and private provision. By moving away from a predominantly grant-based to a loan-based system, the programme helps expanding the agricultural credit system and thereby enhance access of farmers and entrepreneurs to financial resources on continuing basis. By ensuring reflow of a large proportion of financial resources borrowed by GON from IFAD, this approach also helps improving GON's financial position.

### 3. Risks

## H. Project risks and mitigation measures

147. Of the funds set aside for line of credit, while IFAD funds will be used exclusively for meeting medium term credit needs of farmer and MSME borrowers, ADBL and PFIs will finance the associated short-term credit in entirety using their internal resources. Of the government and ADBL financing US\$ 2.6 million and US\$ 1.98 million, respectively are estimated to be the amount for taxes. ADBL will meet the tax expenditure from the income which will be generated from the interest spread that the GON will provide on the subsidiary loan for the purpose.
148. **Overall political and governance risks is low to moderate** Following a general election in 2017 elected governments with substantial majority of ruling parties have been functioning for over 2 years at the federal as well as in 7 states creating much needed political stability. Overall macro-economic risks are moderate to high, reflecting the economic and fiscal position of the country. While there are weaknesses, the economy recorded its third consecutive year of +6% growth in 2018/19 accompanied by substantial revenue growth. However, the COVID19 pandemic is expected to substantially reduce growth for the next two years. From a governance perspective, ADBL is a regulated commercial bank with both government and private shareholders, with an established and functioning board and supervised by Nepal Rastra Bank. It is a well governed and supervised institution. Governance risks within the programme are therefore low.
149. Risks stemming from political pressure on infrastructure investment decisions are moderate and can be mitigated against to limit negative impacts. Mitigation measures include transparent processes for selection and prioritization of infrastructure works to be financed, including that they are endorsed by a majority of participants at the relevant MSPs. In addition, wholesale market infrastructure should only happen in Year 3 onwards to allow time for both the current high political pressures to normalize and the MSPs to become more established and able to drive the infrastructure priorities. For Window 3 on small-scale community-level infrastructure, the programme will support the municipal authorities to developed productive infrastructure master plans for the sector to increase alignment with overall strategic priorities in the municipality.
150. **COVID-19 pandemic related risks** appear to be high but also highly uncertain. There is likely to be a substantial slowing of economic growth for at least the next 2 years, with disruption to key sector including tourism and remittances. This will create fiscal pressures and foreign exchanges risks for the government. At the same time there may be an increase in the number of migrant workers returning from overseas, potentially bringing skills and resources with them while also needing to find gainful work but also a loss in remittance income. There may also be disruption to import supply chains, creating opportunities for domestic suppliers. Specific risks to the programme appear to be three-fold: i) availability of government funds to meet financing obligations – considered to be low after mitigation through the design of the internal financing arrangement for the programme, ii) disruption to market demand and supply chains – considered to be moderate, given focus on food crops and mostly short and domestic supply chains, and iii) increased financial or other pressures within beneficiary households that reduce their appetite or capacity to invest in their farming – considered moderate to low after mitigation, given emphasis on affordable investment pathways, accessible financing and also the needs of households themselves to find gainful work including for returning migrant workers.
151. There are substantial risks to the implementation schedule for the programme if there is a prolonged domestic outbreak and associated movement restrictions into 2021 or significant future domestic waves of the disease. Pre-effectiveness preparation for the programme can proceed with only minor disruption, even under the strict movement restrictions in place (as in May 2020). However, field activities in programme districts and municipalities can take place with safe social distancing and other measures only when strict movement restrictions are eased. As of May 2020, the number of domestic cases was still increasing yet there remains considerable uncertainty regarding the future scale and duration of the domestic outbreak and the extent to which this may continue into 2021 causing disruption to the programme.
152. **Liquidity for term finance in the wider financial sectors is a moderate risk** to the ambitions of the programme to help transform agricultural lending. Term liquidity issues are closely related to the structure of sources of funds in the sector. Mitigation within the programme is via the provision of wholesale term financing to PFI accompanied by continued engagement the NRB on policy to increase of financing to the sector, especially from among the Class A banks.
153. **Technical service and support market development risks are moderate to low** and can be mitigated against. The mandate for such services is fully devolved to municipalities. Experience from RERP shows a majority of rural municipal authorities are actively seeking better alternatives than purely public service model. The opportunity and mitigation measures for VITA are to partner with the municipal authorities, with technical backstopping from AKCs and VHLSSC, to develop a pool of local private technical service providers offering affordable good quality advice and services to local farmers. Specifically, VITA will partner with municipal authorities to identify, train and mentor suitable technical service providers in their municipality. Similarly, VITA will partner with state MOLMACs to ensure the AKCs and VHLSSCs, who have more higher qualified staff, provide technical backstopping to the municipalities and local service providers supported by the municipalities and the programme - which is a stated role and justification for the AKCs/VHLSSCs.
154. **Generous grants and subsidies to small-scale producers and MSMEs** have been a widely used tool in the sector over the last decade, with mixed results. MOF is strongly advocating moving away from the use of grants and MOALD's new '5 Pillar' focus for agriculture from March 2020 also specifically state a move away from competitive grants. The risks are therefore primarily in relation to large legacy programmes that will continue to operate such grants. The three large programmes still using or planning to use such grant in VITA areas are: ASDP (IFAD-supported); Livestock Sector Innovation Programme (LSIP, World Bank), and: PMAMP of MOALD. PMAMP is by far the largest of these and currently under review by MOALD including against the 5 pillars. Given VITA is well aligned with MOFs and MOALs reform agenda in this area, the mitigation strategy within the programme includes the following parallel strands:
1. Intensive business skills capacity development of producers and producer groups to empower them to approach their farming as a business. This provides them with the know-how and confidence to make their own investments without



relying on grants.

2. ADBL to pro-actively engage with ASDP and LSIP to offer to provide loan financing to their supported farmers (via Component 2) but subject to a reduced grant contribution from their project, for example of a target level of not more than 30%, to reduce market distortion and reduce reliance and expectations of grants and subsidies.
3. Pro-active policy engagement with MOF and MOALD, as well as at state and municipality level, with emphasis is on building confidence and understanding of MOALD and MOLMACs that loan financing is a credible, affordable and more effective alternative to grants. ADBL has already signed MOUs with several state government to provide such loans instead of grant programmes.

155. **Technical risks are generally low.** As VITA is principally a scaling-up programme of proven best practice from within Nepal, technical design risks are generally low. However, specific risks do exist in the wider use of loans to finance smallholder producer investment. Specifically, heavy reliance in the financial sector on collateral-based lending limits ability for credible clients to access investment loans. Mitigation measures include: Promotion by ADBL and partner FIs of non-collateral lending for small loans up to NRP200,000, as per NRB regulations, especially linked to livestock and crops guarantees e.g. from the Deposit and Credit Guarantee Fund; A focus on commodities where production can be started with small initial investments as a first step on affordable investment pathways below this level of NRP200,000 for collateral free loans; Promotion of institutional guarantees from municipal authorities and POs for farmers, especially for youth; Promotion of value chains financing instruments, as appropriate to specific supply chains, with ADBL and other PFI as the financing partner within these arrangements. This also includes working with NRB, as necessary, on appropriate regulations, guidance and policies for the expansion of such financing instruments.

156. **Institutional capacity risks are inherently high in Nepal but can be mitigated against** The programme implementation arrangements and choice of partners are explicitly designed to remedy this challenge, by involving ADBL and Heifer as lead partners, as well as by creating State Programme Coordination Forums in each state to coordinate among stakeholders as well as municipality-level coordination groups. ADBL as the LPA reduces institutional capacity risks due to its large and capable agri-business staff and strong management. Heifer brings valuable additional capacity on market-oriented socio-economic mobilization and producer group development. In addition, there are around USD 2 million of institutional capacity building programmes planned for ADBL and programme partners across the three Components.

157. Specific capacity areas of ADBL that will be strengthened include:

1. 1. Component 2: upgrading the systems and processes required for ADBL's operational capacity to cost-effectively extend its coverage and outreach to larger numbers of smallholder producer in more remote areas. The risks here could be significant if there are large delays in upgrading the required systems and processes, as without these systems it will be difficult for the ADBL branches to adequately serve the required numbers of programme beneficiaries. There is a substantial capacity building programme of around \$1.5 million in Sub-component 2.2 to address these risks.
2. Component 3, the management of the infrastructure financing facility in Component 3, where specialist infrastructure professionals will be contracted to manage this facility.

158. Programme leadership in the LPA is always critical. ADBL currently have a strong senior management team which should provide stability during the critical first 3 years as will mainstreaming VITA in ADBL structures.

159. Coordination within and between the three tiers of government has emerged as a critical issue across multiple sectors. The choice of ADBL as the LPA substantially reduces the programmes direct exposure to these difficulties – as it is a parastatal institution with a right to work equally with all branches of government. ADBL regional and branch managers have good working relationship with government officials in their area, not least as ADBL has long been an important partner for agriculture development. Heifer also brings strong networks in many locations. Notwithstanding this, an important element of the programme will be effective and practical coordination with state and local authorities. The recent experience from RERP and Heifer has been that local and state authorities are well motivated to participate with similar programmes. Additional mitigation measure for coordination risks include: establishing a State Programme Coordination Forum in each state to coordinate among programme stakeholders within the state and similar Municipality coordination forum in each municipality; signing MoUs between ADBL and each State and municipal government for collaboration on the programme, setting out expected contributions and roles; routine participation of relevant government staff in the MSPs at corridor and hub level for each commodity, and; providing capacity building training to state and municipality staff on key programme approaches for inclusive supply chain development to raise understanding.

## 160. Financial Management, Procurement and Governance

161. **Debt sustainability analysis (DSA).** The IMF team conducted the 2018 Article IV consultation, External debt remains low (17 percent of GDP) and Nepal has a positive International Investment Position (10.6 percent of GDP) Public debt ticked up in 2017/18, to 30 percent of GDP, but remains well below other low-income countries. The joint World Bank/IMF Debt Sustainability Analysis indicates that Nepal's risk of debt distress remains low.

162. **Inherent risk.** The Transparency International Corruption Perception Index had rose from 27 in 2015 to 34 in to 2019, positioning Nepal as 113 out of 183 countries. The RSP score is 3.2, a slight movement from 3.0 in previous years. The inherent FM risk is assessed as substantial. Latest Public Expenditure and Financial Accountability (PEFA) report in May 2015 discloses, "the commitment to change and reform to public financial management systems and process by the Government of Nepal has produced results. Among 28 performance indicators (PI), 16 indicators improved, 10 indicators remained unchanged, and 2 indicators deteriorated. However, compared to 2008 with improved systems, data availability has assisted to fine-tune the assessment and downgrade the rating of an indicator to reflect the current system. The absence of the parliament during the assessment period added to the downgrading of another indicator." PEFA indicates weakness for Nepal in budget execution, accounting and reporting, Audit.

163. **Financial Management.** The initial financial management risk assessment of ADBL programme is assessed as substantial due to first IFAD project, lack of experience in preparing AWPB, implementation of IFAD funded project, accounting and reporting requirement of IFAD, working with the local government and beneficiaries on grant basis, newly established PMU for the project, and separate funds flow. Heifer has experience in implementing the IFAD Improved Seed for Farmers Programme (ISFP) funded project. However, the FM risk would reduce to moderate with the implementation of mitigating measures.

#### I. Environment and Social category

164. **The environmental and social category for the Programme is B** VITA will not impact on any sensitive areas or result in loss of natural habitat and biodiversity and intervention will be confined to existing farmlands. The Programme is designed to promote environmentally sustainable agriculture and livestock practices while priority is given to multiple use water system, water use efficiency and effective water management. Use of fertilizers and pesticides will be under the guidance of trained service providers, including services to small-scale producers for regular test of soils to inform application and reduce over usage. Renewable technology will be promoted as part of the support market development activities. Carrying capacity assessments will be conducted before and during implementation to ensure a minimum environmental footprint. Finally, VITA will actively engage and benefit the vulnerable and socially marginalized communities in all programme activities hence social risks are minimal. Climate Risk classification

#### J. Climate Risk classification

165. **The climate risk category is Moderate.** Detailed analysis of the climate scenario and resulting risks and response measures to the main investment activities of the programmed indicate that VITA is expected to be moderately sensitive to climate risks and an integration of climate issues has been undertaken as part of the detailed design. This process has resulted in practical adjustments under the programme to reduce losses and damages from climate hazards to target beneficiaries and will also strengthen local risk-management capacities. The analysis highlights risks and benefits from climate change. Principal risks are: i) increase incidence of new and existing diseases, pest and insects, especially to higher altitudes; ii) greater variability in rainfall patterns within the year with increased water demand leading to higher risks of temporary water shortages for purely rainfed production; iii) increased heat stress to livestock from a small increase in the number of warm days, especially in the lean season, to cattle reducing the milk production and to poultry impacting on growth during these periods. Benefits from climate change include opportunities for new crop varieties in higher altitudes and increasing yields and extended production seasons of vegetables, crops and for honeybees.

166. Notwithstanding the above, the general programme areas at the district level encompass a diverse set of locations and climatic zones which are subject to the annual monsoons, and a range of flood, drought, landslide, GLOF, rainfall / temperature and ecological risks. Programme area ranges from plain Terai area to the mid-mountain and some parts of high-mountain. Two thirds of all districts in Nepal are rated as high or very high risk against one or more of these events (MOPE, Climate Change Vulnerability Mapping for Nepal 2010). However, such periodic events are an inherent part of the climate and production and livelihood systems are broadly adapted to them. Projected climate change scenarios are not expected to change the level of risk to these events to such a degree as to significantly affect the impacts or sustainability of the programme.

### 4. Implementation

#### K. Organizational Framework

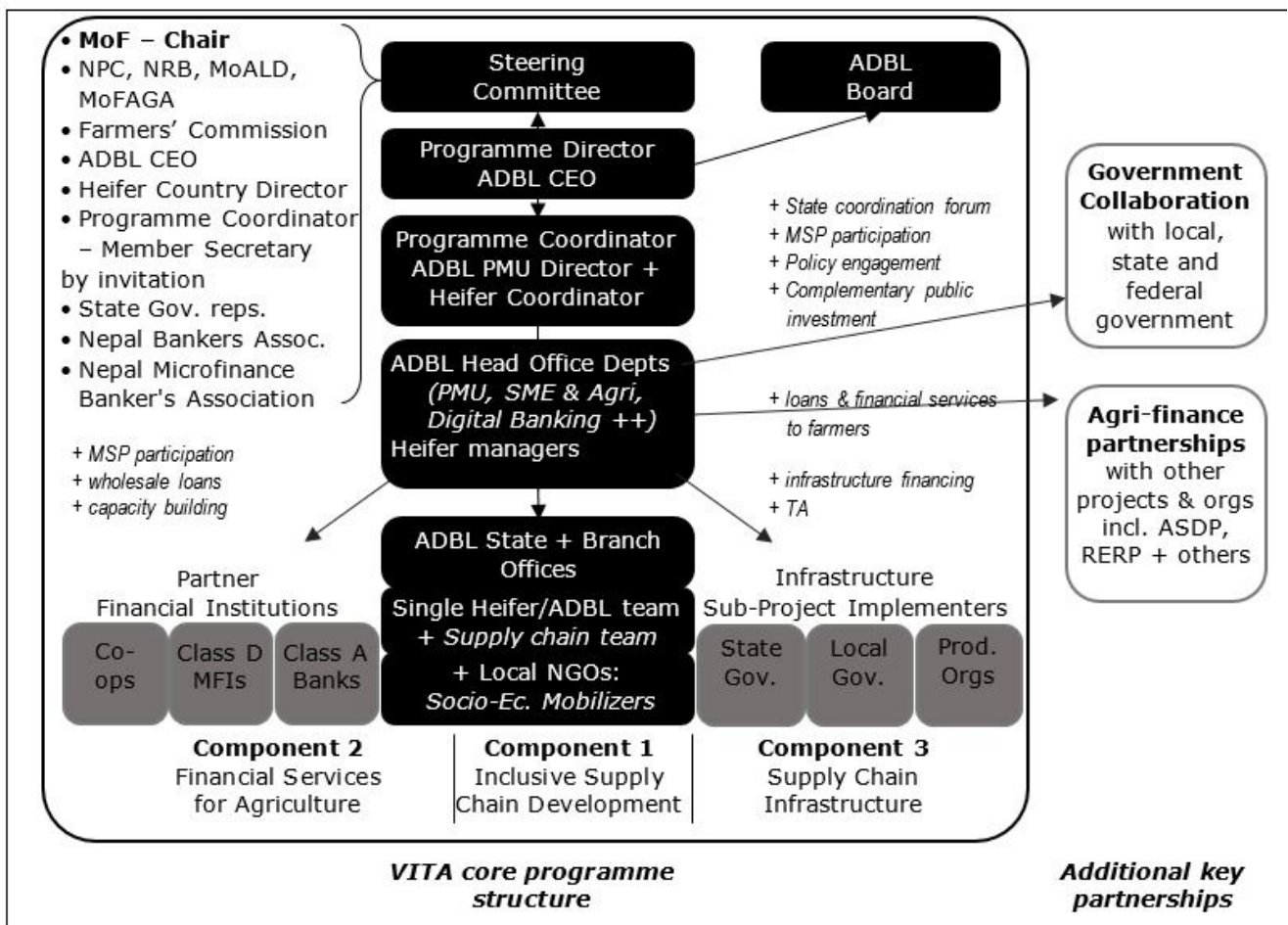
##### a. Project management and coordination

167. **Figure 2: Programme Implementation Arrangements**

##### a) Programme management and coordination

168. **A Programme Steering Committee** will provide overall policy guidance, coordination and supervision. Members of the Steering Committee will include representatives of: i) Federal level: MoF – Chair, National Planning Commission (NPC), NRB, MoALD, Ministry of Federal Affairs and General Administration (MoFAGA), Farmers Commission, ADBL. In addition, the Programme Coordinator (ADBL PMU) will be member secretary; ii) Heifer Nepal. Members by invitation may include: iii) State level: government representatives from supported States, from State MoLMACs and/or State Planning Commissions, and; iv) Financial sector representatives: Nepal Bankers Association, Nepal Microfinance Banker's Association. The VITA PMU will act as the secretariat.

169. The **Lead Programme Agency (LPA)** will be the ADBL, on behalf of the GON, responsible for achievement of the programme development objectives and overall performance of the programme. The LPA will lead implementation of all aspects of the Component 1 and 2. For Component 3, LPA will provide overall coordination, monitoring and reporting while infrastructure sub-projects will be implemented by sub-project implementers (see below).



170. The ADBL Chief Executive Officer (CEO) will act as the VITA Programme Director. The dedicated **Programme Management Unit (PMU)** of ADBL will be responsible for all aspects of programme management and reporting on behalf of the LPA. The PMU will work closely with the heads of the relevant departments in ADBL Head Office and the Regional Directors in the five regional offices overseeing VITA field activities. Within ADBL, programme implementation will be mainstreamed in its organizational structures, supplemented where necessary with targeted technical assistance and additional human resources. The PMU will be managed by the VITA Programme Coordinator – who will be the ADBL PMU Director. Staff of ADBL and Heifer will work together in a single PMU. The core of the PMU is already in place and, together with the Heads of Departments, have worked closely with the design team throughout the VITA design process to ensure a high degree of readiness and feasibility for all aspects of the design.
171. Key staff in the PMU include: VITA Programme Coordinator (ADBL PMU Director); Programme Chief Finance Officer (deputed from ADBL); Accounts Assistant; Monitoring and Evaluation Specialist; Planning, M&E officer (Heifer); Targeting, Gender and Inclusion Specialist (also with responsibilities for nutrition); Socio-economic Mobilization Expert (Heifer); Supply Chain Focal Person Coordinator at HO (in ADBL MSME Department); Supply Chain Focal Person Officer at HO (in ADBL MSME Department); Agricultural Value Chain Financing Expert; Climate Smart Agricultural Finance Specialist; Assistant Finance Officer; Infrastructure Specialist; Infrastructure Procurement Specialist
172. The PMU will be supported by the following senior staff in Heifer on a part time basis including: Program Directors (x2); Finance Director; Senior Manager PM&E, and Knowledge management manager.
173. The **Co-implementing partner** will be Heifer Nepal, with funding from Heifer International as co-financier, with particular responsibilities under Component 1 on aspects of socio-economic mobilization and supply chain development as well providing parallel financing towards the costs of their activities in VITA. In the field, Heifer will oversee a network of local NGOs to deliver the farmer facing activities, as its regular practice. The recent partnership under the KUBK and Heifer saw positive results and ADBL have recently independently signed a Memorandum of Understanding to increase finance to the large number of Heifer supported producer groups.
174. **Partner Financial Institutions (PFIs)**, including Class A and Class D institutions regulated by NRB, will be eligible to apply for wholesale loans under the programme, to increase availability of term financing to small farmers and MSMEs. PFIs will be expected to be active participants in the MSPs in each supply chain. PFIs will also be eligible to receive capacity building support for building their competence in offering appropriate rural financial services (Component 2).
175. **State and municipal governments** will be key partners to the programme, both for overall coordination within programme locations and, importantly, in coordinated investment in supply chain infrastructure in support of local supply chain development, including co-financing Component 3 sub-projects. State and municipal-level coordination forum will be established between the

programme and local stakeholders and meet at least annually. These will be established by the VITA teams at state and branch level, respectively, building on the existing relationships between ADBL, Heifer and the respective government bodies at each level. The LPA will sign MoUs with the relevant government bodies. In addition, representatives from State and Municipal authorities will be active participants of the MSP processes in each supply chain. The MSPs will be a key mechanism for practical coordination and harmonization of public support. The programme will provide capacity building support to municipal authorities so they can internalize the VITA approach. For Component 3, State and Municipal government will be eligible sub-project implementers.

176. **Sub-project implementers for infrastructure sub-projects** (Comp 3) will sign agreements with the LPA to implement the approved sub-projects. Procurement and contracting of design and works for each sub-project will be the responsibility of the assigned sub-project implementer. Sub-project implementers for each of the three types of infrastructure will be: i) State authorities for regional wholesale market infrastructure, ii) Municipal authorities, and/or consortia of Municipal authorities governments, for satellite market infrastructure, and iii) Municipal authorities and registered producer groups/co-operatives for small-scale community infrastructure, including small-scale irrigation and water infrastructure and upgrading of farm access road. VITA staff at both PMU and state level will carry out site inspection of proposed sites and actual works to approve designs and authorize payment release.
177. **Partnerships with other projects and organizations.** Federal government programmes, especially those of MoALD focused on market and value chain development (including ASDP (State 6)) and RERP (States 1 and 2), will be key partners to ensure coordinated investments in supported supply chains. Similarly, partnerships with other programmes and organizations beyond government will also be developed, as appropriate. As open rolling platforms, the MSPs in each supply chain are a key mechanism for practical coordination among the numerous federal and local investment programmes in support of the priorities of the supply chain actors themselves.

## **b. Financial Management, Procurement and Governance**

178. **Financial Management:** The PMU will report to the Programme Director and accountable to the PSC for the overall financial management, preparation of AWPB, procurement plan, M&E and MIS, withdrawal applications and financial reports, and compliance requirement of internal and external audit. The concerned departments, provincial and branch offices of the ADBL and Heifer will be responsible and accountable for the implementation of programme activities of their sector, planning of their annual work plan, preparation of budget and safeguard of programme assets and resources and preparation and submission of financial reports. The initial financial management risk assessment of ADBL programme is assessed as substantial due to first IFAD programme, lack of experience in preparing AWPB, implementation of IFAD funded programme, accounting and reporting requirement of IFAD, working with the local government and beneficiaries on grant basis, newly established PMU for the programme, and separate funds flow. The Heifer has experience in implementing the IFAD Improved Seed for Farmers Programme (ISFP) funded project. However, the risk would reduce to Moderate with the implementation of mitigating measures.
179. **Finance unit organization:** The PMU shall have one Programme Chief Finance Officer (FO), deputed by the ADBL, and one Account Assistant (AA) recruited for the programme, one Account Officer and one Account Assistant in the provincial and A, B and C class branch offices and Account Assistant in D class branch offices will be designated from the existing account staff for maintaining accounts and preparing reports of the programme. The job description of the FO and AA is given in the PIM.
180. **Budgeting:** The province and branch offices shall prepare their budget and submit the AWPB finalized in the workshop held in provincial level to PMU. The PMU will review the AWPB received from province and branch offices and consolidate with its budget and submit to Program and Budget Section of Planning and Research Department which, in consultation with PMU, will finalize annual work plan and budget (AWPB) of the programme including co-financing by the Heifer and counterpart funds of the State and Local Government, ADBL and beneficiaries and loan to be received from bank and financial institutions based on the implementation schedule of the programme activities, cost table, subsidiary loan and financing agreement and prevailing market price for submission to the ADBL Board and Programme Steering Committee. The ADBL will provide funds including the corporate social responsibility (CSR) fund. After PSC approval, the AWPB will be submitted to IFAD for no objection before 15 May of each year and MoF for entering in the line Ministry Budget Information System (LMBIS) for budget provision in the federal budget by creating a separate budget line for the loan to be provided to ADBL for programme implementation. The MoF will provide loan for the lending activities signing subsidiary loan agreement with ADBL. The MoF will release budget to the ADBL after approval of the budget by Parliament. The PMU will allocate and release annual budget to the province and branch offices specifying the activities. The PMU will monitor physical and financial performance on a quarterly basis. The budget allocated to the province and branch offices can be revised by the ADBL not exceeding the approved annual budget.
181. **Disbursement arrangements and flow of funds:** The ADBL, on receipt of authorized signatories from the MoF, shall open a designated bank account in USD at Nepal Rastra Bank (NRB) for the loan to be provided by government in which IFAD will disburse initial advance as specified in the letter to the borrower and thereafter reimburse eligible expenditures on submission of withdrawal application. The government and ADBL will not pre-finance the programme expenditures to be funded from IFAD source. The ADBL will open separate programme bank account in which the advance amount of USD 10 million or as specified in the letter to the borrower will be transferred from designated account on imprest system. The amounts received from the ADBL from corporate social responsibility fund for non-lending programme activities will also be deposited in the programme bank account. The ADBL will make payments from the programme bank account for incremental operating cost, capacity building expenses, other programme related expenses and infrastructure construction expenses to the respective payees. The payment to the local government will be made as per memorandum of understanding entered between the ADBL and local government. The ADBL will provide wholesale loan to other partner financial institutions and ADBL for loan provided to the borrowers based on the statements of loan from the programme bank account. The ADBL will request next advance when 75% of the previous advance amount has been spent but not exceeding threshold of advance. The Heifer will incur expenses for the activities as specified in the districts not directly covered by own funded activities and request for reimbursement. The PMU will submit WA to IFAD for direct reimbursement of the expenses based on the statement of expenses to Heifer. The PMU will be directly

responsible for the management, maintenance and reconciliation of the DA and programme bank accounts.

182. The local government or other implementing agencies will open separate bank account for construction of market and other infrastructure in which the counterpart fund and programme loan/grant will be deposited. The local government or other implementing agencies and sub-project implementers will incur expenses and request for reimbursement of instalment of loan/grant as agreed in the memorandum of understanding. The sub-project implementers (private sector/beneficiaries) will deposit their contribution in the separate bank account of the implementers in which ADBL and other partner financial institutions will disburse the loan to the borrowers for approved sub-project activities.
183. The PMU will prepare withdrawal applications for advance amount and eligible expenditures already paid and submit to IFAD along with the supporting documents required for IFAD disbursements. The IFAD will disburse the advance and eligible expenditures to the designated bank account maintained by the ADBL. The disbursement arrangements and budget release process are detailed in the PIM.
184. **Retroactive Financing.** A sum of USD 500,000 has been provisioned for retroactive financing for the expenses to be incurred between February 2020 and the date of Financing Agreement signature ("Entry into Force") to facilitate smooth start-up. Retroactive financing shall be used for the expenditures incurred for: (i) recruitment of programme staff and training of staff; (ii) purchase of furniture and office equipment for PMU; (iii) conducting baseline surveys and customization of existing MIS software; (iv) Any other activities to be conducted before start of the programme. These expenditures would be reimbursed on submission of a separate withdrawal application when the conditions precedent to first withdrawal application stipulated in the financing agreement have been met
185. **Accounting systems, policies, procedures and financial reporting** The PMU, province and branch offices of the will maintain separate accounts of the programme following double entry accrual basis of accounting system using existing core banking and accounting software. The existing chart of accounts will be used after incorporating features in charts of accounts to account expenses by categories, components, sub-components, activities, commodity, funding sources, geographical region to monitor expenses and meet accounting and reporting requirement of IFAD. The Heifer will also maintain accounts for the expenses incurred for the programme. The contribution made by the provincial government, municipalities and beneficiaries shall be recorded to expenditures based on statement of expenditures. In-kind contributions will be quantified based on fair market value and accounted to expenses and income disclosing in the notes to accounts.
186. The province and branch offices and Heifer will submit monthly financial statements to the PMU within first week from the end of the month. The PMU will prepare consolidated monthly financial statements and submit to the Programme Director. PMU will prepare quarterly interim financial reports in the prescribed format within 45 days of the end of each quarter and annual Programme financial statements in the prescribed format within four months of the end of each financial year for submission to IFAD.
187. **Internal Audit:** The Internal Audit Department of the ADBL will conduct internal audit of the programme in accordance with the Standards on Internal Audit (SIA) on quarterly basis. The draft internal audit reports are to be submitted to the respective cost centres copied to the Programme Director of the PMU. The final internal audit report after receipt of response on the draft internal audit report will be submitted to the Audit Committee of the ADBL. The Audit Committee will review the internal audit report and recommends for the remedial action to resolve the observations and avoid recurrence. The internal audit report along with the actions taken to resolve audit observations shall be submitted to the Board, Audit Committee and Programme Director and made available to IFAD missions upon request.
188. **External Financial Audit:** The ADBL shall hire a chartered accountant firm appointed to conduct audit of the ADBL on recommendation of the Office of the Auditor General to carry out the audit of the programme in accordance with Nepal Standards of Auditing and IFAD's General Conditions and the IFAD Handbook for Financial Reporting and Auditing of IFAD-financed projects, which, inter alia, requires public disclosure. The audit report shall be submitted to the Programme Director and Board for review the audit report and audit observations reported in the management letter. The audited programme financial statements including the designated account and management letter along with management response have to be submitted to the IFAD within six months of the end of each financial year during the programme implementation period and by the financing closing date for the last year of the programme to comply with the deadline for submission of the audit report. The Heifer will also submit the audit report of the programme expenditures within six months of the end of each fiscal year.
189. **Procurement:** The LPA will apply its own approved procurement procedures where these are consistent with IFAD procurement guidelines and apply accepted IFAD/GoN procurement procedures and thresholds where its own procedures do not meet IFAD requirements. It is noted that no major procurement packages are currently envisaged under Component 1 and 2. For on-lending under Component 2, ADBL's sub-lending process is considered to be generally sound. Capacity building support for ADBL and PFIs will be provided under the programme for closely aligning individual sub-loan identification and assessment process duly considering backward and forward linkages within the relevant supply chains. For infrastructure works under Component 3, all sub-project implementers will apply accepted IFAD/GoN procurement procedures and thresholds.

## **L. Planning, M&E, Learning, KM and Communication**

### **a. Planning, M&E, Learning, Knowledge Management and Communication**

190. **Planning:** There will be a single annual work plan and budget (AWPB) developed by the PMU with active consultation and contributions by ADBL and Heifer covering all activities under the programme of both partners and using the template provided in the Programme Implementation Manual (PIM). The LPA will be responsible for submitting and obtaining approval of the AWPB from the MOF and IFAD. Such AWPB will identify all agencies, including PFIs and infrastructure sub-project implementers, implementing the detailed activities proposed and estimated financial outlays for the year including the detailed resources these

agencies will mobilise internally. The AWPB will also estimate loan resources that will be required in supporting end-user borrowers who have or will receive supply chain development support by other projects such as ASDP/RERP. Whenever implementing partners will identify the need to change, adopt and adjust the working modality and annual work plans, they may propose such changes to the PMU, to be ultimately endorsed by the PSC and IFAD. The single annual workplan will be managed via local monthly work plans prepared by the various implementing teams at national, state and local level, including PMU staff.

191. **Monitoring and evaluation (M&E).** The M&E system developed and run by the PMU M&E team will cover (i) monitoring of implementation performance, execution of the AWPB, outreach and effectiveness of the targeting strategy, and (ii) periodic measurement of programme results (outputs, outcomes and impact) versus agreed targets. Both ADBL and Heifer will contribute to a single VITA M&E system and have access to the data generated. There will be a single M&E unit which will meet the information requirements of the PMU, ADBL, Heifer or any other partner financial institutions or implementing agencies. The PMU M&E team will include two fulltime M&E staff – one from each of ADBL and Heifer - supported by the related permanent teams and departments in ADBL and Heifer.
192. **Management Information system (MIS):** A key focus for the M&E will be to build a highly effective MIS (online and offline, internet and mobile devices) that provides programme managers and teams with timely and reliable information on developments in each of the priority supply chains so that the intervention plans can be managed for impacts. The programme MIS will, to the extent feasible, be aligned with ADBL's own ICT systems, including for lending activities under Component 2. ADBL is currently upgrading its own ICT systems and careful consideration will be given to maximize alignment of the VITA MIS and minimize duplication with ADBL own systems.
193. **Data collection:** Under Component 1, data will be chiefly collected through Farm Business diaries, as well as Business Skills Facilitators (BSF) and Socio-economic Mobilizers' records. The programme will make extensive use of tablets and online databases to enable direct data collection and entry into the programme MIS by the BSF, who will be provided with tablets and smartphones and paid a small fee to gather household production and business data once per season. Under Component 2, data will be collected as per standard ADBL practices, with few adaptations brought to the standard loan application template and ADBL central MIS (see PIM).
194. At programme start in each location, a baseline survey will be conducted among a representative sample of initial selected beneficiaries in order to collect quantitative and qualitative information on the socio-economic conditions of these households prior to project interventions. The same exercise will be repeated at mid-term and completion (in time to inform the MTR and PCR preparation processes), in order to measure and appreciate changes since baseline. The baseline survey will use a questionnaire comprised of three modules, as follows:
  195. (a) Module A – IFAD empowerment indicator questionnaire: This is a new survey-based index for measuring empowerment, capacity to act and inclusion of women in the agriculture. It will also include the module to measure Minimum Dietary Diversity – Women (MDD-W).
  196. (b) Module B - PPI questionnaire: The Poverty Probability Index (PPI) is a tool to measure targeting effectiveness and track beneficiaries' poverty levels over time.
  197. (c) Module C: Additional questionnaire will measure all the impact- and outcome-level indicators in the extended logframe not covered by Module A or B.
198. For the tracking of the various supply chains, VITA will also follow a system of "rolling baselines" in which baseline data on each cluster is collected at the time that interventions begin in the specific cluster among smaller samples. These will include households and trader/agri-business surveys, while use of secondary data sources will also be made. Annual Cluster Tracking Surveys (ACTS) will also be organized from Year 2 onwards to regularly assess the development and performance of each cluster and corridor and to assess the level of satisfaction of the various clusters' actors, including farmers, with programme implementation.
199. VITA will include targets for 9 of IFAD's Core Outcome Indicators (COIs) within its logical framework. In addition, it is expected to be able to report on a further 7 COIs beyond its main logical framework. In total it will report on 30 of IFAD's core indicators (CIs): 1 outreach, 15 outcomes, 14 outputs. Data collection for these will be in-line with IFAD's standard definitions and tools for these indicators.
200. **Reporting:** The PMU will be responsible for the preparation of monthly, quarterly, 6-monthly and annual progress report). The 6-monthly and annual progress reports will be sent to IFAD for information. Towards the end of the project implementation period, the PMU will also be required to prepare a Project Completion Review report.
201. **Knowledge management, learning and strategic communication.** As a 'next generation' inclusive market development programme, VITA is expected to scale-up recent successful models, notably from the HVAP and KUBK, and at the same time advance good practice in several critical areas, including: i) market-based private investment; ii) strengthening sustainability of the MSP functions, iii) deepening tools for inclusion of poor and marginalized individuals within market-driven development approaches, iv) mainstreaming climate considerations, including developing practical tools for use by key stakeholders, v) mainstreaming coordination with investment programmes of local, state and federal governments. Accordingly, the programme will invest in good quality, evidence-based knowledge management to contribute to policy development processes. For example, ADBL's SME and Agriculture Department will analyse and document the actual financial and commercial performance of investments supported and share this knowledge and insights widely among the partner financial institutions and other prospective investors from farmers to agri-businesses. It is expected that such types of knowledge and analysis will also feed into ADBL own strategic development and operational priorities.
202. An effective Knowledge Management and Communications (KMC) strategy will be integrated into the management of the programme. The initial priority will be aimed at the primary supply chains actors themselves (farmers, traders, processors,

suppliers etc) to build momentum in the target clusters. This will document and promote through multiple channels, credible business opportunities in the priority supply chains, including real role-model farmers and businesses. This communication will have a strong youth focus. The second priority, in the first 2 years, will be to disseminate practical tools and good practice examples among VITA teams at head office, state, branch and field level. This is to rapidly establish a large cadre across the programme with practical skills and confidence to drive programme delivery. Finally, on policy and strategic communications, the programme will seek to contribute to public policy development and initiatives in support of inclusive rural growth. A policy engagement plan developed prior to implementation will be outlined, identifying the priority policy areas and issues of relevance. This will then be used to ensure the programme is collecting sufficiently robust data on these issues to provide evidence-based policy inputs. For communication activities, the Knowledge Management Expert will be supported by ADBL Communication Department and a part-time Communication Expert.

## **b. Innovation and scaling up**

1. The programme itself a scaling-up programme, expanding best practices from the recent Nepal country programme on inclusive market development – especially those from HVAP and, to some extent, from KUBK - as well as substantially advancing best practices in new areas including agricultural finance (to replace grant financing) and institutional implementation arrangements adapted to the new federal system. Together with the ongoing ASDP and RERP programmes, this will mean these approaches are being implemented by major investment programme in 5 of 7 states across the country. As the LPA is a nationwide bank, with branches in all districts there remains clear scope for it to replicate these approaches across the entire country. Similarly, the expected partnerships with other financial institutions is also expected to contribute to crowding-in, especially for increased agriculture finance to commercial small-scale producers.
2. Innovation in the programme is principally in four areas: i) the transition to predominantly loans-based financing for private investments by small-scale producers and MSMEs in upgrading their farms and businesses; ii) the associated large scale mobilization of domestic private co-financing from banks, businesses and beneficiaries, iii) information and communication technology (ICT) enabled product and service innovations, which play an increasingly important role for both ADBL as well as the programme participating FSPs, which will be supported and brought to scale through VITA; and iv) the innovative institutional arrangements of having a state-owned commercial bank as the lead programme agency for an inclusive market development programme in partnership with a leading NGO bringing specific technical expertise. This innovation is highly relevant to the current Nepali context as a mechanism to better institutionalize the core capacities of facilitating inclusive supply chain development and also providing complementary implementation mechanisms for public investment in economic development that can work alongside the new three tiers of government.

## **M. Implementation plans**

### **a. Supervision, Mid-term Review and Completion plans.**

203. The core of the PMU and heads of key departments are already in place and have been actively involved in the detailed design. This team will lead the advanced preparation and rapid start-up of the programme, drawing on ADBL and Heifer's substantial capacity as well as the rich experience of the programme's approaches available within Nepal. With the programme being mainstreamed in ADBL, it is planned the following will be in place at or before start-up:

### **204. Programme Management**

1.
  1. Nomination of Programme Steering Committee and drafting of its Terms of Reference;
  2. Finalization of PIM, and guidelines for other instruments including the SDF, subsidiary and wholesale loans, ready for immediate formal approval;
  3. Finalization of first AWPB and procurement plan ready for immediate approval;
  4. Programme orientation and technical training materials for programme staff and key stakeholder to be fully prepared and tested;
  5. Draft MoU prepared and discussed with all states and municipalities in which the programme will be working and begin informal discussion;
  6. Agree detailed cooperation arrangements and procedures with ASDP and RERP and sign MOU.
  7. MIS systems and key data collection tools developed and tested.

### **205. Component 1**

1.
  1. Supply chain teams at regional provincial office and district branch level in place. All assigned staff of ADBL and Heifer to have been identified and completed initial programme orientation and technical training the VITA supply chain development processes and key tools;
  2. Socio-economic mobilizer teams: Selection and screening process initiated for all local NGOs expected to be contracted in Year 1. Where the selected NGOs are current partners of Heifer, initial orientation on VITA should also be completed.
  3. Business skills training –ToT and end training modules and materials to be finalized;
  4. Mapping of existing 'market ready' producer groups linked to partner programmes and previous project in all target districts and commodities to define initial starting cluster locations; Priority projects to map include: SLVC2, KUBK, RISM-FP, LSIP (WB),

### **206. Component 2**

1.
  1. Orientation of branch and credit officers in 5 programme states on the VITA approaches, modalities and objectives;
  2. Initiation of priority elements of the strategic capacity enhancement programme for ADBL, which are closely related to

its own corporate strategic development efforts, including:

- Financial product adaptation and efficiency enhancement of loan processing through: (a) IT strategy development; (b) credit and other financial products review and adaptation; and (c) development of a portal-based automated and standardized system for loan processing;
- Financial systems development through: (a) hardware and software development support for branchless banking that will help ADBL to extend its outreach in a cost-effective manner; (b) digitization of participating co-operative societies and micro-finance institutions in project clusters; and (c) support to co-operatives for providing debit card services to their members;

### 207. Component 3

1. 1. Finalization of detailed procedures for operation of the infrastructure financing facility, reflecting best practice for such arrangements in devolved government systems drawing on experience from other leading donors in this area

### 208. Supervision, Mid-term Review and Completion plans.

1. **Supervision** will be directly by IFAD with annual supervision missions, and initially by follow-up missions as needed, organised jointly with the GoN and Heifer. Continuous implementation support will be provided to the programme from ICO-based staff and, as required, by staff from IFAD's technical divisions. Supervision will be used as an opportunity to assess achievements and lessons jointly, and to reflect on ways to improve the implementation and impacts. The focus of these missions will be on: (i) development impact based on progress measured against agreed indicators; (ii) joint identification of implementation challenges and solutions with implementers and beneficiaries, and agreement on actions to achieve project objectives; and, (iii) ensuring compliance with loan covenants, procurement and efficient use of project funds.
2. **Mid-term Review (MTR)**. As a six-year programme, an MTR will be undertaken at the end of year three of implementation. The MTR will be jointly organised by the GoN and IFAD in close collaboration with the other stakeholders.
3. **Programme Completion Report (PCR)**. At the end of project implementation period, the GoN in collaboration with IFAD will undertake a project completion review exercise, in order to report on the results, impacts achieved and lessons learned. Collection of data for the PCR will be undertaken immediately after the last supervision mission. It will include collection of data for the end-line survey as well as for the ex-post EFA. The PCR will be finalised before the programme closing date, which will be six months after the completion date. As part of the completion activities, a Beneficiary Impact Assessment will be undertaken and findings used to inform the PCR.

### Footnotes

[1] Calculated as % agriculture share of GDP versus % share of agriculture in total employment.

[2] Severely affected district from 2015 earthquake - see National Planning commission (2015) Nepal Earthquake 2015, Post Disaster Needs Assessment

[3]<https://cgspace.cgiar.org/handle/10568/68687>



## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture Project Design Report**

#### **Annex 1: Logframe**

Mission Dates: 25 November - 17 December 2019  
Document Date: 19/07/2020  
Project No. 2000002697  
Report No. 5455-NP

Asia and the Pacific Division  
Programme Management Department



**Value chains for Inclusive Transformation of Agriculture**

**Logical Framework**

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outreach</b>	1 Persons receiving services promoted or supported by the project							
	Females			72000				
	Males			48000				
	Young			36000				
	Not Young							
	Indigenous people			30000				
	Non-Indigenous people							
	Total number of persons receiving services	15000	90000	120000				
	Male							
	Female			60				
	Young			30				
	1.a Corresponding number of households reached							
	Women-headed households							
	Non-women-headed households							
	Households		82800	110400				
	1.b Estimated corresponding total number of households members							
	Household members		397000	530000				

Results Hierarchy	Indicators				Means of Verification		Assumptions		
	Name	Baseline	Mid-Term	End Target	Source	Frequency		Responsibility	
<b>Project Goal</b> Improved livelihoods, climate resilience and nutrition of poor and vulnerable people	Number of individual small-scale producers directly benefitting from programme services increasing their real net farm income				Base/Mid/ End Surveys Annual Cluster Tracking Survey (ACTS)	Baseline, Mid term, End line, Annual	PMU	(A) Continued social, political and economic stability in the country. (B) No prolonged collapses in export/local demand or prices for agricultural products. Appropriate technologies exist suited to target commodities in Nepal.	
	(c) >40% if via partnership with SLVC2		10000	20000					
	(a) >60% if receiving full programme services;		15000	70000					
	(b) >40% if receiving 'finance only'		6000	30000					
<b>Development Objective</b> Sustainable farm enterprises of poor and vulnerable rural people are more resilient to climate change, increasingly profitable, strengthen their market linkages and use appropriate financial services	Number of beneficiaries' receiving full programme services achieving return on labour of >125% of official minimum wage .				Base/Mid/End line Survey ACTS	Base/Mid/End Line Annual	PMU		
	Number of People			12000					56000
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices				RIMS	Annual	PMU		
	Households			40					50
	Total number of household members								
	Males								
	Females								
	Young								
	Indigenous people								
	Women-headed households								
	Non-women-headed households								
	Households								

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				Base/ Mid/ End Surveys	Baseline / mid term / end line	PMU	
	Household members							
	Indigenous households							
	Non-women-headed households							
	Women-headed households							
	Households (%)							
	Households (number)							
<b>Outcome</b> Improved small-scale producers' capacities to run profitable farm enterprises and establish linkages with suppliers and buyers	SF.2.1 Households satisfied with project-supported services				Base/ Mid/ End Surveys	Baseline / Mid term / End line	PMU	No prolonged collapses in export /local demand or prices for agri-products. Development of commercial services is not undermined by the provision of free or heavily subsidized services by others. Participating smallholders want to improve their business skills. External socio-political factors do not disrupt MSP processes.
	Household members							
	Indigenous households							
	Non-women-headed households							
	Women-headed households							
	Households (%)		60	80				
	Households (number)							
	1.2.8 Women reporting minimum dietary diversity (MDDW)				Base/ Mid/ End Surveys	Base/ Mid/ End Surveys	PMU	
	Women (%)		75	90				
	Women (number)							
	Households (%)							
	Households (number)							
	Household members							
	Indigenous							
Women-headed households								

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Non-women-headed households							
	Percentage increase in the aggregate value of priority products sold by targeted smallholder producers in real terms.				Base/Mid/ End line Survey ACTS	Baseline / Mid Term / End Line / Annual	PMU	
	% increase value		15	40				
	Percentage of small-scale producers in supported groups who have paid for or received embedded technical services from commercial service providers, agribusinesses or producer organization in last 12 months.				ACTS	Annual	PMU	
	% Smallholder producers - crops							
	% Smallholder producers - livestock							
	% Smallholder producers - fish							
	Number of small-scale producers regularly keeping farm enterprise records.				Program MIS Farm business diaries	Seasonal (semi annual)	PMU	
	Number of people		59000	72000				
	Percentage of established multi-stakeholder platforms (MSPs) that are functional and self-sustaining .				Programme reports; MSP surveys	Annual	PMU	
	% MSPs established		70	90				
	IE.2.1 Individuals demonstrating an improvement in empowerment				Baseline / mid and endline	baseline/midline/endline	PMU	
	Indigenous people							
	Indigenous people							
	Young							
Young								
Total persons								
Total persons								

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Females		0	0				
	Females							
	Males							
	Males							
	1.2.1 Households reporting improved access to land, forests, water or water bodies for production purposes				Annual Reports/ Farm business diaries	Annual	PMU	
	Households reporting improved access to land							
	Females							
	Indigenous people							
	Young							
	Women-headed households							
	Households reporting improved access to water							
	Females							
	Indigenous people							
	Young							
	Women-headed households							
Total no. of households reporting improved access to land								
Total no. of households reporting improved access to water								
<b>Output</b>	2.1.4 Supported rural producers that are members of a rural producers' organization							Groups record
	Total number of persons		70000	90000				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Males							
	Females							
	Indigenous people							
	Young							
	Women in leadership position							
	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services				Training records	Quarterly	PMU	
	Females							
	Males							
	Young							
	Indigenous people							
	Persons in rural areas trained in FL and/or use of FProd and Services (total)		70000	90000				
	2.1.2 Persons trained in income-generating activities or business management				Training records	Quarterly	PMU	
	Females							
	Males							
	Indigenous people							
	Young							
	Persons trained in IGAs or BM (total)		70000	90000				
	1.1.8 Households provided with targeted support to improve their nutrition				Programme MIS	Annual	PMU	
Household members benefitted								



Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Total persons participating		70000	70000				
	Males							
	Households							
	Females							
	Indigenous people							
	Young							
	Women-headed households							
	Non-women-headed households							
<b>Outcome</b> Transformational increase in investment in the smallholder agricultural sector in supported programme states.	Total private investment in priority clusters and supply chains by smallholder producers, MSMEs and other actors (in cumulative US\$ million).				ACTS/ADBL/PFI/MIS	Annual	PMU	Sufficient numbers of FIs continue to show commitment to expand lending to smallholders and MSME sectors. No major external shocks stop PFI clients to repay their loans on time. Sufficient number of PFIs continue to show commercial commitment to expand rural savings portfolio.
	US\$ Currency in million		70	200				
	1.2.6 Partner financial service providers with portfolio-at-risk ≥30 days below 5%				ADBL + PFI MIS	Annual	ADBL/ PFIs	
	Percentage		100	100				
	Percentage of small-scale producers who own an active savings account with ADBL or other PFI after completed business skills training				ACTS/ADBL/PFI reports	Quarterly	PMU	
	% smallholder producers	40	50	60				
	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				Official documents (laws, acts, regulations, policies etc)	Annual	PMU	
Number			2					
<b>Output</b>	1.1.5 Persons in rural areas accessing financial services				ADBL / PFIs / MIS	Quarterly	ADBL / PFI	
	Women in rural areas accessing financial services - savings							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Young people in rural areas accessing financial services - savings							
	Men in rural areas accessing financial services - savings							
	Indigenous people in rural areas accessing financial services - savings							
	Men in rural areas accessing financial services - credit							
	Women in rural areas accessing financial services - credit		20000	50000				
	Young people in rural areas accessing financial services - credit		26000	35000				
	Indigenous people in rural areas accessing financial services-credit							
	Total persons accessing financial services - savings							
	Total persons accessing financial services - credit		40000	100000				
	Amount of funds on-lent by ADBL from the programme window (in US\$), Disaggregated by: women, youth, DAG and poor households (in US\$ million)							
	US\$ in million		45	120				
	Females							
	Youth							

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outcome</b> Improved access by small-scale producers and clusters' actors to productive infrastructure	2.2.6 Households reporting improved physical access to markets, processing and storage facilities				Base/Mid/End line Survey	Baseline Mid Term Endline	PMU	
	Households reporting improved physical access to markets							
	Size of households							
	Males							
	Females							
	Indigenous people							
	Young							
	Women-headed households							
	Non-women-headed households							
	Households reporting improved physical access to processing facilities							
	Size of households							
	Males							
	Females							
	Indigenous people							
	Young							
	Women-headed households							
	Non-women-headed households							
	Households reporting improved physical access to storage facilities							
Size of households								

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Males							
	Females							
	Indigenous people							
	Young							
	Women-headed households							
	Non-women-headed households							
	Households reporting improved physical access to markets		22500	45000				
	Households reporting improved physical access to processing facilities							
Households reporting improved physical access to storage facilities								
<b>Output</b>	2.1.6 Market, processing or storage facilities constructed or rehabilitated				Contractors' record and reports	Quarterly	PMU	
	Total number of facilities		7	33				
	Market facilities constructed/rehabilitated							
	Processing facilities constructed/rehabilitated							
	Storage facilities constructed/rehabilitated							
	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated				Contractors' record and reports	Quarterly	PMU	
	Hectares of land		300	900				

## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture**

#### **Project Design Report**

#### **Annex 2: Theory of change**

Mission Dates: 25 November - 17 December 2019

Document Date: 19/07/2020

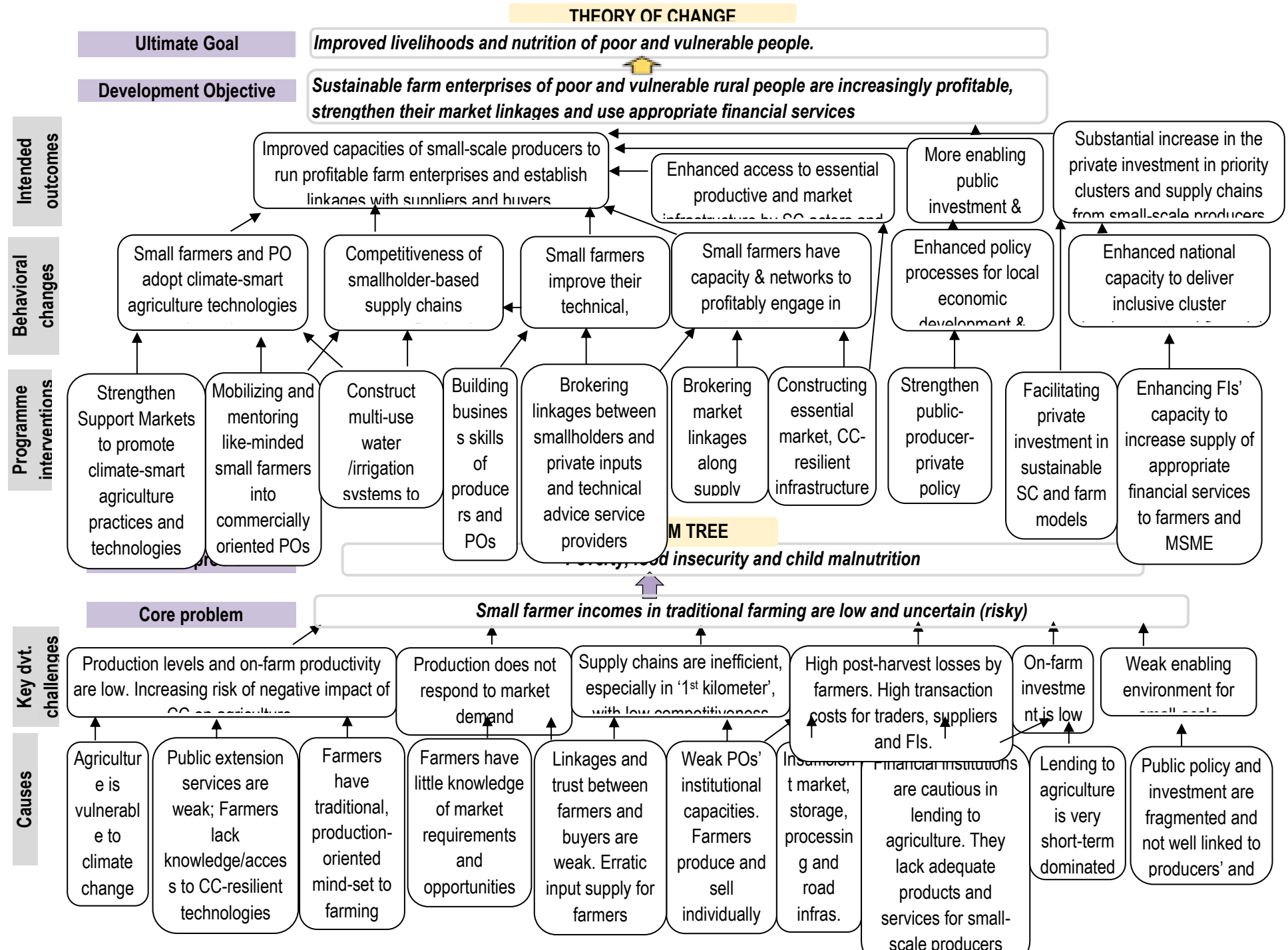
Project No. 2000002697

Report No. 5455-NP

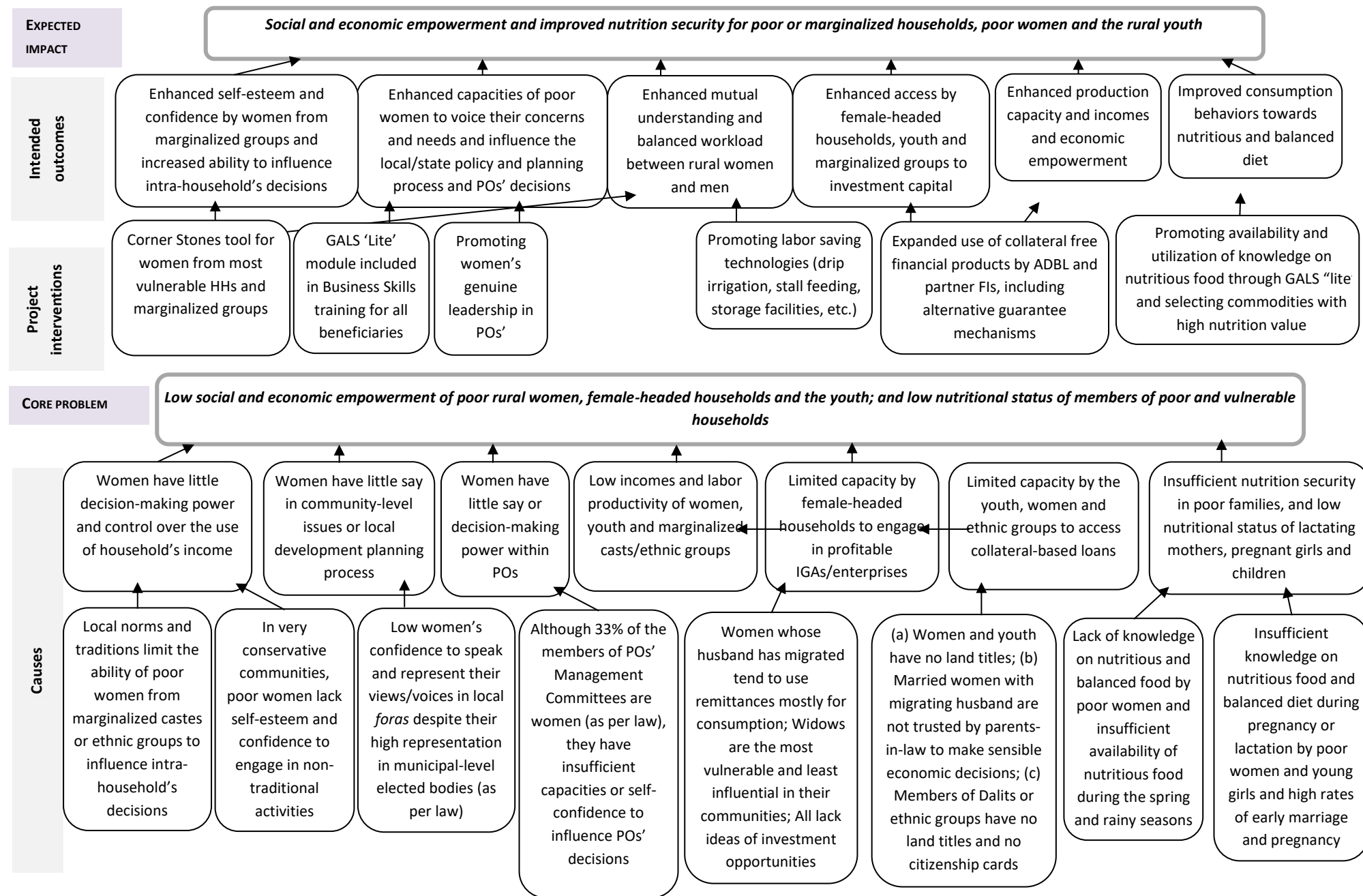
Asia and the Pacific Division  
Programme Management Department



## Annex 2: Theory of Change



## Annex 2: Theory of Change





## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture**

#### **Project Design Report**

#### **Annex 3: Project cost and financing: Detailed costs tables**

Mission Dates: 25 November - 17 December 2019  
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Project No. 2000002697  
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## Annex 3: Programme cost and financing

Total programme costs are estimated as around US\$196.9 million over the six years implementation period as summarized in below.

**Table 1: Programme costs by component and financier**

Component	(US\$ '000)		IFAD Loan		Heifer		ADBL CSR		Private sector		Beneficiaries		Banks		Government: State / local		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>1: Inclusive supply chain development</b>																		
1.1 Farm Business Capacity Development	4,418	61	1,764	24	149	2	-	-	-	-	932	13	-	-	-	-	7,263	4
1.2 Brokering and Investment Facilitation	7,105	75	1,545	16	151	2	-	-	-	-	692	7	-	-	-	-	9,492	5
1.3 Supply Chain Knowledge and Policy	276	75	-	-	-	-	-	-	-	-	92	25	-	-	-	-	368	0
<b>Subtotal</b>	<b>11,799</b>	<b>69</b>	<b>3,309</b>	<b>19</b>	<b>300</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,716</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,123</b>	<b>9</b>
<b>2: Expanding financial service to agriculture</b>																		
2.1 Private Investment Financing	63,563	46	-	-	-	-	16,876	12	33,751	24	24,100	17	-	-	-	-	138,290	70
2.2 Capacity enhancement and policy support	1,458	87	-	-	-	-	-	-	-	-	218	13	-	-	-	-	1,675	1
Component Implementation Support (by banks)	439	8	-	-	-	-	-	-	-	-	4,858	92	-	-	-	-	5,297	3
<b>Subtotal</b>	<b>65,459</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,876</b>	<b>12</b>	<b>33,751</b>	<b>23</b>	<b>29,176</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,262</b>	<b>74</b>
<b>3: Supply chain infrastructure</b>	<b>17,335</b>	<b>64</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,947</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>27,282</b>	<b>14</b>
<b>Programme Management</b>																		
Monitoring and Evaluation	1,083	83	137	10	-	-	-	-	-	-	93	7	-	-	-	-	1,313	1
Programme Management Office	1,995	34	2,554	43	-	-	-	-	-	-	1,387	23	-	-	-	-	5,936	3
<b>Subtotal</b>	<b>3,078</b>	<b>43</b>	<b>2,691</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,480</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,249</b>	<b>4</b>
<b>Total</b>	<b>97,671</b>	<b>50</b>	<b>6,000</b>	<b>3</b>	<b>300</b>	<b>0</b>	<b>16,876</b>	<b>9</b>	<b>33,751</b>	<b>17</b>	<b>32,371</b>	<b>16</b>	<b>9,947</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>196,917</b>	<b>100</b>

**Table 2: Programme costs by expenditure category and financier**

Expenditure category	(US\$ '000)		IFAD Loan		Heifer		ADBL CSR		Private sector		Beneficiaries		Banks		Government State / local		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Investment costs</b>																		
i. Civil Works	16,973	63	-	-	-	-	-	-	-	-	-	-	-	-	9,846	37	26,820	14
ii. Private Investment Financing	63,563	46	-	-	-	-	16,876	12	33,751	24	24,100	17	-	-	-	-	138,290	70
iii. Training	6,421	67	1,764	18	12	0	-	-	-	-	1,426	15	2	-	-	-	9,625	5
iv. Consultancies	1,317	69	-	-	288	15	-	-	-	-	292	15	-	-	-	-	1,897	1
v. Workshops	1,463	82	-	-	-	-	-	-	-	-	314	18	14	1	-	-	1,791	1
vi. Grants and subsidies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
vii. Vehicles and equipment	504	76	-	-	-	-	-	-	-	-	150	23	9	1	-	-	663	0
<b>Total investment costs</b>	<b>90,241</b>	<b>50</b>	<b>1,764</b>	<b>1</b>	<b>300</b>	<b>0</b>	<b>16,876</b>	<b>9</b>	<b>33,751</b>	<b>19</b>	<b>26,281</b>	<b>15</b>	<b>9,871</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>179,084</b>	<b>91</b>
<b>Recurrent costs</b>																		
viii. Salary and allowances	6,133	44	2,624	19	-	-	-	-	-	-	5,215	37	76	1	-	-	14,048	7
ix. Operating costs	1,297	34	1,612	43	-	-	-	-	-	-	875	23	-	-	-	-	3,784	2
<b>Total recurrent costs</b>	<b>7,430</b>	<b>42</b>	<b>4,236</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,090</b>	<b>34</b>	<b>76</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>17,832</b>	<b>9</b>
<b>Total</b>	<b>97,671</b>	<b>50</b>	<b>6,000</b>	<b>3</b>	<b>300</b>	<b>0</b>	<b>16,876</b>	<b>9</b>	<b>33,751</b>	<b>17</b>	<b>32,371</b>	<b>16</b>	<b>9,947</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>196,917</b>	<b>100</b>

**Table 3: Programme costs by component and year**

Component	(US\$ '000)	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Total	%
<b>1: Inclusive supply chain development</b>									
1.1 Farm Business Capacity Development		804	1,617	2,308	1,413	1,061	61	7,263	4%
1.2 Brokering and Investment Facilitation		1,767	1,836	1,946	1,736	1,307	901	9,492	5%
1.3 Supply Chain Knowledge and Policy		21	54	62	65	81	85	368	0%
<b>Subtotal</b>		<b>2,592</b>	<b>3,506</b>	<b>4,316</b>	<b>3,214</b>	<b>2,449</b>	<b>1,047</b>	<b>17,123</b>	<b>9%</b>
<b>2: Expanding financial service to agriculture</b>									0%
2.1 Private Investment Financing		21,514	31,480	27,623	22,404	20,131	15,138	138,290	70%
2.2 Capacity enhancement and policy		190	398	418	439	230	-	1,675	1%
Component Implementation Support		384	758	982	1,006	1,057	1,109	5,297	3%
<b>Subtotal</b>		<b>22,088</b>	<b>32,636</b>	<b>29,023</b>	<b>23,849</b>	<b>21,418</b>	<b>16,247</b>	<b>145,262</b>	<b>74%</b>
<b>3: Supply chain infrastructure</b>		51	13,417	10,683	3,021	110	-	27,282	14%
<b>Programme Management</b>									0%
Monitoring and Evaluation		222	192	186	282	161	272	1,313	1%
Programme Management Office		947	887	937	963	1,011	1,192	5,936	3%
<b>Subtotal</b>		<b>1,169</b>	<b>1,078</b>	<b>1,122</b>	<b>1,245</b>	<b>1,172</b>	<b>1,464</b>	<b>7,249</b>	<b>4%</b>
<b>Total</b>		<b>25,900</b>	<b>50,638</b>	<b>45,144</b>	<b>31,329</b>	<b>25,148</b>	<b>18,758</b>	<b>196,917</b>	<b>100%</b>

### Programme financing

Total programme financing of US\$ 196.9 million is comprised of IFAD funding of US\$97.67 million (49.6%), government funding of US\$9.9 million (5.1%), ADBL and banks US\$32.4 million (16.4%), Heifer \$6.0 million (3.0%), beneficiaries US\$33.8 million (17.1%) and private sector contributions of US\$16.9 million (8.6%). All beneficiary and private sector contributions shown are in cash. There is no financing gap.

Of the funds set aside for line of credit, while IFAD funds will be used exclusively for meeting medium terms credit needs of farmer and MSME borrowers, ADBL and PFIs will finance the associated short-term credit in entirety using their internal resources. Of the government and ADBL financing US\$ 2.6 million and US\$ 1.98 million, respectively are estimated to be the amount for taxes. ADBL will meet the tax expenditure from the income which will be generated from the interest spread that the GON will provide on the subsidiary loan for the purpose.

The taxes and duties to be paid on expenses incurred for the project will be funded from the counterpart funds provided by the state and local government for the infrastructure construction expenses and by ADBL for the inclusive supply chain development of component 1; capacity enhancement and policy development facility of component 2; and project management expenses. In case of private investment financing, the private sector and beneficiaries will cover the taxes and duties from their equity, cash contribution and bank loan while Heifer will provide funds for expenses inclusive of taxes and duties. Because of above funding modality, the federal government will not provide counterpart funds for this project. The resources it will allocate for the use of provincial and local government may be used for the meeting the expenditures thus incurred, however.

The proposed funding modality follows the principle of fiscal devolution befitting a federal system of governance and has several advantages. Firstly, by putting tax burden of productive infrastructure on provincial and local governments, it enhances transparency with respect to the total financial cost of investment proposals which will encourage these governments to consider the proposals with

due care and diligence. Secondly, it also makes ADBL and PFIs independent of the governmental annual budget allocation and release system and also helps reducing the transaction cost by eliminating expenditure settlement process.

## **Detailed cost tables**

### ***Notes on gender, youth and nutrition aspects in the cost tables***

#### Component 1:

##### Mentoring and mobilization of smallholders

The programme has explicit targets to ensure a minimum of 60% women, 30% youth and 25% dalit/janajati as well as having women in genuine leadership roles and supporting the introduction of local measure to increase youth access to key productive resource (especially, land to rent for production and loans to investment – including backed by local authority/PO guarantees if needed). The targets are in-line with the past levels of performance achieved in IFAD supported project such as HVAP and Heifer's SLVC project. Budgets for these critical targeting, mobilization and capacity building activities are included in this line item and delivered as an integrated package of support by the local NGO service providers under Heifer.

The costs and activities directly contribute to IFAD's gender policy objectives on women's economic empowerment, agency for decision making. By creating groups of empowered women, these activities also provide the foundation for women to engage more substantively in local policy on gender equality, including via the MSPs (see below).

##### Business Skills to Farmers:

The enhanced business skills training covers a series of empowerment and inclusion related modules as well as its core business skills training, targeting both women and youth. These include elements of the GALS visioning, issues of improved nutrition knowledge and practice, and creating opportunities for families' adult children.

A separate line item is shown for nutrition to illustrate the estimated proportion of total time and costs related to nutrition within the overall enhanced business skills training. The overall course included around 60-70 hours of training – typically delivered in weekly sessions of 2-3 hours over 6 months. Nutrition is expected to be covered for 6-7 hours within this, spread over several sessions to reinforce the messages and behavioural changes. The cost for nutrition are their for estimated as 10% of the overall business skill activities, and shown as a single line item. However, in practice they will be delivered as a fully integrated part of the over training package.

The business skills training will be delivered on a peer-to-peer basis by Business Skills Facilitators. Priority is to be given to women to be the BSF - which typically become high status roles in the groups and the BSFs become strong role models for other young women.

The costs and activities directly contribute to IFAD's gender policy objectives on women's economic empowerment by providing the foundation skills for women to increase their incomes. It contributes to the objective in women's voice by creating role models for younger women, by the choice of women as the business skill facilitators. It contributes to the rebalancing of workloads between women and men through the use of elements of the GALS methodology within the enhanced business skills course – termed 'GALS-lite' in the context of VITA. Further, it demonstrates the potential for improved returns on labour through investment in labour saving technologies and production systems.

#### Brokering and facilitation

A central element of these activities are the multi-stakeholder platforms. These will be attended by the leaders of the supported producer groups on an equal basis with agribusinesses, service providers, local government representatives and policy makers. A majority of the leaders of the supported groups are expected to be women, who have also received capacity building and mentoring support. These women will therefore both have an increasingly important voice in the decision making in their local supply chains but also influencing local policy, both on local economic development in general but also on issues that are a specific priority to their women members. The MSPs create an important space for women to have direct access to policy makers that they would not ordinarily have.

#### Sector Development Facility

A major activity under the SDF is the Support Market Development (e.g. for technical services to producers). As part of this, the priority will be to identify and train youth to become local technical services providers in their community (either self-employed or as embedded service providers working for buyers or POs). The scale of budgets used for support market development will depend on demand, but it is estimated that this will account for between 25%-50% of the total SDF budget of around \$850,000.

The SDF investments in support market development will expand the availability and use of labour saving production technologies and equipment. This will raise labour productivity in the farms of supported households and reduce the total labour needed for a given level of income. As women are a key part of the agricultural labour force, they are expected to benefit disproportionately more from these labour saving technologies.

#### Staff

Key posts working on gender, youth and nutrition issues under Component 1 include the: (ToR's in PIM)

- Targeting gender and inclusion specialist – with responsibilities also for nutrition.
- Socio-Economic Mobilization team – comprising: Expert (x1 @ HQ), Coordinators (x5 @ state-level), Officers x10 (at District level, covering 2-3 districts per officer). This team will manage and support the delivery of all farmer-facing activities by the local NGO partners ensuring all aspects of gender empowerment, youth inclusion and nutrition activities are delivered as planned.

## Component 2

### Private investment finance

A substantial amount of both the medium- and short-term lending will go to women and youth - roughly in proportion to their participation level in the programme - which is targeted as minimum 60% women, 30% youth. While specific disaggregated targets are not set for this indicator, it will be reported and tracked on a disaggregated basis - by gender, age, socio-ethnic groups, DAG-status for all borrowers as well as additionally on their poverty status for those beneficiaries also supported under component 1).

### Capacity enhancement and policy development facility

Three of the sub-projects on capacity building with ADBL are specifically relevant to the mainstreaming priorities:

- review and improvement of financial services/products that are better suited to women and youth in agriculture
- expanding use of collateral free lending - through more cashflow-based and risk-based lending mechanisms - which is specifically important to youth and women who may not have land titles or other quality collateral
- establishing mainstream use by ADBL of institutional guarantees for young producers to enable youth to access finance for investment – with guarantees provided either from the local municipal government or the local PO to which the youth are affiliated

## M&E

IFAD Empowerment indicator surveys and minimum dietary diversity - women (MDD-W) survey budgets are included for baseline, mid-term and completion.





## Component 2

Table 2. Private Investment Financing (Investment Promotion)

Detailed Costs		Quantities							Unit Cost (US\$)	Base Cost (US\$ '000)							Totals Including Contingencies (US\$ '000)							Expenditure Account	Other Accounts Fin. Rule
		20/21	21/22	22/23	23/24	24/25	25/26	Total		20/21	21/22	22/23	23/24	24/25	25/26	Total	20/21	21/22	22/23	23/24	24/25	25/26	Total		
<b>I. Investment Costs</b>																									
<b>A. Private Investment Financing</b>																									
Medium Term Credit (Net Capital)	Lumpsum								13,500.0	19,700.0	14,900.0	8,300.0	5,900.0	1,262.6	63,562.6	13,500.0	19,700.0	14,900.0	8,300.0	5,900.0	1,262.6	63,562.6	PIF_EA	LOAN (100%)	
Short Term Credit (Net Capital)	Lumpsum								4,400.0	5,700.0	4,200.0	3,700.0	3,000.0	3,000.0	24,100.0	4,400.0	5,700.0	4,200.0	3,700.0	3,000.0	3,000.0	24,100.0	PIF_EA	BANKS (100%)	
Beneficiary Investment Contribution	Lumpsum								2,409.0	4,053.0	5,682.0	6,936.0	7,421.0	7,250.0	33,751.0	2,409.0	4,053.0	5,682.0	6,936.0	7,421.0	7,250.0	33,751.0	PIF_EA	BEN (100%)	
Private Sector Investment Contribution	Lumpsum								1,205.0	2,027.0	2,841.0	3,468.0	3,710.0	3,625.0	16,876.0	1,205.0	2,027.0	2,841.0	3,468.0	3,710.0	3,625.0	16,876.0	PIF_EA	PRIVATE (100%)	
Capacity enhancement and policy development facility	Lumpsum	1	2	2	2	1	-	8	185,000														TRAINING_EA	LOAN (87%), BANKS (13%)	
<b>Total Investment Costs</b>																									
<b>II. Recurrent Costs</b>																									
<b>A. Staff salary (ADBL Staff)</b>																									
Financial Management Officer	pers_year	1	1	1	1	1	1	6	17,699	17.7	17.7	17.7	17.7	17.7	106.2	18.1	19.0	20.0	21.0	22.1	23.2	123.4	SAA_EA	BANKS (100%)	
Credit Officer - Part-time (15%)	pers_year	5	11	14	14	14	14	72	19,469	97.3	214.2	272.6	272.6	272.6	1,401.8	99.8	230.5	308.0	323.4	339.6	356.6	1,657.9	SAA_EA	BANKS (100%)	
Branch Manager - Part-time (15%)	pers_year	4.5	10.5	13.5	13.5	13.5	13.5	69	17,699	79.6	185.8	238.9	238.9	238.9	1,221.2	81.6	200.0	270.0	283.5	297.7	312.6	1,445.4	SAA_EA	BANKS (100%)	
Finance Officer - Part-time (15%)	pers_year	5	11	14	14	14	14	72	17,699	88.5	194.7	247.8	247.8	247.8	1,274.3	90.7	209.5	280.0	294.0	308.7	324.2	1,507.1	SAA_EA	BANKS (100%)	
Digital Banking Expert - Part-time (15%)	pers_year	0.45	0.45	0.45	0.45	0.45	0.45	2.7	20,049	9.0	9.0	9.0	9.0	9.0	54.1	9.2	9.7	10.2	10.7	11.2	11.8	62.9	SAA_EA	BANKS (100%)	
IT Officer - Part-time (15%)	pers_year	0.45	0.45	0.45	0.45	0.45	0.45	2.7	19,469	8.8	8.8	8.8	8.8	8.8	52.6	9.0	9.4	9.9	10.4	10.9	11.5	61.1	SAA_EA	BANKS (100%)	
<b>Subtotal</b>																									
<b>B. Staff salary (Project Staff)</b>																									
Agricultural Value Chain Financing Expert	pers_year	1	1	1	1	1	1	6	26,000	26.0	26.0	26.0	26.0	26.0	156.0	26.7	28.0	29.4	30.9	32.4	34.0	181.3	SAA_EA	LOAN (100%)	
Climate Smart Agricultural Finance Specialist	pers_year	1	1	1	1	1	1	6	20,800	20.8	20.8	20.8	-	-	62.4	21.3	22.4	23.5	-	-	-	67.2	SAA_EA	LOAN (100%)	
Digital Banking Expert	pers_year	1	1	1	1	1	1	6	20,800	20.8	20.8	20.8	20.8	20.8	124.8	21.3	22.4	23.5	24.7	25.9	27.2	145.0	SAA_EA	LOAN (100%)	
Assistant Finance Officer	pers_year	1	1	1	1	1	1	6	6,500	6.5	6.5	6.5	6.5	6.5	39.0	6.7	7.0	7.3	7.7	8.1	8.5	45.3	SAA_EA	LOAN (100%)	
<b>Subtotal</b>																									
<b>Total Recurrent Costs</b>																									
<b>Total</b>																									

## Component 3

Table 3. Productive Infrastructure Development

Detailed Costs		Quantities							Unit Cost (US\$)	Base Cost (US\$ '000)							Totals Including Contingencies (US\$ '000)							Expenditure Account	Other Accounts Fin. Rule
		20/21	21/22	22/23	23/24	24/25	25/26	Total		20/21	21/22	22/23	23/24	24/25	25/26	Total	20/21	21/22	22/23	23/24	24/25	25/26	Total		
<b>I. Investment Costs</b>																									
<b>A. Civil Works</b>																									
Integrated Market	Number	-	2	1	-	-	-	3	2,608,695	-	5,217.4	2,608.7	-	-	-	7,826.1	-	5,478.3	2,739.1	-	-	-	8,217.4	CW_EA	LOAN (65.25%), LOCAL (34.75%)
Satellite Market	Number	-	15	15	-	-	-	30	313,044	-	4,695.7	4,695.7	-	-	-	9,391.3	-	4,930.4	4,930.4	-	-	-	9,860.9	CW_EA	LOAN (52.2%), LOCAL (47.8%)
Rural Roads (each 2.5 km)	km	-	25	25	25	-	-	75	60,600	-	1,515.0	1,515.0	1,515.0	-	-	4,545.0	-	1,590.8	1,590.8	1,590.8	-	-	4,772.3	CW_EA	LOAN (73.95%), LOCAL (26.05%)
Irrigation Scheme (5 ha. each)	Number	-	300	300	300	-	-	900	4,200	-	1,260.0	1,260.0	1,260.0	-	-	3,780.0	-	1,323.0	1,323.0	-	-	-	3,969.0	CW_EA	LOAN (73.95%), LOCAL (26.05%)
<b>Subtotal</b>																									
<b>B. Vehicles and Equipments</b>																									
Motor Cycle	Number	7	-	-	-	-	-	7	3,000	21.0	-	-	-	-	21.0	21.5	-	-	-	-	-	-	21.5	VEHICLE_EA	LOAN (69.6%), LOCAL (30.4%)
Laptops	Number	7	-	-	-	-	-	7	1,200	8.4	-	-	-	-	8.4	8.6	-	-	-	-	-	-	8.6	VEHICLE_EA	LOAN (69.6%), LOCAL (30.4%)
<b>Subtotal</b>																									
<b>C. Capacity Development</b>																									
D. Consultation Workshop, Feasibility Study, Design and Estimate, Bid Evaluation	Events	1	-	1	-	1	-	2	2,500	2.5	-	-	2.5	-	5.0	2.6	-	-	3.0	-	-	-	5.5	TRAINING_EA	LOAN (69.6%), LOCAL (30.4%)
<b>Total Investment Costs</b>																									
<b>II. Recurrent Costs</b>																									
Infrastructure Specialist	pers_year	-	1	1	1	1	-	4	20,800	-	20.8	20.8	20.8	20.8	-	83.2	-	22.4	23.5	24.7	25.9	-	96.5	SAA_EA	LOAN (80%), LOCAL (20%)
Sub Engineer / Overseer	pers_year	-	5	5	5	5	-	20	7,800	-	39.0	39.0	39.0	39.0	-	156.0	-	42.0	44.1	46.3	48.6	-	180.9	SAA_EA	LOAN (80%), LOCAL (20%)
Procurement Specialist	pers_year	1	1	1	1	1	-	5	18,200	18.2	18.2	18.2	18.2	18.2	-	91.0	18.7	19.6	20.6	21.6	22.7	-	103.1	SAA_EA	LOAN (80%), LOCAL (20%)
<b>Total Recurrent Costs</b>																									
<b>Total</b>																									





## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture**

#### **Project Design Report**

#### **Annex 4: Economic and Financial Analysis**

Mission Dates: 25 November - 17 December 2019

Document Date: 19/07/2020

Project No. 2000002697

Report No. 5455-NP

Asia and the Pacific Division  
Programme Management Department



## Annex 4: Economic and Financial Analysis

### A. Introduction

1. **The programme goal** is “Improved livelihoods and nutrition of poor and vulnerable people” and its development objective is “Farm enterprises of poor and vulnerable rural people are increasingly profitable and sustainable, strengthen their market linkages and use an improved range of good quality rural financial services”.

2. **Geographical area:** While the programme will have a mandate to operate nationwide as part of its scaling-up objective, it will initially focus intensive activities within 28 districts in three states where all three programme components will operate (see table below). Within these districts, the programme will work in specific locations linked to clusters for specific supported commodities with priority given to locations with high agricultural potential and higher concentrations of poorer households. State 5 and State 2 have strong agricultural potential combined with highest numbers of people living in poverty – together they are home to 55% of all people living in multi-dimensional poverty in the country. In State 3, the programme be more focused, working in districts with good agricultural potential that were the most severely impacted by the 2015 earthquake. VITA will also provide financial services under Component 2 to small-scale producers in State 1 and State 6 in partnership with other ongoing programmes providing business-focussed support similar to that provided under Component 1. In the IFAD portfolio, this includes the ASDP in State 6 and RERP in State 1. RERP is also already active in State 2 and VITA is designed to build-on RERP activities there.

3. **Target groups:** VITA will target small-scale producers, including landowners and landless, and labourers involved in selected supply chains. Inclusion of small-scale producers and poor and vulnerable rural populations will be ensured by selecting supply chains that have promise to deliver the biggest benefits to the largest number of poor and by propagating technologies that benefit the intended target group most. VITA will have a strong focus of women and youth – with at least 60% women beneficiaries and 30% youth. This will involve selection of crops and livestock with high returns on labour and technologies that are labour saving and help reducing drudgery of women. Similarly, disadvantaged individuals including Dalits, Janjatis, landless and other disadvantaged groups will be specifically targeted using similar approaches and to be outlined in an inclusions strategy to be included in the Programme Implementation Manual (PIM). A secondary target group are MSMEs and producer groups also active in the targeted supply chains.

4. **Beneficiaries:** 120,000 small-scale producers are expected to directly benefit from programme supported services, falling into three categories:

- (a) around 70,000 will be in the main focus states 2, 3 and 5 where all three components will be active and receive full package of programme support;
- (b) around 20,000 who are already in relatively mature self-help groups and co-operatives supported by Heifer’s SLVC2 project in the 28 project districts and will receive business capacity and market linkage support under Component 1 and be eligible for support under component 2 and 3 on the same basis as those under category (a) and;
- (c) around a further 30,000 households outside these primary locations who will benefit only from financial services supported under Component 2.

5. In addition, many more individuals and MSMEs will benefit as users of public infrastructure supported by the programme, such as markets and access roads.

6. **Duration** of the programme will be 72 months, with the actual completion date to be the end of the financial year in which 72 months of implementation have been passed.

7. **Programme locations and outreach:** All three components of VITA will be implemented in 28 (15 Terai and Siwalik and 13 mid and high hills) districts with 70,000 estimated newly engaged beneficiaries receiving services from 90 ADBL branches. There

will be 20,000 beneficiaries of coops already supported by Heifer and 30,000 beneficiaries partner projects receiving financial services only.

8. Table 1 below shows the information on programme locations and outreach.

**Table 1: Programme locations and outreach**

VITA Coverage	State	Districts	by Agro-ecological zone		Small-scale producers under VITA	Branches ADBL
			Terai and Siwalik	Mid and High Hills		
<b>Full programme coverage</b>  Comp: 1, 2 & 3	<b>Newly engaged groups</b>					
	Five	All - 12	Nawalparasi West, Banke, Bardiya, Dang, Kapilvastu, Rupandehi	Arghakhanchi, Palpa, Pyuthan, Rolpa, Gulmi, Rukum East	30,000	33
	Two	All - 8	Saptari, Siraha, Dhanusha, Bara, Mahottari, Sarlahi, Rautahat, Parsa		25,000	37
	Three	8 <sup>1</sup> of 13	Chitwan	<i>Makawanpur Sindhuli, Kavre, Dhading, Dolakha Sindhupalchok Nuwakot</i>	15,000	20
	Sub-total	<b>28</b>	<b>15</b>	<b>13</b>	<b>70,000</b>	<b>90</b>
<b>Co-ops already supported by Heifer</b>					<b>20,000</b>	
<b>Finance services only, Comp 2 only - with partner projects</b>					<b>30,000</b>	
<b>Total</b>					<b>120,000</b>	

#### Target areas and beneficiaries

9. For the purposes of this EFA, benefits are modelled assume the following programme support:

- (a) **Support to agricultural supply chain.** About 70,000 households will benefit through supply chains development support provided by the project and they will be supported based on cluster development approach and cluster development process driven by the primary actors themselves, principally farmers and MSMEs through (i) mentoring and mobilization of small-scale producers to enable producers and producer organizations to make successful investments and become reliable supply chain partners for buyers and customers, (ii) brokering and cluster facilitation to improve linkages between farmers, buyers and service providers and better exploit market opportunities. The facilitation of rolling multi-stakeholder platforms, and associated business-to-business (B2B) follow-up, is a central element of this process and (iii) inclusive supply chains knowledge and policy support.
- (b) **Expanding Financial Services to Agriculture:** around 100,000 people, mainly, especially small-scale farmers and MSMEs, will benefit from supply of

<sup>1</sup> Severely affected district from 2015 earthquake - see National Planning commission (2015) Nepal Earthquake 2015, Post Disaster Needs Assessment

appropriate financial services such as credit, savings and investment, value chain financing, digitalized remittance services and payment services and insurance products among others, to agriculture while address prevailing supply-side constraints in agricultural finance in Nepalese financial market. The financial services will be extended by ADBL directly and wholesale lending support through ADBL to other partner Class A and Class D financial institutions on the terms mutually agreed upon.

- (c) **Supply Chain Infrastructure:** to improve the efficiency and enabling environment for the producer groups and supply chain actors, the project will provide targeted investment support to critical supply chain infrastructure such as regional wholesale market, satellite wholesale market, small-scale community infrastructure, including small-scale water and irrigation schemes for crops and livestock (< 5 Ha. each) and upgrading farm access roads (under 10 km each). The priorities for specific infrastructure works will be set via the Multi-Sector Platform (MSP) process at corridor and state/regional level.

### Pre-harvest supply chain

10. The primary focus of VITA will be to promote pre-harvest supply chain and focus on increased agricultural production of the selected supply chain commodities through the adoption of improved technology, management practices and access to agricultural finance support. In total 120,000 farm households will benefit from the projects. Table 2 below shows the phase-in and total number of direct beneficiaries of the project over the project period.

**Table 2: Phase-in of beneficiaries**

S.N.	Supply chain	Unit	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total	% of Total
A	Major coverage (85%)	No	16,680	35,880	39,960	9,480	-	-	102,000	85.0
1	Vegetables	No	4,260	9,240	11,040	2,580	-	-	27,120	22.6
2	Goats	No	4,260	9,240	11,040	2,580	-	-	27,120	22.6
3	Fish	No	1,632	3,480	3,540	864	-	-	9,516	7.9
4	Potato – seed	No	1,632	3,480	3,600	864	-	-	9,576	8.0
5	Cereals – seed	No	1,632	3,480	3,600	864	-	-	9,576	8.0
6	Milk	No	1,632	3,480	3,600	864	-	-	9,576	8.0
7	Banana	No	1,632	3,480	3,540	864	-	-	9,516	7.9
B	Additional coverage (15%)	No								
1	Local potential value chain (citrus, back yard chicken (traditional breed), coffee, honey, medicinal and aromatic plants)	No	-	3,060	12,696	2,244	-	-	18,000	15.0
	Total	No	16,680	38,940	52,656	11,724	-	-	120,000	100.0

11. These households will benefit through supply chains development support and will be supported based on cluster development approach. This process will be driven by the primary actors themselves, principally farmers and MSMEs through packages of services comprising of mentoring and mobilization of small-scale producers, brokering and cluster facilitation and inclusive supply chains knowledge and policy support. They will receive business skill on financial literacy and household finances; managing own farm as a business; managing a group enterprise as well as aspects of climate change, youth,



nutrition and Gender Action Learning System (GALS). All these including GALS will be integrated mainly among primary beneficiaries.

12. Beneficiaries will be assisted through multiple services such as adaptation and mitigation technologies and practices, improved access to markets, basic and productive and market infrastructure, and use of wider range of affordable and suitable financial services and products. Under this project, confidence of the farmers on production will be enhanced will their inclusion into supply chains and improved marketing strategies through joining producers' organizations (POs) that will allow them engage in produce aggregation, distribution, responsiveness to market demands. Project support to these producers through producer organizations will be geared to enable them successful investments and become reliable supply chain partners for buyers and customers.

### **Post harvest supply chain**

13. Besides pre-harvest, VITA will create incremental benefits by improving efficiency and effectiveness on existing supply chain of these commodities. This will be done through improvement on wholesale and retail markets, processing and different nature and type of value addition such as produce aggregation, processing, packaging, storage and distribution. Such a support to create time, place and form utility of the commodities.

14. The project will focus on brokering and cluster facilitation to improve linkages between farmers, buyers and service providers to better exploit market opportunities. This will be done through facilitation of rolling multi-stakeholder platforms, and associated business-to-business (B2B) follow-up with existing buyers and post harvest supply chain infrastructures initially. During the later stage of the project, some post harvest supply chain enterprises mainly related to processing of the commodities and input supply will potentially emerge. Indicative enterprise and production models for most likely supply chains such as small scale dairy processing, agro-vet services and seed enterprises has been prepared.

### **Financial services**

15. VITA primarily focuses on promoting access to finance for its target beneficiaries. It will support the beneficiary farmers to prepare the investment plans. Producers themselves will carry out the risks and rewards analysis of their own investments and implement their plans. They will be assisted to access financial services from ADBL and other partner BFIs.

16. Enterprises potentially promoted under VITA will be requiring mainly short (working capital) and medium term (term loan) loan. Very few enterprises likely to be emerged under VITA supply chain development support such as cold storage, large scale dairy, slaughter houses, and processing entity could potentially be long-term nature, but such enterprise requiring long term loans are not visualized at the design stage, not the cost accounting of this types of enterprises done.

17. Under current government policy, all the micro-enterprise loans extended under VITA will qualify for interest rate subsidy of 5 percentage points, and 6 percentage point in the case of women borrowers. It is mandatory that BFI should insure such enterprises with mainstream insurance companies and guarantee such loan with Deposit Insurance and Credit Guarantee Fund. Both insurance and loan guarantee of the microenterprises to be promoted under VITA will be within the existing provision of the GON, system and process are already in place and VITA resources will be not be used for setting these arrangements but will increase awareness of entrepreneurs on insurance services and banks with guarantee scheme.

18. ADBL currently expects interest accrued on its loans to be paid on monthly basis irrespective of the cash-flow generated by enterprise financed. In cognizance to the practical reality that any changes on this will be very disruptive, VITA borrowers will repay the interest on monthly basis using their household cash flows. VITA will reinforce using household level cash-flow which is an inherent part of ADBL loan appraisal process.

In term of effective interest rate, for the loan with nominal interest rate of 10% pricing requiring borrower to make monthly repayment of interest will result to effective interest rate of 10.5%.

### **Enhanced access to wider range of financial products**

19. Human ATM: Under VITA ADBL and other PFIs will develop and enhance access to a range of financial products to the small farmers residing in VITA area. To this end, ADBL will promote (i) digital financial services, (ii) savings mobilization, and remittance services, and (iii) agriculture insurance.

20. **Digital financial services.** Capacity of the VITA beneficiaries will be enhanced to use ATM and debit card services extended by the ADBL and other partner PFIs. VITA beneficiaries are mainly rural poor characterized by low income, education and under employment, use of the digital financial services will be instrumental to reduce their transaction cost on accessing financial services.

21. **Savings mobilization and remittance services.** ADBL and partner PFIs will implement financial education programme to increase the capacity of the VITA clients in savings mobilization and getting remittance from formal channel and promote productive use of remittance.

22. **Agricultural insurance.** VITA beneficiaries will be assisted to buy crop and livestock insurance policy with mainstream insurance companies. This will enhance risk bearing capacity of the beneficiaries with the availability of the risk transfer mechanisms. The project will actively encourage it beneficiaries to opt for insurance coverage with intensive awareness campaign either stand alone or addition on financial literacy package highlighting the benefits of insurance and options available with attendant cost.

23. Implementation of VITA planned interventions has been expected to bring about significant changes in land use, production patterns, households' incomes and overall well-being of the participating households through support to agricultural supply chain, expanding financial services to agriculture and improved supply chain infrastructure. These aspects are examined under the (EFA).

### **Approach and Methodology of EFA**

24. Cost-benefit analysis method was used for carrying out the EFA<sup>2</sup>. Project benefits from different project interventions both on pre-harvest and post-harvest supply chain of eight selected commodities namely vegetables, fish, milk, goat, potato seed, paddy and wheat seed and banana; and other local potential value chain such as citrus, back yard chicken (traditional breed), coffee, honey, medicinal and aromatic plants, etc.

25. Benefits are estimated for all categories of the beneficiaries of the project. Major sources of quantifiable benefits will be increased agricultural production through adoption of improved technology, management practices and VITA access to agricultural finance support including digital banking, financial education insurance and guarantee mechanism and this has been properly accounted. Additionally, the project will also improve wholesale and retail markets, road access, improved irrigation condition, which will potentially generate different benefits and would also benefit much broader group of people and areas. These benefits had been captured through indicative enterprise and production models that are focussed on input marketing, product aggregation, processing, packaging, storage and distribution.

26. Further, the project implementation approach to increase sustainability, resilience and profitability as a result of adaptation and mitigation technologies and practices, improved access to markets, basic and productive and market infrastructure, and wider range of financial services and products are assumed to reduce price and quantity risks of the producers and are captured through integrated pricing mechanism.

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<sup>2</sup> The project's cost benefit analysis was carried out based on 'with/without' assumptions. Required data were collected from multiple sources including agriculture census survey 2011, publications from Agribusiness Promotion and Marketing Development Directorate, and Agribusiness promotion and statistics division, MoAD, and field level data collected by project staff and field survey of representative enterprises.

27. Assumptions and results of ex-post EFA of HVAP and ex-ante EFA of ASDP were used to ensure that VITA EFA is consistent EFA done under the IFAD funded projects in Nepal.

### **Financial Analysis**

#### **28. Assumptions and observations:**

- All the costs and benefits are valued at constant market price of July 2019.
- Average size of landholding is 0.6 ha in mid- and high hills and 0.5 ha per household in Terai and Siwalik and various seasonal and perennial crops are planted and VITA support will enable beneficiary households to shift from traditional cropping patterns to more commercial oriented farming system within the project areas.
- In all 120,000 households will receive VITA benefits. These households will have access to finance that will enable them to introduce new packages of practices, crop varieties and cultivation techniques eventually leading to increased production and income.
- Beneficiary households will organise themselves into POs through training and capacity building and will participate effectively in VITA package of services.
- Beneficiary households will receive VITA package of services under three components: support to agricultural supply chain, expanding financial services to agriculture and supply chain infrastructure. They will receive required technical support from existing network of government and non-government agricultural service providers.
- Most villages in Terai and Siwalik have surface or ground water irrigation facilities, some of them are small and farmer managed, while those in mid and high hills have perennial or seasonal streams that could be tapped for irrigation through the construction of pipelines-based irrigation, small lift-irrigation works, etc. These will be supported under supply chain infrastructure component of the project.
- Commonly grown crops are paddy, wheat, maize, millets, off-season vegetables and other fruit crops and the households apply both farm yard manure / compost or chemical fertilizer and households especially in mid and high hill use poly-tunnels of limited size.
- Crop productivity will improve through adoption of use of quality of seeds, weeding, mulching, use of improved farm tools and implements, which were demonstrated to the participating households but access to quality seeds has been an issue.
- Off-season vegetable cultivation includes cultivation of cabbage, cauliflower, carrot, radish, coriander, mustard, peas, beans, cucumber, etc and average area planted to cultivation of vegetable seeds is 1.50 Ropani.
- Improved road connectivity and other attendant facilities provided by GoN enabled participating households to realise increased margins for their farm produce.
- The project area households tend cattle, buffalo, sheep, goats, poultry birds etc in addition to agricultural activities but potential for up-scaling, technology training and para-vet services. The farm households will specialize on goats and dairy cattle farming for commercialization.
- Fish farming is important high return enterprise in Siwalik and Terai areas. There are existing fish pond as well as there is farmers interested to convert agricultural land into fish pond. Fish pond lease market is well developed in Siwalik and Terai districts.
- On an average a household has 2 to 3 does, 1 bucks, 1 buckling and 1 doeling and more than 70% of households use sheds for the small ruminants adopt better feeding practices and health care facilities and about 50% are improved breeds. There is demand to increase their herd size and shift to stall feeding among beneficiary households.
- Productivity increases under individual supply chain varied. It is more in vegetable, fish and banana value chain compared to other identified during project design.

- There will be notable improvement on marketing of the farm produces due to VITA support through mentoring and mobilization of small-scale producers, brokering and cluster facilitation and inclusive supply chains knowledge and policy support. Over 90% beneficiary households will have information about prices and nearly 80% receive payments at sale and the remaining after weeks.
- An average wage rate of NPR 700/person day for both male and female labour has been assumed although the farm-wages tended to vary, and the same rate has been assumed for without project situation.
- Farmers pay land and water taxes as applicable and these form part of the production costs.
- Commodity prices vary significantly between districts and seasons and the July 2019 prices were collected during the mission from different sources and those prices were compared with the prices used by the Agriculture Sector Development Project (ASDP) design mission and High Value Agriculture Project (HVAP) project completion mission.
- Reflow of the short term and medium term estimated assuming (i) 3% lending rate of GON to ADBL per annum, (ii) 10% per annum retail lending rate of ADBL and partners BFIs retail lending rate on supply chain MSMEs, (iii) 99% on-time payment rate, (iv) 8% grace period and 20 years loan term, (v) administrative cost of 3.5% of outstanding loan portfolio, and (vi) five year loan term for the medium term loan and one year for working capital loan.
- BFIs will provide mainly the short and medium term loans in the initial 3-4 years. They will extend long term financial support to supply chain enterprises on related to aggregation, processing, packaging, storage and distribution in the later phase of the project. Overall loan portfolio for long-term loan will be less than 10%.
- Digital financial services will primarily reduce transaction cost for extending and/or assessing financial services by BFIs and project beneficiaries. Incremental benefits of such services will be marginal and will be captured in improved efficiency and effectiveness of the supply chain.
- The project will strengthen existing agriculture insurance and credit guarantee services as a tool for risk mitigation for producers in the supply chain and the BFIs. Benefit from these services in form of risk reduction for producers and improved repayment performance of the BFIs has been integrated in higher production and better commodity prices.

### **Agricultural Enterprise models**

29. **Agricultural enterprise models type:** following agriculture enterprise models, which are indicative, were develop under without project and with project situation were developed for the purpose of ex-ante EFA.

- Off season vegetables (hills and terai)
- Goat production (hills and terai for one household herd size)
- Fish (new pond, rehabilitation and rent-in)
- Potato – seed
- Cereals – seed
- Daily/Milk (cattle and buffalo)
- Banana
- Local potential value chain (citrus, back yard chicken (traditional breed), coffee, honey, medicinal and aromatic plants)

30. The demand-driven nature of the project makes both financial modeling and calculation of a benefit stream rather indicative. Eleven agricultural enterprise models were prepared to illustrate income generating activities and micro-enterprises that can be subject of VITA support. These are exclusively through agricultural supply chain support.

31. The project will work supply chain development activities in following eight value chain along the major North-South road corridor in province 2, 3 and 5 as well as provide access to agricultural finance to partner projects (RERP and ADSP).

32. **Benefits:** The project is expected to lead to increase in incomes for existing and new poor and disadvantaged who otherwise lack access to finance from formal sources and to generate employment opportunities in the target areas. Key benefits would accrue from agricultural business creation and expansion, facilitated by project support on supply chain development through social mobilization support from project to establish their linkages with potential suppliers and enhanced access to finance, through the promotion of innovative financial instruments and strengthened capacities of the overall financial sector in general and financial sector in the project areas.

33. Financial analysis was done at project level using market prices. Incremental benefits were estimated based on actual physical outputs from the selected commodities. Prices information was collected for all inputs and output commodities from the markets and adjusted them to farm-gate prices and collection of farm level price. Using all available data, both primary and secondary, type production models for each value chain were developed under with and without project scenario.

34. **Without and with project scenario:** While fish, vegetable, and MAPs are land intensive activities, goat and dairy are not land intensive. Goat farming is very much suitable to marginal and landless farmers.

**Table 3: Agriculture Enterprise under without and with project scenario**

Supply chain	With-out project	With project	Model size with project
Vegetable	Paddy, wheat, maize	Winter, summer and rainy season vegetable	Hill: 0.05 ha Terai: 0.17 ha
Fish	Paddy, wheat, existing fish pond	Fish pond, or existing fish pond for leasing and improvement	0.17 ha. Leasing and improvement type might be larger
Dairy	Upgrading on existing cattle/buffalo	Dairy	2 mature cattle/buffalo model
Goat	Upgrading on existing goat	Goat	5 mature goat model
Potato seed	Paddy, wheat, maize	Potato seed	0.35 ha
Paddy and wheat seed	Paddy, wheat	Paddy and wheat seed	0.35 ha
Banana	Paddy and wheat	Banana orchard	0.17 ha
Other local potential supply chain	Paddy, wheat and maize	Citrus, back yard chicken (traditional breed), coffee, honey, medicinal and aromatic plants <sup>3</sup>	-

35. Due to project support on supply chain development, there will be modernization of the farming sector through (i) transformation of paddy and wheat farming into fish farming, (ii) paddy, wheat, maize and millet farming to vegetable farming, (iii) shifting of traditionally grown crops (paddy, wheat, maize and millet) to potato seed production, paddy and wheat multiplication and banana farming, and up-grading of the subsistence goat and dairy farming to commercial activity. This assumption is supported and based on emerging trend of large number of farmers in the project areas transforming paddy field to fish ponds, and vegetable farming (both hills and terai). Such conversion have already started and potentially increase during the project period.

36. Agriculture enterprise models were prepared for all farming activities. Profit margin under different farm model (i) without project scenario covering traditional crops like paddy, wheat, maize, vegetable crops, goat and dairy activities were calculated, and (ii) with project for improved vegetable farming, fish farming (new pond construction, rehabilitation of existing pond and leasing), commercial (improved) cattle/buffalo, and goat farming, potato seed production, paddy and wheat seed production and banana farming were also worked-out. These are included in the separate excel file.

<sup>3</sup> Enterprise model for back yard poultry has been prepared detailed supply chain analysis done.

37. Financial benefit and cost analysis of agricultural enterprise model: Fixed investment and incremental benefits of all above seven farm activities (eleven scenarios) over 25 year horizon (2020-2045) of the project were estimated. Incremental annual net benefits vary widely across activities, ranging from US\$ 458 for vegetable production in Terai to US\$ 2,378 from fish pond leasing. As anticipated, these activities are playing a bigger role in employment generation, on an average 2 family members and 1 hired worker will be employed and there is prospect to increase to a notable level. All the models demonstrate very satisfactory benefit/cost ratios, Financial Internal Rates of Return (FIRR) and positive net present value (NPV) demonstrating the attractiveness of the investments on these farm activities.

**Table 4: Summary of Financial Analysis of Selected Supply Chain Commodities**

Model type	Unit	Size of Enterprise	Total Investment (US\$)	Incremental annual net benefits at full development	Incremental family labor per year	Incremental hired labor per year	Net incremental benefits per USD of investment	BCR	NPV (USD)	IRR
Vegetable Terai	Ha.	0.17	1,473	697	2	1	0.47	1.26	2,238	63.8%
Vegetable hills	Ha.	0.05	1,607	902	2	1	0.56	1.33	3,213	87.4%
Aquaculture (new)	Ha.	0.17	2,027	971	3	1	0.48	1.15	5,072	72.5%
Aquaculture (rehabilitation)	Ha.	0.35	1,457	914	3	1	0.63	1.40	5,120	112.0%
Aquaculture (Leasing)	Ha.	0.35	1,457	787	3	1	0.54	1.10	4,174	81.3%
Dairy (Cattle/Buffalo)	No.	2.00	2,054	499	2	1	0.24	1.17	2,580	63.6%
Goat	No.	5.00	1,339	825	1	-	0.62	2.26	4,557	103.6%
Potato seed – Hill	Ha.	0.35	1,429	852	2	-	0.60	1.32	4,693	100.0%
Paddy + wheat seed production (Terai)	Ha.	0.35	1,071	655	1	-	0.61	1.32	3,639	105.6%
Banana	Ha.	0.17	1,429	822	2	1	0.58	1.53	4,181	73.1%
Other potential value chain - backyard poultry	No.	1,200	2,589	1,435	2	1	0.55	1.27	7,682	85.5%

38. Vegetable production: the agro-ecological conditions in the project districts (province 2, 3 and 5) are favorable for vegetable production round the year. The vegetables grown have experienced increasing domestic demand and have a huge export potential. The model assumes that a small-scale with 0.17 ha of land can produce up to 2,500 kg of open field cauliflower and 1,500 Kg of tomato in a low-cost poly-house of 5 x 20 m and earn as much as 697 US\$ in Terai/Siwalik and 902 US\$ in Hills, obtaining about US\$ 5 per family labour-day while generating some additional external employment during harvest time and for greenhouse maintenance.

39. Aquaculture: small-medium scale aquaculture requires fairly high initial investments, but when properly managed, commercially oriented fish production can yield very high returns and become an important source of employment. The carps production model shows how a pond constructed in about 0.17 hectare of land can generate as much as US\$ 914 net profit per year while creating 2 and 3 full time jobs for family and non-family labour respectively.

40. Dairy: Demand for dairy products in Nepal in general and in the project areas in particular has been growing significantly in the recent years, driven by more consumers, higher incomes and greater interest in nutrition. Dairy production in Nepal is one of the growing economic sectors, in the recent years, and is playing an important role to increase household level income in rural areas, mainly by increasing employment

opportunities and establishing rural-urban linkages through milk and milk product as well as industrial products trade. Two cattle/buffalo model can generate as much as US\$ 499 net profit per year while creating 2 and 3 full time jobs for family labour.

41. Goat: Goat sector is an important part of Nepalese agriculture as well as livelihood. It not only provides manure to increase the productivity of the field but also assist in livelihood of rural farmers. Goats are easy to raise with other animals due to their friendly nature. Goats can be raised to produce meat, milk, skin/fiber and manure. Goat farming in Nepal requires low capital than poultry and dairy farming setup. Goat meat is nutritious, lean and has an excellent demand in both local and international markets and it is very popular in the project area. Five goat model can generate as much as US\$ 825 net profit per year while creating 2 and 3 full time jobs for family labour.

42. Potato seed: Potato is a major food crop in the mid-hills and mountains in Nepal and producing potato seed is highly profitable. Quality potato seed has high demand and fundamental for promoting potato production. Yield is relatively higher and cost of production is relatively inexpensive and has high local market. Potato seed produced in 0.35 ha of land can potentially generate as much as US\$ 852 net profit per year while creating 2 and 3 supplementary jobs for family labour.

43. Paddy and wheat seed production: There growing demand for improved seed and increasing seed replacement rate is one of the challenges in Nepalese agriculture. Paddy and wheat seed production has larger potential to increase production and productivity of these crops in terai area. Seed produced by two successive crops: paddy and wheat in 0.35 ha of land can potentially generate as much as US\$ 655 net profit per year while creating 2 and 3 supplementary jobs for family labour.

44. Banana farming: There is great potential for *banana production in Nepal* and there is huge un-met demand and larger portion of banana consumed in Nepal has been imported. At present there are few commercial *banana plantations*. There exists possibility of generating as much as US\$ 822 net profit per year while creating 2 and 3 supplementary jobs for family labour by intensive banana farming in 0.17 ha of land.

45. Local potential supply chain: In addition to seven main commodities mentioned above, the project will provide support on a more limited scale to five further commodities with relevant to specific locations within the project area: Citrus; Backyard chicken (traditional breed); Coffee; Honey, and; Medicinal and Aromatic Plants (MAPS). All these have notable income generation potentials. As an example, financial model for the back yard poultry model has been prepared which demonstrate the possibilities of generating as much as US\$ 1,435 net profit per year creating 2 and 1 supplementary jobs for the family labor.

46. The details are included in the separate excel file.

## Households Models

47. Using production budgets and models from a range of supply chain commodities 'household models' for the respective supply chain were prepared to broadly illustrate the VITA's 'expected impacts' on the incomes, and use of household labour adopting and/or adapting both on-farm and non-farm activities. For the purpose of assessing household operations, average size of operational landholding size was accounted and analyzed. Supply chain households models analyzed include: off-season vegetable, goat, aquaculture, seed potato, cereal (paddy and wheat) seed production, dairy / milk (cattle and buffalo), banana and model local potential commodity (back yard poultry). Table 5 presents the overview of the these household models.

**Table 5: Overview of the Household Model**

Supply chain	Average farm size (ha)	Cropping intensity (%)		Model size		Average Loan Size (NPR)		Financial Indicators		
		WoP	WP	Unit	Quantity	Term loan	Working capital loan	IRR	NPV 12% DF	BCR
Off-season vegetable										
Hills	0.50	126.00	140.00	Ha	0.05	180,000	60,000	59.6%	258,115	1.21
Plain and Siwalik	0.40	208.33	241.67	Ha	0.17	155,000	162,000	41.6%	157,381	1.15
Goat										
Hills	0.25	132.00	132.00	No	5.00	150,000	15,000	55.8%	326,955	1.56
Plain and Siwalik	0.20	208.33	208.33	No	5.00	150,000	15,000	50.9%	315,923	1.52
Aquaculture										
New	0.50	154.50	137.83	Ha	0.17	227,000	68,000	49.1%	439,802	1.11
Rehabilitation	0.50	169.00	169.00	Ha	0.17	163,200	61,250	77.6%	486,473	1.32
Leasing	0.20	160.00	160.00	Ha	0.17	163,200	61,250	55.9%	345,604	1.07
Dairy										
Hills	0.30	192.00	192.00	No	2.00	230,000	15,000	38.5%	328,976	1.28
Plain and Siwalik	0.35	205.56	205.56	No	2.00	230,000	15,000	36.5%	186,662	1.14
Potato seed	0.60	130.00	188.33	Ha	0.35	160,000	105,000	69.3%	435,208	1.25
Cereal seed	0.80	169.44	169.44	Ha	0.33	120,000	75,000	73.2%	339,799	2.45
Banana	0.60	160.00	149.33	Ha	0.17	275,000	75,000	51.7%	377,898	1.39
Other potential value chain (back yard poultry)										
Hills	0.25	132.00	132.00	No	200.00	290,000	60,000	56.2%	617,388	1.18
Plain and Siwalik	0.20	195.00	195.00	No	200.00	290,000	60,000	62.7%	679,085	1.19

48. The details are included in the separate excel file.



## Sub-Project Model

49. Household models when grouped and aggregated are called “sub-project models” and these are required in order to estimate overall project performance indicators. Information on implementation phasing of these sub-projects provided in Table 2 for six year project period. The supply chain sub-project has been computed for all the commodities. The analysis results are summarized in Table 6.

**Table 6: Overview of the Sub-project Supply chain Model**

Supply chain	Total HHs	Adoption rate	Adoption adjusted	Financial Indicators		
				IRR	NPV 12% DF (Rs. '000)	BCR
Off-season vegetable	27,120	65	17,628	51.9%	4,943,400	1.23
Goat	27,120	80	21,696	53.3%	5,752,507	1.60
Aquaculture	9,516	80	7,613	57.5%	2,694,764	1.13
Dairy	9,576	65	6,224	38.7%	1,712,125	1.25
Potato seed	9,576	55	5,267	69.3%	1,907,209	1.25
Cereal seed	9,576	55	5,267	73.2%	1,489,833	2.41
Banana	9,516	80	7,613	51.6%	2,386,535	1.38
Other potential value chain (back yard poultry)	18,000	65	12,600	56.0%	6,982,996	1.18
Total	120,000	69	83,908			

50. The details are included in the separate excel file.

## Adoption rate

51. Average adoption rate for the project has been estimated integrating the findings of the mission during field studies, discussion with key informants, focus groups discussions, assumptions on adoption rate made by recently appraised project and findings on assumption by similar recently completed projects.

52. Field survey conducted under this mission uncovered that in general, adoption rate will be higher in those activities relatively longer in duration, required initial investment that is which is specific to the enterprises and proven evidence of the perpetual flow of income over the longer period with lower intensity and impact of price and production risk. These commodities are goat farming, aquaculture, and banana farming. On the other hand, adoption rate is lower on commodities with low initial investment cost, higher intensity and impact of price and production risks. These commodities are potato seed and cereal seed production. Activities like off-season vegetable, dairy and back yard poultry are in between in terms intensity and impact of price and production risks.

53. In cognizance to above a 69% adoption rate (ranging between 55% and 80% among the selected supply chain commodities) was used in this EFA.

54. The assumption on adoption rate used in this report is consistent to the other recently appraised and completed projects namely ASDP and HVAP respectively. The assumption rate used in the ex-ante EFA of ASDP was 75% flat, the same adoption rate applied for all the commodities (apple, goat, dairy, off-season vegetable, potato, timur, turmeric, orange and walnut) analyzed. On the other hand, adoption rate used by ex-post EFA of HVAP ranged between 64% and 91%, with an average of 84%. The adoption rate used was highest (91%) in case of goat and off-season vegetable value chain and lowest (64%) for timur. The adoption rates used for other crops were: apple (88%), vegetable seed (83%), turmeric (78%), and ginger (72%).

55. In view of above the adoption rate used in this EFA is slightly conservative than the rate used in the recently appraised (ASDP) and completed (VITA) projects.

56. The details are included in the separate excel file.

## Financing plans

57. Total investments will be financed through beneficiaries’ equity contributions in cash, contributions in kind and short to medium term loans from ADBL and other partner

banks and financial institutions (BFIs). Financing plans were prepared for all models, in order to assess whether the mix of funding sources would be sufficient and adequate for enterprise creation and expansion. Table 7 presents the financing plans for the selected supply chain enterprises.

**Table 7: Financing Plans – Unit Enterprise Costs and Financing**

Enterprise	Fixed Cost- NPR '000	Working Capital- NPR '000	Total cost NPR '000	Average Investment Cost/ Enterprise- US\$	Av Loan size - US\$	Description
Vegetables – Terai	155	162	317	2830	2126	5 Kattha
Vegetables – Hills	180	60	240	2143	1554	1 Ropani, Tunnel (.075 Ha)
Seed Potato – Hills	160	105	160	1429	1750	7 Ropani (0.3ha)
Seed Potato – Terai	100	75	175	1563	1161	10 Kattha (0.3 ha)
Paddy seeds, Wheat - Terai	120	120	240	2143	1607	0.5 Ha
Banana	276	75	351	3131	2258	10 Kattha (0.3 ha)
Goats	150	15	165	1473	1045	5 Does unit
Dairy Buffalo	230	15	245	2188	1545	2 buffaloes unit
Aquaculture - New Ponds	227	68	294	2629	1901	5 Kattha (0.15 ha)
Aquaculture - Rehabilitation	163	61	224	2004	1457	5 Kattha (0.15 ha)
Aquaculture - Pond leasing	163	61	224	2004	1457	5 Kattha (0.15 ha)

58. All the selected enterprise models meet the eligibility criteria to access financial services from ADBL and partner BFIs. They will manage the required finance through equity (30% for term loan and 20% for working capital loan) and loan from ADBL and partner BFIs (70% for term loan and 80% for working capital loan). While working capital loan will be minimal in case of cattle/buffalo and goat loan, it will be quite notable in case of agricultural production related activities such as vegetable farming, banana farming, seed production (potato, wheat and maize) and fish. Interest rate for both term loan and working capital loan will be 10%. Enterprises borrow money to finance working capital in their initial years and during expansion. Assumption that the loan repayment will be fixed based on enterprise cash flow and its debt serving ability across all the models computed in this analysis.

### Cash flow analysis

59. In almost all the supply chain household model, the cash flow in the first year was negative and it is necessary for the entrepreneurs to look for additional financial sources to ensure adoption of the proposed technology. Access to medium term from VITA will be instrumental for farmer to finance the proposed investment as well as short term working capital loan to help finance annual operational cost of these enterprises.

60. Cash flow analysis was done to evaluate the cash inflows and outflows from operations of eight supply chain household models. This was done integrating planned borrowing/lending of term and working capital loans and projected repayment of principle and interest of the loans in cash flow before financing of each supply chain household models.

61. The cash flow after financing shown for each supply chain model proves that for all the year during the project life, there is no negative cash flow in these models. This indicates that project proposal to promote these eight different types of supply chain is "financially viable" at household level. These imply that project proposal will be attractive for the beneficiaries, ensuring high rate of adoption of the proposed supply chain. This finding provide solid basis to assume that the investment on these supply chain would yield the expected financial benefits.

62. Findings of the cash flow analysis reveal that each supply chain household models have required debt service capacity.

63. The details are included in the separate excel file.

### **Reflows Analysis**

64. VITA has been designed to enable GON to on-lend USD 63.6 million to ADBL under a subsidiary loan agreement (SLA) in local currency terms (Component 2). GON will bear the foreign exchange risk associated with the IFAD loan. Though further details related to such relending will be defined in the SLA which will be subject to the endorsement by IFAD.

65. For the purpose of the EFA, some assumptions on annual interest rate, loan term and grace period has been made. it has been assumed that (i) lending rate of GON to ADBL will be 3% per annum, (ii) ADBL and partners BFIs retail lending rate will be 10% per annum, (iii) on-time payment rate will be 99% (current ADBL repayment rate in MSMEs), (iv) grace period will be eight year and full repayment in 20 years time, (v) administrative cost of ADBL on MSME loan is 3.5% of the outstanding loan portfolio, and (vi) loan term will be five year for medium term loan and one year for working capital loan.

66. Reflow has been estimated based on above assumptions of repayment rates, loan terms, retail lending rates, and administrative costs of the ADBL on (i) medium-term credit (Net capital) from project and (ii) short-term credit (net capital). This provided an estimate of overall reflow rate of 5.41% (3.15% for medium-term credit and 12.22% for short term credit. The estimated benefits were incorporated into EFA.

67. The details are included in the separate excel file.

### **Economic Analysis**

#### **Main assumptions**

68. Following were the assumptions used for economic analysis of the project. These assumptions were cross-checked with the assumptions used in economic analysis of the ASDP (ex-ante) and HVAP (ex-post).

- A twenty year analysis period is assumed, which included 6 year project investment period.
- Project produced goods will move freely within project area in response to market signals.
- All agricultural inputs and outputs that are traded are valued at price as of July 2019 and constant market price has been used.
- Economic investment costs are net of taxes. All costs directly associated with the incremental production are included in full, including incremental farm inputs and labour.
- A standard conversion factor (SCF) of 0.85 is applied to both traded and non-traded items for adjusting financial prices.

- The average financial rural wage rate is taken to be the best estimate of the economic value of labour<sup>4</sup>.
- The analysis includes only direct on-farm benefits. Benefits accruing from supply chain infrastructure such as such regional wholesale market, satellite wholesale market, small-scale community infrastructure including small-scale water and irrigation schemes for crops and livestock (< 5 Ha. each) and upgrading farm access roads (under 10 km each) has not been accounted for want specific details. The benefits of these infrastructures is assumed to be captured by incremental income in the project promoted supply chain commodities;
- All costs and benefits are relating to investments made on targeted project area households and the resultants benefits;
- Significant changes or shifts in cropping patterns are assumed owing to strengthening of the supply chain and increased adoption of appropriate agronomic practices such as inter-cropping, crop rotation, use of improved seeds, improved technologies, etc. and these reflect in cultivation of off-season vegetables, potato seed, paddy and wheat seed and fruit crops like banana.
- The project interventions are also expected to reduce GHG emissions through mitigation measures and economic value of net GHG emissions has not been accounted.
- The analysis employs an Opportunity Cost of Capital (OCC) at 9%, which is the current long-term bond rate in Nepal and forecasted future stream of benefits and cost were discounted at 9%.

## Costs and Benefits Streams and Analysis

69. **Production benefits.** The farm productions are direct output from the respective sub-project. In all, 120,000 households will receive project services. Improved farming practices resulted in productivity increase will be in a range of 30% and 40%. The EIRR is calculated for all the agricultural supply chain commodities to be promoted under the project. As discussed already, all the seven supply chain components further disaggregated to 14 different types, were analyzed. This was done in cognizance to the fact that these are the eventual project results. Incremental net benefits at full project development were used for all categories of farm investment. Adoption rate of each farm enterprises is estimated to range between 55% and 80% with an average of 69% (for justification refer para 51 to 55 above).

70. **Project economic costs.** The project economic costs are direct expenditures after adjusting for taxes and inflations but inclusive of physical contingencies. Recurrent costs for continued operations and maintenance have been included in full. Economic prices for inputs and outputs models were estimated by applying conversion factors on financial prices. Inputs and outputs prices<sup>5</sup> were collected during field visit of design mission and review of published information of Nepal Rastra Bank, Ministry of Agriculture and Livestock Development, and Central Bureau of Statistics.

71. **Environmental Benefit.** Key environmental benefits have been increased rural employment, social mobilisation and effective participation of rural poor and the Dalits and indigenous people, linkages with rural economy and markets and overall reduction in vulnerability. The project interventions are also expected to reduce GHG emissions through mitigation measures and economic value of net GHG emissions has not been accounted.

## Analysis Results

72. **Economic analysis.** Cost-benefit analysis yields an overall IRR of 27%. The estimated NPV for a 9% discount rate is NPR 303,693 million (USD 302.69 million) and the BCR of 2.92. A positive NPV under the current Opportunity Cost of Capital (OCC) of

<sup>4</sup> It may be noted that three trends stand out in the project area: first, poverty is falling sharply, second, rural wages are rising significantly, third farmers are shifting from cereals to superior food crops in response to market signals.

<sup>5</sup> See Annex ... containing list of financial and economic prices used in EFA.

9% indicated that the project investments were sound. Economic analysis results will improve significantly if the economic values of net GHG emissions are incorporated. Main results for economic cost-benefit analysis are presented in separate excel file.

73. **Sensitivity Analysis.** A sensitivity analysis was conducted to assess the effect of variations in (i) 10% and 20% decrease in benefits; (ii) 10% and 20% increase in costs, (iii) one year and two year delay on incremental income accrual, and (iv) 10% and 20% decrease in adoption rate. In all these scenarios, EIRR was above 19%. Result of sensitivity analysis revealed that the project is highly sensitive on delay on benefit accrual by one and two year compared to decrease on project benefits and cost.

**Table 8: Results of the Sensitivity Analysis**

Risk scenario	Δ%	Link with the risk matrix	IRR	NPV (USD M)
Base scenario			27.0%	302.69
Project benefits	-10%	Combination of risks affecting output prices, yields and adoption rates	25.0%	256.69
Project benefits	-20%		22.9%	210.68
Project costs	10%	Combination of risk associated to inflation of project related materials	25.2%	286.95
Project costs	20%		23.6%	271.21
Project benefits delayed	1 year	Delay in the programme implementation due to various factors including implementation capacity, delays in system set-up.	23.0%	250.36
Project benefits delayed by two year	2 year		17.3%	170.82
Project benefits delayed by three year	3 year		15.0%	126.69
Adoption rate	-10%	Combination of risks affecting output prices, yields and adoption rates	25.6%	271.56
Adoption rate	-20%		24.2%	240.43

74. **Switching Values.** The switching value for the total project benefits is about 52% while for the project costs it is approximately 107%.

**Table 9: Switching value**

NPV incremental benefit	51,529,934.05	-65.79%
NPV incremental cost	17,628,272.07	192.31%

### Project Benefits

75. The immediate benefits from the project will be increased productivity through the introduction of better management and improved farming practices of the supply chain commodities. The responses could be expressed as increased households income.

76. **Other benefits.** Additional benefits will be generated from VITA's capacity building interventions supply chain development, expanded financial services for agriculture and increased availability of supply chain infrastructure. First, all participating households and SC groups have the benefit and advantages of the services of supply chain actors, and private service providers, which will be capacitated and provided fund support for various economic and commercial developments. Secondly, women from the poor groups

will participate in and managing their social and economic development and have better access to inputs and marketing their products. Thirdly, there will be agro-businesses facilitated buy-back arrangements, technical training and capacity building that will further strengthen supply chain.

77. **Tax revenue and other incomes.** The project will be generating additional tax revenues to the government in the form of land tax, water tax, land tax on fruit crops, corporate taxes including VAT on the incremental turnover of the project generated agro-businesses, the details of which are still emerging.

### Risk Analysis

78. There were a number of risks associated with VITA. These were relating to farm technology, reluctance on the part of the farmers to continue the new technology, inadequate extension and market linkages and poor price margins, lack of service providers and poor coordination and institutional support and policy risks. These issues and risks need to be addressed to some extent during the implementation of the programme.

**Table 10: Risk Analysis**

Risks	Risk description	Probability of occurrence	Mitigation measures	Impact on VITA performance if no corrective measures
Economic and market risks	<ul style="list-style-type: none"> <li>External shocks to market economy</li> <li>Increase in cost of production inputs</li> <li>Reduced producers prices</li> <li>Reduced demand</li> </ul>	Low to medium	Supply chain management	Decline in benefits and increase in costs by 25%: IRR= 17.8% NPV= USD 192.31 million
Institutional	Delay in technology transfer/lack of quality planting materials slowing down the uptake rates and production	Medium	Extensive training and support to supply chain linkages of commercially viable key commodities	Benefits lag by 2 years: EIRR= 17.3% NPV= USD 170.8 million
	Lack of financial capacity of BFIs to invest in high value agriculture High transaction cost of borrowing and lending to small-holders	Low to Medium	Supply chain financial product development and staff training Promotion of digital financial services	Decline in benefits by 20%: IRR= 22.9% NPV= USD 210.68
Market	Inadequate profit margins due to poor access, lack of transport and of market information Lower market prices of commodities Insufficient historical weather data limits spread and quality of insurance products Relatively high portfolio at risk of agricultural loan portfolio	Medium to high	Strengthen market information system Diversified production, market led production promotion and strengthen supply chain Buy-in of credit guarantee and agricultural insurance scheme Design and use of supply chain finance financial	Decline in benefits and increases in cost by 15%: IRR= 21.4% NPV= USD 210.07 million

Risks	Risk description	Probability of occurrence	Mitigation measures	Impact on VITA performance if no corrective measures
			products and services	
Policy	Lack of commitment to investing in inclusive agricultural supply chain development	Medium	Orientation and awareness on SC approach to government officials and policy makers.	Farm operating costs increase by 20%: IRR= 23.6% NPV= USD 271.21 million
Others	Climate change risks of delayed and abnormal rainfall, drought, floods, frosts, etc Natural calamities including flood and drought lower output of farm production	Medium	Training farmers on climate smart agriculture system Promotion of agriculture insurance services	Decline in benefits and increase in costs by 25%: IRR= 17.8% NPV= USD 192.31 million

## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture**

#### **Project Design Report**

#### **Annex 5: Social Environment and Climate Assessment (SECAP) Review Note**

Mission Dates: 25 November - 17 December 2019  
Document Date: 19/07/2020  
Project No. 2000002697  
Report No. 5455-NP

Asia and the Pacific Division  
Programme Management Department





## **Annex 5: Social Environment and Climate Assessment Review Note**

### **1. Introduction**

1. This Social, Environmental and Climate Assessment Procedure (SECAP) review note has been prepared for the Value Chains for Inclusive Transformation of Agriculture (VITA) programme. The programme objective is to *'increase returns from sustainable farm enterprise for rural people, including the poor, women and youth, through the development of increasingly profitable and resilient links to markets and access to appropriate financial services'*. The programme has three closely related components: 1) Inclusive supply chain development, 2) Expanding financial services to agriculture, and 3) Supply chain infrastructures. The programme will target high potential supply chains such as vegetables, goats, fish, cereal seed, potato (seed) dairy and banana. From year 2 to 5, the project will target citrus, coffee, honey, backyard chicken and medicinal and aromatic plants. Component 1 supports capacity building in fundamental business skills to farmers and producer groups, so they are more confident, able to engage in the supply chains, with capacity to broker market linkages. Component 2 specifically tackles the supply-side constraints for appropriate financial services to agriculture, especially to small-scale farmers. It includes credit, savings and investment, value chain financing, digitalised remittance services and payment services, and insurance products among others. Financing will be on-lend through ADBL, an institution which will serve as a Financial Intermediary. Component 3 supports small infrastructure to increase production and linkages to markets. Major investment activities in Component 1 include; business skills training to farmers, mobilization of producer groups, facilitation of business-to-business linkages and targeted investment support to private and public investment to upgrade the supply chains – excluding any investment in public infrastructure. Major investment activities in Component 2 include financing for short-term, medium-term private investment by farmers and Micro, Small, and Medium Enterprises (MSME) in the target supply chain, complemented by capacity building of partner financial institutions to improve their offering and delivery of rural financial services. Major activities in Component 3 includes financing for expansion of small irrigation and multi-use water systems, upgrading farm access roads within clusters, networks of satellite wholesale markets and regional wholesale markets.

2. The primary target groups will be smallholders and workers involved in the selected value chains whereas MSME along with the producer groups will also benefit from the Programme. VITA will primarily cover a total of 28 districts of states 2, 3 (Bagmati) and 5. In states one and six (Karnali), the Programme will only provide financing to farmers and MSMEs in partnership with other programmes, notably the on-going IFAD funded Agriculture Sector Development Programme (ASDP)<sup>1</sup> and Rural Enterprises and Remittance Project (RERP)<sup>2</sup> in state 6 and 1, respectively. The participating 28 districts will be from the Plain area to the Mountain regions of State 2, 3 and 5; however, the Programme is not making any investments in the high Himal areas. A list of participating districts is listed in *Annex I*

3. A preliminary SECAP review note was prepared at the concept note stage of the Programme design to identify potential social, environmental and climate risks to the Programme and possible impacts of the Programme at an early stage of the design process. The overall objective was to identify potential environmental, social and climate risks and impacts and recommend technical feasible and cost-effective mitigation and adaptation measures to be incorporated into the Programme design. The Programme

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<sup>1</sup> <https://www.asdp.gov.np/>

<sup>2</sup> <http://rerp.moi.gov.np/en>

design mission was conducted from 25 November to 17 December 2019 and the SECAP analysis and review note has been further refined and finalized. This SECAP is mainly based on secondary sources of information, supplemented by meetings conducted with key government authorities, development partners, thematic experts of climate change, value chain, GESI, M&E, Livestock, and agriculture, and the production farmers of each proposed commodities (*Annex II*).

## **2. Situational analysis and potential Programme impacts**

### **COVID-19 and VITA**

4. COVID-19 pandemic related risks appear to be high but also highly uncertain. There is likely to be a substantial slowing of economic growth for at least the next 2 years, with disruption to key sector including tourism and remittances. This will create fiscal pressures and foreign exchanges risks for the government. At the same time there has been an increase in the number of migrant workers returning from overseas, potentially bringing skills and resources with them while also needing to find gainful work but also a loss in remittance income. There may also be disruption to import supply chains, creating opportunities for domestic suppliers. Specific risks to the programme appear to be three-fold: i) availability of government funds to meet financing obligations – considered to be low after mitigation through the design of the internal financing arrangement for the programme, ii) disruption to market demand and supply chains – considered to be moderate, given focus on food crops and mostly short and domestic supply chains, and iii) increased financial or other pressures within beneficiary households that reduce their appetite or capacity to invest in their farming – considered moderate to low after mitigation, given emphasis on affordable investment pathways, accessible financing and also the needs of households themselves to find gainful work including for returning migrant workers.

5. In Financial Year (FY) 2019, Nepal achieved its third consecutive year of +6% growth in more than 50 years. Prior to the COVID-19 outbreak, GDP growth was projected to average 6.5% over the medium term. Most recent World Bank projections (April 2020) are for growth to slow to 2.8% in FY2020 and remain subdued in FY2021 reflecting lower remittances, trade and tourism, and broader disruptions caused by the COVID-19 outbreak. Consequently, the fiscal and current account deficits are likely to increase significantly. Risks to the outlook stem primarily from a large-scale domestic transmission of COVID-19 and limited capacity of government to implement emergency relief and recovery measures.

6. In 2019, the poverty headcount ratio at the USD 1.90/day line is estimated at 8% (from 15% in 2010). At the national poverty line, it is estimated at 18.7% (from 25.2% in 2010). However around a further 31.2% of the population live between USD 1.90 and USD 3.20 a day and face significant risks of falling into extreme poverty, primarily due to reduced remittances, loss of earnings of potential migrants, job losses in the informal sector, and rising prices for essential commodities as a result of COVID-19.

7. Remittances play an important role for many rural households and in the economy as a whole. Remittances reached an estimated US\$8.06 billion in 2018 – equivalent to 28.0% of Nepal's GDP (World Bank, 2019). Remittances have continued to grow strongly – more than doubling since 2010 – and now represent a similar share of GDP to agriculture (and substantially more than manufacturing). However, it is notable that the number of Nepali migrant workers taking up jobs abroad has slowed since 2016 (IMF, 2019). The scale and widespread distribution of remittances makes them a potentially important resources for productive investment, especially in rural areas. However, over 70% of remittances is spent on consumption (Central Bureau of Statistics, 2012). COVID-19 is likely to have significant impacts on remittances – both in the short term as migrants return home, but also potentially over the medium if there is a prolonged global economic slowdown, with many few jobs in key overseas employment sectors, such as the oil sector

Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)

Social Environment and Climate Assessment (SECAP) review note

in the Gulf Cooperation Community Council (GCC) countries. In May 2020, the Foreign Employment Board estimated that around 407,000 migrant workers may return in the long run from GCC countries and Malaysia where there were around 1.5 million Nepali migrant workers (Kathmandu Post, 2020).

8. In terms of access to finance, NRB already has in place a progressive framework of interest subsidies and other measures to increase lending to deprived and priority sectors – including interest subsidies of 6% for women borrowers and 5% for agriculture and youth. Additional measures and interest subsidies are expected in the budget for FY2020/21 in response to the COVID-19 pandemic.

9. With the COVID-19 pandemic, agriculture is seen as increasingly important for rural economic recovery, not only for food security but as an economic engine that can absorb the returning labour force – especially given the expected slowdown in the service sector. Policy priorities for the agriculture sector at local and national level are expected to evolve accordingly.

10. VITA will need to have a strong focus on targeting women's economic empowerment strategies, to mitigate the short- and long-term economic impact of COVID, support recovery and build resilience for the future. It will additionally promote awareness of women's land rights via its business skills training.

11. In the context of COVID-19, VITA is a timely major new investment programme that will make a valuable contribution to the recovery from the pandemic as well as building resilience of rural communities to future shocks. It will create new profitable opportunities for small-scale producers including the large numbers of returning migrants. Its strong focus on expanding supply chains for high nutritional value foods will further contribute to both local and national food security and reducing reliance on imported foods. Its internal financing structure means that it will achieve this without creating fiscal burden on the government. Several adjustments to this effect are incorporated in the components as outlined in the PDR. More generally, the roll-out plans to the programme districts have been accelerated such the activities will launch in all 28 focus districts within the first 15 months of the programme. Such adjustment have not created costs, but rather build on what was already planned.

### **Situation analysis and impacts**

12. Poverty remains a key challenge of the targeted smallholders. Traditional production-oriented farming, lack of employment generating activities, lack of skills, outmigration to pursue employment options, lack of gender equality and social inclusion are the key identified social challenges. People inhabiting rural areas generally do not have easy access to financial institutions for agriculture-based credit, especially for longer term investment. The key environmental impacts facing the country include: deforestation and loss of biodiversity; increased air and water pollution; poorly managed waste management services; uncontrolled and excessive use of chemicals and pesticides in some locations; and unmanaged and environmentally damaging cultivation practices such as excessive tillage, agriculture in sloping and degraded land reducing soil fertility; poorly planned settlement and infrastructure development. VITA is mindful of these wider environmental impacts and so is designed to have minimal impacts on the environment, and furthermore it will work to enhance the environment quality and mitigate against possible impacts through its Environmental and Social Management Plan (ESMP) matrix (*Annex VI*).

13. While the major investment activities are outlined above, the programme will only support small infrastructure like market structure, road and small-scale irrigation and multi-use water systems. Through the various programme interventions outlined, there is expected to be an increase in cropping area – through a combination of increased cropping intensity as well as bringing previously abandoned farmland back under cultivation. Consequently, the Programme does not expect to create any further pressure on forest and biodiversity resources. The irregular rainfall and consecutive dry days may cause temporary shortage of water especially for the cereal production, the supply chain location

will be selected in areas with already established adequate irrigation system to ensure the sufficient water availability. The drought resistant varieties will be promoted in the areas having prolonged droughts trend and project will promote water efficient technologies, infield water harvesting, and conservation ponds in these areas.

14. Livestock supply chains, such as goats, dairy and fish, will be covered by the Programme. Before such activities are started in each cluster area, the programme will confirm the carrying capacity of the area and the suitability of the proposed production systems to the area. Programme interventions will be promoted as stall-based production systems in the case of livestock and pond based production for fish. Grazing on surrounding forest or rangelands will be strictly prohibited by encouraging farmers to plant forage and fodder crops. The programme will promote sustainable agriculture and animal husbandry practices limiting use of agrochemical and medicine and motivating integrated pest management approach. The above livestock carrying capacity is expected to be based on an estimation of Total Digestive Nutrients supply and demand balance for the herd at the municipality or settlement level. Base level supply will include estimation of supply from all sources in the local area and be calculated through GIS tools and data on vegetation cover. Future potential carrying capacity estimates will reflect expected changes to livestock production and feeding systems, including feed and fodder production as well as improvements to management of existing feed resources including forest and grazing lands. Carrying capacity assessment will be fully shared with municipal authorities for use in their own planning processes.

### Socio-economic and nutritional assessment

15. **Overall poverty situation:** Nepal's GDP per capita reached US\$ 1034 in July 2019<sup>3</sup> with real GDP growth of 7.1%. Despite a relatively long political transition and frequent changes in the government, the proportion of population living below the poverty line has been decreasing steadily. It is estimated that around 18.7 % of the country's populations remain below the poverty line<sup>4</sup>. This compares very favourably with poverty incidence rate of 41.8% in 1996, 30.6% in 2004, and 25.16% in 2011<sup>5</sup>.

16. Multi-dimensional poverty has also seen significant reductions. The national-level multi-dimensional poverty index which fell from 59.35% in 2006, 39.13% in 2011, and 28.62% in 2014<sup>6</sup>, and within this 33.2% in rural area and 7% in urban area. It is noted that the most recent MPI use data from 2014 - before the 2015 earthquake that had substantial impacts on many rural locations particularly in State 3.

**Table 1: Multi-dimension poverty headcount and population by state (2014)**

State	MPI Poverty Population		MPI Poverty Headcount rate	VITA outreach		
	Number of people (000s)	% of poor people	%	Total (producers)	%	Type of outreach
2	2,935	35	47.89	25,000	25	Full package
5	1,677	20	29.92	30,000	30	Full package
1	1,006	12	19.67	15,000	15	Finance only
7	922	11	33.56	-	-	
3	755	9	12.24	15,000	15	Full package
6	671	8	51.22	15,000	15	Finance only
4	419	5	14.19	-	-	
<b>Total</b>	<b>8,386</b>	<b>100</b>	<b>28.62</b>	<b>10,000</b>	<b>100</b>	<b>All</b>

<sup>3</sup><https://www.ceicdata.com/en/indicator/nepal/gdp-per-capita>, accessed on 09/16/2019

<sup>4</sup>Government of Nepal, Economic Survey 2019

<sup>5</sup>Government of Nepal, Central Bureau of Statistics 2005 & 2011

<sup>6</sup>National Planning Commission of Nepal with the support of Oxford University 2018

17. In terms of district level poverty, the report on Small Area Estimation on Poverty 2011 published in June 2013 analysed the poverty status of large municipalities and districts. Further analysis of the data shows that high poverty prevalence rate is in State 7 (Sudurpaschim) followed by State 6 (Karnali) and State 2. State 5 and Bagmati (State 3) are moderate. Details of poverty status of all districts is presented in Annex 9. Currently poverty estimates are not available for at the new municipality level.

**Table 2: Poverty by state - Nepal Household Living Standard Survey 2011**

States	State poverty status	Highest poverty district	Lowes Poverty district
1	18.39 %	Taplejung 26.95%	Ilam 7.3 %
2	27.93%	Saptari 39.49 %	Mahottari 16.19%
3	23.98 %	Sindhuli 38.33 %	Chtwan 8.89 %
4	20.57%	Mustang 39.98 %	Kaski 4.02 %
5	25.86%	Kapilbastu 35.48 %	Nawalparasi 17.03 %
6	41.19%	Humla 56.02 %	Rukum (West) 26.26 %
7	47.09%	Bajura 64.05 %	Kanchanpur 31.36 %

(World Bank, 2013)

### Poverty and VITA geographic targeting

18. More than 75% of VITA's intensive interventions, where all three components will operate in tandem, will be in States 2 and 5 – which together are home to more people (55% of all poor) in multi-dimensional poverty than the entire rest of the country combined. In these states VITA will work in all districts. In State 3, VITA will work on a smaller scale only in selective rural districts that were most severely affected by the 2015 earthquake and where reconstruction and economic recovery is ongoing. The 8 of 14 districts to be targeted in State 3 had an average poverty rate of 22.4% prior to the earthquake - close to the national average 25.1% (Central Bureau of Statistics, 2011). It is noted that the low poverty headcount rate in State 3 is also influenced by the presence of the relatively wealthy population of over 1.0 million in the Kathmandu valley. Based on this analysis, geographical target of VITA fully implemented with all components on 28 districts of State 2 (all 8 districts), State 5 (All 12 districts) and Bagmati (State 3 – 8 of 14 districts).

19. Beyond these core programme areas, VITA will work with ongoing partner programmes in States 1 and 6 to provide agricultural finance to smallholder and MSMEs being supported by those programmes. State 6 has the highest multi-dimensional poverty incidence but relatively small total numbers of poor due to its relatively low population. In State 6 the primary partner programme, ASDP, works in all districts. State 1 has the third largest number of poor, after States 2 and 5, but a poverty incidence below the national average. In State 1 the primary partner programme, RERP, works in 8 of 14 districts primarily targeting rural districts with significant numbers of poor combined with agricultural potential.

20. State 7 (Sudurpaschim) has relatively high number of poor, the third highest poverty incidence and reasonable agricultural potential. It is therefore a strong candidate for coverage by VITA. However, it is not included in VITA at this stage as is understood to be a primary target for support from other major donors, including the World Bank, including the Irrigation And Water Resources Management Project, the Nepal Livestock Sector Innovation Project and a candidate for the pipeline Rural Economic and Enterprise Development project.

21. State 4 has the lowest number of poor people and a low poverty incidence. It is therefore not a priority for VITA.

22. The VITA targeting strategy is further detailed in the Programme Implementation Manual.

### **Gender and social inclusion**

23. The 2018 Gender Inequality Index<sup>7</sup> ranks Nepal 115 out of 162 countries. Women hold 33.5 per cent of the country's parliamentary seats which shows greater participation of women than in South Asia in general. Only 29.0 per cent of adult women have reached at least a secondary level of education compared to 44.2 per cent of their male counterparts; this is lower than the average for South Asia. The maternal mortality rate is high with 258 women dying from pregnancy related causes for every 100,000 live births, higher than the average for South Asia. The adolescent birth rate is 65.1 births per 1,000 women aged 15-19 also much higher than the average for South Asia. Female participation in the labour market is 81.7 per cent compared to 84.4 for men and 25.9 per cent of women in the overall South Asia region. Labour Force Survey Report 2017/18 has clearly mentioned about gender disparities, while population ratio of male to female is 100:125 in the working age population, it is 100:59 among the employed. Less than 1 in 7 managers in the country are women. Nepalese employees earned an average (mean) of Rs.17,809 per month. However, gender disparities were obvious in the mean monthly earnings gap between males and females of Rs. 5,834 in favour of males<sup>8</sup>. The same report shows 56.8 percent of fully employed females and 40.6 percent of fully employed males were involved in the production of goods for own final use. Similarly, 90.7 percent of females participated in providing services for own final use while only 47.2 percent of males participated. Females were disproportionately more (88 percent) involved than males (38.5 percent) in unpaid household work. Gender disparities further analysed and reported as 93.3 percent of female who were fully employed were also involved in providing services for own final use, while only 46 percent of their male counterparts were involved in these activities.

24. Nepal has one of the highest rate of women's participation in agriculture in the world. Outmigration of men for employment in urban centres and other countries drives the feminization of agriculture in rural areas. Such migration has also resulted in the proportion of female-headed households which grew from 14.9 per cent in 2001 to 25.7 per cent in 2011 (CBS, 2011; IFAD, 2019a). According to the 2011 National Demographic Health Survey (NDHS), 76.4 per cent of women aged 15-49 years engaged in agricultural work are not paid, compared to 15.9 per cent of women engaged in non-agricultural work (MoHP, 2012; FAO, 2019). In 2011, 10.4 per cent of women employed in agricultural work received in-kind only payment while 7.3 per cent received cash and in-kind payments. The NDHS showed that 5.9 per cent of women in agricultural work received cash only compared to 80 per cent in non-agricultural work. Just over 82 per cent of women in agricultural work are employed by family members, compared to 14.6 per cent by non-family members and 2.6 per cent self-employed (MoHP, 2012; FAO, 2019). The proportion of women engaged in seasonal work in agriculture (47.4 percent) is also significantly higher than in other sectors (8.6 percent) In rural areas, due to migration and long-term absence of men from agricultural fields, women have now also taken up responsibilities traditionally performed by men, such as ploughing. As a result, it has not only increased the workload of women but it also caused poor agricultural performance due to labour scarcity as well as lack of access to credit for agriculture inputs. The heavy burden of unpaid household responsibilities borne by women often leads to 'time poverty' (MoHP, 2012; FAO, 2019).

25. The 2016 Demographic and Health Survey (Ministry of Health, Nepal; New ERA; and ICF, 2017) found that 52 per cent of women decide independently how their earnings are

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<sup>7</sup> The GII "reflects gender-based inequalities in three dimensions – reproductive health, empowerment, and economic activity. Reproductive health is measured by maternal mortality and adolescent birth rates; empowerment is measured by the share of parliamentary seats held by women and attainment in secondary and higher education by each gender; and economic activity is measured by the labour market participation rate for women and men. The GII can be interpreted as the loss in human development due to inequality between female and male achievements in the three GII dimensions." (UNDP, 2019).

<sup>8</sup> CBS, 2017/18. Report on the Nepal Labour Force Survey, 2017/18/ Central Bureau of Statistics, Government of Nepal

used, while 35 per cent decide jointly with their husbands. Only 11 per cent of women reported that their husband mainly decides on the use of their earnings. The same survey reported that the women who are least likely to have independent control over their own earnings are those aged 15-19 (38 per cent), those with five or more living children (42 per cent), those in the mountain zone (42 per cent), and those with no education (45 per cent)..

26. Despite a steadily increasing gender development index revealing an overall reduction of the gender gap, discrimination continues to persist in limiting women's equitable access to and control over productive resources such as land, capital—including credit, markets, and other available opportunities. Nearly 20 percent of women own fixed assets of the household, which is higher in urban (26.77%) than rural areas (18.02%)<sup>9</sup>. Socially, women and girls in Nepal are disadvantaged by traditional practices like the dowry system, early marriage, son-preference, stigmatization of widows, seclusion of women (*pardah*), domestic violence, and segregation of women and girls during menstruation (*chhaupadi*, which has recently been banned but is still practiced in some communities). Women face an onerous burden of household work and role of caretaker while their role in economic activities is minimized and the value of unpaid work is largely unaccounted for both in the household and national economy. Consistent with widespread social patterns of male dominance of the public sphere and women being more limited to the domestic sphere, there is far higher involvement of women in production of goods and provision of services for own final use - almost double that of men (Central Bureau of Statistics, 2019). The household-level planning process too often still lacks equitable participation from the women as male are still found to dominate on the decision making. Furthermore, at present women from poor and vulnerable sections of society and youths face particular problems in access to credit for investment in market-oriented agriculture production and supply chains and other enterprises. This is despite there being specific policies to promote such lending developed by Nepal Rastra Bank and issued to all the class A, B and C Banks and financial institutions. Effective implementation of the policy and loan products is still an issue to be resolved.

27. The time-consuming but unpaid tasks for own consumption by women in turn limit their involvement and productivity in economic activities. Women's involvement has therefore often been in informal/subsistence agriculture. Their engagement is typically in the production level which is generally labour intensive. Women in rural areas mostly stay at home, hence the workload increases if the cultivation or livestock rearing takes place near to the house. Men traditionally tend to dominate work in the more public sphere - on the processing and market linkage or the works related to outside the farmland. The out-migration leaves young women behind to care for husbands' households, limiting their ability to spend time on their own pursuits. The 2014 Women's Empowerment in Agriculture Index (WEAI) baseline report for Nepal reflected that community leadership and time allocation are the areas where women are least empowered. These dynamics affect the aspirations and engagement of young women in agriculture and require intentional pathways be developed by the project to ensure their meaningful participation<sup>10</sup>.

28. Women therefore face a series of obstacles to greater economic and personal empowerment – pressure on their time, low returns on their labour, access to information, knowledge on production technologies and also access to finance to invest in themselves and their farm to make their farming commercial and profitable.

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<sup>9</sup>Census, 2011. National Population and Housing Census 2011, National Report. Central Bureau of Statistics, Government of Nepal.

<sup>10</sup> USAID & LEO. 2016. Youth engagement in agricultural value chains across feed the future: a synthesis report. Retrieved from <http://www.acdivoca.org/wp-content/uploads/2016/10/LEO-Youth-Engagment-Ag-VCS-Across-FTF.pdf>



29. A summary analysis of different roles of women and men in the production of the prioritized commodities is presented in Annex 3.

30. In Nepal, there is a complex interaction of several factors that heavily influence an individual's situation and opportunities. Most notably these include socio-ethnic group, age, gender and wealth levels. A detailed analysis of the situation and opportunities of different groups against this complex interaction of factors is presented in Annex 8. This has been used during the design process to test the planned interventions against in order to ensure high level of participation and inclusion have been mainstreamed into all aspects of the programme design.

#### Building on opportunities and good practice

31. While these patterns remain, the increasing feminisation of agriculture resulting from the out-migration of men from rural areas has also created opportunities for women in some communities to taken on wider roles in agriculture. A transition to profitable commercial smallholder agriculture offers the opportunity to increase the household income and the return on women's labour. This may sometimes increase total workload, but will often see the substitution of low or unpaid work for higher paying activities. With the additional earning, household can manage better food, education, health to their family members, which are often high priorities for women, and thereby access more socially acceptable 'status' in society.

32. A successful supply chain does not actually increase the workload on women but rather it seeks to replace women's unpaid work with engagement in economic activities. This has helped to boost the motivation, access to technology, skill, and confidence of women on decision making and also increases leadership capacity and networking with outsiders. Successful cases from previous IFAD funded projects like High Value Agriculture Project (HVAP) have shown that increases in household income have assisted women to wisely decide on the production and further investment planning with increased control over incomes. This has also strengthened family cohesiveness and reduced levels of domestic violence<sup>11</sup>. The HVAP, a recently completed IFAD funded project in State six, impact assessment also highlighted the wider positive impacts, such as; 47 percent women and 25 percent *Dalits, Janajatis* and other ethnic minorities have increased their annual income by 37 percent equivalent to US\$ 500 that was earned crop (50 %) and livestock (93%). This further shows that ownership of durable assets increased by 10 percent, production assets by 7 percent, livestock by 9 percent and more importantly the dietary diversity was increased by 1 percent with high vegetables, fruits, milk and other dairy products<sup>12</sup>.

33. VITA will use multiple elements to strengthen women's agency and economic empowerment. By facilitating a combination of efficient production technology and methods, easy access to credit, market access, a comprehensive package (covers business skills, financial knowledge, land ownership, GALS 'lite', nutrition and balanced diet, climate change) of financial and business skills and effective mobilization, it will facilitate not only the empowerment of women economically, it also contributes to develop their agency and leadership. The women groups will be sensitized on women's land rights, benefits of women's land ownership and household welfare, and capacitated on the process to own and manage land via business skill and group development skill training. These initiatives will open up new windows of opportunity of business and services specially for young women and men. Mobilization of inclusive production groups, with women in key leadership roles, facilitating households to run their own farm enterprise in the name of women, providing credit in the name of women will promote women's ownership on productive assets, widen their network and exposure, build leadership and promote social

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<sup>11</sup>Interaction with GESI expert

<sup>12</sup> Kafle, K., Krah, K., and Songsermsawas, T. 2018. Impact assessment report: High Value Agriculture Project in Hill and Mountain Areas (HVAP), Nepal. IFAD, Rome, Italy.

status. Overall, all these interventions will increase the productivity and return of women and men alongside the empowerment of women.

### **Youth**

34. Youth between the ages of 15-29<sup>13</sup>, represent approximately 33 percent of the population of the country with over 61 percent of them live in rural areas (CBS, 2011). Youth continue to face challenges related to education, civic engagement, political participation and unemployment. Youth migration is one of the major challenges in rural areas that affect agricultural activities at large. Limited economic opportunities in rural areas, high concentration of economic activities in urban areas, wider availability of low-skilled jobs in Middle East Countries, low economic return of traditional agriculture, and demographic changes are powerful push and pull factors affecting the movement of the youth.

35. Shifting workforce patterns out of low return primary agricultural production and into higher productivity sectors is and expected part of economic development process for a country. Yet the challenges in the sector mean that opportunities for interested youth to engage in higher return modern smallholder commercial agriculture and remain in their communities are being missed.

36. As well as the well document issues facing all smallholder agriculture, (fragmented production and supply chains, limited irrigation, access to credit, weak market linkages), youth face several additional specific challenges. Access to credit for investment is particularly challenging, where they have few assets of their own or other incomes source. Other important push factors out of agriculture and rural areas include: lack of proper visioning and planning of life; insufficient mutual discussions and understanding among couples; over controlling attitude of parent; insufficient support system to promote youth in commercial agriculture and limited or poorly targeted public investment to promote economic activities and private investment in rural areas. In rural areas youth who are self-employed often have little to show in terms of income and market access. The status of farming is also an important factor – with the traditional farming of their parents seen as hard and un-glamorous work, with uncertain incomes and low social status of agriculture (often affecting their marriage). Self-employment for youth is also constrained due to lack of knowledge and access to efficient production technology, lack of business skills and financial literacy and the inability of youth to access finance. Changing the perception of farming to be a respected modern profession, with farming as a business, is important in attracting youth. Real role models and success stories are critical.

37. The challenges of young women's participation in the labour force are even more pronounced. Newly married women in migrant families, whose husband have migrated overseas for work, often live with the husband's family, especially in the Terai and middle class families. In many cases these women do not have proper communication with husbands and support system from parents-in-laws. They have little control over the own time or the resources and income of their husbands. Such women and their husbands are considered as high-risk households. The different groups within youth require specific attention with regard to the constraints and challenges of exclusion, inequality and discrimination. These groups include young women vulnerable to sexual abuse, trafficking and exploitation; historically marginalized indigenous youth; disadvantaged young women and girls; Dalit youth; young people with disabilities; youth without basic education; unemployed youth; migrant workers and their families; rural landless and land-poor youth; young bonded and forced laborers; young urban slum dwellers and squatters; conflict-affected youth; young people especially vulnerable to climate risks; sexual and gender minority youth; and young people living with HIV, among others<sup>14</sup>

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<sup>13</sup> In Nepal, youth are officially defined as being 16-40 years old. For consistency, this is the definition that will be used for monitoring and reporting purposes within the programme.

<sup>14</sup> UNDP Nepal Youth Strategy 2018-2022

38. This situation calls for development programmes supporting agricultural value chain development, entrepreneurship skill enhancement and greatly increased access to institutional finance at rural areas. Promotion of competitive, smallholder-based agriculture supply chains will help create opportunities to utilize remittances more effectively for productive purposes and ultimately encourage migration returnees and increase the investment in rural areas, increase the productivity of youths and profitability of agriculture.

### **Demography**

39. Fertility and mortality decline are key aspects of demographic transition. Nepal is facing a relatively short window of favourable demographics. Based on the most up-to-date projections, Nepal will transition to an "ageing society" in 2028, and into an "aged society" by 2054, making the transition from "ageing" to "aged" in just 26 years. In terms of an ageing transition, from ageing to aged, Nepal's duration is projected to be close to that of Japan's, which at 26 years is among the fastest ageing transitions in the world. This will create increasingly urgent policy and investment challenges over the next decade to take advantage the demographic dividend in order to catalyse both economic growth and social development<sup>15</sup>. Appropriately designed youth sensitive supply chain programmes are one mechanisms for immediately leveraging the current demographic dividend of Nepal.

### **Indigenous Peoples**

40. Nepal is a multi-lingual, multi-religious, multi-ethnic and multicultural country inhabited by over 125 caste/ethnic groups, 123 languages and 10 religious groups<sup>16</sup>. National census of 2011 calculated 35.8% of the population comprises of indigenous people (IP) and the country has legally recognized 59 indigenous nationalities as an *Adivasi Janajati* and classified in different 5 categories as a) Endangered (10), b) Highly Marginalized (12), c) Marginalized (20), d) Disadvantaged (15) e) Advanced living in mountains (18), Hills (24), Inner Tarai (7) and Tarai (10).<sup>17</sup>

41. There is extreme variation on economic situation of indigenous people-from the *Rautes* who still make their livelihood through hunting and gathering, to the *Newars* and *Thakalis* who are well advanced in commercial and industrial activities. IPs have been adopting either one or more strategies for their livelihood, including foraging, horticulture, agriculture and industrial activities<sup>18</sup>.

42. More generally, a study<sup>19</sup> conducted in 2014 shows that levels of socio-economic exclusion in Nepal vary across indicators and across and within caste/ethnic groups. None of the groups has a significantly lower level of socio-economic exclusion across the broader social groups. Caste/ethnic groups that having high levels of exclusion in one indicator may face higher levels of inclusion in another indicator. However, Hill Brahman/Chhetris and Hill Janajatis have low rates of exclusion across a fairly high number of indicators. Within the broader groups, hill Brahmans, Newars, and Tarai Brahman/Chhetris have similar scores. In contrast, hill and Tarai dalits scored poorly across a number of indicators and often face higher levels of exclusion than other caste/ethnic groups. This above report further concludes on the poverty gap, it is narrowest among hill Brahman/Chhetris and Muslims, and widest among hill and Tarai Dalits. Disaggregated figures show that the

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<sup>15</sup> NPC 2017, DEMOGRAPHIC CHANGES OF NEPAL: Trends and Policy Implications, National Planning Commission Government of Nepal, in association with United Nations Children's Fund (UNICEF), Kathmandu.

<sup>16</sup> CBS (2012) *National Population and Housing Census 2011: National Report*, Volume 01, Kathmandu: National Bureau of Statistics, Government of Nepal.

<sup>17</sup> Classification of official Janajatis by NFDIN 2004,

<sup>18</sup>Bhattachan, K.B. (2012) *Country Technical Note on Indigenous Peoples' Issues*, Federal Democratic Republic of Nepal.

<sup>19</sup> CDSA-TU (2014) *Poverty and Exclusion in Nepal: Further Analysis of Recent Surveys and Census*, Central Department of Sociology and Anthropology (CDSA), Tribhuvan University, Kathmandu.

poverty gap is wider among hill Chhetris than it is among hill Brahmins and wider among other hill Janajatis than it is among Newars.

### **Dalits**

43. National *Dalits* Commission defines *Dalits* as the communities who, by virtue of atrocities of caste-based discrimination and untouchability, are most disadvantaged in social, economic, educational, political and religious fields, and are deprived of human dignity and social justice. Caste Based Discrimination and Untouchability (Offence and Punishment) Act 2011 has made such discrimination punishable in law. National *Dalits* Commission has scheduled 26 castes under Dalit including 7 Hill *Dalit* castes and 19 Tarai/Madhesi Dalit castes<sup>20</sup>. Lack of productive resources and socio-cultural discrimination, lack of opportunities to advance the traditional skills of providing essential services like tailoring, making shoes, making ornaments, preparing agriculture tools, mason and carpentry, and opportunities to acquire marketable skills are the factors that push Dalits in the highest poverty rates. Nepal Living Standard Survey III (2011), shows that poverty rate among Hill *Dalits* and Tarai *Dalits* is 43.63 percent and 43.16 percent respectively while the average poverty rate is 25.16<sup>21</sup>. As mentioned above study conducted by Central Department of Sociology and Anthropology, hill and Tarai Dalits scored poorly across a number of indicators and often face higher levels of exclusion than other caste/ethnic group (CDSA, 2014). Among *Dalits*, *Musahars* and *Doms* are most marginalized as well as landless Tarai *Dalits*<sup>22</sup>. Programme interventions such as facilitation for arrangement of rented land, collateral free credit, introduction of efficient production technology, selection of profitable crop varieties, involvement in household mentoring through Heifer Corner Stones approach for most vulnerable women with comprehensive packages of financial knowledge and business skills will facilitate to promote involvement of very poor and vulnerable *Dalit* women to get benefit from the programme.

### **Nutrition**

44. Nepal has made impressive strides in reducing the prevalence of stunting (chronic undernutrition) nationally, which fell from 57% in 2001, to 36% in 2016. Stunting prevalence for children under 5 years does vary by region; it is 55% in state 6 and 29% in Province 4. Moreover, the chronic undernutrition rate varies by maternal education and wealth levels—23% of children whose mothers have secondary education are stunted, while the rate rises to 46% of children whose mothers had no formal education. (USAID, 2018)

45. The high prevalence of adolescent underweight, combined with the persistent and high adolescent pregnancy rate, is a disturbing trend. Adolescent pregnancy is associated with a 50 percent increased risk of stillbirth and neonatal death, and an increased risk of low birth weight, premature birth, asphyxia, and maternal mortality. Furthermore, the risk of stunting is 36% higher among first-born children of girls under 18 years in South Asia. (USAID, 2018) This suggests that young women should be a particular priority for the programme for unlocking issues of gender, youth and nutrition.

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<sup>20</sup> **List of Hill Dalit:** Gandharva (Gaine), Pariyar (Damai, Dargee, Suchikar, Nagarchee, Dholee, Hudke), Badi, Bishwokarma (Kami, Lohar, Sunar, Od, Chunanra, Parki, Tamata), Mijar (Sarki, Charmakar, Bhool), Pode (Deula, Pujari, Jalari) and Chyame (Kuchikar, Chyamkhal); **List of Tarai Dalit:** Kalar, Kakaihiya, Kori, Khatik, Khatwe (Mandal, Khang) Chamar (Ram, Mochi, Harijan, Ravidas), Chidimar, Dom (Marik), Tatma (Tanti, Das), Dushadh (Paswan, Hajara), Dhobi (Rajak, Hindu), Pasi, Bantar, Musahar, Mestar (Halkhor), Sarbhang (Sarbariya), Natuwa, Dhandi and Dharikar/Dhankar

<sup>21</sup> CBS 2011, Nepal Living Standard Survey, Central Bureau of Statistics, Government of Nepal, Kathmandu.

<sup>22</sup> Human Rights Situation of Dalit Community in Nepal, Submission to the United Nations Universal Periodic Review of Federal Democratic Republic of Nepal for Second Cycle, TwentyThird Session of the UPR, Human Rights Council, 2-13 November 2015

46. Nepal Demographic and Health Survey (NDHS), 2016<sup>23</sup> has shown that the national household food security is only 48.2% whereas in rural areas the percentage is only about 38.8%. About 10% of the households are severely food insecure. Geographically, the mountain regions suffer from more food insecurity where the percentage of food secure households is 38.4% compared to Terai where the statistics is about 51%. Furthermore, the severely food insecure households in mountain region are about 13.8% compared to 9.2% of Terai region. Among the provisional Programme working States, Karnali State (6) has the lowest level of food security with food secure households are only 22.5% and the severely food insecure households are about 17.5%. State two has 43.1% food secure households and 10.7% households are severely food insecure. Food secure and severely insecure households for State five and three are 48.4%, 55% and 10.2% and 8.5% respectively (NDHS, 2016).

47. Poor nutrition, food insecurity, and malnutrition continue to pose risks to Nepal's population, despite the country's progress in reducing stunting in under five years' children from 57 per cent in 2001 to 37.3 per cent in 2014 and 36 per cent in 2016 (NDHS 2016, MICS,2014<sup>24</sup>). There continues to be a need to accelerate the progress in this reduction in order to achieve the World Health Assembly target of relative reduction of 40% of the total number of children stunted compared to 2012 baseline by 2025<sup>25</sup>.

48. Nepal has a very high rate of child malnutrition - 36% and 27% of children under five are stunted and underweight, respectively. Poor dietary diversity is a major causal factor. Poor maternal nutrition, especially among adolescent girls, significantly contributes to an intergenerational cycle of malnutrition and poverty. Inadequate infant and young child feeding (IYCF) practices also contribute to high prevalence of undernutrition. About 17% women of reproductive age have chronic energy deficiency (Body Mass Index less than 18.5) and 41% of those populations are anaemic (NDHS, 2016). Similarly, women and children also suffer from some of the world's highest levels of vitamin and mineral deficiencies which can be emphasized by the fact that Vitamin A deficiency is the cause of death of approximately 6,900 children in Nepal each year. One in five (21%) children is born with low birth weight in Nepal reflecting malnutrition in the womb. As a result, 2 to 10 times the risk of death and at higher risk of diabetes and cardiovascular disease in adulthood is reported. Iodine deficiency in pregnancy causes more than 200,000 babies a year to be born mentally impaired and IQs that are 10 to 15 points lower than those with normal birth. About 2-3 % of GDP (US\$ 250 to 375 million) is lost every year in Nepal on account of vitamin and mineral deficiencies alone. The wider availability of diversified and high nutritional value foods in the household and local communities is therefore a key priority, to which VITA will contribute through the development of increased local supply of a series of diversified high nutritional value foods stuff including meat, fish, dairy, vegetables, fruits, potato, honey and more. The new crop varieties with high nutritional value and benefits will be given higher priority. Project will promote and support the development of post-harvest management, storage and processing technologies at the community and household level. The project will focus on gender responsive and nutrition sensitive value chains, pro-poor investment in sustainable agriculture, maternal education and awareness of optimal nutrition practices and convergence with ongoing nutritional programmes of Government of Nepal. A key driver of poor nutritional is the low nutritional status of young women and teenage girls combined with the high level of teenage mothers. These are, in turn, primarily driven by societal and intra-household attitudes. A key focus of the GALS lite activities with POs will therefore be to address these attitudes, including through the visioning exercises accompanied by mentoring of parents and the women

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<sup>23</sup> Ministry of Health, Nepal; New ERA; and ICF. 2017. Nepal Demographic and Health Survey 2016. Kathmandu, Nepal: Ministry of Health, Nepal

<sup>24</sup> Central Bureau of Statistics, 2015. Nepal Multiple Indicator Cluster Survey 2014, Final Report. Kathmandu, Nepal: Central Bureau of Statistics and UNICEF Nepal.

<sup>25</sup> Global Nutrition Monitoring Framework: operational guidance for tracking progress in meeting targets for 2025. Geneva: World Health Organization; 2017. Licence: CC BY-NC-SA 3.0 IGO.

## Nepal

### Value Chains for Inclusive Transformation of Agriculture (VITA) Social Environment and Climate Assessment (SECAP) review note

themselves to be able to identify pathways they can follow-up to make genuine changes in this area. Anecdotal results from the recent pilots of GALS in State 2, have shown very positive results in changing such intra-households attitudes and the status of women in their household.

49. The National Planning Commission has set 5 targets with its benchmarks to meet the SDG-2, 'Ending hunger, achieve, food security and improved nutrition, and promote sustainable agriculture.'<sup>26</sup> These are:

- i) to end hunger and ensure access by all people, in particular, the poor and people in vulnerable situations.
- ii) to end all forms of malnutrition, including stunting and wasting in children under five as well as provide sufficient nutrition to adolescent girls, pregnant and lactating women, and older persons.
- iii) to double the agricultural productivity and incomes of small-scale food producers, in particular women and indigenous peoples. This is to be achieved through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition.
- iv) for the food production systems to be sustainable and resilient agricultural practices that increase productivity and production along with strengthening capacity for adaptation to climate change, extreme weather, drought, flooding, and other disasters.
- v) to maintain the genetic diversity of seeds of both cultivated and wild plants and animals. This target also describes ensuring access to and fair and equitable sharing of benefits arising from the utilization of genetic resources and associated traditional knowledge.

50. The multidimensional poor population in Nepal are 28.6 percent. The indicators that contribute most to multidimensional poverty in Nepal are undernutrition and households that lack any member who has completed five years of schooling<sup>27</sup>. There are clear opportunities allowing to further reduce these levels of multidimensional poverty by increasing availability and access to higher nutrient value foods for women and marginalized, especially in rural areas, through their own involvement in production and marketing of such products via a systemically designed and implemented agriculture supply chain programmes. Enhancing the attitudes, knowledge and practices of regarding available nutritious products through peer-to-peer based mentoring – as planned via the business skills training and Heifer corner stone-based approach in the programme leading to improved nutrition.

51. The lessons from HVAP demonstrate that interventions in increasing production and marketing of food stuffs in supply chain process also increased the dietary diversity of the smallholder producers by 1 percent<sup>28</sup>. Increased access to nutritious diets through production of diversified high nutrient value food stuffs, including from horticulture and livestock products; wider exposure to markets; increased income and social mobilization along with a comprehensive package of financial knowledge and business skills; combined with good nutrition knowledge for a balanced diet; and use of the GALS-lite elements and

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<sup>26</sup> NPC/GoN, 2015. Sustainable Development Goal, Status and Roadmap: 2016-2030, National Planning Commission, Government of Nepal 2017.

<sup>27</sup> NPC 2018, Nepal's Multidimensional Poverty Index: Analysis Towards Action, National Planning Commission, Government of Nepal and Oxford Poverty and Human Development Initiative (OPHI), Oxford Poverty and Human Development Initiative (OPHI), University of Oxford, Oxford Poverty and Human Development Initiative (OPHI), University of Oxford, Kathmandu

<sup>28</sup> Kafle, K., Krah, K., and Songsermsawas, T. 2018. Impact assessment report: High Value Agriculture Project in Hill and Mountain Areas (HVAP), Nepal. IFAD, Rome, Italy.

Heifer corner stone based approach will facilitate to improve the nutritional status of under 5 children, pregnant and lactating women. VITA will also focus on selection of gender responsive and nutrition sensitive value chains, pro-poor investment in sustainable agriculture, maternal education and awareness of optimal nutrition practices and convergence with ongoing nutritional programmes of Government of Nepal.

### **Land rights and access**

52. Poverty in Nepal is highly correlated to the size and quality of landholdings. The poorest are those land-poor families especially women, Dalits, ethnic minorities, economically poor people, and agricultural laborers. There have been past efforts at land reform mostly concentrated on securing land rights of the family, without much regard for differences in land ownership of individuals within households and with little success in equalizing highly skewed land holdings, reducing landlessness and improving security of land tenure. There are an estimate 1.3 million landless, land poor and other families holding nearly 10 million parcels of land without formal recognition and under continued threat to eviction (UN Habitat, 2020). These chronic land issues helped to fuel the years of conflict but the new approved Land Act of February 11 2020 will contribute to change these issues.

53. There is a growing body of evidence linking women's land ownership and household welfare. However, according to the population census of 2011, women enjoy ownership over land and property in only 19.71 per cent of households in Nepal. While this is an increase over a 10-year period, it should be noted that 77 per cent of all households in the country reported to have ownership of agricultural land and in only 10.7 per cent of the households, women had land in their names. So, while progress has been made, women still lag far behind as far as land ownership is concerned.

54. A study conducted in 3 districts reports that women face numerous gender-specific barriers to accessing, owning and controlling land including: i) the dominant patriarchal value in which the land is passed through the male line with the perception that daughters are sent off to her husband's house after marriage is a prime obstacle for women to be considered coparceners in family property; ii) the societal recognition that the husband is the sole decision maker and the presumption that women cannot handle property and land transactions as well as men do and should be relegated to doing household chores and taking care of the family; iii) Limited awareness of the legal provisions related to their rights to own land such as the tax exemption when registering land in the name of the woman, the minimal registration cost for joint ownership of spouses, or information on land transfer, registration and requirements primarily due to low level of education; iv) the mobility constraint and the long distances to the local land office; v) the process of land registration and transfer is male dominated, often lengthy and time-consuming which entails high administrative costs and require a lot of different documents (IOM 2016).

55. When women own land, it is almost half (0.4) that of men (0.7) according to the national statistics collected in 2014 by CBS. Female-headed households accounted for 19.7 percent of the total agriculture landholders in 2011, a rise from 10.8 percent in 2001 (SAHAVAGI, 2016). Land is the most important source of collateral, the lack of or small landholdings limit their access to credit and the purchasing of crucial inputs which ultimately results in low productivity.

56. When women take up the role of household head this does not translate into their decision-making power. With the exception of single women living alone or with young children, women do not necessarily have control over the property they own, and the decisions related to any kind of transaction of such property is taken by the men of the family, whether it is the father, husband or the son even when they are working abroad or outside the district. Men remain the decision-makers.

57. Paralegals and groups are very good sources of land related information women interested in registering, owning or selling a piece of land. Paralegals are seen as helpful

## Nepal

### Value Chains for Inclusive Transformation of Agriculture (VITA)

#### Social Environment and Climate Assessment (SECAP) review note

to help women and minority groups arrange all the necessary documents and letters and complete all land related transactions. Upon completion of all the processes, service seekers pay certain fees to the paralegals. It is recognized that more female paralegals are needed in the field. Women also receive information on legal provisions on land ownership through the meetings of the groups they are members of such as Savings and Credit groups; Mothers groups, and Land Rights Forum. Other groups include forest groups, consumer groups, and land rights groups.

58. In term of land for agriculture, around 84% of farms in Nepal are owner-operated and about 10% of land is held under some form of registered tenancy. The actual incidence of tenancy is likely significantly higher due to the presence of informal unregistered tenants. Sharecropping is the most common form of tenancy. Most leased land is worked by households that farm their own land and rent-in additional land when they have the capacity. Landless farmers work about 2% of total farm holdings. (USAID, 2018)

59. In Nepal, landless and land-poor youth is a major challenge. Youth's limited access to land, and most importantly their limited involvement in policy dialogues are some of the major challenges that restrict youth involvement in agriculture. The new land act of February 2020, offers new opportunities for youth land rights, along with land lease and rental. Unless, youth centered policies and plans are in place and youth participate in policy dialogue, the youth potential in agriculture will not be realized.

60. The distribution of agricultural land is uneven as the majority of small farmers operate only 18 percent of the total agricultural land with an average holding size of less than 0.5 hectare, less than the average national land holding size (0.7 hectare) (CBS, 2014d). On the other hand, 22 percent of the land is operated by large farms with more than 2 hectares. The remaining 60 percent of land is owned or operated by medium-sized farms with an average agricultural land between 0.5 and 2 hectares (CBS, 2014d). The fragmentation of land is higher in rural as compared to urban areas, suggesting there may be challenges in the use of modern technologies.

61. Large areas of private rural holdings (an estimated 17%–60%, with the higher percentages in the hills and mountains) are uncultivated. Some land is unsuitable for farming, and some is left fallow under systematic crop rotation, but most of the land is idle due to lack of irrigation, low yields, or the absence of a family member able to farm the land (usually due to migration from rural to urban cities or foreign countries in search of employment). In some cases, landowners report not renting out idle land for fear that tenants will claim rights under land legislation that grants tillers rights to claim a share of cultivated land. Although the legislation officially ended in 2001, fear remains that the law may be re-introduced and they feel vulnerable to unfair ownership claims. (USAID, 2018)

62. At the policy level, women's rights to land have been taking a progressive turn. New laws have been drafted to ensure that the legal framework improves and protects the rights of women. However, socio-cultural norms have prevented women, especially those in the rural areas, from benefitting from tax discounts and other incentives that the Government of Nepal (GON) provides for joint/women registration, equal ancestral inheritance and spousal rights.

63. There has been significant progress at the policy level in recent years. Following the promulgation of the new Constitution in September 2015, the Government of Nepal amended the Lands Act of 1964 through enacting a Lands (Seventh Amendment) Act in 2018 which provided a legal framework for implementation of Article 40 (5) of the Constitution on the provision of land to landless Dalits ("The State shall once provide land to the landless Dalit in accordance with law."). This was endorsed in September 2018 and paved way for yet another Bill for an Eighth Amendment of the Land Act which proposed to allow ownership of land for "landless squatters" and "unmanaged dwellers". This 8th Amendment Bill to the Land Act was passed on September 19, 2019. The new Land Act finally came into force on February 11, 2020. The National Land Policy adopted by the Government of Nepal in March 2019 commits to securing tenure and land ownership,



protection of land rights, rehabilitation of the landless, squatters and informal tenure-holders for improved housing, equitable access to land for all, including women and vulnerable groups. This policy is intended to support the achievement of the national goal of sustainable development through good land governance. The Land Act should provide a legislative framework to achieve these policy goals. (UN Habitat, 2020)

64. The major highlights of the legislation are:

- i) The land authority shall distribute the land equally among the landlord and the tenant, thus protecting the land rights of the tenants and dispelling dual ownership over land.
- ii) Landless squatter families who have no land anywhere in the country and have no economic means to procure a piece of land will be provided with a parcel of land and land title free of cost for one-time up-to a designated size preferably at their original site of informal holding or relocated to any other appropriate site as deemed necessary in case they are currently residing in designated critical areas. The law provides for some restrictions to ensure the family does not become landless again.
- iii) In case of other informal tenure holder residing in government land for more than 10 years and who also have registered land elsewhere in the country, they may be provided with land title for the piece of land up-to a designated size upon payment of levy calculated on the basis of their economic status, residential status, type of land, area of land, land value, duration of the informal landholding, and status of landholding elsewhere.

65. The law demands for a thorough assessment of the persons, families or households and land parcels for the identification, verification and recordation of landless squatters and informal tenure holders, their landholdings and information on different criteria to decide on the amount of levy to be imposed in case of non-landless informal tenure holders. In this process, more work on developing additional rules and regulations, and technical guidelines is necessary. Work has already begun on piloting practical tools in critical areas, including:

- i) The Social Tenure Domain Model (STDM), a pro-poor, gender responsive, participatory and affordable land information system for capturing person/s to land relationships cognizant of the land rights continuum, has been implemented in Nepal and has proven to be technically sound to generate the information required to implement on the new Land Act.
- ii) Fit-For-Purpose Land Administration (FFP-LA) strategy has been developed and FF-PA. STDM and FFP-LA application have been piloted together in several settlements.

66. The Land Policy is intended to directly address the issue of land administration and land management reforms under six major and key pillar objectives: Security of tenure; Access to land; Land Use; Land Valuation, taxation and land market; Land acquisition, and; Modernization of land administration services. It is underpinned by a strong inclusive agenda that considers the issues affecting the land rights of women and vulnerable groups. This includes: Rehabilitation of landless, squatters and informal tenure-holders for improved housing; Access to land and security of tenure; Tenure security for landless peasants for farming; Women's access to land ownership, and; Optimum use of land for sustainable housing. (Global Land Tool Network, 2020)

67. The policy also considers key environmental challenges related to food security, infrastructure development, and the application of Fit-For-Purpose techniques in land administration. In moving to implementation, there are a number of areas now expected to be prioritised, including (Ibid):

## Nepal

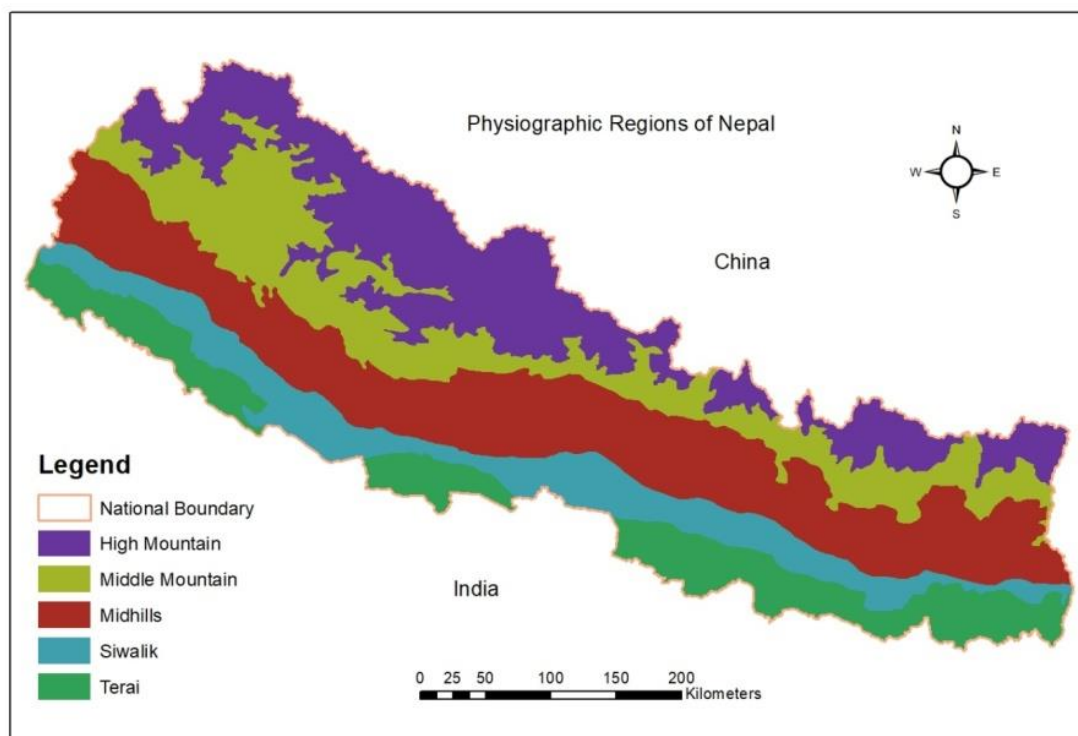
### Value Chains for Inclusive Transformation of Agriculture (VITA)

#### Social Environment and Climate Assessment (SECAP) review note

- i) Dialogue and capacity building with multiple stakeholders at provincial and local levels on the benefits of the land policy.
- ii) Capacity building on practical tools like the Fit-For-Purpose approach and how it can be used to address outstanding land administration challenges in line with federal restructuring.
- iii) Identification, Verification and Recordation (IVR) of informal tenure-holders covering approximately 25% of arable land.
- iv) Amendment and enactment of land legislation at the federal, provincial and local levels in line with the provisions of the new land policy.
- v) Training and implementation of Land Use Planning at the municipal levels.
- vi) Collaboration with national agencies, development partners and civil society organizations to fill the financial and technical gaps required to implement the policy.

### 3. Environment and climate context, trends and implications

68. **Geography:** Nepal is a landlocked country with incredible geographic diversity that ranges from tropical alluvial plains in the south area to the very rugged and permanently snow and ice capped Himalayan Mountain in the north. There are five major physiographic zones based on geology and geomorphology, from north to south: the High Himal, High Mountains, Middle Mountains, Siwalik and Terai Plains. Lengthwise, all the zones extend from east to west across the country.



**Figure 1 Physiographic Regions of Nepal (Source: Department of Survey, GoN)**

69. The lowland terai region – below 500 m asl. – is the northern part of Indo-Gangetic plain. The terai extends nearly 800 km from east to west and about 30-40 km from north to south. The Siwalik, a narrow east-west belt of hills ranging between 500-1000m asl and

only 10-50 km in width, marking the northern boundary of the terai plains and the southern boundary of the middle mountains. The middle mountains range from 1000 to 3000 m asl which is also called as Mahabharat range and is cut in many places by antecedent rivers such as Koshi, Gandaki (Narayani), Karnali and Mahakali. The high mountains range from 3000 to 5000 m asl and the high Himal above 5000 m asl. The climate varies significantly. In general, climatic zones are categorized by temperature regimes based on altitudinal ranges. Tropical climatic zones occur below 1000 m asl, sub-tropical to temperate climates between 1000 – 3000 m asl, sub-alpine to alpine climates between 3000 – 5000 m asl and tundra/arctic climates above 5000 m asl.

**Table 3 Physiographic and Bioclimatic zones of Nepal<sup>29, 30</sup>**

Physiographic Zone	Coverage (%)	Elevation (m)	Bioclimatic Zone
High Himal	23	Above 5000	Nival (Tundra and Arctic)
High Mountains	19	4000-5000	Alpine
		3000-4000	Sub-Alpine
Middle Mountains	29	2000-3000	Montane (Temperate)
		1000-2000	Sub-Tropical
Siwalik	15	500-1000	Tropical
Terai	14	Below 500	

70. **Biodiversity<sup>31</sup>:** The unique geography with its spectacular changes in elevation within relatively short north-south span, and the associated high variability in eco-climatic conditions, has resulted in a highly rich diversity of flora and fauna in the country. The country has 118 ecosystems, including forest ecosystem (112), cultivation ecosystem (4), water body ecosystem (1) and glacier/snow/rock ecosystem (1). Within 0.1 percent of global area, Nepal harbours 3.2 and 1.1 percent of world's known flora and fauna. A total of 284 species of flowering plants, 160 animal species, 1 species of bird, and 14 species of herpetofauna are recorded as endemic to Nepal. Nine species of plants, 55 mammals, 149 birds, 64 herpetofauna, and 21 fish are included in the International Union for Conservation of Nature (IUCN) Red List. Similarly, 15 groups and species of plants, 52 mammals, 108 birds and 19 reptiles and three insects have been listed in the Convention on International Trade in Endangered Species of Flora and Fauna (CITES) Appendices. Several species of plants and animals, including 27 mammals, 9 birds, 14 angiosperms, and 4 gymnosperms have been declared as protected species by the government.

71. Most of the Nepalese people are directly or indirectly linked to biodiversity for their livelihood and economic well-being. Biodiversity relates to every aspects of livelihood including agriculture productivity, food security, human health, nutrition, indigenous knowledge, gender equality, culture, climate, water recourses and aesthetic value to the society.

72. The predominant threats to biodiversity as a whole remain natural habitat degradation and loss due to expansion of settlements, agriculture, and infrastructure, overexploitation, and invasion by alien species, and pollution of water bodies. Agrobiodiversity has been threatened by improper use of insecticides and pesticides, and rapid expansion of hybrid varieties - for example in rice: Kaveri gold, Gangotri, Chandan,

<sup>29</sup>Dobremez, J. F., 1976. Le Népal: Écologie et Biogéographie [Ecology and Biogeography of Nepal]. Centre Nationale de la Recherche Scientifique, Paris, France.

<sup>30</sup>GoN/MoFSC 2014. Nepal Biodiversity Strategy and Action Plan 2014-2020. Government of Nepal, Ministry of Forests and Soil Conservation, Kathmandu, Nepal.

<sup>31</sup> CBD, 2014. Nepal Fifth National Report to Convention on Biological Diversity (2014). Environment Division, Ministry of Forest and Soil Conservation, Government of Nepal.

Khusi and Mamsa , and maize: 10V10, Sresta, Banni, 9081, Dragon, Rajkumar varieties. These varieties generally demand higher volumes of water, fertilizers, and pesticides and also have a shorter rotation period thus increasing the use of soil nutrients and deteriorating soil quality if not properly managed. Widespread mining of gravel from streams and rivers beds for private and public construction and infrastructure development works has emerged as a major threat to aquatic biodiversity. Little attention has been given by a number of development projects in recent years to environmental safeguards posing a direct threat to diversity. This has caused considerable damage to biodiversity and local environment (CBD, 2014). VITA's activities will be confined to areas designated to agricultural use and agro-forestry and will not involve areas designated for forestry and those with high biodiversity values. Forest encroachment will be strictly monitored in collaboration with Divisional Forest Offices. Dependency on forest product like fodder/forage will be reduced by sufficiently plantation of fodder and forage in private lands and promoting stall feeding. Non bio pesticides and fertilizers will be discouraged and use of bio products will be encouraged.

73. **Forestry:** Forest occupies 40.36% of the total area of country and other wooded land covers 4.38%<sup>32</sup>. Forest and other wooded land occupy 20.88% of Terai, 73.56% of Siwalik, 53.75% of Mid Mountain and 37.81% of the High Mountain and High Himal. The forest ecosystems are categorized in to ten major groups: i) tropical, ii) subtropical broad-leaved, iii) subtropical conifer, iv) lower temperate board-leaved, v) lower temperate mixed broad-leaved, vi) upper temperate broadleaved, vii) upper temperate mixed board-leaved, viii) temperate coniferous, ix) subalpine, and x) alpine scrub<sup>33</sup>.

74. Forest biodiversity outside the protected areas falls under the six main types of management practices: i) community, ii) collaborative, iii) leasehold, iv) religious, v) protection, and vi) government-managed. Millions of households are now directly benefiting from forest under the widely acclaimed community-based forest management and participatory protected area management programs.

75. Increasing high demand of agriculture land and high dependency on forests for meeting subsistence needs like fuel, fodder, construction materials have caused substantial degradation of forests, particularly in the *Terai* and *Siwalik* regions.

76. Non Timber Forest Products (NTFPs) together with Medicinal and Aromatic Plants (MAPs) play a critical role in meeting the food and healthcare requirement of a significant portion of rural people, mostly in the mountains. Several valuable herbs like *Swertia Chirata*, *Nardostachys grandiflora*, and *Cordyceps sinensis* have generated considerable employment opportunities and income for local people in remote areas. However, few commercially valuable NTFPs, especially medicinal plants like *Aconitum species*, *Dactylorhiza hatagirea*, *Ephedra gardiana*, *Nardostachys grandiflora*, and *Valeriana wallichii* are facing unsustainable exploitation<sup>34</sup>.

77. **Water resources** (WECS, 2011): Nepal is rich in water resources. There are about 6,000 rivers having drainage area of 191,000 sq. km, 74 % of which lies in Nepal alone. There are 33 rivers having their drainage areas exceeding 1,000 sq. km. If this natural resource is properly harnessed, it could generate hydropower; provide water for irrigation, industrial uses and supply water for domestic purposes.

78. Rivers of Nepal can be broadly classified into three types, in accordance to their origins: The first category comprises of the four main river systems of the country: Koshi, Gandaki, Karnali and Mahakali river systems, all of them originating from glaciers and snow-fed lakes. Rivers of the second category originate from Mahabharat range which includes Babai, West Rapti, Bagmati, Kamala, Kankai and Mechi etc. Streams and rivulets

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<sup>32</sup> DFRS, 2015. State of Nepal's Forests. Forest Resource Assessment (FRA) Nepal, Department of Forest Research and Survey (DFRS). Kathmandu, Nepal.

<sup>33</sup> Stainton, J.D.A. (1972) Forests of Nepal. John Murray, London.

<sup>34</sup> <http://www.floraofnepal.org/countryinformation/listedplants/medicinal> accessed on October 12, 2019

originating mostly from the Chure hills make up the third category; these rivers cause flash floods during monsoon rains and remain without any flow or very little flow during the dry season.

79. Currently, about 10% of total precipitation in Nepal falls as snow, about 23% of Nepal's total area lie above the permanent snowline of 5000 m., about 3.6% of Nepal's total areas are covered by glaciers. There are 3,252 glaciers covering an area of 5,323 sq.km with an estimated ice reserve of 481 km<sup>3</sup>. There are 2,323 glacial lakes in Nepal covering an area of 75 sq.km. The surface water available in the country is estimated to be about 225 billion m<sup>3</sup>(BCM) per annum or equivalent to an average flow of 7,125 m<sup>3</sup>/s, out of which only 15 BCM per annum is in use. Around 95.9% of 15 BCM has been used for agriculture, 3.8% for domestic purpose and only about 0.3% for industry. It is observed that around 78% of the average flow of the country is available in the first category river basins, 9 % in the second category basins and 13 % in the numerous small southern rivers of the Terai. Studies have shown that the first Category Rivers have surplus flow but the second category rivers have deficit flow in the dry season.

80. In addition to surface water, a large volume of water is available in the shallow and deep aquifers which are estimated to be 8.8 BCM annually which can be used for irrigation and domestic water supplies.

81. According to the precipitation trend analysis, the annual average precipitation over Nepal is decreasing at the rate of 9.8 mm/decade, however the Koshi basin shows increasing trend. Trend of the annual discharge of three major River basins Koshi, Gandaki and Karnali indicates that the discharges in these major basins are decreasing annually but, the annual discharges in southern basins were in increasing trend.

82. Analyses of monthly flow trend of some of the rivers indicate that the contribution of snow melt in runoff is in increasing trend for snow-fed rivers, similarly for non snow-fed rivers, dry season flows are decreasing and wet season flows are increasing. The impact on snow and glacier is found to be very high. Negative trends are observed in the glacier mass balance. Glacial Lakes are expanding and the threats of Glacial lake Outburst Floods (GLOF) are ever increasing.

83. Annex 4 provides a summary of the average precipitation and mean temperature of Nepal for different seasons during the reference period (1981-2010).

84. **Protected Areas:** Protected areas remain the dominant approach to biodiversity conservation in Nepal. Out of the total forest area, 4.39 million hectares (82.68%) lies outside the Protected Areas (PA) and 17.32% inside the PAs together with core areas and buffer zones. These include 12 national parks, one wildlife reserve, one hunting reserve and six conservation areas, and buffer zones. The main focus of the national parks and wildlife reserves is conservation of flagship wild fauna, such as tiger, rhinoceros, Asian elephant, snow leopard and red panda. The key threatening reasons for the protected area biodiversity are i) illegal hunting and trade of important wildlife species, ii) human-wildlife conflict, iii) invasion by alien species of flora, iv) intrusion of tree species in to grassland, and v) encroachment of forest areas for cultivation and settlement (CBD, 2014).

85. Figure 2 below shows the location of protected areas with their buffer zones. Five national parks in Terai and Siwalik regions, and two national parks and one conservation area in Mid and High Mountain fall under the proposed 28 programme districts. Starting from the East, Terai and Siwalik regions have Koshi Tappu National Park (State one; Districts: Sunsari, Saptari, and Udayapur), Parsa National Park (States two and three; Districts: Chitwan, Makawanpur, Parsa and Bara), Chitwan National Park (States three and Gandaki; Districts: Chitwan, Nawalparasi East, Makawanpur and Parsa), Banke National Park (States five and Karnali; Districts: Banke, Dang and Salyan), and Bardiya National Park (State Five, District: Bardiya). Likewise, Mid and High Mountain, covering some parts of High Himal, have Shivapuri National Park (State three; Districts: Kathmandu, Nuwakot, Sindhupalchok), Langtang National Park (State three; Districts: Nuwakot, Sindhupalchok

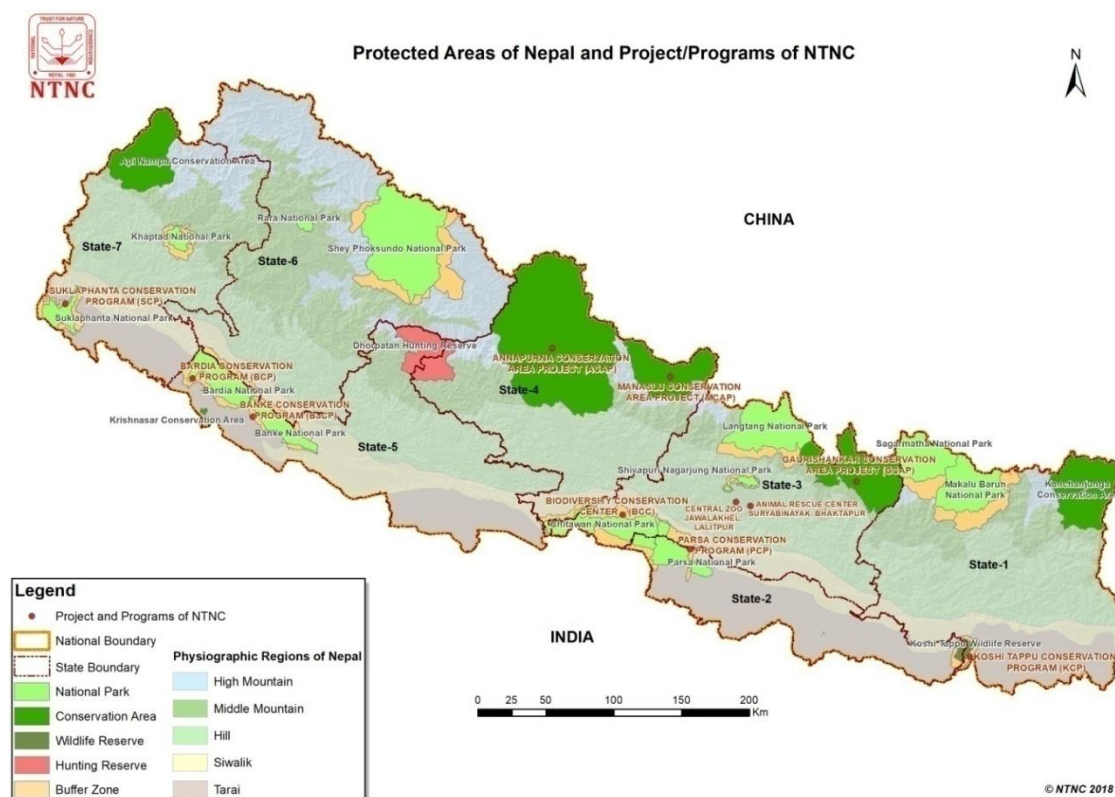
Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

and Rasuwa) and Gaurishankar Conservation Area (State Three; Districts: Ramechhap, Dolakha, and Sindhupalchok).

86. The programme will not work in the sensitive ecological sites and habitats of endangered wild animals. Programme will ensure Free, Prior and Informed Consent (FPIC) if planned to undertake any activities in buffer zone areas, with consent of the responsible authorities.

**Figure 2: Map - Protected Areas of Nepal (adapted from NTNC, 2018)**



87. **Climatic zones:** Nepal's climate varies significantly from north to south and east to west. The climate zones in country are categorized by temperature regimes based on altitudinal ranges. These climatic zones are subtropical (less than 1,000 meter elevation), warm-temperate (1,000-2,000 meter elevation), cool-temperate (2,000-3,000 meter elevation), alpine (3,000-4,000 meter elevation) and arctic (more than 4,500 meter elevation) (DFRS, 2015). The climate is characterized into four different seasons: pre-monsoon (March-May), monsoon (June-September), post-monsoon (October-November) and winter (December-February). Central and mid hill areas have recorded highest rainfall, while the annual rainfall is approximately 1800 mm. Temperature tends to decrease from south to north and decrease with altitude. The country faces the highest temperatures during the pre-monsoon period reaching over 40 °C during the day in Terai region and other low lands - and winter is the coldest season with temperatures in the region of -10 °C in Himalayan areas to 15°C in Terai<sup>35</sup>.

#### 4. Environmental assessment

88. The market driven agriculture, livestock, horticulture, and fisheries supply chains proposed as part of the Programme aiming to substitute imports, generally demand a substantial amount of cultivable land, soil nutrient, fodder, and water resources. Thus, imposing pressure on the environment if not properly managed ranging from degradation of forest resources through the possible increased pressure for fodder and timber extraction for livestock production, processing of crop and meat, and related infrastructure development. An increase of livestock numbers and intensive agricultural practices could exceed the carrying capacity of the land which could increase water resource depletion, rise pollution due to use of chemicals and pesticides, degrade soil quality, accelerate soil

<sup>35</sup>Ministry of Environment, 2010. National Adaptation Program of Action to Climate Change. Kathmandu, Nepal.

erosion and landslides, and increase pressure on natural resources. Furthermore, there is also a threat of forest encroachment to expand cultivation area and settlement expansion. The Programme has carefully considered these risks and identified specific mitigation measures (see Table 4 and ESMP matrix).

89. Firstly, it is expected to increase cropping area in the programme sites but only through the reintroduction of cropping in abandoned farm land in villages, primarily through land rental or purchase or, in the future, potential via the local land banks currently under consideration by different branches of government. The concept of land bank is planned to cultivate previously owned arable land now left largely barren (in part due to out migration). Under this type of land, landowners can deposit uncultivated land for a certain time in the land bank and interested people or group can lease the land for production. Studies suggest significant areas of land have been left fallow due to less production, lack of investment and trend of youth outmigration. A study by Paudel et al (2012) has reported abandoned farmland in studied High hill, Mid hill and Basin area as 44%, 23% and 33% of farming lands respectively. The study found land abandoned trend was higher in relatively poor families. The barren land percentages in studied area were 49% by the poor and 17% ultra-poor compared to 17.7% rich and 16.3% rich household<sup>36</sup>. This seems to indicate that there are strong opportunities to utilize those lands in expanding the commercial value chain approach.

90. Secondly, VITA will only support construction and/or rehabilitation of small-scale infrastructure that has minimal and localised environmental risks and impacts that will be mitigated by known measures included in ESMP.

91. Lastly, the livestock will be promoted based on stall-fed production and the livestock will not be allowed to free graze on rangeland or forests and thus compromise the existing biodiversity. A key first priority in supported livestock clusters will be the promotion of planting improved fodder and forage to provide more secure and sustainable feed resources in advance of expansion of herd sizes. To ensure livestock are not promoted beyond the sustainable carrying capacity of the local resource based, carrying capacity assessment will be completed for all proposed ruminant-based livestock clusters prior to field interventions beginning.

92. The combined impacts of climate change, unmanaged settlement expansion, increased agricultural intensity and infrastructure development in mid-hill areas have threatened existing water sources. It is expected that the additional demand due to production and processing envisaged under the programme will increase the pressure on what are already noted in Nepal to be vulnerable water resources. To mitigate against potential threats the programme will adopt a three-pronged approach:

- i) For horticulture and orchards crops, the programme will promote investments in water efficient technologies such as drip irrigation, micro-sprinkles, in-field catchment ponds and mulching to increase soil water retention.
- ii) For more water intensive crops, such as rice, the programme will only support clusters served by functioning irrigation schemes.
- iii) For livestock and other production, the programme will promote investment in multi-use water supply, including the capture and reuse of domestic water for agriculture.

93. The increasing use of pesticides, medicines and chemical fertilizer is another threat to environment. The commercial supply chain of crops, horticulture, essential oils, livestock and fisheries potentially increases the use of these items. The programme will promote Integrated Pest Management (IPM) approach via local service markets which will

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<sup>36</sup> Paudel, N.S., Bastakoti, B.P., Karki, R., and Bista, R. 2012. Drivers and Dynamics of Agrarian Transformation in Nepal: Review of Broader Socio-economic Issues Around Nepalese Agricultural Development. Kathmandu: ForestAction Nepal.



allow farmers to manage diseases, insects, weeds and other pests in a cost-effective and environmentally sound way. IPM was first introduced in Nepal by FAO in 1996 and is well known. It helps farmers to sustainably maximize production and minimize losses due to insects, weeds and diseases. It is a flexible system that makes good use of local resources and the latest research, technology, knowledge and experience<sup>37</sup>. Programme will encourage the use of farmyard manure, organic and mineral fertilizers; and bio-medicines.

94. The programme will promote sustainable agriculture and livestock practices limiting the use of agrochemicals and medicines, promote environmental stewardship (for example in the promotion of the increased planting of forage and fodder trees to reduce pressure of feed collection and over-grazing in natural forests), enhance quality of life for farm families and communities and increase the production. At the smallholder farmer level, the programme will support a portfolio of crops and livestock that both have market demand and are suitable for local agro-ecological zones and climatic conditions. Environmental management, resource use efficiency and climate adaptation will be integrated into the investment support to farmers, especially via the farm business skills training programmes as well as via the development of suitably skilled local technical service providers. These will support farmer to understand and better consider sustainable agriculture and livestock practices when making their production and farm investment decisions. Secondly, with better links to local technical service providers they will have the means to be able to identify and implement their adaptation related investments in their farms and communities. At the same time the long-term approach to mentoring and training in business and technical skills is expected to significantly improve smallholders' potential to sustain the benefits from Programme interventions even when the Programme support ends.

95. Increased waste stream and pollution from agriculture and livestock farms as well as processing units is another potential environmental impact from the designed Programme. The Programme should coordinate and collaborate with organizations working to recycle agriculture and livestock wastage. The programme will build on the experience from HVAP in this regard that supported the development of a SME in Surkhet producing organic compost from municipal and market waste. It could be translated as an opportunity for income generation and mitigate the environmental impacts related to collection and disposal of solid waste. Programme can also promote new technologies to reduce the waste and pollution. As far as possible, the use of renewable energy technologies for the production, processing and storage will be promoted via local support markets and commercial providers to help to reduce existing levels of pollution. Similarly, the Programme will promote the use of and supply markets for solar dryers, coolers, light systems, and energy for the processing aspects of VITA The programme will learn from the experience of the recent Sustainable Renewable Energy Technologies (SRET) project in Cambodia that has adopted market-based approaches for the promotion of such technologies. These will be incorporated into the support market development scheme under Component 1.

96. The table below summarizes environmental impact of the major programme activities and the proposed solution measures.

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<sup>37</sup>[https://croplife.org/wp-content/uploads/pdf\\_files/Integrated-pest-management.pdf](https://croplife.org/wp-content/uploads/pdf_files/Integrated-pest-management.pdf) Accessed on 23/09/2019

**Table 4: Environmental Assessment of major programme interventions**

SN	Supply chain / activity	Potential impacts on Environment	Risk significance	Mitigation/Adaptation measures
1	Vegetable	Increased soil erosion due to intensive agriculture and topography in hilly areas	Low	i) Mulching, cover and mix cropping, ii) right balance of organic and inorganic fertilizer, iii) improve terracing and hedgerow plantation
		Pesticide and chemical fertilizer Infiltration/ leaching/ run-off	Low to medium	i) Training and advice on proper use of pesticide and fertilizers, ii) easy access to bio-fertilizer and bio-pesticide, iii) to inform fertilizer application and reduce over application iv) increase the use of organic matter to soil, and v) integrated pest management
2	Goat	Increase in number of goats may increase pressure on natural resources (Positive consequences: Reduce open grazing, reduce exposure to vulnerable land, reduce local environmental pollution, improve biodiversity/greenery, improve soil fertility due to use of organic manure)	Low	i) Shift to stall feeding and practice cut and carry feed production, ii) improved shed production with waste (Urine, pellet, dung) capture to produce organic manure and pesticides, iii) Pre-assessment of carrying capacity of goat at ward / municipality level, iv) no support to community that not ready to transform to stall feeding with follow-up monitoring v) Better use of bio-residues(silage)
3	Milk	Increase in number of cow/buffalos may create additional pressure on natural resources for feed and from pollution (Positive: reduced pressure on natural environment, reduce pollution from waste, improved soil fertility, crop residues and waste reduction)	Low	i) Increase the production of own feed resources by additional plantation of fodder and forage, ii) hay/silage production from crop residues, iii) use of wider availability of sexed semen for the better breed production and reduce the number of cattle's iv) improved shed management to increase capture and reuse of both urine and dung as productive resource.
4	Pond base fish farming	Pollution from the pond: Overuse of medicine and feed (leakage) Invasive species interlocation	Medium	i) Improved pond management to keep water healthy including managing proper aeration to keep the water healthy and hence reduce use of antibiotics and medicines and, ii) adequate waste water management system, iii) stocking of multiple

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

SN	Supply chain / activity	Potential impacts on Environment	Risk significance	Mitigation/Adaptation measures
				complementary species in ponds to maximize the benefit – e.g. three species mixed like surface feeder, mid feeder and bottom feeder, iv) integrated fish farming e.g. with ducks and pigs for proper utilization of resources and waste
5	Banana	Monocropping – reducing local bio-diversity and increase disease risks, hence increased used of chemicals and pesticides	Medium	i) Growing different banana varieties, ii) intercropping
		Increase use of Fertilizer and Pesticides	Medium	i) Enforce pesticide testing in market, ii) training farmer on good agriculture practice and IPM
		Demand more use of local water resulting pressure in water resources	Low	i) Proper site selection having year around water availability and adequate irrigation mechanism, ii) promote water efficient technologies, iii) proper agriculture management
6	Seed Potato	Increase the use of Fertilizer and Pesticides	Medium	Proper training farmer on good agriculture practice and IPM, regular soil testing to inform fertilizer application, mulching
		Improper agriculture practices may cause soil erosion	Medium	Cover crops, green manure, intercrop, rotation of crops
7	Cereal seed (Maize and Paddy)	Increased use of Fertilizer and Pesticides	Medium	Proper training farmer on good agriculture practice and IPM, regular soil testing to inform fertilizer application
		Improper agriculture practices may cause soil erosion and landslides	Low	Green manure, inter crop, rotation of crops, low tillage field preparation
8	Citrus Fruit	Not any negative impact		Mulching, integrating cover crops
9	Honey	Not any negative impact		Positive: Supports in pollination which boosts production
10	MAPs	Improper agriculture practices may cause soil erosion	Very low	Less tillage operation, mulching, mixed cropping, Terracing, hedgerow plantation
		Over exploitation of wild resources for some species	Medium	i) Carrying capacity assessment prior to cluster start-up, ii) only supporting cluster with sufficient carrying capacity or exclusive domestic production of target species.

SN	Supply chain / activity	Potential impacts on Environment	Risk significance	Mitigation/Adaptation measures
11	Spice (Ginger/ Turmeric)	Improper agriculture practices may cause soil erosion and landslides	Very low	Less tillage operation, mulching, mixed cropping, Terracing, hedgerow plantation
12	Others (backyard Poultry)	Increased wastage	Medium	Improved management practices integrating waste management and maintaining hygiene
13	Infrastructure	Improper site selection, design, materials and construction activities may result soil erosion and landslide	Medium	i) Climate resilient infrastructure appropriate site selection, design, construction approach/materials, and the provision of post maintenance, ii) Programme will not support the activities that includes the road construction of more than 10 km length and water structure (irrigation) for more than 100 ha

## 5. Climate status and trend

97. This section presents the status, trend and projected scenarios of the climate change and analyses its impacts in programme areas and interventions. It also includes the district climate vulnerability, climate extreme events trends, and scenarios.

98. Data sources: The core of this analysis is based on three detailed recent studies conducted by the Government of Nepal with the support of research organizations and are the source of all data in this section, unless stated otherwise, i) Observed Climate Trend Analysis of Nepal (DHM, 2017), ii) Climate Change Scenarios of Nepal (MoFE, 2018), and iii) Climate Change Vulnerability Mapping for Nepal (MoPE, 2010). Climate hazards information is gathered using different available publications.

- i) DHM, 2017 Observed Climate Trend Analysis of Nepal uses two types of data: i) Daily temperature data from 93 climate stations; ii) for precipitation analysis, 0.05 degree APHRODITE (Yatagaietal., 2009, 2012) daily gridded data issued. Annual and seasonal data are calculated by averaging each time series data (for precipitation, maximum and minimum temperatures) for the period from 1981-2010. The study has used the daily data from 1971 to 2014, both for temperature and rainfall trend analysis based on 1km×1km for temperature and 5km×5km for precipitation daily gridded data set.
- ii) MOFE, 2018. Climate change scenarios for Nepal for National Adaptation Plan (NAP). Ministry of Forests and Environment, Kathmandu. The Fifth Assessment Report has identified four scenarios, or Representative Concentration Pathways (RCPs)- RCP 2.6, RCP 4.5, RCP 6, and RCP 8.5. Each represents different volumes of greenhouse gas emissions, and hence varied levels of their concentration in the atmosphere in the year 2100, implying a particular development trajectory. This report has chosen two possible trajectories- RCP 4.5 and RCP 8.5 as representations of future scenarios for the medium term (2016-2046). Climate scenarios for temperature (mean, maximum, and minimum) and precipitation were developed for the whole Nepal at 10 km resolution. The precipitation and temperature scenarios have been presented compared with the reference period (1981-2010).
- iii) MoPE, 2010 Climate Change Vulnerability Mapping for Nepal provides information on vulnerability to climate change and its magnitude in Nepal. This assessment was

carried out by overlaying climate risk/exposure, sensitivity, and adaptive capacity maps following the vulnerability assessment framework of the United Nation's Intergovernmental Panel on Climate Change (IPCC). It has used data on the spatial distribution of various climate-related risks/exposure in 75 districts of Nepal. The SECAP note has adapted the district vulnerability mapping from this report.

99. Findings and analysis: The annual average precipitation from 1981 to 2010 shows Siwalik region has received the highest average rainfall of 1700 mm per year followed by the Mid-Mountain (1627mm) and Terai (1600 mm). High Himal has least rainfall averaging slightly less than 700 mm per year. More than two-third amount of annual rainfall occurs in monsoon season for all regions. Both maximum and minimum annual temperature decreases with the increase in elevation from south to north. Terai and Siwalik regions are among the hottest regions with average annual maximum temperature with 30.8 and 28.5 degrees Celsius ( $^{\circ}\text{C}$ ), and minimum of 18.8 and 17.1 $^{\circ}\text{C}$  respectively.

100. The overall annual and seasonal maximum temperatures reported to have positive trend in the country. The annual maximum temperature is increasing at the rate of 0.056  $^{\circ}\text{C}$  and minimum temperature is rising at the rate of 0.02  $^{\circ}\text{C}$  per year. The minimum temperature, however, has reported increasing only in monsoon season. The trend of annual maximum temperature is increasing with the elevation from South to North. Terai and Siwalik regions have increasing trend of 0.021 and 0.03  $^{\circ}\text{C}$  while Mid-Mountain, High Mountain and High Himal are becoming hotter by 0.052, 0.068 and 0.86 $^{\circ}\text{C}$  each year respectively. The minimum annual temperature has opposite trend with respect to increase in elevation, trend is higher in Terai (0.018  $^{\circ}\text{C}$ ) and Siwalik (0.016  $^{\circ}\text{C}$ ) than Mid mountain (0.01 $^{\circ}\text{C}$ ), High Mountain (-0.005 $^{\circ}\text{C}$ ) and High Himal (-0.015 $^{\circ}\text{C}$ ); though trends in High Mountain and High Himal are insignificant<sup>38</sup>. Unlike the clear trend of temperature, the trend of overall precipitation is less clear. only in a few districts like Mahottari, Saptari in Terai, the pre-monsoon and monsoon precipitations show upwards trends by nearly 1.5 mm per year while pre-monsoon precipitation shows a negative trend in the high Himalayan region. Comparing to the physiographic regions, only Terai shows a positive trend of 0.49 mm per year and other all regions have negative trends: Siwalik -1.48 mm/yr, Mid Mountain -1.58 mm/yr, High Mountain -3.17 mm/yr and High Himalays -1.46 mm/yr (DHM, 2017).

101. MoFE, 2018 suggests predictions for medium (2016-2045) and long (2035-2065) term climate change scenarios for Nepal corresponding to the 2030s and 2050s respectively-. Its findings suggest that temperature variables are expected to increase continuously throughout the twenty-first century. Mean temperature could rise by 0.9-1.1  $^{\circ}\text{C}$  in the medium-term and 1.3-1.8 $^{\circ}\text{C}$  in the long-term periods. The temperature is projected to increase for all seasons, the highest rates of mean temperature increase is expected for the post monsoon and winter seasons. Average annual precipitation is likely to increase by 2-6% in the medium-term and 8-12% in the long term periods compared to reference period's (1981-2010) average of 1830 mm (MoFE, 2018).

102. Climate extreme indices describe the changes in five extreme events for precipitation and six for the temperature. The number of very wet and extremely wet days has predicted to increase by 0.3 to 2.2 days and 0.9 to 1 day respectively in medium term. It may additionally support to current trend of landslide and erosion. The number of rainy days is decreasing in both scenarios by 3 to 1.6 days. Warm days, warm nights and warm spell duration are seem to be increased in a good number of days which will attribute the overall rise in temperature in future periods. The prediction in decrease of cold nights and days might be associated with the increase in temperature. The elaboration of indices is listed in annex VII.

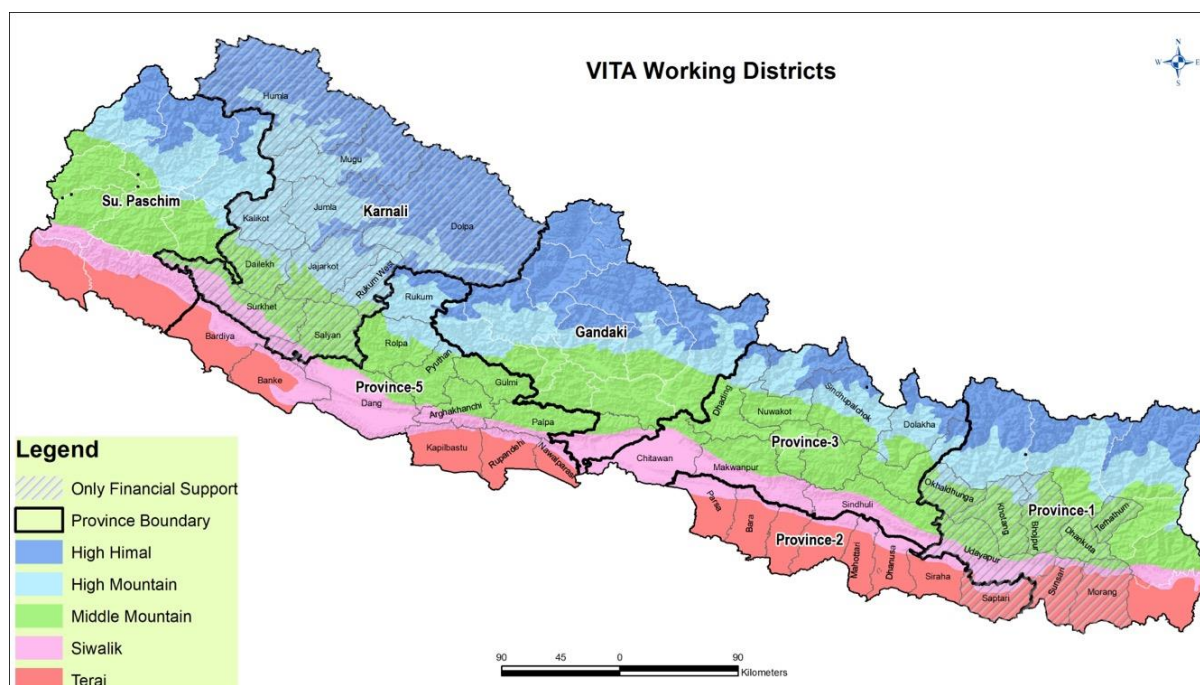
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<sup>38</sup> all 'insignificant trend' are significant to 95% confidence level unless stated otherwise, same applies to the significant which is the significant to 95% or higher confidence level

**Table 5: Extreme events scenarios**

Indices	No of annual days in reference period (1981-2010)	RCP4.5		RCP8.5	
		Medium-term		Medium-term	
		%	Days	%	Days
Very wet (rainy) days	18.1	1.5	0.3	12.1	2.2
Extremely wet days	3.5	26.3	0.9	28	1
Number of rainy days	166.4	-1.8	-3	-0.9	-1.6
Consecutive dry days	45.3	6	2.7	-1.6	-0.7
Consecutive wet days	78.1	-4.2	-3.3	3.1	2.5
Warm days	36.5	64.5	23.9	71.4	26.4
Warm nights	36.5	81.4	30.5	101	37.8
Cold days	36.5	-42	-15.4	-55.8	-20.5
Cold nights	36.5	-40.7	-15	-54.1	-19.9
Warm spell duration	17.6	110	19.3	157.4	27.6
Cold spell duration index	20.3	-51.8	-10.5	-55.1	-11.2

103. VITA will primarily focus in twenty-eight districts of states two (8), three (8) and five (12). In States one and six, the programme will primarily provide financing to farmers and MSMEs in partnership with the ongoing IFAD funded projects namely Rural Enterprises and Remittances Project (RERP) in State one and Agriculture Sector Development Project (ASDP) in State six.



**Figure 3: VITA working districts and physiographic zones**

104. The selected programme working districts lie in different physiographic zones ranging from low land (Terai) to the High Mountains, and from the east to west of Nepal. Most of the districts (26) stretch into two or more physiographic zones. To improve clarity, this

SECAP note has clustered programme working districts into two physiographic zones<sup>39</sup> that share similar climate status and trend analysis; i) Terai and Siwalik, and ii) Mid and High mountains. Some of the districts in which the programme will be working also include some High Himal areas. However, the programme will not have interventions in these locations. The programme will only have operations in the Terai/Siwalik and Mid/High Mountains regions.

105. In addition, to provide more in-depth analysis where relevant, the two main zones of Terai/Siwalik and Mid/High Mountain are further divided into three east-west zones given some variation in climate status and trends along this east-west axis.

**Table 6 Programme priority district list**

East-west zone	Provinces	Physiographic regions/districts		
		Terai and Siwalik	Mid and High Mountain	High Himal
Eastern	Two	Saptari, Siraha, Dhanusha, Mahottari, Sarlahi, Rautahat, Bara, Parsa		
Central	Three	Chitwan	Makawanpur, Sindhuli, Dhading, Sindhupalchok, Kavre, Nuwakot, Dolakha	
Western	Five	Nawalparasi East, Banke, Bardiya, Dang, Kapilvastu, Rupandehi	Arghakhanchi, Palpa, Pyuthan, Rolpa, Rukum East, Gulmi	

### Terai and Siwalik

106. Terai and Siwalik zones are the southern part of Nepal stretching from East to West. It consists of gently sloping recent and post-Pleistocene alluvial deposits which form a piedmont plain south of the Himalayas. It is bordered by the Indian Gangetic plain in the south and the Siwalik Physiographic region in the north. Terai is located in sub-tropical climatic zone characterized by hot and humid summers, intense monsoon rain, and dry winters.<sup>40</sup>

107. Siwalik is the youngest mountain range in the Himalayas, a narrow region of transition from Terai to Mountains, typically only 10-50 km width. Just north of the Terai, it runs the entire length of southern Nepal, from east to west, skirting the southern flanks of the Himalayas. Low elevations fall in the sub-tropical climate zone whereas high hill spurs fall in the warm temperate climatic zones. Since the Siwalik hills are structurally weak and highly vulnerable to erosion and other hazards; this fragility poses a big challenge not just for people in Siwalik but for those who live in downstream lowland areas in the Terai. In general, this region has steep and broken terrain, and shallow, droughty soils with low surface infiltration and percolation rates making it the most erodible and fragile.

<sup>39</sup> Based on the DFRS, 2015. State of Nepal's Forests. Forest Resource Assessment (FRA) Nepal. Department of Forest Research and Survey (DFRS). Kathmanu Nepal; and its sub-reports.

<sup>40</sup> DFRS. 2014b. Churia Forests of Nepal. Forest Resource Assessment Nepal Project, Kathmandu. Department of Forest Research and Survey

Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

108. VITA will be working in fifteen districts of Terai and Siwalik regions extending from east to west of Nepal. All the districts are stretched from Terai to Siwalik regions, except Chitwan and Banke which are confined only in Siwalik.

**Table 7: Programme locations: Terai and Siwalik**

East west Zone	Provinces	Districts
Eastern and Central	Two	Saptari, Siraha, Dhanusha, Mahottari, Sarlahi, Rautahat, Bara, Parsa
Central	Three	Chitwan
Western	Five	Nawalarasi East, Banke, Bardiya, Dang, Kapilvastu, Rupandehi

### **Trends and Scenario**

#### **a) Precipitation**

109. The annual average precipitation in VITA working Terai and Siwalik districts ranges from slightly over 1200 (Banke district) to 1953 (Nawalparasi district) mm per year with the average of 1515 mm per year. Dhanusa, Mahottari, and Siraha are among the lowest annual rainfall districts with nearly 1300 mm and Bara, Chiwan, and Rupandehi have highest rainfall over the 1600 mm. The average annual rainfall in VITA working western districts is recorded slightly higher with average of 1561mm than the eastern districts having average rainfall of 1447 mm. Monsoon rain serves more than 80% of the total rainfall in this region while winter has lowest precipitation in all districts.

110. The annual precipitation is increasing in Terai region at the rate of 0.49 mm while Siwalik is facing decreasing rainfall by 1.48 mm per annum. Winter and pre-monsoon rainfall has positive trend and post monsoon rainfall is decreasing for both regions.

111. Winter annual precipitation has negative trend by nearly 0.2 mm for all the east and central districts while western districts have positive trend of 0.18 (Rupandehi) to 0.41 (Bardiya) mm per year. Post monsoon rainfall trend is negative for all districts, likewise monsoon precipitation trend is also negative except Chitwan, Nawalparasi, Banke and Bardiya districts.

112. The districts are predicted to be wetter in upcoming years. It is predicted that precipitation will increase by 2.1-5.4% in Terai and 1.6-5.8% in Siwaliks for the medium term (2016-2045) than the reference period of 1981-2010.

113. The trend of extremely wet days is neutral, neither increasing nor decreasing. Rainy days are increasing in districts but only 0.1 to 0.3 days a year, except Chitwan and Dang where rainy days are neutral and a negative trend of 0.1 days a year respectively. Likewise consecutive wet and very wet days are mostly positive in districts but in nominal rate of 0.1 to 0.3 days a year.

114. At present, the key water related problems of Terai and Siwalik are landslide and flood. Siwalik hills are structurally fragile and highly vulnerable to landslide and erosions posing threat to lowlands of Terai. Increasing trends of rainy, consecutive wet and very wet days may additionally support to the current trend of erosion and landslide in this region.

#### **b) Temperature**

115. The normal maximum temperature is highest in Terai and Siwalik compared to other physiographic regions. The maximum temperate is averaged between 20°C-25°C in winter season, 30°C-35°C in pre-monsoon, monsoon and post monsoon seasons. With the annual average of above 30°C, Terai district has the highest annual maximum temperature. The normal minimum temperature in ranges in winter from 10°C to 15°C, pre-monsoon 15°C to 20°C, monsoon 30°C to 35°C, and post monsoon 15-20°C.



116. The average minimum and maximum temperatures of Terai and Siwalik districts throughout the east to west do not show any significant differences. The maximum annual average temperature was recorded almost similar to the average temperature of Terai and Siwalik. Few districts like Rautahat (21.7), Sarlahi (15.2), and Dang (14.1) have low annual average maximum temperature than the regional average. Similar to the maximum temperature, average annual minimum temperature is also highest in Terai for all seasons. The minimum annual average temperature for districts ranges from 17 to 18 °C while few districts such as Rautahat (10.5), Sarlahi (6), and Dang (3.4) have recorded lower temperature than the regional average.

117. Annual trend is higher with the increase in elevation that is increasing from south to north. Terai is warming at the rate of 0.021°C per year and Siwalik shows a positive trend of 0.030°C. The seasonal and annual maximum temperature trends show increases in all regions, except Terai in winter season. The reason for negative trend might be due to the long episode of fog events in winter since the last decade.

**Table 8: Maximum Temperature trend - Terai and Siwalik**

Physiographic Regions	Winter		Pre-monsoon		Monsoon		Post-monsoon		Annual	
	$\alpha$	Trend (°C/y)	$\alpha$	Trend (°C/y)	$\alpha$	Trend (°C/y)	$\alpha$	Trend (°C/y)	$\alpha$	Trend (°C/y)
Terai	0	-0.004	0	0.018	***	0.036	**	0.028	***	0.021
Siwaliks	0	0.010	*	0.031	***	0.040	***	0.033	***	0.030

Note: \* 95%, \*\* 99% and \*\*\* 99.9% Significant; '+' & '0': Insignificant at 95%

118. The trend of minimum temperature increment is also positive in all seasons in both regions. Minimum temperature increment trend shows a pattern of decreasing with the increase in elevation. Post monsoon trends for both reasons were insignificant at 95% confidence level while other were significant at 95% or higher confidence level. Figure three shows the minimum temperature increment trend is higher in both regions compared to the maximum temperature.

**Table 9 Minimum temperature trend - Terai and Siwalik**

Physiographic Regions	Winter		Pre-monsoon		Monsoon		Post-monsoon		Annual	
	$\alpha$	Trend (°C/yr)	$\alpha$	Trend (°C/yr)	$\alpha$	Trend (°C/yr)	$\alpha$	Trend (°C/yr)	$\alpha$	Trend (°C/yr)
Terai	**	0.025	*	0.015	***	0.015	0	0.013	***	0.018
Siwaliks	*	0.016	*	0.013	***	0.015	0	0.013	***	0.016

119. The minimum temperature increment is higher in eastern districts averaging 0.024 than that of western districts' average of 0.013 °C per year.

120. Change in temperature is likely to be positive in all districts under both scenarios. Terai and Siwalik are expected to warm by 0.93 to 1.11 °C in medium term.

121. Extreme climate trends: Warm days are increasing at the average rate of 3.36 days per year while number of cool days is mostly decreasing in districts ranging from 0.1 to 0.4 days per year. Sarlahi and Nawalparasi districts are neutral in cold days' trend while Parsa and Rautahat have increasing cold days at the rate of 0.1 and 0.2 days a year respectively. Warm spell duration is slightly increasing up to 0.2 days a year except in Rautahat where trend is noticed decreasing by 0.1 days a year. Warms nights are

## Nepal

### Value Chains for Inclusive Transformation of Agriculture (VITA)

#### Social Environment and Climate Assessment (SECAP) review note

increasing at the average rate of 0.58 days a year in districts and cold nights are decreasing by 0.1 to 0.6 days a year. Cold spell duration is decreasing up to the 0.2 days a year, a few western districts namely Bardiya and Dang have positive trend of 0.1 and 0.2 days respectively and other central and western districts have neutral trend.

122. The rise in temperature and the prolonging trend of warm and consecutive dry days in these regions may impact on value chain by additionally making favourable situation for disease and pest, demand more water and increase heat stress to the livestock. According to the agriculture specialist, the rise in temperature will have positive impact on overall production of vegetable, crops and honey in this region.

#### c) Districts climate vulnerability

123. Among the 15 selected VITA districts in Terai and Siwalik regions, eight districts are moderate to very low in all given six and a combined vulnerability indices. Bara falls in high vulnerable category for rainfall and temperature, and flood and is categorized as moderate for overall vulnerability indices. Out of the rest six districts, Saptari is categorized as overall very high vulnerable districts and the remaining five fall under the high category.

**Table 10 District vulnerability – Terai and Siwalik**

Districts	Rainfall temp	Ecological	Landslide	Flood	Draught	GLOF	Overall
Bara	High	Moderate	Very Low	High	Low	Very Low	Moderate
Dhanusa	High	Moderate	Very Low	High	High	Very Low	High
Mahottari	High	High	Very Low	Very High	Moderate	Very Low	High
Parsa	Very High	Moderate	Very Low	High	Low	Very Low	High
Saptari	Very High	Low	Very Low	High	Very High	Very Low	Very High
Siraha	High	Moderate	Very Low	High	Very High	Very Low	High
Chitawan	Very High	Low	Very Low	High	Low	Low	High
Sarlahi	Low	Moderate	Very Low	Moderate	Moderate	Very Low	Moderate
Rautahat	Moderate	Moderate	Very Low	High	Moderate	Very Low	Moderate
Nawalparasi	Low	Low	Very Low	Moderate	Low	Low	Moderate
Banke	Very Low	Very Low	Very Low	Low	Low	Very Low	Very Low
Bardiya	Low	Moderate	Very Low	Moderate	Moderate	Very Low	Low
Dang	Very Low	Low	Moderate	Very Low	Low	Very Low	Low
Kapilbastu	Moderate	Moderate	Very Low	Low	Moderate	Very Low	Low
Rupandehi	Very Low	Very Low	Very Low	Low	Very Low	Very Low	Very Low

**Mid and High Mountain**

124. Mid Mountain lie north of Siwalik along the southern flanks of the Himalaya covering 55 districts. Mid-mountain's climate ranges from sub-tropical in river valleys to warm temperature in valleys to cool temperature in the high hills. These are the barriers to monsoon clouds, hence high precipitation occur on the southern slopes of the mountains. The High Mountain ranges from warm-temperature in the valleys to cool-temperature in the higher hill and Arctic in the mountainous region (DFRS 2014 a,b).

125. Table below presents the list of districts that ranges from mid to high-mountain. VITA aims to work in the mid-mountain districts and also in the lower part of high-mountain districts those with the access of road and irrigation.

**Table 11: Mid and High Mountain districts**

Provinces	Districts	Zones
Three	Dolakha, Sindhupalchok, Makawanpur, Sindhuli, Dhading, Nuwakot, Kavre	Center
Five	Arghakhanchi, Palpa, Pyuthan, Rolpa, Rukum East, Gulmi	West

**Trend and Scenario****a) Precipitation**

126. The average annual precipitation in Mid and High Mountains are 1628 and 1528 mm per year respectively. Similar to Terai and Siwalik regions, monsoon serves nearly 80% of the rainfall followed by Pre monsoon 13% and 3 to 4% in winter and post monsoon. VITA working districts in these two regions have the annual rainfall ranging from 1292 mm (Rukum) to 2186 mm a year in Nuwakot.

127. The overall precipitation shows negative trends for both mid and high- mountain regions. Mid Mountain has a decreasing trend of 1.58 mm a year while High Mountain is facing 3.17 mm per year decline. All the seasons have a negative trend of rainfall from 0.4 to 1.2 mm per year except winter and pre-monsoon in mid-mountain regions where precipitation recorded increasing at the trend of 0.03 mm per year.

128. The precipitation is predicted to increase in both regions under both scenarios, RCP 4.5 and RCP 8.5. The medium term (2016-2045) change in precipitation ranges from 2.1 to 5.8% for mid-mountain and 1.7 to 6.3% in high-mountain. Increase in precipitation will be a good relief in agriculture and livestock farming in mid to high-mountain areas which has negative precipitation trend in past three decades. Relative to Terai and Siwalik area, this area has less access in irrigation and more dependency on rainfall. A predicted increase in precipitation will be helpful for the proposed VITA interventions

129. The trend of rainy days is neutral in Makawanpur and Sindhuli districts, and is decreasing in Dolakha by 0.2 days and in Nuwakot and Dhading districts by 0.3 days. The rest of the districts have increasing trend of 0.1 to 0.5 days a year. The consecutive dry days are neutral in Makawanpur, Sindhupalchok and Kavre districts, are increasing from 0.2 to 0.6 days a year in central districts while the western districts are facing decline trend of 0.2 to 0.4 days a year. Consecutive wet days have mixed trends, neutral in three VITA working districts (Makawanpur, Sinduli, and Palpa), decreasing by 0.2 to 0.3 days a year for Dolakha, Nuwakot and Dhading and the rest districts have a positive trend of 0.2 to 0.7 days a year. Very wet and extremely wet days are either neutral or decreasing by 0.1 to 0.3 days per year.

**b) Temperature**

130. The annual average maximum temperatures of mid and high mountains are 24.6 °C and 17.6 °C and the minimum drops down to 13.3 and 6.6°C respectively. Both regions have highest average temperature in monsoon followed by post and pre monsoon periods.

131. Western VITA working districts have slightly higher maximum temperature averaging 27°C than the average of 24°C in central district. Dolakha with average of 14.8°C has lowest maximum temperature while Rolpa has the highest with 30.8°C. The minimum temperature in district has recorded up to 5°C (Dolakha) and Rolpa as a highest with nearly 19°C.

132. The warming trend of high-mountain is higher than the mid-mountain. Maximum temperature trend of high-mountain is positive in all seasons but the minimum temperature is slightly positive only in monsoon. The maximum temperature is increasing by 0.052°C while minimum temperature is decreasing by 0.005 °C per year.

**Table 12 Maximum temperature trend – Mid and High Mountain**

Physiographic Regions	Winter		Pre-monsoon		Monsoon		Post-monsoon		Annual	
	α	Trend (°C/yr)	α	Trend (°C/yr)	α	Trend (°C/yr)	α	Trend (°C/yr)	α	Trend (°C/yr)
Mid Mountain	***	0.046	***	0.049	***	0.055	***	0.052	***	0.052
High Mountains	***	0.070	***	0.062	***	0.064	***	0.064	***	0.068
High Himalayas	***	0.101	***	0.076	***	0.072	***	0.085	***	0.086

**Note: Significant: \* 95% CL, \*\* 99% CL and \*\*\* 99.9% CL ; insignificant at 95% CL : + , 0**

133. Both maximum and minimum temperature have positive trend in mid-mountain region. The increment trend of maximum temperature (0.05°C) is recorded higher than the minimum temperature increment trend of 0.010°C.

**Table 13 Minimum temperature trend – Mid and High Mountain**

Physiographic Regions	Winter		Pre-monsoon		monsoon		Post-monsoon		Annual	
	α	Trend (°C/yr)	α	Trend (°C/yr)	α	Trend (°C/yr)	α	Trend (°C/yr)	α	Trend (°C/yr)
Mid Mountain	0	0.004	0	0.004	**	0.014	0	0.006	*	0.010
High Mountains	+	-0.018	0	-0.011	*	0.013	0	-0.013	0	-0.005
High Himalayas	**	-0.056	+	-0.021	0	0.013	+	-0.025	+	-0.015

134. The maximum temperature trend is positive for all VITA working districts in all seasons. The average ranges from 0.034 (Arghakanchi) to 0.064°C (Rukum) in districts. Unlike maximum temperature trend, minimum temperature trend was not significant for all seasons

135. Temperature is predicted to increase in both mid and high mountain areas. Mid mountain seems warmer by 0.9 to 1.06°C in medium term (2016-2045) and the High Mountain is expected to face increase in temperature by 0.89 to 1.04°C. Increase in temperature will have mixed impacts in mountain areas. Studies have shown vegetation shift toward the uphill side due to increase in temperature resulting new species in hill and mountain areas. This is creating an opportunity to introduce new varieties at those sites and the other hand also affecting by the presence of new invasive species. Temperature increase has shown impact on the crop's maturity duration reducing the time to harvest.

136. Warm days and warm nights are increasing in all Programme working districts by 0.5 to 1.3 days a year. Warm spell duration is increasing by 0.2 to 0.4 days a year in all districts and cold spell has mostly neutral or increased up to 0.2 days a year expect Sindhuli, Kavre and Rolpa where it has decreasing trend of 0.1 to 0.2 days. Cool days are

Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)

Social Environment and Climate Assessment (SECAP) review note

decreasing in all districts by 0.3 to 1.1 days a year and the cool nights have shown a mixed trend.

c) District climate vulnerability

137. The combined vulnerability of four districts out of 13 mid and high mountain districts, are categorized low to very low category. Another five districts are 'moderate' and one is 'low' vulnerable in combined indices however ranked 'high' vulnerable in at least one vulnerability indices. Dhading is ranked 'high' and Dolakha is categorized as 'very high' vulnerable districts.

**Table 14 District's vulnerability**

Districts	Rainfall temp	Ecological	Landslide	Flood	Draught	GLOF	Combined
Nuwakot	Moderate	Moderate	High	Very Low	Low	Very Low	Low
Makwanpur	Very High	Low	High	Very Low	Low	Very Low	Moderate
Sindhuli	Moderate	Moderate	High	Very Low	Low	Moderate	Moderate
Sindhupalchok	High	Moderate	High	Very Low	Low	Very Low	Moderate
Rolpa	Moderate	High	High	Very Low	High	Very Low	Moderate
Rukum	High	High	High	Very Low	High	Very Low	Moderate
Dhading	Moderate	Moderate	High	Very Low	High	High	High
Dolakha	High	Moderate	Moderate	Very Low	High	Very High	Very High
Pyuthan	Very Low	Moderate	Moderate	Very Low	Moderate	Very Low	Low
Gulmi	Very Low	Low	Moderate	Very Low	Low	Low	Low
Arghakhanchi	Very Low	Low	Moderate	Very Low	Moderate	Very Low	Low
Palpa	Very Low	Low	Low	Very Low	Low	Very Low	Very Low

## Conclusions on climate trends and implications

### 138. Rainfall

- i) Over the 25 year time horizon of programme impacts, the expected cumulative total change in annual rainfall are very small to small – from +0.8% in the Terai to -4.9% in the High Hills where annual rainfall would remain around 1450mm per year. Only the Terai region shows a positive precipitation trend of 0.49 mm per year with respect to average rainfall of 1600 mm per year, the rest of the regions have negative trend. The highest negative trend is in high-mountain (-3.17 mm/year versus 1528 mm/year) followed by mid-mountain (-1.58mm/year versus 1628/year average rainfall) and Siwaliks (-1.48 mm/year versus 1708mm/year average rainfall). The pattern of decreasing rainfall trend with elevation is noticed in annual precipitation trend. In terms of the relative change High Mountain shows the greatest change at 0.021% decrease per year.
- ii) The relatively small changes in total annual rainfall are expected to have minimal impacts on the programme interventions or sustainability of impacts.

### 139. Temperature

- i) Maximum annual temperature is increasing in all Programme working districts. The temperature trend increases northward with the increase in elevation. Terai has the lowest positive trend (0.021 °C/year) while the High Himal region has the highest increasing trend of 0.086 °C per annum.
- ii) Minimum annual temperature is increasing in Terai to mid-mountain districts. The annual minimum temperature trends show opposite to the pattern of maximum temperature trend in relation to elevation. The trends are positive in lower elevation districts and negative in higher elevation districts.
- iii) Average annual temperature will continue to rise by about 0.9-1.1°C in the medium-term period and 1.2-1.8°C in the long period. The rise in temperature will be sharper in the high mountains than lower elevation.
- iv) Over the medium to longer term, the increase in temperature over the Programme intervention areas will have some positive changes, such as the opportunity to grow additional varieties of vegetable, and other agricultural species in hilly areas, shorten the maturity and harvesting time, and increase in production in hilly areas. On the other hand, it has been noticed that the increase in temperature can increase the diseases, insects and pests in agriculture and livestock. Hilly areas may be additionally impacted by the new diseases, insects and pest. Among the proposed VITA commodities; vegetable, seed potato, cereal seeds, spice, citrus fruit, and goat meat may have some impacts from increase in disease and pest load while the milk production may be lowered season due to the heat stress, especially in the lean. Increase in heat will prolong the season to collect food for bees hence it is expected to increase in honey production. Banana, pond base fisheries are reported to be less impacted by increase of 1°C temperature.

### 140. Extreme events

- i) The trends of extreme events are mixed in different districts. Rainy days are increasing in average 0.2-0.3 days expect in few districts like Dang, Dhading and Nuwakot where it is decreasing by 0.2 to 0.3 days a year. Consecutive dry days are decreasing in an average of 0.2-0.3 day per annum and consecutive wet days are increasing in same range. Very wet days are in nominal negative trend of 0.1-0.3 days per annual where as extremely wet day shows neutral trend. Warm days are increasing by 0.2-1.3 days a year and cool days are decreasing by almost same trend. Warm nights are increasing with the average of 0.4-0.6 days a year and the cool nights have the same but decreasing trend. Warm spell is increasing by average

0.3-0.5 days per annum and cool spell duration has mixed trend in districts ranging between -0.2 to +0.2 days a year.

- ii) In the medium term (2016-2046), it is predicted to increase very wet and extremely wet days by 0.3 to 2.2 and 0.9 to 1 days with respect to annual days of 18.1 and 3.5 days respectively. The number of rainy days will decrease by 1 to 3 days from the reference period of 166.4 days a year, and consecutive wet days is expected to change between -4.2 to + 2.5 days from 78.1 days.
- iii) Over the 25 year horizon of programme impacts, such changes in number and duration of extreme events are relatively small given the inherent variability of Nepal's weather from year to year, and so are expected to have minimal effects on programmes impacts.

### **Impact of Climate Change on VITA interventions**

141. The key climate risks to the selected value chain commodities due to the predicted increase in temperature by nearly 1.1<sup>0</sup>C over the medium-term period (2016-2046), particularly at higher elevations, are

- i) the increase and intensification of new and existing diseases, pest and insects by making favourable temperature from them to grow and spread over the existing and even new areas (higher altitude), it has predicted to impact all the selected agriculture value chains and livestock like goat, and milk;
- ii) greater variability in rainfall patterns within the year combined with increase water demand for production leading to increasing risks for rainfed production
- iii) increased heat stress to cattle reducing the milk production in the lean season and also to the poultry form impacting the growth of chickens;

142. Along with these, it the predicted temperature increment has also some positive impacts on value chains including:

- i) creating opportunities of new vegetable and crop varieties in higher altitude;
- ii) increasing yields and extend production seasons of vegetable and crops;
- iii) favourable condition for bees to collect more raw materials in extended production seasons resulting increase in honey production.

143. The number of warm days, warm nights and warm spell duration index are in increasing trend and also predicted to increase in medium term period. This may create problems of temporary water availability the proposed commodities in locations with less secure water resources or water storage.

144. The degree of rainfall change seems nominal in districts and may not have noticeable impacts on the selected value chains. The predicted increase in wet days (0.3 to 2.2 days) and extremely wet days (0.9 to 1 days) over the medium term period may induce some additional flooding and landslides; however the increase number of days and impacts over the thirty years is minimal.

145. The table below summarizes the potential impact of climate change to the proposed commodities and the solution measures planned by the Programme. It has been compiled through discussion with production experts of the likely technical impacts on production of the above climate changes:

**Table 15 Impacts of Climate Change on commodities**

SN	Commodity	Climate risk to supply chain	Risk significance	Solution measures
1	Vegetable	Irregular rainfall and consecutive dry days may cause temporary shortage of water	Low to Medium	i) Establish and maintenance of small irrigation system, ii) promotion of water efficient technologies, infield water harvesting, conservation ponds, mulching iii) green house tunnel with drip irrigation
		Concentrated and heavy rainfall may accelerate flood and landslide	Medium	i) Appropriate site selection: traditional site selection by farmer, ii) promotion of better practices like terracing, agroforestry, hedgerow plantation
		Increase in temperature may result more pest, diseases and insects	Medium	i) Disease risk monitoring, ii) easy access and promote disease resistant and better varieties, iii) reduce monocropping and promote diversification in cropping, iv) provision of nets in green house, v) integrated pest management
		Hailstone and storms – physical damage to fruiting crops	Medium	i) protect using nets and poly tunnels, ii) multilayer farming, and iii) crop insurance
2	Goat	Increase in temperature may change in disease timing and outbreaks	Low to Medium	i) Provision of proper monitoring, ii) improved breed selection and good husbandry, iii) easy access and effective animal health services, iv) forage based feeding, v) improved biosecurity via stall based production system, vi) livestock insurance, vii) policy engagement on surveillance and monitoring and vaccine supply
3	Milk	Increase in temperature may change in disease timing and outbreaks	Low to Medium	ii) Provision of proper monitoring, ii) improved breed selection and good husbandry, iii) easy access and effective animal health services, iv) forage based feeding, v) improved biosecurity via stall based production system, vi) livestock insurance, vii) policy engagement on surveillance and monitoring and vaccine supply
		Increase in temperature may rise the heat stress on animals resulting decrease in milk production, especially in lean season (30-40%, natural level)	Medium	i) proper selection of breed as per the locality that helps to adjust with temperature, ii) good management practice and easy access of medicine, iii) milk shortage during summer: increase investment on processing (milk powder, UHT) that allows storage to milk supply from flush to lean season; iv) Improved fodder and feeder production and feeding practices



Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

SN	Commodity	Climate risk to supply chain	Risk significance	Solution measures
4	Pond based fish farming	Increase in the number of wet and extremely wet days may cause flood	Medium	i) Additional works to protect ponds like raised banks, ii) alternatives to avoid loss of fish due to flood by managing fish nets or making store tanks inside of the pond, iii) provision of fish / restocking insurance
		Increase in temperature	Low	i) select appropriate variety of fish as per the locality, ii) improve management practices by adding shade nets and pond bank plantation, iii) Improved aeration of ponds to improve water and fish health and tolerance to heat stress
5	Banana	Wind, Storm, Hailstone	Medium	This is a natural phenomena, increase in rainy days may increase the frequency of wind, storm and hailstone. The Programme will promote i) wind break plantation, ii) pole support to banana, iii) Improve solid mound to strength plant, and iv) crop insurance
6	Seed Potato	Water shortage due to irregular rainfall and long dry spell	Low	i) Proper site selection: areas with already available irrigation facilities, ii) addition measures to increase water availability by promoting water catchment pond, and construction or maintenance of small scale irrigation
		Increase in temperature may cause epidemic disease outbreak of Blight	Medium	i) adoption of integrated pest management practice, ii) promote a good soil health management by crop rotation, intercropping, mulching, proper selection of varieties etc, iii) provision of crop insurance iv) site selection, including focus on clusters in higher elevations with prolonged cold periods to reduce disease load.
7	Cereal seed (Maize and Paddy)	Increase in consecutive dry days may cause demand of more water	Low	i) site selection: areas with adequate irrigation facilities, ii) drought resistant varieties
		Increase in temperature may increase diseases and pest	Medium	i) adoption of integrated pest management practice, ii) promote a good soil health management by crop rotation, intercropping, mulching, proper selection of varieties etc, iii) provision of crop insurance
		Increase in number of extremely wet days may cause flood and landslide	Medium	i) site selection: areas with lower risk of flooding ii) Variety selection for increased flood tolerance, iii) adjustment to planting schedules, including with improved medium term weather forecasts iv) Crop insurance

SN	Commodity	Climate risk to supply chain	Risk significance	Solution measures
8	Citrus Fruit	Increase the temperature may increase insect and diseases infestation	Low	i) suitable varieties selection, ii) intercropping and mix cropping to avoid more damage, iii) use of biopesticides, iv) facilitate to ease the access on new technologies v) promotion of fruit-bag production systems to reduce pest load and pesticide usage
9	Honey			Increase in warm days may increase the production of honey
10	MAPs	Increase the number of consecutive dry days demands more water	Low	i) site selection with adequate facility of irrigation, ii) varieties selection
11	Spice (Ginger/ Turmeric)	Increase the temperature may increase insect and diseases infestation	Medium	i) suitable varieties selection, ii) intercropping and mix cropping to avoid more damage, iii) use of biopesticides, iv) facilitate to ease the access on new technologies
12	Others (backyard Poultry)	Increase the temperature may increase insect and diseases infestation	Medium	i) proper vaccination, ii) proper management to adjust external temperature, iii) insurance

146. At the input and production stage, strategies for supporting climate-smart supply chains include the following: improving access to input markets, supporting diversification and value addition, provision of climate-smart production technologies, dissemination of climate information services, and making financial and insurance services available. At the harvesting, processing and marketing stages, useful interventions would include strengthening farmer organization to invest in their own facilities for storage or processing and improving access to output markets. Finally, climate-change adaptation along the supply chain would be improved by strengthening existing institutions, exploring public-private partnerships and adopting coherent local policies.

147. An intervention's climate-smartness depends on whether it leads to adaptation and mitigation benefits in the specific local climate, biophysical, socio-economic and development context<sup>41</sup>. Climate smart agriculture (CSA) aims to: a) sustainably increase production and income; b) adapt and build resilience to climate variability; and c) mitigate/reduce and/or remove greenhouse gas emission from agriculture practices<sup>42</sup>.

148. A key focus of the Programme will be to increasingly mainstream climate consideration into production and investment decisions in the supported supply chains. At the farm level, this will be achieved by including dedicated modules within the business skills training program to provide farmers with practical knowledge and skills of where to access climate information and how to use it into their production and investment decision. These modules will draw on approaches such as tools under the Participatory Integrated

<sup>41</sup>Williams TO, Mul M, Cofie OO (2015) Climate smart agriculture in the African context. Background Paper. Feeding Africa Conference 21-23 Oct 2015

<sup>42</sup>Food and Agriculture Organization (2013) Climate smart agriculture sourcebook. FAO, Rome.  
<http://www.fao.org/3/i3325e/i3325e.pdf> accessed on 08/09/2019

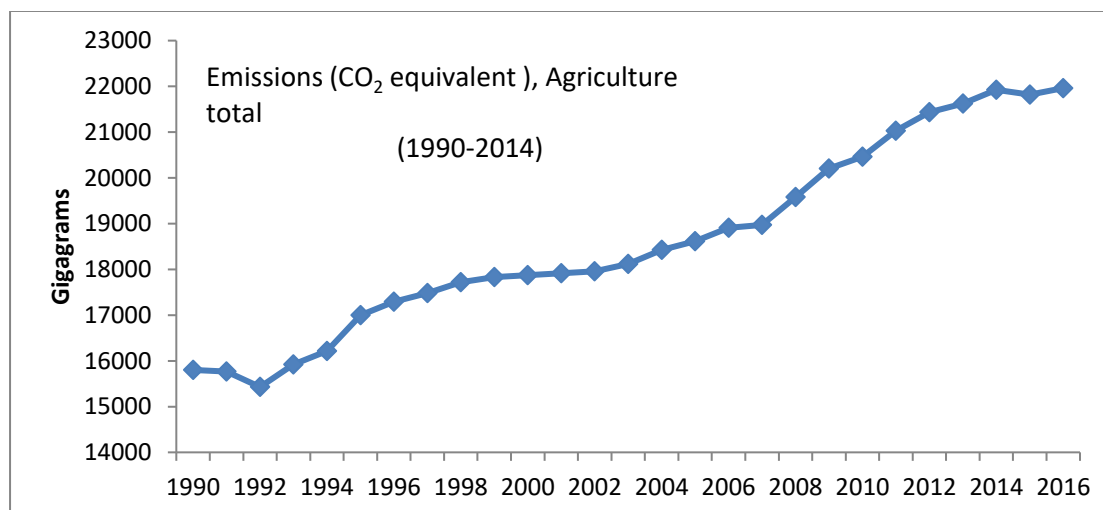
Climate Services for Agriculture<sup>43</sup> (PICSA) approach. This will include sessions on historical climatic trends and analysis of seasonal forecasts, its impacts on agricultural production, and alternative and innovative solutions to cope with current climate and weather conditions. To validate their choice of production, farmers will be supported to compare their chosen product to several appropriate alternative options (crops, livestock and other livelihoods) evaluated through a simple cost benefit analysis. The objective being that farmers make climate informed investment choices, factoring in 'no regret' adaptations into their investment plans. The PICSA approach, or similar, will be customized to bring in a strong financing angle as part of the investment choices discussion, and train the farmers on using available climate information services as part of their business as usual, i.e. consulting the seasonal forecast to decide which crops to grow and when to plant.

149. A second area of intervention in Component 1 is to improve the capacity and coverage of service providers of improved climate-smart technical services and technologies to ensure farmers have far easier access to such technologies.

150. At the institutional level, through Component 2, VITA will support banks and financial institutions to strengthening their climate risk assessment tools as part of their mainstream agricultural loan appraisal processes. This will include banks providing feedback to prospective farmer and MSME clients on any elements of their investments plans which may create heightened risk and then facilitating links to technical service providers that can provide further specific advice and equipment to improve the farm investments and its resilience to potential climate risks.

## 6. Climate change mitigation

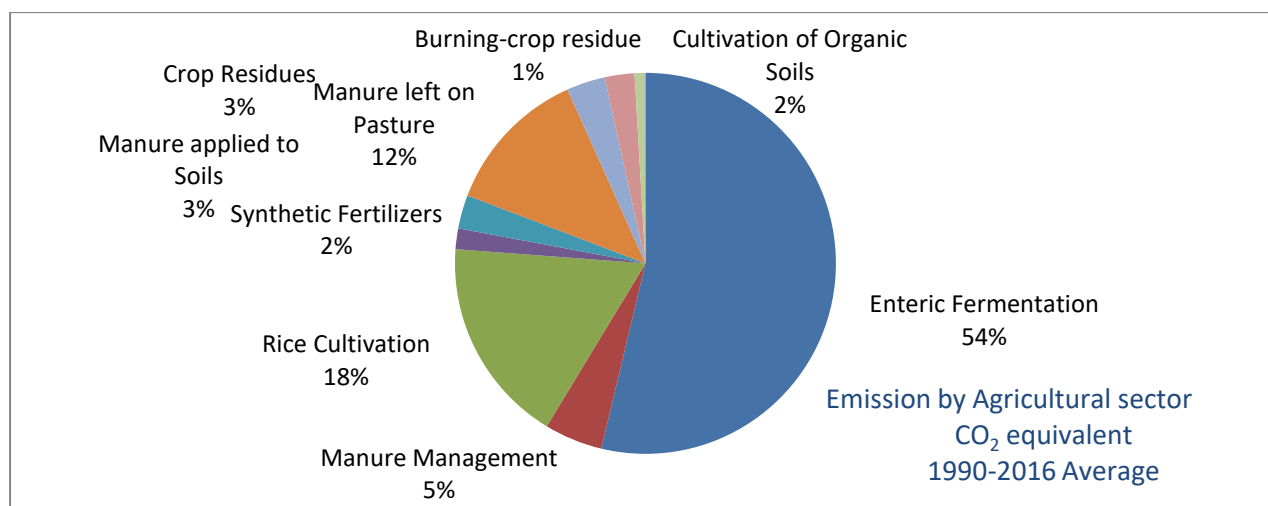
151. Nepal is one among the Least Developed Countries (LDCs) with negligible (0.027%) share in global greenhouse gas emission but stands 4th in the world-wide ranking in terms of Climate Vulnerability Index. The emissions from agriculture sectors remain below 22000 Gigagrams per year, see figures below<sup>44</sup>.



**Figure 4 Agriculture total emission, Nepal (FAOSTAT)**

<sup>43</sup> See <https://ccafs.cgiar.org/publications/participatory-integrated-climate-services-agriculture-picsa-field-manual>

<sup>44</sup> [faostat.org](http://faostat.org)



**Figure 5 Sectorial Agriculture emission (FAOSTAT)**

### 2.3 Target group profiles

152. The Programme will target small-scale producers and labourers involved in the selected supply chains. Inclusion of small farmers and food insecure population will be ensured by selecting supply chains that have promise to benefit the largest number of poor and by promoting efficient and climate resilient technologies and climate resilient and profitable crop varieties and value chain commodity that benefit the intended target group most. Keeping in view of a large temporary economic migration in rural areas, attention will be paid to address the specific needs of the households headed de facto by women. This will involve selection of crops/livestock with high returns on labour and technologies that are labour saving and help reducing drudgery of women. Similarly, disadvantaged households including Dalits, Janajatis, landless and other disadvantaged groups will be specifically targeted by the Programme.

153. Rural youth will also be a priority target groups, especially young women. Measure will include leveraging the NRB's interest rate subsidy and collateral free credit mechanism to promote youth investment in farming as a businesses, and the programme will facilitate their involvement in producer groups, access to productive land for rent, business skills training and ICT based networking will be promoted. Youth will also be a key target for the support market development, for their development as service providers in their communities.

154. The Programme will develop mechanisms such as beneficiary selection criteria favourable for poor people, time and venue selection for activities considering the availability of marginalized people; timely and regular assessment of poor people participation; and benefit provisions that will ensure the participation of poor households in appropriate value chains. This will be achieved in part by expanding local agriculture employment opportunities associated with supply chain-driven growth. The programme will explicitly use a graduation approach for mobilization of poorer and more risk averse individuals, facilitating them to join producer groups ready to do so, enabling them to work alongside and learn from their more experienced neighbours while being able to benefit from the improved access to markets and services via the group.

155. A secondary target group will be the micro, small and medium entrepreneur (MSME) and producer groups also active in the targeted supply chains. New technology will be introduced among first movers with addressing the risk bearing mechanisms and mobilize other groups with demonstration of process, results and profits. Self-reflective tools to analyse the associated risks and challenges will be introduced through the Heifer Corner Stone approach and GALS 'lite' as part of the business skills training which will facilitate

more the vulnerable sections and all producers to be aware on these risks and find alternative ways for safe and effective investment.

156. A more detailed profile and analysis of the opportunities and constraints faced by the numerous different sub-groups differentiated by gender, age, socio-ethnicity, location and wealth status is included in Annex 8.

## 7. Institutional analysis

### Policy and regulatory framework

157. The implementation of all supply chain activities will be governed by the Constitution of Nepal and environmental acts, rules, policies and regulations of the Government of Nepal. These laws and regulations guide the activities to minimize or mitigate likely impacts on the society and environment. Additionally, VITA will comply with the IFAD safeguard policies.

158. The ***constitution of Nepal, 2015*** lists the fundamental rights and duties of the country's citizens that the Programme needs to respect while implementing its subproject activities; those includes:

- i) Right to equality
- ii) Right to clean environment
- iii) Right relating to food
- iv) Rights to housing
- v) Rights of child
- vi) Right to social security

159. Furthermore, the constitution imposes restrictions on the programme activities to prevent negative impacts on environment and biodiversity through the provisions;

- i) Protect, promote, and make environmental friendly and sustainable use of natural resources available in the country, in consonance with national interest and adopting the concept of intergenerational equity, and make equitable distribution of fruits, according priority and preferential right to the local communities,
- ii) Make multi-purpose development of water resources, while according priority to domestic investment based on public participation,
- iii) Ensure reliable supply of energy in an affordable and easy manner, and make proper use of energy, for the fulfilment of the basic needs of citizens, by generating and developing renewable energy,
- iv) Develop sustainable and reliable irrigation by making control of water induced disasters, and river management,
- v) Conserve, promote, and make sustainable use of, forests, wildlife, birds, vegetation and bio-diversity, by mitigating possible risks to environment from industrial and physical development, while raising awareness of general public about environment cleanliness,
- vi) Maintain the forest area in necessary lands for ecological balance,
- vii) Adopt appropriate measures to abolish or mitigate existing or possible adverse environmental impacts on the nature, environment or biological diversity,
- viii) Pursue the principles of environmentally sustainable development such as the principles of polluter pays, of precaution in environmental protection and of prior informed consent, and

Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)

Social Environment and Climate Assessment (SECAP) review note

- ix) Make advance warning, preparedness, rescue, relief and rehabilitation in order to mitigate risks from natural disasters.

160. Nepal has recently transformed from a unitary to federal government system with one federal government, seven State governments and 753 local governments (460 rural municipalities and 293 urban municipalities). As municipalities have now devolved authority for local development, VITA has to be familiar and aligned with the **Local Government Operation Act 2017**. This act mandates municipalities to formulate, implement, monitor, evaluate and regulate policy, legislation, standards, norms related to the development projects and programs. Specifically, the act mandates local governments to implement the projects and delivery of services related to (a) agriculture and animal husbandry (b) formulation of local policies, legislations, standards, planning, implementation, monitoring and evaluation of agricultural production management (b) agricultural and livestock market information, infrastructure construction of market and weekly market, construction of small irrigation, training, technology extension and dissemination, agricultural inputs supply and capacity development of farmers, in their respective constituencies.

161. **Environment Protection Act 1996** and the corresponding **Environment Protection Rule 1997** regulate environmental issues. The act has listed the types of project that requires an Initial Environmental Examination (IEE) or Environmental Impact Assessment (EIA) in the prescribed manner. The act has the provision of a separate Environment Protection Council to issue guidelines and provide views and suggestions to the Government of Nepal. Similarly, various committees may also be formed to handle the technical work. An Environmental Protection Fund is also established by the Act. A provision is also provided in the Act for compensation to the persons affected by environmental pollution.

162. The Government of Nepal has formulated a **Climate Change Policy in 2011** with the aim to improve livelihoods by mitigating and adapting to the adverse impacts of climate change, adopting a low-carbon emissions socio-economic development path and supporting and collaborating in the spirits of county's commitments to national and international agreements related to climate change. VITA should be familiar with policy's key approaches: i) climate adaptation and risk reduction, ii) Low carbon development and climate resilience, iii) Access to financial resources and utilization, iv) Capacity building, people's participation and empowerment, v) Technology development, transfer and utilization, and vi) climate friendly natural resource management.

163. VITA will promote sustainable agriculture and livestock practices. The use of chemical fertilizers and pesticides will be monitored for compliance with the prevailing regulations. **Pesticides Act, 2048 (1991) and Regulations, 2050 (1993)** regulates use of pesticides and as per the Pesticides Regulation 1993, the registration agency is responsible to evaluate the impacts of pesticides on human, animal, and environment. The authority can punish at any time if the general use of pesticides is found to make adverse impacts on human, animal, and environment.

164. The Programme may require to import plant products or medium for growing plants, for example for varietal trials. **Plant Protection Act, 1972 and Regulation, 1974** has made it mandatory for the request of permission from the designated authorities to import plant products, biological control agents, beneficial insects, and medium for growing plants such as soil. The government may declare certain areas as pest infested areas and adopt necessary measures to destroy pests in those areas.

165. Selected Programme activities directly relate to the water use and management. **Water Resource Act, 1992 and Regulation, 2000** governs the water resource management in Nepal. It declares the order of priority of water use; vests ownership of water; controls water pollution; and provides for the formation of Water Use Association (WUA) and system of licensing. The regulation sets out the procedure to register a WUA and to obtain a license and sets out the rights and obligations of WUA and licence holders.

Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)

Social Environment and Climate Assessment (SECAP) review note

166. Programme may have to require importing high varieties of livestock from India or other countries. **Animal Health and Animal Services Act, 2055 (1998) and Regulations, 2056 (1999)** regulates the import of livestock. The Act has made requirement to obtain quarantine certificates from designated authorities for any individual or organizations importing animal and animal products.

167. VITA has targeted to strengthen meat and fisheries supply chains. The hygiene and quality of meat are regulated by Slaughterhouse and **Meat Inspection Act, 2055 (1998) and Regulations, 2056 (1999)** through proper management of slaughterhouse and meat sale. This Act prohibits establishing a slaughterhouse or becoming a meat seller without obtaining license under this Act.

168. Solid wastage is generated at various point along agricultural supply chains. **Solid Waste Management Act, 2011** outlines the duties of local government to take action to control hazardous waste generation, disposal or collection and has provision for various punitive measures against those engaged in activities detrimental to the intentions of the act. The **Solid Waste Management Rules, 2013** has provided authority to local bodies for the segregation, transportation, and disposal of solid waste as well as operation of sanitary landfill site. Local bodies may also empower Programme for segregating, reducing the solid wastes at its source, reuse and recycling use solid wastes and mobilizes community and non-governmental organization for creating awareness for the management. Local government also has the authority to determine service charge for solid waste management.

#### **Implementation institutional framework**

169. Agriculture Development Bank Limited (ADBL) will be the Lead Programme Agency on behalf of the Government of Nepal with the responsibility of Programme execution. A detailed description of institutional arrangements for Programme implementation has been provided in the main report. A steering committee will be formed at the central level composed of members from National Planning Commission, Ministry of Finance, Nepal Rastra Bank, Ministry of Agriculture and Livestock Development, state government representatives, and financial sector representatives. Heifer International with Heifer Nepal are expected to be co-financiers and implementing partners focusing on socio-economic mobilization and supply chain development activities. Partner Financial Institutions including class A and Class D will be eligible to apply for subsidiary lines of credit under the Programme and the state and local governments will be the key partners to the Programme for overall coordination and investment in enable public infrastructure support of local supply chain and cluster development.

170. ADBL is a registered Class A commercial bank in which the government has a controlling interest, (100% of preference shares, 51% of ordinary share, 49% public and staff). It has has 280 branch offices across the country, around 2,500 staff of which 500 are agricultural graduates, agronomists and agribusiness experts, and it serves more than 1.3 million customers (1,3 m. depositors, 154,000 borrowers, average loan size NR720,000 of which 63,000 are agricultural borrowers with an average loan size of NR480,000). 32% of its current loan portfolio is for agriculture and forestry and 1% fishery related. The bank is profitable (net profit is NR4.35 bn. as of July 2019) despite its high level operational costs and high costs of loanable funds (with a base rate at 10.58%).

171. ADBL's range of financial products and services is quite unique in Nepal (including agriculture and livestock insurance, various digital banking options) and diversified. The bank is also very aspirational to become a market leader in agricultural value chain financing schemes for smallholder producer inclusive agricultural micro, small and medium businesses, particularly through new technologies (e.g. Kishan Farmers Card) and platforms that will be based on digitized solutions for packaged types of services. It is envisaged to capture the footprint from digital transactions and to create records, which the bank and partner FIs (like Sana Kishan) can use to analyze credit risks and process

Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)

Social Environment and Climate Assessment (SECAP) review note

loans, and explore linking transformative technologies in value chain financing for their clients and set-up digital platforms that can link physical trade with financing

172. There are certain capacity gaps in ADBL on specific thematic areas other than the finance where Programme needs to work. The proposed partnership with Heifer should bring substantial expertise in inclusive socio-economic mobilization and targeting the field. In addition, a thematic technical team should be placed in all layers of Programme implementing offices as required. Programme should especially hire monitoring and evaluation experts and officers, supply chain experts, Gender Equity and Social Inclusion (GESI) expert and Nutrition specialist.

173. ADBL deputed staff and hired staff regularly need capacity building and awareness events on Climate Change and Environmental aspects. Analysing the climate change and environmental related workload, Programme should recruit a climate resilience specialist at the centre level plus addition short term specialist technical assistance on these areas as needed.

### **ADBL's approach to environmental, climate and social sustainability**

#### Current status

174. ADBL's environmental, social (E&S) and climatic variability risks management (ESRM) systems are principally guided by the instruction issued by Nepal Rashtra Bank (NRB), the central bank of the country, to the bank and financial institutions (BFIs)<sup>45</sup>. The core objective of the guideline issued (ESRM Guideline) is to require BFIs to integrate environmental and social risk management into the overall credit risk management process in order to fully inform the credit authority of E&S risks prior to the financing decision regarding individual transactions. The areas covered by the Guidelines are comprehensive and includes environmental aspects, including air, water, solid wastes, biodiversity and ecosystem services; and social aspects, including labour relations and working condition, community health and safety, land acquisition and settlement, indigenous and vulnerable populations, and cultural and natural heritage. The ESMS Guideline requires all BFIs to develop and implement an environmental and social management system (ESMS) consistent with local environmental and social laws and regulation and overtime with recognized international standards such as International Finance Corporation's Performance Standards on Environmental and Social Sustainability and the Equator Principles. These provisions are amply supported by ADBL's Strategic Plan ((2019-2023) which identifies 'environmentally friendly financing for sustainable development and inclusive growth' as second of the four goals<sup>46</sup>. This goal is operationalised through its Credit Manual by specifying the requirement to consider during loan appraisal process the environmental and social aspects of each projects submitted for ADBL financing<sup>47</sup>.

175. On climate variability both the Central Bank guidelines and ADBL's operational programme contained in annual implementation plan as approved by ADBL's Board of Directors put emphasis on financing projects aiming at the development of renewable energy for which the central bank has put mandatory provision for investing 15% of its loan portfolio<sup>48</sup>. Within this segment of its portfolio ADBL is investing in hydropower, solar energy and activities that broadly fall under green financing. On enabling its client to cope with the risks caused by climate variability ADBL has been implementing groups and

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<sup>45</sup> *Nepal Rashtra Bank (NRB), Guidelines on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions, Kathmandu, May 2018.*

<sup>46</sup> *ADBL, Strategic Business Plan 2019-2023, Kathmandu 2029, Pg. 8.*

<sup>47</sup> *ADBL, Loan Procedures 2073 BS, Clause 16.3 (Nga) and (Cha), Appendices 12.2, 12.3 and 12.4, Loan appraisal forms.*

<sup>48</sup> *including for tourism sector; Instruction No 17 - Deprived groups and priority sector lending, Clause 17.1, Unified Guidelines, Nepal Rashtra Bank, Kathmandu, October 2019.*



community-based crop and livestock insurance. On handling sexual harassment/sexual exploitation and abuse (SH/SEA) ADBL has a zero-tolerance policy in its internal management and has put in place robust grievance redressal mechanisms including the protection of whistle blower<sup>49</sup>. On discriminatory practices, ADBL is majorly owned by the government and thus except affirmative actions required under the Constitution of Nepal, no discriminatory practice is permitted.

176. In terms of gaps that ADBL needs to be fill, three areas stand out: (i) the SH/SEA provision are to be extended to include the operation of its clients; and (ii) specific provision to be made for making agricultural investments climate resilient, and (iii) adding investments for climate proofing for assets created under non-agricultural projects so the risks are contained within acceptable level. Additionally, ADBL need to invest on building capability of its staff to identify and assess the S&E and climate-related risks while appraising projects and recommending mitigation measures to the clients receiving financing from ADBL.

#### Recommendations for VITA

177. In the light of above, prior to the launching of VITA operations on the ground, ADBL will: (i) additionally codify its Credit Manual to: (a) fill the gaps identified in Para 177 above, and (b) elaborate on existing provisions related to environmental, social including SH/SEA, and climate variability aspects, along with extensive cross referencing to ADBL's own policies and procedures scattered over a variety of documents and relevant regulatory guidelines issued by NRB; (ii) developing training modules and imparting training to all credit officers working for VITA on each of the E&S and climate resilience, adaptability and climate proofing aspects; and (iii) monitoring closely how well the requirements specified are being implemented by also effectively using Bank's compliance systems.

178. The systems developed as part of VITA initiatives will be applicable on bank-wide basis in order to enable ADBL to fully comply with the NRB guidelines and demonstrate its commitment to pursue an environment friendly and more sustainable as well as equitable development path. For imparting training to relevant VITA staff adequate financial allocation has been made under the capacity enhancement and policy support sub-component.

#### **4. Environmental and social category**

179. **The proposed environmental and social category for this Programme is B**, based on the IFAD guideline. The Programme; i) would not impact on any sensitive areas or result in loss natural habit and biodiversity, Programme intervention will be confined in existing cultivated lands; ii) Programme activities will not be located in areas at high risk of geophysical hazards, thus the risk to agriculture, livestock and small-scale infrastructure are considered to be minimal; iii) the Programme design will be directed at environmentally sound and sustainable agriculture and livestock: a) priority will be given to multiple water use system for the water use efficiency and strong water management, b) use of fertilizers will be under the guidance and supervision of trained service provider, smallholders to regularly test soils to inform fertilizer application and reduce over usage and will be encouraged to use the bio-fertilizer as far as possible, c) use of pesticide will be monitored and will be under the support and guidance of related technicians, Programme will adopt integrated pest management and will also support strengthened MRL supervision in the supply chain d) Programme will work to minimize the waste from agriculture or livestock and as far as possible these will be recycled, e) service providers for alternative renewable technology will be promoted as part of the support market development activities; iv) in rural areas the programme will only support small infrastructures; v) carrying capacity

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<sup>49</sup> ADBL Employee By-law 2062, Chapter 7: provision of disciplinary action to bank employees and Chapter 8: Code of conduct of bank employees.

assessments will be conducted before and during the Programme intervention to ensure that Programme intervention has well respected the carrying capacity and does not further deteriorate the environment, especially for livestock and MAPS; vi) Programme will actively engage and benefit the vulnerable and socially marginalized communities in Programme's every activities hence the social risk are minimal. Women, youth, indigenous community, socially disadvantaged groups, disable people will be mainstreamed in supply chain, building on the successful approaches for this from HVAP.

## **5. Climate risk category**

### **180. The proposed climate risk category is Moderate Risk.**

181. The detailed analysis of the climate scenario and resulting risks and response measure to the main investment activities of the programmed, as summarized in Table 15, indicate that the programme is expected to be moderately sensitive to climate risks and an integration of climate issues has been undertaken as part of the detailed design. This process has resulted in practical adjustments under the programme to reduce losses and damages from climate hazards to target beneficiaries, as outlined in the above table, and will also strengthen local risk-management capacities.

182. The detailed analysis highlights both risks and benefits from climate change. The three principal risks are, in order of importance: i) the increase and intensification of new and existing diseases, pest and insects by making favourable temperature from them to grow and spread over the existing and even new areas (higher altitude); ii) greater variability in rainfall patterns within the year combined with increase water demand for production leading to increasing risks of temporary water shortages for purely rainfed production; increased heat stress from a small increase in the number of warm days, especially in the lean season, to cattle reducing the milk production in the lean season and also to poultry impacting the growth of chickens during these periods. The principal benefits from climate change are: creating opportunities for production of new vegetable and crop varieties in higher altitudes; increasing yields and extended production seasons of vegetable and crops; favourable condition for bees to collect more raw materials in extended production seasons resulting increase in honey production.

183. Furthermore, the programme has multiple characteristic described for programmes of moderate risk, including:

- i) climate variability is likely to affect agricultural productivity (crops, livestock and fisheries) including the associated incidence of pests and diseases for the programme target groups;
- ii) investing in infrastructure that is exposed to infrequent extreme weather events;
- iii) investing in institutional development and capacity-building for rural institutions (such as farmer groups, cooperatives) in climatically heterogeneous areas;
- iv) interventions which have the potential to become more resilient through the adoption of green technologies at a reasonable cost;
- v) strengthening indigenous climate risk management capabilities;
- vi) integrating climate resilience aspects through policy dialogue to improve agricultural sector strategies and policies – especially at local and state level as well as within the financial services sector.
- vii) integration of climate resilience measures without extensive additional costs (e.g. improved construction practice, capacity-building of financial service providers, farmers and MSME, expansion of climate resilience know-how and

technologies through the development of suitable skilled local service providers and including climate risk issues in policy processes).

184. Notwithstanding the above, the general programme areas at the district level encompass a diverse set of locations and climatic zones in Nepal which are subject to the annual monsoons, and a range of flood, draught, landslide, GLOF, rainfall / temperature and ecological risks. Programme area ranges from plain Terai area to the mid-mountain and some parts of high-mountain. This is the case for the entire IFAD country portfolio by default, as it works in rural Nepal and 2/3 thirds of all districts in Nepal are rated as high or very high risk against one or more of these events (MOPE, Climate Change Vulnerability Mapping for Nepal 2010). However, such periodic events are an inherent part of the climate and production and livelihood systems are broadly adapted to them. Projected climate change scenarios are not expected to change the level of risk to these events to such a degree as to significantly affect the impacts or sustainability of the programme.

185. Consequently, while the answer must be 'Yes' to the climate risk checklist questions of '*Is the project area subject to extreme climatic events, such as flooding, drought, tropical storms or heat waves?*', this in itself is inherent to working in rural Nepal and is not sufficient grounds on its own for categorising the programme as 'high risk'. Indeed, all IFAD supported projects for over 20 years have worked in several of these 50 districts. It is notable that multiple recent and ongoing IFAD-supported projects across a majority of the proposed programme locations have enabled farmers to both mitigate these risks and significantly increase production, achieving substantial improvements in their agriculture-based livelihood. Specifically, an impact study of recently completed IFAD funded High Value Agriculture Project in Karnali State (6) shows substantial increase in agriculture production, and household income particularly in agriculture and livestock and no widespread losses from climate related events. Similar results have been seen in the recently completed KUBK project in State 5. The ongoing Adaptation for Smallholders in Hilly Areas (ASHA) project also covers seven districts of Karnali and State 5 and this project is also not experiencing significant loss due to climate change. Similarly, the RERP project covers 16 districts in State 1, 2 and 3 have reported improvements in farmer livelihoods and no widespread losses from climate related events. Some impacts have been recorded in specific Terai areas due to flood and drought, however these have not materially affected overall programme performance. The VITA programme will be sensitive to select the location and supply chain commodities in these areas. For example, in aquaculture of having secure available stocks of fingerling for restocking after severe floods.

186. The programme will pay a key attention to mainstream climate consideration into production and investment decisions in the supported value chains. The specific site and value chain selection will follow certain criteria to avoid climate risk areas and hazards. Farmers will be capacitated to make climate informed investment decisions. Programme will support financial institutions to strengthening their climate risk assessment tools as a part of their mainstream agriculture loan appraisal process. The traditional climate change adaptation methods and knowledge will be documented and disseminated among the smallholders. Crop and livestock insurance policy will be adopted for the risk mitigation. These will reduce the climate change impact and predicted impacts on crop and livestock production.

## **6. Recommendations for programme design and implementation**

187. **Participatory planning and implementation:** VITA, by name, is an inclusive programme. To implement that on the ground, programme planning and execution process will be transparent and participatory. The multi-stakeholder platforms will be a central tool for this. Proportionate participation from women, Dalit, indigenous and marginalized communities, and youth should be ensured and their concern should be streamlined in programme's planning and implementation process.

188. **Women:** The programme has the opportunity to ensure women participation in income generating activities from the planning to decision making. Traditionally, women work to run their household daily without any meaningful economic return. The value chain selection process needs to consider the balanced workload between male and female – specifically increasing the role of women in paid economic activities and, conversely, increasing participation of men in unpaid household works like involvement in producing goods and providing services for own final use. An analysis of workload and working conditions by men and women themselves is essential, followed by interventions to promote more equitable rate of participation of women in production and marketing. Appropriate and reflective methodologies and tools needs to be introduced, such as the Heifer Corner Stone approach and the GALS-lite aspects in the planned business skill training. The programme needs to enhance the leadership capacity of women providing opportunities to participate in activities that generates income ultimately leads them towards the decision making level. Economic relationship between household members is crucial to bring changes in decision making roles and overall power relations. However, women may need to invest relatively more productive time to generate profit participating in the programme. This increases the workload but still plays a vital role to maximize productivity of women and ultimate returns in other dimension of life.

189. Programme should encourage women to raise the ownership of assets and role and voices in making decisions both at household and community level. It gives them confidence to participate in household as well as cluster and bigger level decision making process. Time-efficient techniques and technologies should be introduced to reduce women workload and raise the efficiency and maximise profit from involvement in supply chains. These all will contribute to build the agency of women, enhance their economic earning, labour productivity and leadership.

190. To contribute to a deeper transformation of women's roles in the rural economy, the programme should also actively encourage the development of women's producer groups where there is sufficient interest from women in a cluster to do so. Such groups would not be to the exclusion of men, but women would by a large majority of members, lead the group, hold the main decision making roles and consequently represent their own interests in the multi-stakeholder platforms, cluster and supply chain development processes. With a critical mass of such groups active in a road corridor, this would be expected to seed a deeper transformation in women's empowerment in the supply chains and the local economy.

191. The selected supply chains will be specifically targeted towards women, youth, poor and marginalized communities, and indigenous communities. ADBL and other key financial institutions will make the provisions to ease the access to credit for women, youths and poor to promote production and profit – including through the greater use of the interest subsidies and collateral free lending policies promoted by NRB. A special attention should be given to enhance financial inclusion, business skills, appropriate methodology and tools for visioning and planning for better future, promote balanced workload between male and female, awareness on climatic risk, awareness on nutrition, capacity building, skill based training and awareness programs. The time and venue for all such training should be aligned with these groups availability to participate.

192. **Youth:** The programme will work to retain the youth force attracting them in supply chain process and also develop special programs from the overseas migrant returnee youth, those returning from cities and those affected by COVID-19. Their engagement is an important component of the programme to achieve desired outcome. Programme can reduce seasonal out migration by generating local level employment. The youth of Nepal are not attracted to traditional farming but have shown ample interest on market based commercial farming, livestock and/or fisheries. The programme will provide skill development trainings based on local requirements, including as service providers. There are potentials to develop entrepreneurship capacity among youths that increase networking and leadership capacity. Currently, youth population is relatively low in

villages; If they find better opportunities in the villages, in terms of both income and status, they will have opportunities to earn money in their hometown and also can continue their education. Overall, the youth engagement in the programme leads towards sustainable development of the villages.

193. **Indigenous Peoples**<sup>50</sup> have advanced knowledge of traditional agricultural practices and are sources of traditional knowledge. Through their engagement in producer groups, the programme will seek to build on their knowledge blending with modern agriculture technology and practices to best fit in the programme activities will significantly enhance the outcome. Their voice will be heard and participation in the programme will be ensured providing opportunities in decision making level.

194. **Gender Action Learning System (GALS)-lite:** This is a community-lead empowerment methodology that uses principles of driving through visioning and planning of household for economic wellbeing, promoting women and youth's participation in decision making gender justice, improve food and nutrition security of vulnerable people in a self-reflective manner. Once GALS is practiced at household level and catalyse changes, this methodology further can be used in other analysis of the supply chains, market, climate change and financial services. It provides the practical solutions for poor women and men to drive their own development, identifying and dismantling obstacles in their environment, negotiating with service providers and private actors. It has proven to be effective for changing gender inequalities that have existed for generations, strengthening negotiation power of marginalized stakeholders and promoting collaboration, equity and respect between value chain actors. The programme will adopt GALS-lite as an intervention specially focused to the most vulnerable youth women and a 'lite' version, including key methodology and tools, will be expanded to all the beneficiaries through an enhanced business skill training.

195. **Nutrition:** The project will encourage interventions that promote nutritionally diverse and rich foods for an example meat, fish, dairy, vegetables, fruits, potato, honey and more. The new crop varieties with high nutritional value and benefits will be given higher priority. Project will promote and support the development of post-harvest management, storage and processing technologies at the community and household level. VITA will also focus on selection of gender responsive and nutrition sensitive value chains, pro-poor investment in sustainable agriculture, maternal education and awareness of optimal nutrition practices and convergence with ongoing nutritional programmes of Government of Nepal.

**Sustainable farming:** The programme will focus on sustainable farming; balancing economic profit, environmental stewardship and social responsibility. Along with the increasing farm production, programme give due attention to enhancing soil quality, reduce the use of non-renewable and unsustainable inputs especially harmful for the environment, sustainable use of water resources through adopting different water collection practices, rain water harvesting, water lifting, solar lifting, zero energy lifting, and use of indigenous knowledge and practices to tackle with agriculture and natural resource problems. Such practice are also sound business practices for farmers to achieve sustained success with farming as a business, enhancing their key productive resources rather than mining them unsustainably.

196. **Human resource - a climate resilient supply chain expert:** Analysing the institutional and human resource capacity of the key implementation organization, it is recommended to recruit a full time climate resilient supply chain expert at the centre level and provision of periodic capacity building events on climate change, issues and risks; climate resilient agriculture/livestock and infrastructures; green financing; IPM, risk transfer solutions for an example insurance; climate resilient tools and techniques; climate

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<sup>50</sup> According to the 2011 census, the indigenous nationalities of Nepal comprises 36% of the total population of 26.5 million. These constitutes 125 castes and ethnic groups and three religious groups.

Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

resilient land use planning, environmental and social screening of activities, basics of biodiversity conservation etc.

197. **Risk transfer solution (Crop and Livestock Insurance):** The insurance board of Nepal has also issued crop and livestock insurance policies which are subsidized by the Ministry of Finance with 75% of the premium. The interest of farmers on insurance is increasing, in 2018-19; 1,750 crop and less than 100,000 livestock policies were sold – plus 71% compared to last year. The programme should widely promote livestock and crop insurance as to mitigate risks and increase the investment of smallholders.

198. **Carrying Capacity Assessment screening:** The programme should make it mandatory to conduct a Carrying Capacity Assessment for the proposed commodity in each cluster before programme intervention. This will be conducted for the planned commodities in at ward or municipality level with the close coordination and collaboration with ward and municipality authorities. This will make the programme aware on the local situation and guide to take initiatives to prohibit further environmental deterioration.

199. **Site and commodities selection criteria:** The programme will develop a checklist of 'minimum screening criteria' to select specific site and commodities for particular locations to reduce the impact from climate hazards and avoid biodiversity sensitive areas. Location at high risk of landslide, flood, droughts and long history of pest should be avoided for the programme intervention.

200. **Land access:** VITA will support a portfolio of crops and livestock that are suitable to different scales of production, including several that can be based on very small land holdings yet generate decent incomes e.g. fish farming in surface tanks/leased ponds, stall-based goat fattening, poly-tunnel vegetable production

201. **Women's land rights:** Via the peer-based training and mentoring (Business Skills training, the HEIFER corner stone approach) VITA will include modules and information to educate people on women's legal land rights as well as coordinating with local authorities to support women group members in procuring citizenship certificates, which are critical in exercising these legal rights. VITA will focus on perceptions and practices around the recognition and promotion of women's tenurial rights and the benefits to the whole community with enhanced access and usage of land for women for productive activities and improved nutritional outcomes.

202. **Youth access to land for production:** An early priority in Year 1 will be to pilot and establish role model approaches with some of the stronger existing groups to engage the group and community leaders on identifying practical models through which they can provide better access for their youth to productive resources. This is expected to include locally facilitated lease of land/ponds (given there are high levels of abandonment of productive land across the country). Accompanying this would be locally operated credit guarantees – provided either by the municipality or the producer groups of the parents. ADBL already accepts institutional guarantees, so extension of this provision to enable such schemes to operate is considered by ADBL to be straightforward. The specifics of both these mechanisms will need to be developed in close consultation by with the pilot communities themselves – and the mechanisms may differ between communities, given different social norms and practices. Once there are the first batch of successful pilots, these models will then be more widely promoted via other groups to adopt and test for themselves.

203. **Bringing land back into cultivation:** The programme will support investment in small scale irrigation and associated water user groups, including infield ponds, to make more land more productive and likely to be used, especially in hilly areas that have the highest levels of uncultivated land.

## **7. Further studies needed**

204. No further study is be required.

Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

## **8. Monitoring and evaluation**

205. The programme's M&E should well capture gender, socio-ethnicity and household poverty disaggregated data. All the programme reports should reflect issues of gender, youth, Dalit, marginalized and disadvantage communities, and indigenous communities.

206. ADBL will lead in the monitoring and evaluation process of the programme together with implementing partners and stakeholders. The programme will adopt a strong focus on beneficiary-led collection and monitoring of programme performance – including via the farm diaries and the peer-based Business Skill Facilitators. In addition, monitoring and coordination committees comprises of programme team, representatives from state and municipal government authorities, other financial organizations should be formed at central and States level. These committees will regularly monitor and share the report to programme office.

207. A list of M&E indicators is included in the ESMP matrix and are incorporated in the 'extended' programme logframe.

## Annex 1: List of all provisional districts as physiographic zones

State	Physiographic region		
	Terai and Siwalik	Mid and High Mountain	High Himal
Two	Saptari, Siraha, Dhanusha, Mahottari, Sarlahi,Rautahat, Bara,Parsa		
Three (Bagmati)	Chitwan, Makawanpur, Sindhuli	Chitwan, Makawanpur, Sindhuli, Dhading, Dolakha, Kathmandu, Bhaktapur, Lalitpur,Kavepalanchok, Nuwakot, Ramechhap, Rasuwa, Sindhupalchok	Dhading, Dolakha, Nuwakot, Ramechhap, Rasuwa, Sindhupalchowk
Five	Parasi, Banke, Bardiya, Arghakhanchi, Dang, Kapilvastu, Parasi, Palpa, Pyuthan, Rupandehi	Parasi, Banke, Bardiya, Arghakhanchi, Dang,Kapilvastu, Palpa, Pyuthan, Rolpa, Rupandehi, Eastern Rukum, Gulmi	Eastern Rukum
One	Sunsari Morang Udayapur	Udayapur Okhaldhunga Khotang Bhojpur Dhankuta Terhathum	
Six (Karnali)	Salyan, Surkhet	Salyan, Surkhet, Dailekh, Jajarkot, Western Rukum,Jumla, Kalikot, Mugu, Dolpa, Humla	Jajarkot, Western Rukum, Jumla, Mugu, Dolpa, Humla

Source: Department of Forest Research and Survey, 2014.



Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

## Annex 2: Consultation

SN	Name	Organization	Position/Expertise
<b>A</b>	<b>ADBL programme design team</b>		
1	Anil Kumar Upadhyay	ADBL	CEO
2	Shankar Sapkota	ADBL	Sr. Agri Economist
3	Krishna Niraula	ADBL	Chartered Accountant
4	Neeku Acharya	ADBL	Section chief
5	BabuKaji Thapa	ADBL	Division Chief
6	Ghuran Thakur	ADBL	Agri. Finance Expert
7	Beena Sharma	ADBL	Director, PMO
8	Bashu Adhikari	ADBL	Division head
9	Shyam Khadka	ADBL	Development division
<b>B</b>	<b>Ministry of Agriculture and Livestock Development</b>		
1	Dr Yubak Dwaj GC	MoALD	Secretary
2	Joint secretary		
<b>C</b>	<b>Representatives of National Cooperative Federation of Nepal</b>		
<b>D</b>	<b>Representatives of National Insurance Board, Nepal</b>		
<b>E</b>	<b>Thematic Experts</b>		
1	Sanjeev Shrestha	IFAD	Value chain Consultant
2	Tribhuvan Paudel	IFAD	GESI expert consultant
3	Madan Pariyar, PhD	IDE	Program Development
4	Gyandendra Karki	NAP	Project Manager
5	Keshav Raj Gautam, PhD	MoFE, Climate Change Division	Under Secretary
6	Engila Mishra	ASHA	CC specialist
7	Srikanta Adhikari	ASHA	Ag Specialist
8	Draupati Subedi	ASHA	GESI specialist
9	Basanta Acharya	ASHA	MEAL specialist
10	Bharat Gotame	WWF	Program Manager
11	Nabaraj Dahal	Practical Solution	Program Manager
12	Ambika Pd. Khatiwada	NTCN	Program Officer
13	Shankar Neupane	KUBK/ASHA	Agriculture Specialist
14	Prakash Chandra Tara		Livestock Specialist
15	Dr Chet Raj Upreti	NAARC, Former FAO	Livestock and Climate Change Adaptation Expert

Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

<b>SN</b>	<b>Name</b>	<b>Organization</b>	<b>Position/Expertise</b>
<b>F</b>	<b>Producers</b>		
1	Mahesh Baral	Farmer	Potato, Maize
2	Kedar Wagle	Farmer	Paddy
3	Bhupendra Khadka	Farmer	Fish
4	Bishnu Bhattarai	Farmer	Banana
5	Narayan Paudel	Farmer	Honey
6	Devraj Bhandari	Farmer	Milk (Cow)
7	Mahendra Khadka	Farmer	Vegetable
8	Sharada Oli	Farmer	Goat
9	Sher Bahadur Oli	Farmer	Goat
10	Chetman Bhandari	Farmer	Honey
11	Sashiram Budhathoki	Farmer	Poultry
12	Ram Chandra Khadka	Farmer	Citrus: Lemon

### Annex 3: Gender role

Many roles in production are shared, or dominated by women – especially in migrant households where the husband is working away. The following may therefore be considered traditional roles, where both woman and man are working together on the farm.

Commodity	Women's Role	Men's role
Crop: Rice, Maize	Plantation, weeding, cleaning, watering, harvesting Connection with local resource person Access up to the local market Processing work	Ploughing, Partially engage in plantation, weeding, cleaning, and irrigation Purchase: Seed, fertilizers Contact with technician Link with market Processing work Dominate on decision making process
Livestock: Goat meat, Poultry	Fodder collection Goat shed cleaning Poultry form cleaning Sell to the local buyer Assist to run the local meat shop Connection with local resource person	Partially engage in fodder collection, Goat shed and poultry form cleaning Purchase of related materials Contact with technicians Link with market Support on processing work Dominate on decision making process
Fishery	Fish feeding Pond cleaning Sell to local buyers Assist to run local meat shop Connection to local resource person	Support on fish feeding and pond cleaning Lead on purchase of related materials Contact with technicians Link with market Support on processing work Dominate on decision making process
Horticulture	Planting, weeding, manuring, harvesting, carrying up to the market Plant protection	Support partially on planting, weeding, manuring, harvesting Setting to market, Dominate on decision making process
Coffee	Plantation, weeding, cleaning, watering, harvesting Connection with local resource person Access up to the local market semi Processing work	Support partially on planting, weeding, manuring, harvesting Setting to market, Dominate on decision making process
Essential Oils	plantation, weeding, processing, irrigation	Ploughing, support in plantation, weeding, harvesting, marketing; dominate in decision making

\*This will be further updated after the field visit during design mission.

## Annex 4

Average precipitation and mean temperature of Nepal for different seasons during the reference period (1981-2010) (MOFE, 2018)

Seasons	Average Precipitation		Mean Temperature
	Mm	%	
Winter	84	5	4.6
Pre-monsoon	232	13	12.5
Monsoon	1418	77	17.7
Post-monsoon	96	5	11.4
Annual	<b>1830</b>	<b>100</b>	<b>12.1</b>

## Annex 5

### A. Environment, Social and Climate Risk Screening

#### Guiding questions for environment, social and climate risk screening

IFAD classifies all projects into one of three environmental and social categories (A, B or C) and one of three climate risk classifications (high, moderate and low). Where IFAD is jointly financing a project with other agencies, IFAD will cooperate with the partner agency and agree on a common approach for the assessment and the categorization of the project.

Determination of the category and classification will also depend on the national requirements and the existing national capacity to promote and implement environmental and social mitigation measures. The determination is informed by existing assessments of national frameworks and capacities.

A positive response to any question between 1 and 22 (see questions below) will categorize the project as A. Similarly, a positive response to question 23 to 38 will categorize the project as B. In case all answers are negative, the project will be categorized as C.

This list of questions can be used at different stages of the project design and should be used in conjunction with the respective guidance statements.

The checklists for environmental and social and climate risks will:

1. initially be filled in during concept development to help guide in the identification of opportunities and possible risks and activities that will need to be considered in the project design;
2. be attached to the Social, Environmental and Climate Assessment Procedures (SECAP) review note; and
3. be reviewed during project design phases and updated as required.

<b>Project title:</b>	<b>Value Chains for Inclusive Transformation of Agriculture (VITA)</b>		
<b>IFAD project no.:</b>		<b>Version of checklist:</b>	
<b>Country:</b>	<b>Nepal</b>	<b>Date of this version:</b>	<b>01/04/2020</b>
<b>Checklist prepared by (name, title and institution)</b>	Nirajan Khadka, IFAD Consultant		

Guiding questions for environment and social screening	Yes/no	Comments/explanation
<b>Category A – the following may have significant and often irreversible or not readily remedied adverse environmental and/or social implications.</b>		
<b>Project location</b>		
<b>1. Would the project develop any wetlands? (Guidance statement 1)</b>	No	Programme will not conduct any activities to develop wetlands
<b>2. Would the project cause significant adverse impacts to habitats and/or ecosystems and their services (e.g. conversion of more than 50 hectares of natural forest, loss of habitat, erosion/other form of land degradation, fragmentation and hydrological changes)? (Guidance statements 1, 2 and 5)</b>	No	Programme will not cause any impact to habitat or ecosystem

Guiding questions for environment and social screening	Yes/no	Comments/explanation
<b>3. Does the proposed project target area include ecologically sensitive areas,<sup>51</sup> areas of global/national significance for biodiversity conservation, and/or biodiversity-rich areas and habitats depended on by endangered species? (Guidance statement 1)</b>	No	Proposed 28 VITA working districts include seven national parks, one conservation area and their buffer zones. Programme will develop site selection criteria which will exclude the ecologically sensitive areas. Programme will ensure Free, Prior and Informed Consent (FPIC).
<b>4. Is the project location subjected to major destruction as a result of geophysical hazards (tsunamis, landslides, earthquakes, volcanic eruptions)?</b>	No	The specific site selection criteria will ensure exclusion of areas at high risk of landslide.
<b>Natural resources</b>		
<b>5. Would the project lead to unsustainable natural resource management practices (fisheries, forestry, livestock) and/or result in exceeding carrying capacity. For example, is the development happening in areas where little up-to-date information exists on sustainable yield/carrying capacity? (Guidance statements 4, 5 and 6)</b>	No	Programme activities will ensure the sustainability use and management of natural resources. A analysis will be carried out to assess the carrying capacity of potential cluster areas and other environmental aspects before and during the activities implementation.
<b>6. Would the project develop large-scale<sup>52</sup> aquaculture or mariculture projects, or where their development involves significant alteration of ecologically sensitive areas?</b>	No	Programme will only work on small scale pond based fisheries which will not have any affect on alteration of ecologically sensitive areas.
<b>7. Would the project result in significant use of agrochemicals which may lead to life-threatening illness and long-term public health and safety concerns? (Guidance statement 14)</b>	No	Programme will encourage integrated pest management approach through adopting use of farmyard manure, natural and mineral fertilizers. The use of agrochemicals will be controlled and regular soil testing services promoted to reduce overuse. Evidence from recent similar interventions by IFAD supported projects in Nepal, including HVAP and KUBK, have seen production growth without increases in agro-chemical use to levels that are life-threatening or creating long term-health concerns. Indeed, in the RERP project and others, there is a strong interest from many farmers group to reduce chemical usage, both to respond

<sup>51</sup> "Sensitive areas" include: protected areas (national parks, wildlife/nature reserves, biosphere reserves) and their buffer zones; areas of global significance for biodiversity conservation; habitats depended on by endangered species; natural forests; wetlands; coastal ecosystems, including coral reefs and mangrove swamps; small island ecosystems; areas most vulnerable to climate change and variability; lands highly susceptible to landslides, erosion and other forms of land degradation, areas that include physical cultural resources (of historical, religious, archaeological or other cultural significance), and areas with high social vulnerability.

<sup>52</sup> The size threshold to trigger an Environmental and Social Impact Assessment (ESIA) may vary based on the country context and fragility of specific locations. Some countries have regulations on minimum size (usually ranging from a unit area of 10 to 50 hectares) and these will be adopted where they exist. However, where there are no standards, it is proposed to use 25 hectares as an aquaculture unit size to trigger an ESIA.

Guiding questions for environment and social screening	Yes/no	Comments/explanation
		to market demand but also to secure the long-term health of their communities.
8. Does the project rely on water-based (groundwater and/or surface water) development where there is reason to believe that significant depletion and/or reduced flow has occurred from the effects of climate change or from overutilization? (Guidance statement 7)	No	Less than 5% of the programme outreach is expected in crops, specifically maize/rice farming systems in the Terai, that are reliant on water sources where there is the potential for significant changes to availability as a result of climate change. For these crops the programme will work within irrigated areas only to reduce the vulnerability to climate change or from overutilization on this small part of the project.
9. Does the project pose a risk of introducing potentially invasive species or genetically modified organisms which might alter genetic traits of indigenous species or have an adverse effect on local biodiversity? (Guidance statement 1)	No	Programme will introduce advanced but only certified seeds and breeds. The project does not expect to promote GMOs in either crops or livestock.
10. Does the project make use of wastewater (e.g. industrial, mining, sewage effluent)? (Guidance statement 7)	No	
<b>Infrastructure development</b>		
11. Does the project include the construction/rehabilitation/upgrade of dam(s) and/or reservoir(s) meeting at least one of the following criteria? - more than 15 metres high wall; - more than 500 metres long crest; - more than 3 million m <sup>3</sup> reservoir capacity; or - incoming flood of more than 2,000 m <sup>3</sup> /s (Guidance statement 8)	No	Programme will only support construction or rehabilitation small community-led irrigation scheme, typically of less than 5 ha. command area or equivalent. All works will be below the given threshold dimensions.
12. Does the project involve large-scale irrigation schemes rehabilitation and/or development (more than 100 hectares per scheme)? <sup>53</sup> (Guidance statement 7)	No	Programme will only support small community-led irrigation schemes covering less than 100 hectares.
13. Does the project include construction/rehabilitation/upgrade of roads that entail a total area being cleared above 10 km long, or any farmer with more than 10 per cent of his or her private land taken? (Guidance statement 10). Will the works entail temporary and/or permanent resident workers?	No	Programme will only support upgrading of existing farm roads less than 10 km long ensuring none of the farmer losing more than 10% of his/her farmland.
14. Does the project include drainage or correction of natural waterbodies (e.g. river training)? (Guidance statement 7)	No	

<sup>53</sup> The size threshold to trigger an Environmental and Social Impact Assessment (ESIA) may vary based on the country context and fragility of specific locations. Some countries have regulations determining size of irrigation development requiring a full ESIA and these will be adopted where they exist. However, where there are no standards, it is proposed to use 100 hectares as an irrigation development unit size to trigger an ESIA.

Guiding questions for environment and social screening	Yes/no	Comments/explanation
15. Does the project involve significant extraction/diversion/containment of surface water, leaving the river flow below 20 per cent environmental flow plus downstream user requirements? (Guidance statement 7)	No	
<b>Social</b>		
16. Would the project result in economic displacement <sup>54</sup> or physical resettlement of more than 20 people, or impacting more than 10 per cent of an individual household's assets? (Guidance statement 13)	No	Programme activities will not displace any single person nor impact more than 10% of an individual livelihood asset.
17. Would the project result in conversion and/or loss of physical cultural resources? (Guidance statement 9)	No	Programme will not work on any such activities related to physical cultural resources
18. Would the project generate significant social adverse risk/impacts to local communities (including disadvantaged and vulnerable groups, indigenous people, persons vulnerable to GBV and sexual exploitation and abuse and people with disabilities) or other project-affected parties? (Guidance statement 13)	No	Programme will benefit the local communities and adopts a proven inclusive targeting approach.
<b>Other</b>		
19. Does the project include the manufacture and transportation of hazardous and toxic materials which may affect the environment? (Guidance statement 2)	No	
20. Does the project include the construction of a large or medium-scale industrial plant?	No	
21. Does the project include the development of large-scale production forestry? (Guidance statement 5)	No	
<b>Rural finance</b>		
22. Does the project support any of the above (Question 1 to Question 21) through the provision of a line of credit to financial service providers? (Guidance statement 12)	No	
Category B – the following may have some adverse environmental and/or social implications which can be readily remedied.		
<b>Location</b>		
23. Does the project involve agricultural intensification and/or expansion of cropping area in non-sensitive areas that may have adverse impacts on habitats, ecosystems and/or livelihoods? (Guidance statements 1, 2 and 12)	No	Programme will work on the agriculture intensification and expansion of cropping area but only in currently farmed or previously farmed but currently idle farm lands; these are not expected to create adverse impacts on habitats, ecosystems and livelihood. In fact, quite the opposite. By increasing the livelihoods, labour productivity and use of farm land it is expected to reduce pressure on the surrounding natural habits

<sup>54</sup> Economic displacement implies the loss of land, assets, access to assets, income sources, or means of livelihoods (guidance statement 13).



Guiding questions for environment and social screening	Yes/no	Comments/explanation
		as households become less reliant on them for their livelihoods through the growth of sustainable alternative livelihoods.
<b>Natural resource management</b>		
<b>24. Do the project activities include rangeland and livestock development? (Guidance statement 6)</b>	Yes	Livestock supply chains are provisioned in Programme and adequate amount of fodder and forage species will be planted in private lands. Programme activities will not include the rangeland. Indeed, it will actively seek to reduce open grazing in forests and hillsides. The programme will complete Carry Capacity Assessments including of Total Nutrient Demand and supply balance at ward/municipality level for all potential livestock clusters prior to programme engagement in the cluster.
<b>25. Does the project involve fisheries where there is information on stocks, fishing effort and sustainable yield? Is there any risk of overfishing, habitat damage and knowledge of fishing zones and seasons? (Guidance statement 4)</b>	No	Project plans to work only on pond-based aquaculture supply chains. This will be done in a sustainable manner without the risk of overfishing and habitat damage.
<b>26. Would the project activities include aquaculture and/or agriculture in newly introduced or intensively practiced areas? Do project activities include conversion of wetlands and clearing of coastal vegetation, change in hydrology or introduction of exotic species? (Guidance statement 4)</b>	No	
<b>27. Do the project activities include natural resource-based value chain development? (Guidance statements 1, 6 and 12)</b>	Yes	The Programme will enhance smallholders to market driven production replacing the subsistence and/or traditional farming. This demands use of natural resources.
<b>28. Do the project activities include watershed management or rehabilitation?</b>	No	
<b>29. Does the project include large-scale soil and water conservation measures? (Guidance statements 1 and 5)</b>	No	
<b>Infrastructure</b>		
<b>30. Does the project include small-scale irrigation and drainage, and small and medium dam subprojects (capacity &lt; 3 million m<sup>3</sup>)? (Guidance statements 7 and 8)</b>	Yes	Project will work on small-scale irrigation schemes.
<b>31. Does the project include small and microenterprise development subprojects? (Guidance statements 12 and 13)</b>	Yes	Smallholder and/or a group of smallholders-led microenterprises will be developed and/or supported
<b>32. Does the project include the development of agro-processing facilities? (Guidance statements 2, 6 and 12)</b>	Yes	Project will technically support farmers and micro-entrepreneurs on agro-

Guiding questions for environment and social screening	Yes/no	Comments/explanation
		processing facilities, however this will not include support to private infrastructure development.
<b>33. Would the construction or operation of the project cause an increase in traffic on rural roads? (Guidance statement 10)</b>	Yes	The value chain development and market linkages may result in some increased road traffic for the transportation of increased amounts of produce.
<b>Social</b>		
<b>34. Would any of the project activities have minor adverse impacts on physical cultural resources? (Guidance statement 9)</b>	No	Project activities will not be related to the physical cultural resources.
<b>35. Would the project result in physical resettlement of 20 people or less, or impacting less than 10 per cent of an individual household's assets (Guidance statement 13)?</b>	No	
<b>36. Would the project result in short-term public health and safety concerns? (Guidance statement 14)</b>	No	
<b>37. Would the project require a migrant workforce or seasonal workers (for construction, planting and/or harvesting)? (Guidance statement 13)</b>	Yes	Seasonal workers are required for a minority of the supported supply chains with clear season production, such as rice, fruit trees. However, a majority of the crops and livestock will focus on year-round production thus reducing the reliance on migrant workforces, e.g. in vegetables, goats, dairy, aquaculture.
<b>Rural finance</b>		
<b>38. Does the project support any of the above (Question 23 to Question 37) through the provision of a line of credit to financial service providers? (Guidance statement 12)</b>	Yes	The proposed key implementer itself a financial organization. Furthermore, project will have class A and class D grade Banks on providing loans for the production, processing and marketing.

### Guidance for categorization

<b>“Yes” response to any questions between 1 and 22</b>	Environmental and social category is A	<p>Environmental and Social Impact Assessment or an Environmental and Social Management Framework (full or specific) is required depending on availability of information.</p> <p>Also, some specific questions would require the below specific actions:</p> <ul style="list-style-type: none"> <li>• Yes to question 16 – A Resettlement Action Plan is required depending on availability of information.</li> <li>• Yes to question 17 – A Physical Cultural Resources Management Plan is required that includes provisions for managing chance finds at implementation.</li> <li>• Yes to question 18 – Free, prior and informed consent should be obtained/Free, Prior and</li> </ul>
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		<p>Informed Consent Implementation Plan is required depending on whether the affected communities are identifiable. In instances where indigenous peoples are affected an Indigenous Peoples Plan is required. A Social Impact Assessment is required.</p> <ul style="list-style-type: none"> <li>• Yes to question 8 and/or question 15 – A water resources management plan for the project is required.</li> <li>• Yes to question 7, question 9 and/or question 19 – A pest management plan is required.</li> </ul>
<p><b>“No” response to all questions between 1 and 22 and “Yes” response to any questions between 23 and 38</b></p>	<p>Environmental and social category is B</p>	<p>An environmental and social analysis to develop an Environmental and Social Management Plan (ESMP) is required.</p>
<p><b>“No” response to all questions between 1 and 38</b></p>	<p>Environmental and social category is C</p>	<p>No further analysis is required.</p>

## Guiding questions for climate risk screening

	Yes	No	Additional explanation of “yes” response*
<p><b>1. Is the project area subject to extreme climatic events, such as flooding, drought, tropical storms or heat waves?</b></p>	√		<p>The general programme areas encompass a diverse set of locations and climatic zones in Nepal which are subject to the annual monsoons, and a range of flood, draught, landslide, GLOF, rainfall /temperature, ecological risks. Programme area ranges from plain Terai area to the mid-mountain and some parts of high-mountain. This is the case for the entire IFAD country portfolio by default, as it works in rural Nepal and 2/3 of all districts in Nepal are rated as high or very high risk against one or more of these events. However, such periodic events are an inherent part of the climate and production and livelihood systems are broadly adapted to them. Projected climate change scenarios are not expected to increase the risk from these events sufficiently to have a significant effect on overall programme impacts and sustainability. Site selection screening for the programme will include assessment of such risks to minimize exposure to very high-risk areas.</p>
<p><b>2. Do climate scenarios for the project area foresee changes in temperature, rainfall or extreme weather that will adversely affect the project impact, sustainability or cost over its lifetime?</b></p>		√	<p>With the preliminary broad analysis of potential physiographical zones and districts, the prediction is made for the increase in temperature, precipitation and extreme events like increase of dry days and night. These are expected to have very modest impacts on supply chains and the programme will consider the climate impact from the very beginning of the subprojects. Areas with the history of severe climate hazard or prediction of extreme changes will not be selected, based on the “minimum screening criteria” for clusters included in the Programme Implementation Manual. In the areas where the programme is expected</p>

	Yes	No	Additional explanation of "yes" response*
			to work, the expected impacts of climate changes will be localized and there are suitable adaptive measures available to farmers that the programme will support them to implement e.g. use of water efficient technologies like drip irrigation for vegetable and fruit production, use of poly-tunnel to protect crops from storm damage which are already being effectively used in various locations in the programme areas. Climate change impacts are on production level, hence the farmers will be capacitated to make such climate informed investment decisions. Financial institutions' tools for Climate risk assessment as a part of agriculture loan appraisal will be further strengthened. Therefore, climate scenarios for the programme area are not expected to materially adversely affect the programme impact, sustainability or cost over its lifetime.
<b>3. Would the project make investments in low-lying coastal areas/zones exposed to tropical storms?</b>		√	
<b>4. Would the project make investments in glacial areas and mountains zones?</b>		√	Project will not work in glacial or high himal zones.
<b>5. Would the project promote agricultural activity in marginal and/or highly degraded areas that have increased sensitivity to climatic events (such as on hillsides, deforested slopes or floodplains)?</b>		√	The supply chain activities are expected to expand in abandoned lands, however the programme will adopt the site selection criteria that excludes areas sensitive to climatic events.
<b>6. Is the project located in areas where rural development projects have experienced significant weather-related losses and damages in the past?</b>		√	The programme will primarily work in terai and mid-hill districts of provinces two, three, five, one and Karnali Province. An impact study of recently completed IFAD funded High Value Agriculture Project in Karnali province shows substantial increase in agriculture production, and household income particularly in agriculture and livestock and no widespread losses. Similar results have been seen in the IFAD-supported KUBK project in State 5. A currently running Adaptation for Smallholders in Hilly Areas (ASHA) also covers seven districts of Karnali and State 5, this project is also not experiencing significant loss due to climate change. Similarly, the RERP project covers 16 districts in States 1, 2 and 3 have reported widespread losses. Some impacts have been recorded in Terai area due to flood and drought, programme will be sensitive to select the area and supply chain commodities in these areas. For example, in aquaculture of having secure available stocks of fingerling for restocking after severe floods and/or where floods a typically shallow and low cost adaptations to pond design can be implemented to reduce risk of loss of fish stock.
<b>7. Would the project develop/install infrastructure in areas with a track record of extreme weather events?</b>		√	
<b>8. Is the project target group entirely dependent on natural resources (such as seasonal crops, rainfed agricultural plots, migratory fish stocks) that have been affected by</b>	√		The programme targets smallholder for whom agriculture is the primary or a major livelihood. As outlined above, Nepali farmers have been affected by climate change over the last decade. There are reports

	Yes	No	Additional explanation of "yes" response*
<b>in the last decade by climate trends or specific climatic events?</b>			that some smallholders have experienced loss of crops due to drought, excessive rainfall, floods and landslides. However, against this background a series of recent and ongoing IFAD projects have enabled farmers not only to adapt to this but also significantly improve their farm-based livelihoods using the types of interventions and approaches proposed under the current programme. This is not to disregard the impact of climate change but demonstrate a credible pathway to sustainably improved agricultural livelihoods in the programme areas.
<b>9. Would climate variability likely affect agricultural productivity (crops/livestock/fisheries), access to markets and/or the associated incidence of pests and diseases for the project target groups?</b>	√		The production will be mainly affected by climate variability, particularly affecting production that is purely rainfed. The programme will support adoption of water efficient technologies as well as investment in in-field catchment ponds and small-scale irrigation and multi-use water systems to reduce such vulnerability.
<b>10. Would weather-related risks or climatic extremes likely adversely impact upon key stages of identified value chains in the project (from production to markets)?</b>	√		Weather related risks are inherent to agriculture in Nepal. They inevitably have some impacts on the supply chains. Yet the local supply chains are well adapted to the current levels of risks and the future climate scenarios are not projected to increase these risks sufficiently to have major impacts on the proposed supply chains within the 25 year time horizon for programme impacts.
<b>11. Is the project investing in climate-sensitive livelihoods that are diversified?</b>	√		The agriculture and horticulture supply chains are climate-sensitive. However, efforts will be made towards the climate resilient practices.
<b>12. Is the project investing in infrastructure that is exposed to infrequent extreme weather events?</b>		√	
<b>13. Is the project investing in institutional development and capacity-building for rural institutions (such as farmer groups, cooperatives) in climatically heterogeneous areas?</b>	√		The capacity of smallholders, farmers, agri-entrepreneurs, processors, financiers stakeholders will be enhanced in different supply chain related themes, including environment and climate change, through different means.
<b>14. Does the project have the potential to become more resilient through the adoption of green technologies at a reasonable cost?</b>	√		The green technologies will be adopted in a maximum possible extent via promotion through local technical service markets. This will include use of renewable energy technologies from production to marketing; rainwater harvesting, drip irrigation, use of IPM and predators, consolidated agriculture, low-tillage practice to reduce soil erosion, crop diversification and use of improvised seeds, organic fertilizer, mulching and micro-irrigation.
<b>15. Does the project intervention have opportunities to strengthen indigenous climate risk management capabilities?</b>	√		Farmer capacity building via enhanced business skills training will include the better use of climate information in farm production and investment decision. Furthermore, the carrying capacity assessments will provide a strong evidence base at the ward/municipality level for local communities to make informed decisions on individual on collective climate risk management options, including building on indigenous capabilities.
<b>16. Does the project have opportunities to integrate climate resilience aspects through policy</b>	√		There are ample opportunities to assist on policy dialogue through different platforms to improve agriculture sector strategies and policies – at municipal, state and federal level. Robust M&E data and analysis

	Yes	No	Additional explanation of "yes" response*
<b>dialogue to improve agricultural sector strategies and policies?</b>			will be central to such evidence-based policy engagement.
<b>17. Does the project have potential to integrate climate resilience measures without extensive additional costs (e.g. improved building codes, capacity-building, or including climate risk issues in policy processes)?</b>	√		The climate resilient measures will be considered from the planning and designing phase of programme interventions. Priority will be given for the local and indigenous knowledge and practices.
<b>18. Based on the information available would the project benefit from a more thorough accounting of GHG emission ?</b>		√	Programme will not substantially generate GHGs, however accounting emission will be helpful for the stakeholders to aware on project's impact on CC

#### Guidance for classification

<b>"Yes" response to any of the questions 1 to 7</b>	The climate risk classification is high	A detailed analysis is required
<b>"Yes" response to any of the questions 8 to 17</b>	The climate risk classification is moderate	A basic analysis is required
<b>"Yes" response to question 18</b>	GHG assessment	For example, EX-ACT tool
<b>"No" response to almost all questions</b>	The climate risk classification is low	No further analysis is required, but voluntary measures can be incorporated

Nepal  
 Value Chains for Inclusive Transformation of Agriculture (VITA)  
 Social Environment and Climate Assessment (SECAP) review note

Annex 6: **ESMP matrix**

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
<b>1) Environmental</b>									
<b>Potential threat to forest and biodiversity resources including:</b>									
Encroachment or expansion of agriculture in forest area	Vegetable, Banana, Potato	Moderate	Value chain activities will be confined only in agriculture lands. To address the shortage of agricultural land, project will encourage leasing of fallow/private cultivable lands.	I) Meeting with farmers to identify and explore use of abandoned land; Explore with municipalities, forest user groups, and forest officials on encroachment management	PMU, Municipalities/FUG/DFO	% reduction of fallow land in municipalities (ha)	Baseline/mid term/completion and annual.	(A) Secondary sources: Registries from municipalities, local Forestry Groups and/or provincial Forestry Departments ; (B) Primary source: VC Cluster surveys.	Mainstream activity in Comp 1. No incremental cost

Nepal  
 Value Chains for Inclusive Transformation of Agriculture (VITA)  
 Social Environment and Climate Assessment (SECAP) review note

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Excessive harvesting of forest products and open grazing	Goats	Low to Medium	<p>Project will encourage stall feeding and provision will made to plant enough number/area of forage and fodder species;</p> <p>Carrying capacity assessment for Goat value chain prior to cluster engagement</p>	II) Evidence based consultation with interested communities to establish credible and sustainable development plans for Goat	VITA PMU with municipalities and MoITFE	<p>(a) % of farmers with herds in stall feeding system</p> <p>(b) % of municipalities with acceptable "current herd vs maximum carrying capacity" ratios</p> <p>(d) % of farmers using feed from sustainably managed fodder and forage sources</p>	Annual	Farmers Diaries, Farm Diaries, VC Cluster surveys, Baseline/mid term/final impact surveys,	\$50,000 for GIS-based carrying capacity assessment for all targeted Goat/dairy municipalities Via Sector Development Fund (SDF)



Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Increased water pollution from agriculture runoff due to the use of fertilizers and pesticides	Vegetable, Banana, Potato, Cereal, Fish	Medium	(i) Mulching, right balance of organic and inorganic fertilizer; (ii) Training and advice on proper use of pesticide and fertilizers, regular soil testing; (iii) Improved fish pond management to keep water healthy: restricting use of antibiotics and medicines, proper aeration keeps the water healthy; (iv) Introducing waste water management system; (v) Enhanced testing and enforcement regime for pesticides especially at wholesale market and strategic location	Awareness, capacity building and easy access to new practices and technologies	HEIFER , local private technical service provers	(a) % farmers using efficient water use technologies (b) Number of farmers trained in IPM (c) Include Water Quality parameters to be measured (d) Include soil quality parameters to be measured	(a) Baseline/mid term/final ; (b) Annual	(a) Baseline/mid term/final impact surveys; Farmers' diaries (b) Project training records	(i)-(iv) via Service Market Development e.g. training of service provider to promote practice. Minimal incremental costs. Covered under 'Service Market Development' budget line (Comp 1) (v) \$30,000, financed between SDF and state/municipal government partners who have mandate for market management/food safety
Improper solid waste management	Livestock, Fish, Wholesale market	Moderate	(i) Solid Waste management plan mandatory for project supported wholesale and satellite market; (ii) Work with market management board and local authorities ; (iii) Recycling and reuse of waste generated during production to processing including use to make bio-compost ; (iv) Capacitate smallholders and micro entrepreneurs on sustainable waste management by easy and	Awareness, capacity building and easy access to new practices and technologies	Province/district project units	(a) % of project-supported markets with a waste management plan and an efficient waste management system (b) No of capacity building events organized for smallholders	Annual	Project "infrastructure" records; Training reports; Reports from field inspection visits by PIU staff	(i)-(ii) Mainstreamed within Comp 3. Est. \$5,000 additional capacity building on good practice waste mgt in markets (iii)-(iv) via Service Market Development e.g. training of service provider to promote practice. Minimal incremental costs.

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
			effective technologies and better hygiene			and micro entrepreneurs			
Land and soil degradation	Crops	Medium	(i) Tillage operation and grazing will be controlled in land with moderate to steep slopes (5°-30°). Conservation terraces will be promoted in such lands.; (ii) Cultivation will be discouraged in land with slope more than 30 degree (iii) Integrated Pest Management approach will be promoted to discourage use of chemical fertilizers and pesticides ; (iv) Crop varieties which demands excessive use of fertilizer and water will be discouraged; (v) Landslide prone areas will not be selected for any kind of value chain. If value chain activities are planned proximity to such areas, adequate land cover practices such as plantation will be encouraged.	Awareness	Province/district project units	(a) % of farmers using sound IPM practices (b)% of municipalities with an increase in the land area managed through IPM (c) hectares of land under sustainable agricultural land management	(a) Annual; (b) Baseline/mid term/completion.	(A) Secondary sources: Registries from municipalities, local Forestry Groups and/or provincial Forestry Departments ; (B) Primary source: VC Cluster surveys	Mainstreamed in Comp 1 via i) Business skills training ii) Service market development for delivery of appropriate technical advice to farmers.  No incremental costs.

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source	
						Indicators	Frequency	Source of data		
Threat (such as chances of particular pathogen or pest arriving, population declines of native species, altering key ecosystem process like hydrology, nitrogen fixation etc) from introduction of exotic varieties and breeds	Crops, Livestock	Moderate	Introduction of only certified/verified varieties		PMU	<i>Ex ante: Component 1 activities to ensure that only certified/verified seeds suppliers are supported under the various Funds or capacity building activities.</i>	n/a	n/a	No incremental cost	
<b>Social</b>										
Potential increase on the workload on women (especially from road maintenance activities)			(i) Ensure women's participation from the activities planning phase; (ii) Promote awareness of smallholders and entrepreneurs on work division ; (iii) Ensure that women are not over-represented in the maintenance work for the newly rehabilitated roads; (iv) Ensure women's participation in capacity building events ; (v) Develop and implement GESI guidelines	Capacity building	Province/District Project Unit	(a) % of women among meetings' participants (VC meetings, cluster meetings, municipalities meetings) and awareness raising events	(a) and (b): Annual ; (c) baseline/mid term/completion.	(a) Lists of participants in meetings or awareness raising events	Mainstreamed in the following activities a) group mentoring/capacity development b) Business skill training covering such issues, c) the Heifer Corner Stone approach.	
						(b) % of women among project training, capacity building events and exchange visits		(b) Training records		No incremental costs
						(c) % of women beneficiaries with increased time spent for leisure		(c) simplified PRO-WEAI survey as included in the COI survey.		

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Within high risk communities negative social dynamics from greater social and economic empowerment of women	All	Medium to High	(i) Implementation of the Heifer Corner Stone approach. for highly vulnerable women; (ii) Inclusion of a "light GALS" module in Business Skills curriculum.			% of highly vulnerable women among the Heifer Corner Stone approach/ GALS-lite beneficiaries	Upon beneficiaries' selection, mid term and completion.	PPI survey; Qualitative survey on women empowerment	Via GALS – budget = \$550,000  GALS-lite aspects of Business Skills training. No incremental costs
Investment failing: Depletion of HH assets and livelihoods' base to the point where they can no longer recover; Indebtedness by loan beneficiaries unable to repay their loans.	All	Medium	(i) Affordable investment pathways ; (ii) Pre-screening suitability of selected commodities for poor and vulnerable households (iii) Critical risk insurance among new products and services developed by ADBL or partner FIs; (iv) Group or municipality or supply chain guarantee and collateral free loan; (v) Working with in groups to improve market linkages which reduces selling risk; (vi) Link with technical service providers; (vii) Business skill training; (viii) Encourage saving and wealth generation practice ; (ix) Better use of remittances			(a) % of farmers repaying their loans according to agreed schedule (b) No of beneficiary farmers compelled to sell their collateral because they are unable to repay their loans.	Annual		i-ii: Mainstreamed in design. No incremental cost.  iii: NRB promoted insurance products – no incremental cost. New insurance products development: via concurrent GIZ project with ADBL. No incremental cost to VITA.  iv: Mainstreamed under Comp 2.2 and municipality engagement under Comp 1.  v-ix: Mainstream Comp 1 activities. No incremental cost



Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Flood and landslide	Vegetable, Milk, Fish, Cereals	Medium	(i) Project will develop the value chain location/site selection criteria which will exclude activities in flood and landslide prone areas and encourage to use land where farmers are traditionally doing farming ; (ii) Banks of fish ponds raised to prevent flood, farmers will be encouraged to use fish-net, store tanks; (iii) Provisions of crop, livestock and other value chain based enterprises insurance ; (iv) Development of sound site selection criteria and regular field inspection visits by PIU Engineer.	Awareness	PMU and district units	% of beneficiary households with a crop or livestock insurance  Include indicators for mitigation measure (ii), (iii) and (iv)	Upon beneficiaries' selection, mid term and completion.	Baseline/mid term/completion surveys ; Farmers' diaries ; and ADBL MIS.	i: mainstreamed in cluster screening process ii: Promoted through technical advice in Business Skills and local service provider development. Actual costs of work paid for by beneficiaries as part of farm upgrading investments iii: beneficiaries pay insurance premiums, some of which is subsidized by NRB. iv) for infrastructure, site verification is mainstream part of Comp 3 monitoring. No incremental costs.

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Drought, water shortage	Vegetable, Banana, Cereals	Low to Medium	(i) Improve management practices: Small irrigation, water efficient technologies, infield water harvesting, water catchment pond ; (ii) Selection of drought tolerant species will be encouraged; (iii) Mandatory provisions of crop, livestock and other value chain based enterprises insurance	Awareness	PMU and district units	% of household using improved water management practices	(a) Baseline/mid term/final ; (b) Annual	Baseline/mid term/final impact surveys ; Farmers' diaries.	promoted via Business Skill classes plus local service provider (through Service Market Development) Investment in associated equipment/ insurance is by beneficiaries via private investment.
Change in disease timing and outbreaks	Vegetable, Banana, Cereals	Low to Medium	(i) Promotion of IPM; (ii) Capacity building and awareness events to maximize use of bio chemicals and fertilizers (iii) Promotion of crop, livestock and other value chain based enterprises insurance	Awareness	Province project units	(a) % of farmers using sound IPM practices (b) % of beneficiary households with a crop or livestock insurance	(a) Baseline, mid term, final ; (b) Baseline, mid-term, final ;	Baseline/mid term/final impact surveys ; Farmers' diaries.	Promoted via Business Skill classes plus local service provider (through Service Market Development). Specific demo activities via SDF \$30,000
Occurrence of wind storms	Banana, Vegetable, Cereal	Low	(i) Wind break plantation ; (ii) Improve solid mound to strengthen plan; (iii) Additional pole for Banana	Capacity building	PMU and district units		(a) Annual and baseline, mid term, final ; mid-term, final ;		Promoted via Business Skill classes plus local service providers (through Service Market Dev.) Investment in equipment/ materials is by beneficiaries via private investment.

Nepal  
 Value Chains for Inclusive Transformation of Agriculture (VITA)  
 Social Environment and Climate Assessment (SECAP) review note

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Heat stress	Milk	Low	(i) Decrease of milk production in heat stress period is natural phenomenon. It has been reported that the production decrease by 30-40% during heat stress time. Project will encourage increasing investment on processing (milk powder, UHT) that allows storage to milk supply from flush to lean season; (ii) Improve fodder and feeder production and feeding practices; (iii) Good monitoring; (iv) Promotion of improved husbandry practices; (v) Promotion of effective animal health services and livestock insurance		PMU and district units	% of beneficiary farmers reporting an improved access to processing infrastructure or improved storage capacity	Baseline, mid term, final	Baseline/mid term/final impact surveys	Promoted via Business Skill classes plus local service provider (through Service Market Development). No incremental cost to VITA



## Annex 7: Climate extreme indices

<b>Indices</b>	<b>Definition</b>
Very wet days (P95)	Annual total days when the precipitation is higher than 95 percentile
Extreme wet days (P99)	Annual total days when the precipitation is higher than 99 percentile
Number of rainy days	Annual total days when the precipitation is >1 mm
Consecutive dry days	Maximum length of consecutive days with daily precipitation <1mm
Consecutive wet days	Maximum length of consecutive days with daily precipitation >1mm
Warm days	Percentage of days when maximum temperature >90th percentile
Warm nights	Percentage of days when minimum temperature >90th percentile
Cold days	Percentage of days when maximum temperature <10th percentile
Cold nights	Percentage of days when minimum temperature <10th percentile
Warm spell Duration Index	Annual count of days with at least 6 consecutive days when maximum temperature > 90th percentile
Cold spell duration Index	Annual count of days with at least 6 consecutive days when minimum temperature < 10th percentile

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Value Chains for Inclusive Transformation of Agriculture (VITA)

Social Environment and Climate Assessment (SECAP) review note

**Annex 8: Detailed Socio economic analysis by Caste/ethnicity, Age, Sex and Poverty Status**

S N	Caste/Ethnicity			Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
	Madeshi	Caste groups	Dalits		Female	Male
1				<p><b>Less than 25 yrs</b></p> <p><b>ISSUES:</b></p> <ul style="list-style-type: none"> <li>- Not yet productively managing their potentiality,</li> <li>- No ownership of assets, even married,</li> <li>- Limited access to consultation and decision at family,</li> <li>- Lack of workload balance between women and men,</li> <li>- Nutrition – poor nutrition among very poor but also for all segments for children, pregnant and lactating mother,</li> <li>- Interested to earn money but lack skill and opportunities,</li> <li>- Limited access to groups and cooperatives,</li> <li>- Limited financial and business skills,</li> <li>- Limited trust from guardians,</li> <li>- No credit services due to collateral issues,</li> <li>- Lack visioning of future life and planning of actions,</li> <li>- Lack of basic facilities - electricity, drinking water, sanitation</li> </ul> <p><b>OPPORTUNITIES:</b></p> <p>Potential group of human resources to:</p> <ul style="list-style-type: none"> <li>-Mobilize for increase income, improve their well-being,</li> <li>-Engage in agricultural sector to run as business,</li> <li>-Develop as lifetime entrepreneur,</li> </ul> <p><b>RESPONSES:</b></p> <ul style="list-style-type: none"> <li>- Formation of inclusive producer groups of interested and like-minded to engage in agricultural sector (this may vary by clusters and commodity)</li> <li>- Conduct financial &amp; business skill training with GALS 'Lite'</li> <li>- Identify most vulnerable and risk averse women and men and engage in household mentoring/GALS.</li> <li>- Facilitate to prepare business/production plan (can use symbols and diagrams) based on MSP results,</li> <li>- Lending collateral free loan to individuals considering group and municipality guarantee to fund on prepared investment plan (if collateral is an barrier to interested one),</li> <li>- Encourage and mobilize to meet the production target,</li> <li>- Introduce/demonstrate efficient production technology and production methods,</li> <li>- Explore renting land for e.g vegetable, fish &amp; goat farming</li> </ul>	<p><b>Very poor</b></p> <ul style="list-style-type: none"> <li>- Limited literacy, very few have got formal education up to 4-5 class only</li> <li>- No citizenship cares.</li> <li>- Early marriage, bearing child in early age, malnutrition in children, pregnant and lactating mother,</li> <li>- Living in thatched huts, mostly in public lands,</li> <li>- No mutual discussions and understanding about future life of self and children between husband and wife,</li> <li>- Facing social and cultural barrier/discrimination (untouchability).</li> <li>- Working as agriculture labor within village.</li> <li>- No assets except temporary thatched house at public land and household utensils.</li> <li>- No land ownership within family.</li> <li>- No savings, lack of visioning to improve future life, Borrow money from local money lenders</li> <li>- Limited access to community group and exposure to development.</li> <li>- Gender stereotypes restricts free mobility,</li> <li>- Women have heavy burden of household work and earning looking after children,</li> <li>- Work balance between women and man is imbalanced.</li> <li>- Restricted mobility outside village.</li> <li>-Mostly Musher and Dom belong to this category. (literacy rate of Musahars and Doms are 17.4 % and 17.9%)</li> </ul>	<ul style="list-style-type: none"> <li>- Limited literacy, very few have got formal education up to 4-5 class only</li> <li>- No citizenship cares.</li> <li>- Early marriage, very start earning as labor from 13-14 age, sometime take burden of family feeding, including children and spouse, Majority do not take family responsibility,</li> <li>- No mutual discussions and understanding about future life of self and children between husband and wife, prevail masculinity,</li> <li>- Facing social and cultural barrier and discrimination (untouchability).</li> <li>- Working as agriculture brick factory and construction labor within village and city areas and mostly go to India (Punjab) for labor.</li> <li>- No land ownership within family, living in thatched huts, mostly in public land,</li> <li>- No savings, lack of visioning to improve future life, expense own self rather for family, Borrow money from local money lenders even to go India for agriculture labor,</li> <li>- Limited assess and interest on community initiatives, social awareness, Sometimes mobilized by political parties as their vote bank, but not support further,</li> <li>- Work balance between women and man is imbalanced.</li> <li>- Mostly Musahar and Dom belong to this category. (literacy rate of Musahars and Doms are 17.4 % and 17.9%)</li> </ul>

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 Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity			Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
					Female	Male
1	Madeshi ..... <i>continued</i>	Caste groups	Dalits		<p><b>Poor</b></p> <ul style="list-style-type: none"> <li>- Very few are attended school, left school before 13 years</li> <li>- Early marriage and bear children at teen age,</li> <li>- Average children size 4 and above,</li> <li>- Work as agricultural labor within village.</li> <li>- Limited savings.</li> <li>- Living in marginal land,</li> <li>- Works on rented land by in laws, producing vegetables and cereals,</li> <li>- Lack of money to invest in rented land for agricultural produce,</li> <li>- No ownership of land (in most cases, it belongs to father in laws</li> <li>- Limited assess to community group due to cultural barrier (untouchability and poor status).</li> <li>- Gender stereotypes restricts free mobility,</li> <li>- Terai Dalits other than Musahars and Dom have some access to community groups due to their power relation and influence in the community.</li> </ul> <p><b>Near Poor</b></p> <ul style="list-style-type: none"> <li>- Limited education, left school at 5-6 class in most cases, very few have passed school level education,</li> <li>- Early marriage &amp; having children before 20 yrs.,</li> <li>- Mostly living in extended families with father and mother in laws,</li> <li>- In most cases living in wood-mud bond and thatched roof huts and some have improved houses with remittances, - Mostly work an their own land and also in rented land, some are engaged in goat, chicken and pig rearing, buffalo ( in some cases)</li> <li>- some have developed skills like sewing and tailoring but limited earnings,</li> <li>- very few have access to community groups and exposure of development, in most cases mother-in-law represents at groups /cooperatives / savings /credit</li> <li>- Marred, living in nuclear families receives skill development trainings like sewing and tailoring from development agencies(GOs, NGOs) managing small</li> </ul>	<ul style="list-style-type: none"> <li>- Very few are attended school, left school between 13-15 yrs. up to class 4-6,</li> <li>- Early marriage, no proper plan, no discussion for future,</li> <li>- Work as agricultural and construction labor within village and city areas, go to India and big cities.</li> <li>- Send earning to father and mother in many cases, wife is not consulted and supported,</li> <li>- Living in marginal land, often in public land,</li> <li>- Work on rented land with parents, producing vegetables/ cereals</li> <li>- Lack of money to invest in rented land for agricultural</li> <li>- No ownership of land (in most cases, it belongs to father.</li> <li>- Limited assess to community initiatives &amp; social awareness, mostly mobilized by political parties as their vote bank,</li> <li>- Faces discrimination like untouchability in society, even in public places,</li> <li>- Masculinity restricts mutual cooperation to female members of the family,</li> <li>- Terai Dalits other than Musahars and Dom have some access to community groups due to their power relation and influence in the community.</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity			Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
					Female	Male
					<p>scale enterprisers with credits from cooperatives. - Managing rented lands for agriculture and producing cereals and cash crops along with father in-laws. - No collateral to get loan due to lack of land ownership,</p> <p><b>Non Poor</b></p> <p>-Mostly marriage before age of 20 and live inside house due to belief that high status daughter in laws do not go outside, - very few are working outside (not manual) in case husband, father and mother in laws permitted, - Have got skill development trainings and few have running tailoring enterprises, -limited access to credit facility due to collateral, Limited knowledge of commercial production. Limited financial and business skills.</p>	
1	Madeshi ..... Continued	Caste groups	Dalits	<p><b>26-40 yrs.:</b></p> <p><b>ISSUES:</b></p> <ul style="list-style-type: none"> <li>- Majority of this group are working and feeding family,</li> <li>- No ownership of land assets, citizenship issue for vulnerable ones,</li> <li>- Working as agriculture labor and raising goats, pigs, chickens for additional income,</li> <li>-Limited practice of consultation and shared decision making between husbands and other male members,</li> <li>- Lack of workload balance between women and men, women work much inside household, agriculture is feminized,</li> <li>- Limited access to groups and cooperatives for the very poor and poor,</li> <li>- Nutrition- primarily no availability is an issue for very poor and and poor and utilization knowledge and practice for rest segments for children, pregnant and lactating women,</li> <li>- Limited financial and business skills of all,</li> <li>- No collateral assets for credits to all women,</li> <li>- Lack of visioning for future life and planning of resources,</li> <li>- No proper productive land and lack of appropriate linkages for production and marketing even producing on rented land.</li> <li>- Lack of basic facilities like electricity, drinking water, sanitation facilities,</li> </ul> <p><b>OPPORTUNITIES:</b></p>	<p><b>Very poor</b></p> <ul style="list-style-type: none"> <li>- Very limited have citizenship cares, No attendance at school; no education,</li> <li>- Bearing child in early age and having 3-4 children of different ages, high dependency, Malnutrition in children, pregnant and lactating mother,</li> <li>- Mostly living in public (Party Jagga) and landlords lands, mostly with no land ownership within family.</li> <li>- Limited mutual discussions and understanding about future life of self and children between wife and husband,</li> <li>- Facing social and cultural barrier/discrimination (untouchability).</li> <li>- Working as agriculture labor within village, Rearing 1-2 goats, 1-2 pigs in small piece of land, No assets except household utensils.</li> <li>- Women headed households are more vulnerable,</li> <li>- Limited access to/ interest in group/ cooperatives, Borrow money from local money lenders even to send husbands to India for agriculture labor,</li> <li>- Limited assess to community group and exposure to development.</li> <li>- Work balance between women and man is imbalanced.</li> </ul>	<ul style="list-style-type: none"> <li>-Mostly are studying in colleges, engaged is jobs and help parents on business and earning,</li> <li>- Go abroad, Korea Australia,</li> <li>- Not interested in agriculture.</li> </ul> <ul style="list-style-type: none"> <li>- Very limited have citizenship cares, No education at all; very few are literate,</li> <li>- Work as agriculture within village and India and construction labor on city areas,</li> <li>- No proper management of earnings, mostly influence by alcohol</li> <li>- Mostly live in public (Party Jagga) and landlords lands, and majority with no land ownership within family.</li> <li>- Limited mutual discussions and understanding about future life of self and children between wife and husband, masculinity prevails</li> <li>- Facing social and cultural discrimination and barrier (untouchability).</li> <li>- Limited access to/ interest in group/ cooperatives, Borrow money from local money landers to India for agriculture labor,</li> <li>- Limited assess to community group and exposure to development.</li> <li>- Imbalanced workload between women and man,</li> <li>- Women seems more trustable rather men due to behavior of unplanned expenses,</li> <li>Mostly Musahar and Dom belong to this category (literacy rate of Musahars and Doms are 17.4 % and 17.9%)</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

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					Female	Male
	..... Madeshi ..... <i>continued</i>	Caste groups	Dalits	<p>This group is most potential for economic activities to:</p> <ul style="list-style-type: none"> <li>- Mobilize to increase income, their wellbeing and assets</li> <li>- Engage in agricultural for growth as business for profits,</li> <li>- Potential to engage them for lifetime entrepreneur in agriculture sector.</li> <li>- Capitalize available labor force for better labor productivity,</li> </ul> <p><b>RESPONSES:</b></p> <ul style="list-style-type: none"> <li>- Formation of inclusive groups of interested and like minded to engage in agricultural sector, below 25 yrs. can also be included in same group in one location. Mobilize existing groups including left out households,</li> <li>- Facilitate to prepare production plan based on MSP decisions</li> <li>- Mobilize for production and marketing of potential commodity after B2B linkages with traders</li> <li>- Introduce climate resilient technology and resilient varieties,</li> <li>- Conduct comprehensive package financial and business skill development with 'GALS lite',</li> <li>- Identify most vulnerable and risk averse women and engage in household mentoring/Gender Action Learning System(GALS).</li> <li>- Lending collateral free loan to individuals considering group and municipality guarantee,</li> <li>- Explore opportunity for renting in land for vegetable, fish and goat farming for landless,</li> <li>- Facilitate women to get consent letter from family member who own land ownership,</li> <li>- Coordination with other CSOs working on Dalit Rights to address citizenship and land ownership issue,</li> </ul>	<ul style="list-style-type: none"> <li>- Restricted mobility outside village.</li> <li>- Mostly Musahar and Dom belong to this category (literacy rate of Musahars and Doms are 17.4 % and 17.9%)</li> </ul> <p><b>Poor</b></p> <ul style="list-style-type: none"> <li>-Very few are from this segment have attended school,</li> <li>- Marriage at early age and bear children before teen age, high dependency, malnutrition in children, pregnant and lactating mother,</li> <li>- Work as agricultural labor within village, Some rearing livestock like, goat (2-3), pig (1-2) Chickens, buffalo kids on sharing basis,</li> <li>- Living in marginal land often in Public land,</li> <li>- Few works on rented land and/or share crop with husbands, producing vegetables and sale at local <i>hat bazaar</i>, a few are rented in and managing fish ponds,</li> <li>- Lack of money to invest in rented land for agricultural produce.</li> <li>- No productive land and no ownership of land (in most cases, it belongs to father in law and in some case it belongs to husband).</li> <li>- Limited assess to community group due to cultural barrier (untouchability and poor status).</li> <li>-Terai Dalits other than Musahars and Dom have some access to community groups due to their power relation and influence in the community.</li> </ul> <p><b>Near Poor</b></p> <ul style="list-style-type: none"> <li>- No education of this category of women,</li> <li>- Some are living with children and also with daughter-in -laws,</li> <li>- Most are living in nuclear family with young children</li> <li>- Work on agriculture, Some are engaged in goat, chicken and pig rearing, buffalo (in some cases)</li> <li>- Some have access to community groups and exposure of development</li> <li>- In most of cases they are organized in their own community groups and managing monthly savings and credits, take leadership role in groups,</li> <li>- Receives skill development trainings like sewing and tailoring from development agencies(GOs, NGOs)</li> </ul>	<ul style="list-style-type: none"> <li>-Very few are from this segment have attended school,</li> <li>- Lack knowledge, understanding and managing earning and planning for future life improvement,</li> <li>- Work as in villages and go to India for agricultural labor, - Living in marginal land often in public and landlords land,</li> <li>- Few works on rented land and/or share crop with family members and producing vegetables, sale at local <i>hat bazaar</i>, a few are rented in and managing fish ponds,</li> <li>- Lack of money to invest in rented land for agricultural production.</li> <li>- No productive land and ownership.</li> <li>- Limited assess to community initiatives due discriminations and cultural barriers (untouchability and poor status). - Potential group to engage in organized production process,</li> <li>-Terai Dalits other than Musahars and Dom have some access to community groups due to their power relation and influence in the community.</li> </ul> <ul style="list-style-type: none"> <li>- very few are literate,</li> <li>- Living with family members with son and daughter in law.</li> <li>- Most are living in nuclear family with young children</li> <li>- Work on agriculture, some are engaged in goat, chicken pig and buffalo rearing,</li> <li>- Socially aware, economically active, however, exposure to development is limited</li> <li>- Mostly males are not organized in groups, in some areas they are organized in cooperatives and managing monthly savings and credits,</li> <li>- Very limited access to develop skills from development agencies,</li> <li>- Managing rented lands for agriculture and producing cereals and</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

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					Female	Male
					<p>managing small scale enterprisers with credits from groups and cooperatives but limited earnings,</p> <ul style="list-style-type: none"> <li>- Managing rented lands for agriculture and producing cereals and cash crops along with husbands,</li> <li>- some women of this category are first movers if got any opportunities,</li> <li>- Limited business and financial knowledge and skills</li> </ul>	<p>cash crops,</p> <ul style="list-style-type: none"> <li>- Majority are on employment in Gulf and those returnees wants to be entrepreneur,</li> <li>- Limited financial knowledge and business skills,</li> <li>- Potential to engage in agriculture production sector with market services and facility,</li> </ul>
1	Madeshi ..... <i>continued</i>	Caste groups			<p><b>Non Poor</b></p> <p>(Very few Dalit's fall in this category)</p> <ul style="list-style-type: none"> <li>- Mostly educated ones are working outside, some are studying in colleges even after marriage,</li> <li>- Some have got skill development trainings and few have running enterprises like retail shops, tailoring,</li> <li>- Supporting family business and enterprises, some are running fish ponds,</li> <li>- Those who are living in villages are managing land for cereal crops,</li> <li>- Very few women have land ownership of productive land</li> <li>- Limited access to credit facility due to collateral,</li> <li>- Limited knowledge of commercial production.</li> <li>- Limited financial and business skills.</li> </ul>	<ul style="list-style-type: none"> <li>- Mostly educated one are working outside, some are studying in colleges even after marriage,</li> <li>- Some are running enterprises like retail shops, tailoring, goal shops,</li> <li>- Some are engaged in agriculture business, unning fish ponds and producing cereals and vegetables,</li> <li>- However agriculture limitedly managed as business,</li> <li>- Limited knowledge of commercial production.</li> </ul>
1	Madeshi ..... <i>continued</i>	Caste groups	Dalits	<p><b>41 + yrs.:</b></p> <p><b>ISSUES:</b></p> <ul style="list-style-type: none"> <li>- Majority of this group are working on as labor and earning for family, and rearing goats, pigs and chickens</li> <li>- No ownership of land and asset,</li> <li>- Limited practice of consultation for any decisions at households, - Lack of workload balance between women and men,</li> <li>- Limited access to community groups, cooperatives and skill development opportunities except non poor,</li> <li>- Limited financial and business skills to run household and business, - No collateral assets for credits,</li> <li>- Almost no hopes of future life and plans, - Discrimination and often blamed for witchcraft (Boksi), - Facing problems on getting social security facility in lack of citizenship,- Lack of basic facilities like electricity, drinking water, sanitation</li> </ul>	<p><b>Very poor</b></p> <ul style="list-style-type: none"> <li>- No citizenship cares in most cases,</li> <li>- Deprived to get social security facility due to issue of citizenship,</li> <li>- In most cases separated from son and daughter in-laws, Majority are single due to death of husbands and are very marginalized,</li> <li>- Living in thatched huts, mostly in public (Party Jagga)lands, mostly with not land certificates, no basic services like electricity, drinking water and satiation facility,</li> <li>- Facing social and cultural barrier and discrimination like untouchability, facing blame as witchcrafts (Boksi).</li> <li>- Working as agriculture labor within village as single source of income,</li> <li>- Rearing 1-2 goats, 1-2 pigs in small piece of land,</li> </ul>	<ul style="list-style-type: none"> <li>- Deprived to get social security facility due to issue of citizenship,</li> <li>- In most cases living separately,</li> <li>- Living in thatched huts, mostly in public (Party Jagga) and landlords land, no basic services like electricity, drinking water and satiation facility,</li> <li>- Facing social and cultural barrier and discrimination like untouchability,</li> <li>- Working as agriculture labor within village and go to India for seasonal work, some are engaged in construction labor,- Most of this category expense earning unplanned manner</li> <li>- No access to/ and interest to engage in group/ cooperatives,</li> <li>- Very limited hopes of future life,</li> <li>- Mostly Musahar and Dom belong to this category ( literacy rate of Musahars and Doms are 17.4 % and 17.9%)</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

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					Female	Male
				<p>facilities,</p> <p><b>OPPORTUNITIES:</b></p> <ul style="list-style-type: none"> <li>- Potential (40-55 yrs.) to include in group with other ages and mobilized for economic activities,</li> <li>- Potential to sensitize and mobilize other age groups to engage in agricultural sector growth as business and profits,</li> </ul> <p><b>RESPONSES:</b></p> <ul style="list-style-type: none"> <li>- Formation/strengthening existing groups of interested and like minded to engage in agricultural sector (with other age groups also included in same group in one location).</li> <li>- Mobilize for production and marketing of potential commodity after B2B linkages with traders through Multi Sector Platforms (MSP).</li> <li>- Introduce climate resilient technology and resilient varieties,</li> <li>- Conduct comprehensive package financial and business skill development classes,</li> <li>- Identify most vulnerable and risk averse women and engage in Household mentoring/Gender Action Learning System (GALS).</li> <li>- Facilitate for collateral free loan to individuals considering group and municipality guarantee/collateral,</li> <li>- Facilitate for renting in land for vegetable, fish and goat farming</li> <li>- Coordination with CSOs working on Dalits Rights for preparation of citizenship and land ownership certificate and address other social issues,</li> </ul>	<ul style="list-style-type: none"> <li>- No access to/ and interest to engage in group/ cooperatives,</li> <li>- Very limited hopes of future life,</li> <li>- Limited assess to community group and exposure to development.</li> <li>- Mostly Musahar and Dom belong to this category ( literacy rate of Musahars and Doms are 17.4 % and 17.9%)</li> </ul>	
					<p><b>Poor</b></p> <ul style="list-style-type: none"> <li>- No citizenship certificates in some cases, so limited access to social security facility,</li> <li>- Some women of this age group are single and facing discrimination,</li> <li>- Work as agricultural labor within village, some are rearing livestock like, goat (2-3), pig (1-2) Chickens,</li> <li>- Rearing buffalo kids on sharing with owner,</li> <li>- Living in marginal land often in Public land, no land ownership certificate,</li> <li>- Few works on rented land or share crop with husband, produce vegetables &amp; sell at local <i>hat bazaar</i></li> <li>- Lack of lending to invest in rented land for agricultural</li> <li>- No ownership of land (in most cases, it belongs to husband if they have land.</li> <li>- Limited assess to community group due to cultural barrier (untouchability and poor status), often face blame of witchcraft (Boksi),</li> <li>-Terai Dalits other than Musahars and Dom have some access to community groups due to their power relation and influence in the community.</li> </ul>	<ul style="list-style-type: none"> <li>- No citizenship certificates in most of cases, so limited access to social security facility,</li> <li>- More number of dependents,</li> <li>- Work as agricultural labor within village, some are rearing livestock like, and supporting women to raise goat (2-3), pig (1-2) Chickens, Rearing buffalo kids on sharing with owner,</li> <li>- Living in marginal land often in Public and landlords land, no land ownership certificate in some cases,</li> <li>- Few works on rented land and/or share crop, producing vegetables and sale at local <i>hat bazaar</i>,</li> <li>- Lack of lending to invest in rented land for agricultural production</li> <li>- Limited awareness on social context, assess to community group due to cultural barrier (untouchability and poor status), often face blame of witchcraft (Boksi)</li> <li>-Terai Dalits other than Musahars and Dom have some access to community groups due to their power relation and influence in the community.</li> </ul>
1	Madeshi ..... <i>continued</i>	Caste groups	Dalits		<p><b>Near Poor</b></p> <ul style="list-style-type: none"> <li>- No education of this category of women,</li> <li>- Some women of this age group are not getting citizenship certificates and deprived from social security facility,</li> <li>- Some are living with son daughter-in -laws, majority are living separately if they are in couple and single women are living separately,</li> <li>- Engaged in agriculture labor, some are engaged in goat, chicken and pig rearing,</li> <li>- Very limited access to community groups and</li> </ul>	<ul style="list-style-type: none"> <li>- Near Poor:</li> <li>- No education of this segment,</li> <li>- Some are living with son daughter-in -laws, majority are living separately if they are in couple,</li> <li>- Engaged in agriculture labor and construction labor, some are engaged in goat, chicken, pig and buffalo rearing,</li> <li>- Managing rented lands for agriculture and producing cereals and cash crops along with husbands,</li> <li>- Very limited access to community groups and exposure of development, and social context,</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

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					Female Male	
					<p>exposure of development</p> <ul style="list-style-type: none"> <li>- in very few cases they are organized in their own community groups and managing monthly savings and credits,</li> <li>- Managing rented lands for agriculture and producing cereals and cash crops along with husbands,</li> <li>- Limited financial and business knowledge and skill,</li> </ul>	<ul style="list-style-type: none"> <li>- In very few cases they are organized in their own community groups and managing monthly savings and credits,</li> <li>- Potential group to engage in commercial agriculture production.</li> </ul>
					<p><b>Non Poor:</b> (Very few Dalit's fall in this category)</p> <ul style="list-style-type: none"> <li>- Mostly looking after grand children in extended families,</li> <li>- Families' are mostly engaged in politics, business and enterprises in market areas,</li> <li>- Those who are living in villages are managing land for cereal crops,</li> <li>- No land ownership of productive land,</li> <li>- very few have piece land on their ownership in city areas,</li> <li>- Limited access to credit facility due to collateral,</li> <li>- Limited knowledge of commercial production.</li> <li>- Limited financial and business skills.</li> </ul>	<p><b>Non Poor:</b></p> <ul style="list-style-type: none"> <li>- Mostly engaged in politics, business and enterprises in market areas,</li> <li>- Living in villages are managing land for cereal crops, very few are engaged in fish farming also,</li> <li>- Land is not major property of this group,</li> <li>- Mostly, this group is migrated to city and business area,</li> <li>- Limited knowledge of commercial production.</li> </ul>
1	Madeshi ..... continued	Caste groups	<p><b>Other castes: Yadavs, Sudi, Teli, Mandals, Mahato..... etc.</b></p>	<p><b>Less than 25 yrs.</b> <b>ISSUES:</b></p> <ul style="list-style-type: none"> <li>- Not productively managed the potentiality, even some are educated. - Limited practice of consultation and joint decision making at family in very poor and poor hhs,</li> <li>- Imbalanced workload between women and men, agriculture is feminized,</li> <li>- Interested to earn money but lack appropriate skill and opportunities, inputs and technology,</li> <li>- Limited access to groups &amp; cooperatives for very poor and poor, not active and functional even engaged groups.</li> <li>- Limited financial knowledge and business skills,</li> <li>- Borrow money from money lenders and no credit facility due to collateral issues specially for very poor women</li> <li>- Limited knowledge on visioning of future life and planning for resources and opportunities.</li> <li>- Nutrition problem among children, pregnant and lactating women due to availability and utilization knowledge and practice,</li> </ul>	<p><b>Very poor:</b></p> <ul style="list-style-type: none"> <li>- Limited education, early marriage, bearing child in early age, high dependency ratio, Malnutrition in children, pregnant and lactating mother,</li> <li>- Women headed households likely to be more vulnerable</li> <li>- very limited mutual discussions and understanding about future life of self and children between husband and wife and parents,</li> <li>- Working as agriculture labor within village, husbands are migrated for agriculture labor to India,</li> <li>-Borrow money from local money lenders on high interest rate, and even to send husbands to India for agriculture labor,</li> <li>- Living in bamboo fenced thatched huts mostly in marginal lands and which are not registered on their Name</li> <li>- Limited savings due to lack of future visioning of life,</li> </ul>	<ul style="list-style-type: none"> <li>- Limited education, early marriage, high dependency ratio,</li> <li>-Very limited mutual discussions and understanding about future life of self and children between husband and wife and parents</li> <li>- Working as agriculture labor within village, construction labor, go India for agriculture labor,</li> <li>-Borrow money from local money lenders on high interest rate to go to India for agriculture labor,</li> <li>- Living in bamboo fenced thatched huts mostly in marginal lands and which are registered on their parents name,</li> <li>- Limited savings due to lack of future visioning of life, excessive expenses</li> <li>- Limited assess to social context and exposure to development due to their poor economic status and self-esteem,</li> <li>- Imbalanced workload between women and man,</li> </ul>



Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth			
			Female	Male		
1	Madeshi ..... <i>continued</i>	Caste groups	<p><b>Other castes: Yadavs, Sudi, Teli, Mandals, Mahato..... etc.</b></p> <ul style="list-style-type: none"> <li>- Limited capacity/knowledge of saving and managing resources,</li> <li><b>OPPORTUNITIES:</b></li> <li>Potential to organize and mobilize for production and marketing providing them required business and financial skills knowledge, basic facilities, service and technology.</li> <li><b>RESPONSES:</b></li> <li>- Formation of inclusive groups of interested and like minded youths (both women and men based on local situation) in one cluster from representing different segments, mobilization of existing groups with inclusion of left out segments from household, - Facilitate to prepare production plan as agreed in Multi sector Platform (MSP), - Mobilize for production and marketing of selected/potential VC commodities, - Introduce climate resilient technology and resilient varieties,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite',</li> <li>- Identify most vulnerable young women and engage in Household mentoring/Gender Action Learning System (GALS).</li> <li>- Facilitate guardians to provide consent for collateral to take loan to increase production,</li> <li>- Facilitate for collateral free loan to individuals considering group and municipal guarantee/collateral,</li> <li>- Facilitate for renting in land for vegetable, fish and other potential commodity farming, who do not have productive land.</li> </ul>	<ul style="list-style-type: none"> <li>- Limited access to community group and exposure to development due to their poor economic status and self-esteem,</li> <li>- Bear the household management responsibility.</li> <li>- Imbalanced workload between women and man,</li> </ul>		
				<b>Poor</b>	<ul style="list-style-type: none"> <li>- Very low level of school attendance, very often complete primary level,</li> <li>- Early marriage and bear children before at age before teen,</li> <li>- Work as agricultural labor within village, few works as labor in rural construction sites,</li> <li>- Limited savings, earnings are not managed properly,</li> <li>- Living in marginal land, majority are in nuclear family,</li> <li>- Works on rented land with in laws, producing vegetables,</li> <li>- Lack money to invest in rented land even if they are managing for agricultural production,</li> <li>- No ownership of land (in most cases, it belongs to father in law and in some case it belongs to husband).</li> <li>- Have some access to community group, but limitedly benefitted,</li> </ul>	<ul style="list-style-type: none"> <li>- Very low level of school attendance, very often complete primary level,</li> <li>- Early marriage, no proper understanding between couple,</li> <li>- Work as agricultural labor within village and work as construction labor in city areas, rural construction sites,</li> <li>- Some are migrated to Middle East countries,</li> <li>- Borrow money from local money lenders on high interest rate,</li> <li>- Limited savings, earnings are not managed properly,</li> <li>- Living in marginal land, some are in nuclear some on extended family,</li> <li>- Some work on rented land, lack of investment even if they are managing for agricultural production,</li> <li>- No ownership of land (in most cases, it belongs to father).</li> <li>- Access to community/social initiatives, but limitedly benefitted,</li> </ul>
				<b>Near Poor</b>	<ul style="list-style-type: none"> <li>- Majority have passed class 10 and a few of them have +2 level education, but due to low quality education, limited opportunity, employment is less,</li> <li>- Early marriage is still prevail in Terai and a few are marriage after 20 yrs.,</li> <li>- Mostly living in extended families with with father and mother in laws</li> <li>- Majority of this category are engaged in community level development workers, work in cooperatives and other groups, even Borrow money to go Gulf and other countries,</li> <li>- Have access to development opportunities and getting skills like sewing and tailoring are self employed,</li> <li>- Very few have access to community groups and exposure of development, in most cases mother in law represents groups and cooperatives and savings and</li> </ul>	<ul style="list-style-type: none"> <li>- Majority have passed +2 level education, some are studying higher level education, but due to low quality education, all are not getting opportunity,</li> <li>- Early marriage is still prevail in Terai and this segment is also influenced,</li> <li>- Mostly living in extended families with father and mother</li> <li>- Educated ones are engaged in community level development workers, school teacher and other services,</li> <li>- Mostly to go Gulf and Malaysia for employment,</li> <li>- Access to opportunities and getting skills development trainings like mechanics, mobile repairing, driving, enterprise development etc.</li> <li>- Very few are aware on social context, mobilized and influenced by political parties,</li> <li>- Earning mostly managed by parents but not thinking to manage wife productively,</li> <li>- Managing rented lands for agriculture and producing cereals and</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity			Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
					Female	Male
					credit. - Marred and living in nuclear families receives skill development trainings like sewing and tailoring from development agencies(GOs, NGOs) managing small scale enterprisers with credits from cooperatives, support from husband, - Managing rented lands for agriculture and producing cereals and cash crops along with father in-laws.	cash crops along with parents, - Potential to work on commercial farming.
					<b>Non Poor:</b> -Mostly marriage before age of 20 and live inside house, not going out, -Few have got college level education, - Very few are working outside (not manual) in case husband, father and mother in laws permitted, - Have got skill development trainings and few have running tailoring enterprises, groceries, -Limited access to credit facility due to collateral, Limited knowledge of commercial agricultural production and marketing, - Limited financial and business skills. - Seems interested to engage in activities to earn money,	<b>Non Poor:</b> -Mostly educated and some are getting college level education, - Working in development field, teaching and government services also, - Those who do not have better education are getting technical trainings and engaged in driving, mechanical work, and other enterprises -Limited access to credit facility due to collateral, Limited knowledge of commercial agricultural production and marketing, - Limited financial and business knowledge and skills. - Seems interested to engage in earning money activities.
1	Madeshi ..... <i>continued</i>	Caste groups	<b>Other castes: Yadavs, Sudi, Teli, Mandals, Mahato..... etc.</b>	<b>26-40 yrs.</b> <b>ISSUES:</b> - High dependency ratio with very poor and poor, - Not productively managed the potentiality, low labor productively/economic return specially of women, - Imbalanced workload between women and men, agriculture is feminized, - Malnutrition among children, pregnant and lactating women, availability is and issue among very poor & poor and utilization knowledge and practice among near poor-Limited practice of consultation and joint decision making between husband and wife specially among very poor and poor hhs, -Lack visioning and planning of resources for future, - Lack appropriate skill and opportunities, inputs and technology, - Limited access to groups & cooperatives and exposure to development opportunities for very poor and poor,	<b>Very poor:</b> - High dependency ratio, 3-4 children, mostly illiterate, Malnutrition in children, pregnant and lactating mother, - Women (widow), disabled and elderly headed households likely to be more vulnerable, - Very limited understanding between husband and wife, Lack further plan for future, - Borrow money from local money lenders on high interest rate for household financing, and even to send husbands to India for agriculture labor, - Work as agriculture labor within village, husbands are migrated for agriculture labor to India and some time works within villages, - Limited savings due to lack of future visioning of life, - Limited assess to community group and exposure to development due to their poor economic status and	- Majority are illiterate, very few are attended school up to 4-5 classes, - Work as agriculture and construction labor, majority go for agriculture labor to India and some time works within villages, -Very limited understanding between husband and wife, Lack further plan for future, - Borrow money from local money lenders on high interest rate for household financing, and even go to India for agriculture labor, - Limited savings due to lack of future visioning of life, - Limited assess to community group and exposure to development due to their poor economic status and self-esteem, - Imbalanced workload between women and man,

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity			Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
					Female	Male	
1	Madeshi ..... <i>continued</i>	Caste groups	<b>Other castes: Yadavs, Sudi, Teli, Mandals, Mahato..... etc.</b>	<ul style="list-style-type: none"> <li>- Limited financial access, knowledge and business skills,</li> <li>- Borrow money from money lenders and no credit facility due to collateral issues for specially for very poor women and youth</li> <li>- Limited capacity/knowledge of saving and managing resources,</li> <li><b>OPPORTUNITIES:</b></li> <li>Highly potential age group to organize and mobilize for production and marketing of agricultural commodity providing them required business knowledge and financial skills, basic facilities, service and technology.</li> <li><b>RESPONSES:</b></li> <li>- Formation of inclusive producer groups of interested and like minded persons (both women and men based on local situation) in one cluster from representing different segments and/or mobilization of existing groups with inclusion of left out segments,</li> <li>- Facilitate to prepare production plan as agreed in Multi Sector Platform (MSP),</li> <li>- Mobilize for production and marketing of selected/potential VC commodities,</li> <li>- Introduce climate resilient technology and resilient crop varieties,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite',</li> <li>- Identify most vulnerable young women and engage in Household mentoring/GALS.</li> <li>- Facilitate guardians to provide consent for collateral to take loan to increase production,</li> <li>- Facilitate for collateral free loan to individuals considering group and municipal guarantee/collateral specially for youth and women,</li> <li>- Facilitate for renting in land for production of selected commodity specially for land less and those who do not have productive land.</li> </ul>	<ul style="list-style-type: none"> <li>self-esteem,</li> <li>- Imbalanced workload between women and man,</li> </ul>		
					<b>Poor</b>	<ul style="list-style-type: none"> <li>- Majority are illiterate, learned get signature from Non Formal education.</li> <li>- Early marriage and bear children before teen age, Malnutrition in children, pregnant and lactating mother,</li> <li>- Work as agricultural labor within village, few works as labor in rural construction sites,</li> <li>- Limited savings, earnings are not managed properly,</li> <li>- Living in marginal land, unregistered are very few.</li> <li>- Works on rented land with husbands, producing vegetables</li> <li>- Lack money to invest in rented land for agricultural production.</li> <li>- No ownership of land (in most cases, it belongs to father in law and in some case it belongs to husband).</li> <li>- Have some access to community group, but limitedly benefitted,</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are illiterate, learned get signature from Non Formal education. - Work on own small piece of land, agricultural labor within village, few works as labor in rural construction sites, go to India and Kathmandu for any type of work,</li> <li>- Limited savings, earnings are not managed properly,</li> <li>- Living in marginal land, unregistered are very few.</li> <li>- Works on rented and shared cropping land and producing vegetables and cereals,</li> <li>- Lack money to invest in rented land for high return.</li> <li>- No ownership of land (in some cases, it belongs to father)</li> <li>- Joined on cooperatives formed on other groups initiations, but limitedly benefitted,</li> <li>Lack knowledge and access to financial and business knowledge and skills,</li> </ul>
					<b>Near Poor</b>	<ul style="list-style-type: none"> <li>- Majority have passed primary level education, a few not attended in school, few have passed +2 level education and employed in village,</li> <li>- Majority of this group has married before age of 20, bearing 2-3 children, Malnutrition in children, pregnant and lactating mother,</li> <li>- Mostly are live in nuclear family, few are in extended families with in laws</li> <li>- Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land and shared cropping,</li> <li>- Have access to community groups, cooperatives and savings and credit facility,</li> <li>- Receives skill development trainings like sewing and tailoring from development agencies(GOs, NGOs) managing small scale enterprisers with credits from cooperatives, support from husband</li> </ul>	<ul style="list-style-type: none"> <li>- Majority have passed school level education, Some have passed +2 level and higher level education,</li> <li>- Majority educated ones are employed in villages as teacher, development worker, engaged in politics, and business, a few are government employee mostly on technical sector,</li> <li>- Mostly, medium level education are employed in Gulf countries and increasing household assets,</li> <li>- A few returnees are initiating new enterprises in agriculture sector like livestock, fish farming, vegetable farming,</li> <li>- Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land and shared cropping,</li> <li>- Mostly are live in nuclear family, few are in extended families</li> <li>- Have access to community groups, cooperatives, often in leadership positions and benefiting savings and credit facility,</li> <li>- Most potential one to engage in commercial agriculture in agriculture,</li> </ul>
					<b>Non Poor:</b>	<ul style="list-style-type: none"> <li>- very few of this segment are living in rural areas, mostly are not permitted to work outside, -Educated</li> </ul>	<ul style="list-style-type: none"> <li>- Very few of this segment are living in rural areas, who lives are engaged in business and commercial farming like fish, dairy, goat,</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity			Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
					Female	Male
					<p>ones are working outside and engaged in enterprises in main junctions, and market centers, supporting family business,</p> <ul style="list-style-type: none"> <li>- Families' are mostly engaged politics, commercial farming of Fish, business and enterprises,</li> <li>- Seems interested to engage in activities to earning money, collateral in case of land ownership certificate is an issue to get loan from Banks,</li> </ul>	<p>cow, buffalo, -Educated ones are working outside and engaged in enterprises in main junctions and market centers,</p> <ul style="list-style-type: none"> <li>- Majority are engaged politics, - Seems interested to engage in activities to earn earning money,- Many of this segment have access to banks and taking benefits,</li> </ul>
1	Madeshi ..... <i>continued</i>	Caste groups	<b>Other castes: Yadavs, Sudi, Teli, Mandals, Mahato..... etc.</b>	<p><b>41 + yrs.:</b></p> <p><b>ISSUES:</b></p> <ul style="list-style-type: none"> <li>- High dependency ratio mostly among illiterate,</li> <li>- Women (widow) headed households looks like have not ownership of land,</li> <li>- Limited practice of consultation for any decisions at households,</li> <li>- Lack of workload balance between women and men,</li> <li>- Limited access to community groups cooperatives and skill development opportunities for poor and near poor.</li> <li>- Limited financial knowledge and access, and business skills to run household and business,</li> <li>- No collateral assets for credits with very poor,</li> <li>- Very low hopes of future life and plans among poor and very poor,</li> </ul> <p>- Discrimination and practice of untouchability often blaming for witchcraft (<i>Boksi</i>) to poor elder and single women,</p> <p>- Facing problems on getting social security facility in lack of citizenship,</p> <p>- Lack of basic facilities like electricity, drinking water, sanitation facilities,</p> <p><b>OPPORTUNITIES:</b></p> <ul style="list-style-type: none"> <li>- Potential (40-55 yrs.) to include in producer group with other ages and mobilized for economic earning,</li> <li>- Potential to sensitize and mobilize other age groups to engage in agricultural sector growth as business and profits,</li> <li>- Show them hope and mobilize with full potential,</li> </ul> <p><b>RESPONSES:</b></p> <ul style="list-style-type: none"> <li>- Formation of inclusive producer groups/strengthening existing groups of interested and like minded including left out potential households in agricultural sector (with other age groups in one location).</li> </ul>	<p><b>Very poor</b></p> <ul style="list-style-type: none"> <li>- High dependency ratio, mostly illiterate,</li> <li>- Women (widow) and elderly headed households likely to be more vulnerable,</li> <li>- Citizenship certificate is an issue, deprived from social security facility</li> <li>-Mostly separated from son and daughter in laws,</li> <li>- Borrow money from local money landers on high interest rate for household financing,</li> <li>- Work as agriculture labor within village,</li> <li>- Limited savings due to lack of future visioning of life,</li> <li>- Very limited access to community groups and cooperatives,</li> </ul> <p><b>Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority are illiterate,</li> <li>- Work as agricultural labor within village, few works as labor in rural construction sites,</li> <li>- Limited savings, earnings are not managed properly,</li> <li>- Living in marginal land, unregistered are very few.</li> <li>- Works on rented land w/ husbands, producing vegetables (in few cases),</li> <li>- Lack money to invest in rented land for agricultural produce.</li> <li>- No productive land in their ownership,</li> <li>- Have some assess to community group, but limitedly benefitted,</li> </ul>	<ul style="list-style-type: none"> <li>- Low level illiteracy, even deprived from getting social security facility,</li> <li>- Elderly people seems vulnerable when family support mechanism is lacking,</li> <li>- Mostly living separately in couple, single ones are living with son and daughter in laws,</li> <li>- Borrow money from local money landers on high interest rate for household financing,</li> <li>- Work as agriculture labor within village,</li> <li>- Limited savings due to lack of future visioning of life,</li> <li>- Very limited awareness on development and social and administrative context,</li> </ul> <ul style="list-style-type: none"> <li>- Majority are illiterate, elderly are on vulnerable condition,</li> <li>- Work as agricultural labor within village, few works as labor in rural construction sites,</li> <li>- Limited savings, earnings are not managed properly,</li> <li>- Living in limited marginal land, some are living in landlords land,</li> <li>- Works on rented and shared cropped land, producing vegetables (in few cases),</li> <li>- Money to invest in rented land for agricultural production is limited.</li> <li>- No productive land in their ownership,</li> <li>- Assess to community group seems good, but limitedly benefitted,</li> </ul>
1	Madeshi ..... <i>continued</i>	Caste groups	<b>Other castes: Yadavs,</b>		<p><b>Near Poor</b></p> <ul style="list-style-type: none"> <li>- Majority are illiterate, leaving school without completing primary school level,</li> <li>- Living separately, single women are more vulnerable,</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are illiterate, leaving school without completing primary school level,</li> <li>- No sufficient land for agriculture production,</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

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			Female	Male
	<b>Sudi, Teli, Mandals, Mahato..... etc.</b>	<ul style="list-style-type: none"> <li>- Facilitate to prepare production plan as agreed on MSP,</li> <li>- Mobilize for production and marketing of potential commodity after B2B linkages with traders,</li> <li>- Introduce climate resilient production technology and resilient crop varieties, production technology,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development training with GALS 'Lite'</li> <li>- Identify most vulnerable and risk averse women and engage in household mentoring/Gender Action Learning System (GALS).</li> <li>- Facilitate for collateral free loan to individuals considering group and municipality guarantee/collateral specially for poor women,</li> <li>- Renting in land for commercial production of agriculture commodities (vegetable, fish and goat.....) farming</li> <li>- Coordination with CSOs working on right issues for preparation of citizenship and land ownership certificate and address other social issues,</li> </ul>	<ul style="list-style-type: none"> <li>- Mostly living in nuclear family, few are in extended families with in laws,</li> <li>-Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land and shared cropping,</li> <li>- Have access to community groups, cooperatives and savings and credit facility,</li> <li>- Potential for agriculture farming in small scale,</li> </ul>	<ul style="list-style-type: none"> <li>- work outside also in city areas, and other service sectors</li> <li>-Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land and shared cropping, raising livestock- goats, poultry, buffalo,</li> <li>- Access to community groups, cooperatives and savings and credit facility is good,</li> <li>- Potential for agriculture farming in small scale,</li> </ul>
			<b>Non Poor</b>	
			<ul style="list-style-type: none"> <li>- Mostly living managing houses not involved in agricultural activities,</li> <li>- Majority are living with extended families, very few are separated from family (son and daughter in laws),</li> <li>- Families are mostly engaged in politics, commercial farming of Fish, business and enterprises,</li> <li>- Very few of this segment are living in rural areas.</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are renting out land and living in city areas,</li> <li>- Majority are living with extended families, very few are separated from family (son and daughter in laws),</li> <li>- Families are mostly engaged in politics, commercial farming of Fish, business and enterprises,</li> <li>- Very few of this segment are living in rural areas.</li> </ul>
	<b>Ethnic Minority groups</b>			
	<b>Margin- alized groups (Mostly Muslim and Tharus belong to this group)</b>	<b>Less than 25 yrs</b>	<b>Very poor</b>	
		<p><b>.ISSUES-</b></p> <ul style="list-style-type: none"> <li>Early marriage and bearing child on early age,</li> <li>- Malnutrition among children, pregnant and lactating women among poor and very poor category,</li> <li>- High number of dependent children primarily in Muslim communities,</li> <li>- Imbalance workload between men and women,</li> <li>- Lack of visioning and planning of resources and opportunities for future,</li> <li>- Limited access to community groups and cooperatives especially for poor and very poor category,</li> <li>- Low self esteem, lack proper confidence to move ahead among poor women,</li> <li>- Lack of parents trust on youth and no collateral for credit,</li> <li>-Limited access to community groups and cooperatives specially for very poor and poor category</li> <li>- Lack of financial knowledge and business skills to engage in agriculture sector, <b>OPPORTUNITIES:</b> Potential segment of people to: -Mobilize to increase income and improve their well being, -Engage in agricultural sector to run as business</li> </ul>	<ul style="list-style-type: none"> <li>- Not completing school level education properly,</li> <li>-Early marriage, bearing child in early age.</li> <li>Malnutrition in children, pregnant and lactating mother,</li> <li>- Number of Children and dependents are high mostly Muslim community.</li> <li>Very limited mutual discussions and understanding about future life of self and children between husband and wife,</li> <li>- Low self esteem, lack proper confidence to move ahead,</li> <li>- Working as agriculture labor within village.</li> <li>-Lack of productive land and ownership of land,</li> <li>-No savings, credit from local money landers, -Lack of visioning to improve future life,- Limited assess to community group and exposure to development.</li> <li>- Imbalance work load between women and man.</li> </ul>	<ul style="list-style-type: none"> <li>- Not completing school level education properly,</li> <li>-Early marriage and Number of Children and dependents are high mostly Muslim community.</li> <li>Very limited mutual discussions and understanding about future life of self and children between husband and wife,</li> <li>- Low self esteem, lack proper confidence to move ahead, - Working as agriculture labor within village, construction worker, work in India and a few are employed in Gulf countries,</li> <li>- Lack of productive land and ownership of land,</li> <li>- No savings, taking credits from local money landers,</li> <li>- Lack of visioning to improve future life,</li> <li>- Limited assess to community group, cooperatives and exposure to development.</li> <li>- Imbalance work load between women and man.</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

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			Female	Male
		<p>and demonstrate the sector is profitable, - Develop as lifetime entrepreneur, - <b>RESPONSES:</b> - Formation of inclusive producer groups of interested and like minded to engage in production of selected VC commodities (this may vary by clusters and commodity), - Mobilize existing potential groups including the left outs, - Conduct comprehensive package of financial knowledge and business skill development training with GALS 'Lite', - Identify most vulnerable and risk averse women and men and engage in household mentoring/GALS. - Facilitate to prepare business/production plan (illiterate can use symbols and diagrams) as agreed on MSP, - Mobilize for production and marketing of planned commodity after B2B linkages with traders, - Introduce/demonstrate efficient climate resilient production technology and resilient crop varieties and production methods, - Lending collateral free loan to individuals considering group and municipality guarantee to fund on prepared plan (if collateral is a barrier to interested one), - Encourage and mobilize to meet the production target, - Introduce/demonstrate efficient production technology resilient crop varieties and production methods, technology - Lending collateral free credit with guarantee mechanism with municipality and groups for youth and very poor.- Explore and facilitate for renting in land for production of selected/planned commodity for landless,- Facilitate to manage collateral consent from guardians for youth and women.</p>	<p><b>Poor:</b> - Very few are attending school, left before completing school level education, - Early marriage and bear children before teen age, high dependency ratio, - Work as agricultural labor within village and work on own families small piece of land, - Limited savings, limited productive land, - No ownership of land (in most cases, it belongs to father in law and in some case it belongs to husband). - Works on rented land by husbands, producing vegetables and cereals, - Lack of money to invest in rented land for agricultural production. - Limited access to community group due to social and economic status, - Limited mobility outside villages,</p> <p><b>Near Poor</b> - Limited education, left school before completing primary level in most cases, very few have passed school level education, - Early marriage and having children before 20 yrs., Muslims have high number of children, - Mostly living in extended families with father and mother in laws, - some are engaged in goat, chicken and (pig by non Muslims), buffalo rearing (in some cases) - Tharus are more cohesive and organized in groups but Muslims are very rarely organized in groups and exposure of development, in most cases mother in law represents groups and cooperatives and savings and credit. - Married and living in nuclear families receives skill development trainings like sewing and tailoring from development agencies (GOs, NGOs) managing small scale enterprisers with credits from cooperatives. in Muslims it is difficult to have access to group of below 25 young women, - Managing rented lands for agriculture and producing cereals and cash crops along with father in-laws.</p>	<p>- Majority left school before completing school level education, very few are completed 10 and +2 level education, - Early marriage, high dependency ratio, - Work on construction and other sector in city areas, some are going to India and a few to Gulf countries, - A few work on own families small pieces, rented land and shared cropping land and producing vegetables and cereals, - Lack of money to invest in rented land to increase agricultural production and profit, - Limited savings, limited practical ideas for earning and business, - No ownership of land (in most cases, it belongs to father) - Limited access to community group due to social and economic status, - Potential group to engage in business and financial skills,</p> <p>- Majority are literate, some complete class 10 and few to 10, + 2 and above, - Early marriage, Muslims have high number of children, - Mostly living in extended families with parents, - Tharus are more cohesive and organized in groups but Muslims are very rarely organized in groups and exposure of development family members represent groups &amp; cooperatives and manage savings credit. - A few are getting vocational skill training from GoN and other development Agencies, - Mostly working in city areas, few educated are working as development worker, private sector and go to Gulf countries, - Managing rented lands for agriculture and producing cereals and cash crops along with father, - Potential group to mobilize in commercial agriculture with business and financial skills and knowledge, - Limited trust to the youths from parents,</p>

Nepal  
 Value Chains for Inclusive Transformation of Agriculture (VITA)  
 Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
			Female	Male
			<b>Non Poor</b>	
			<ul style="list-style-type: none"> <li>-Mostly marriage before age of 20 and live inside house due to belief of high status daughter in laws,</li> <li>- Very few are working outside, in case husband, father and mother in laws permitted,</li> <li>- Have got skill development trainings and few have running tailoring enterprises,</li> <li>- Families' are mostly engaged politics, business and enterprises, land is managed for commercial crops,</li> <li>-limited access to credit facility due to collateral, Limited knowledge of commercial production. Limited financial and business skills.</li> </ul>	<ul style="list-style-type: none"> <li>- Majority have passed school level, some +2 and a few on higher education, some wants abroad for higher education,</li> <li>-Mostly marriage between 20-25, a level of discussion for managing family size,</li> <li>- Working outside in city areas, some are working in development sector, some are engaged in private sector,</li> <li>- Families' are mostly engaged politics, business and enterprises, land is managed for commercial crops,</li> <li>- Limited trust from parents to initial</li> </ul>
	<b>Margin- alized groups (Mostly Muslim and Tharus belong to this group)</b>	<b>26-40 yrs.:</b> <b>ISSUES:</b> <ul style="list-style-type: none"> <li>- High dependency ratio with very poor and poor, women mostly are illiterate,</li> <li>- Women are over loaded with work however, not productively managed the potentiality, labor productivity specially of women is low, - Imbalanced workload between women and men, agriculture is feminized, - Malnutrition among children, pregnant and lactating women, availability is an issue among very poor/poor and utilization knowledge and practice among near poor- Limited practice of consultation and joint decision making between husband and wife among very poor and poor hhs, - Lack visioning and planning of resources for future,</li> <li>- Lack appropriate skill and opportunities, inputs and technology, - Limited access to groups &amp; cooperatives and exposure to development opportunities for very poor/poor,</li> <li>- Limited financial access, knowledge and business skills,</li> <li>- Borrow money from money lenders and no credit facility due to collateral issues specially for very poor women</li> <li>- Limited capacity/knowledge of saving and managing resources,</li> </ul> <b>OPPORTUNITIES:</b> Highly potential age group to organize and mobilize for production and marketing of agricultural commodity providing them required business knowledge and financial skills, basic	<b>Very poor:</b>	
			<ul style="list-style-type: none"> <li>- High dependency ratio, 3-4 children, mostly illiterate , Malnutrition in children, pregnant and lactating mother,</li> <li>- Women headed (widow) households likely to be more vulnerable more in Muslim communities,</li> <li>-Very limited understanding between husband and wife, - Lack further plan for future, - Borrow money from local money lenders on high interest rate for household financing, and even to send husbands to India and Gulf as labor,</li> <li>- Work as agriculture labor within village, husbands are migrated for agriculture labor to India and some time works within villages,</li> <li>- Limited savings due to lack of future visioning of life,</li> <li>- Limited assess to community group and exposure to development due to their poor economic status and self-esteem,</li> <li>- Imbalanced workload between women and man,</li> </ul>	<ul style="list-style-type: none"> <li>- some are illiterate, very few have passed</li> <li>-Very limited understanding between husband and wife, - Lack further plan for future, High dependency ratio, 3-5 children,- Borrow money from local money lenders on high interest rate for household financing, and even to go India and Gulf for labor work,</li> <li>- Work as construction and other sector in city areas,</li> <li>- Limited knowledge on managing earnings due to lack of future visioning of life,</li> <li>- Assess to community group and exposure to development is moderate low self-esteem,</li> <li>- Imbalanced workload between women and man,- Limited financial and business knowledge and skills,</li> </ul>
			<b>Poor</b>	
			<ul style="list-style-type: none"> <li>- Majority are illiterate, learned get signature from Non Formal education.</li> <li>- Early marriage and bear children before teenage, Malnutrition in children, pregnant and lactating mother,</li> <li>- high dependency and number of children in Muslim Community,</li> <li>- Work as agricultural labor within village, few works as labor in rural construction sites, - Borrowed money</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are literate, very few have passed school level, a few are + 2 passed and more than bachelor level,</li> <li>- Early marriage and bear children before teenage, high dependency and number of children in Muslim Community,</li> <li>- Work as agricultural labor within village, few works as labor in rural construction sites and private sector in city areas, some go to India and Gulf countries for employment, - Borrowed money from</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
			Female	Male
		<p>facilities, service and technology.</p> <p><b>RESPONSES:</b></p> <ul style="list-style-type: none"> <li>- Formation of inclusive producer groups of interested and like minded persons (both women and men based on local situation) in one cluster from representing different segments,</li> <li>- Mobilization of existing groups with inclusion of left out segments, - Facilitate to prepare production plan as agreed in Multi sector Platform (MSP), - Mobilize for production and marketing of selected/potential VC commodities, - Introduce climate resilient technology and resilient crop varieties, and efficient production technology, - Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite',</li> <li>- Identify most vulnerable young women and engage in household mentoring/Gender Action Learning System (GALS). - Facilitate guareians to provide consent for collateral to take loan for youths and women,</li> <li>- Explore and facilitate for collateral free credit to with guarantee from municipal and group specially for youth and women, - Facilitate for renting in land for agriculture production to landless and others who do not have productive land.</li> </ul>	<p>from local money lenders to send husbands and sons to Gulf on high interest rate,</p> <ul style="list-style-type: none"> <li>- Limited savings, earnings are not managed properly,</li> <li>- Living in marginal land, unregistered are very few.</li> <li>- Works on rented land with husbands, producing vegetables</li> <li>- Lack money to invest in rented land for agricultural produce.</li> <li>- No ownership of land (in most cases, it belongs to father in law and in some cases it belongs to husband.</li> <li>- Have some assess to community group, but limitedly benefitted,</li> </ul> <p><b>Near Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority have passed primary level education, mostly have not attended in school, few have passed +2 level education and employed in village,</li> <li>- Majority of this group has married before age of 20, bearing 2-3 children,</li> <li>- Mostly are live in nuclear family, few are in extended families with in laws</li> <li>- Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land and shared cropping,</li> <li>- Have access to community groups, cooperatives and savings and credit facility, however this access to Muslims is limited,</li> <li>- Receives skill development trainings like sewing and tailoring from development agencies(GOs, NGOs) managing small scale enterprisers with credits from cooperatives, support from husband,</li> <li>- Aware on savings, managing and increasing assets with limited earnings,</li> </ul> <p><b>Non Poor</b></p> <ul style="list-style-type: none"> <li>- very few of this segment are living in rural areas, mostly are not permitted to work outside,</li> <li>- Receiving remittances from husbands and and sons.</li> <li>-Educated ones are working outside and engaged in enterprises in main junctions, and market centers, supporting family business,</li> <li>- Families' are mostly engaged politics, commercial</li> </ul>	<p>local money lenders to go and send sons to Gulf on high interest rate,</p> <ul style="list-style-type: none"> <li>- Limited earnings, saving are not managed properly,</li> <li>- Living in marginal land, No productive land,</li> <li>- Works on rented land and share cropping lands and produce vegetables and cereals,</li> <li>- Lack money to invest in rented land to increase agricultural production.</li> <li>- Access to community group and cooperatives, but benefitted limitedly,</li> </ul> <p>- Majority have passed school level education, some have passed +2 and above, a few have higher education,</p> <ul style="list-style-type: none"> <li>- Less educated are engaged and construction and other private sector, and educated ones are engaged development work, school teacher and other jobs in city areas,</li> <li>- Mostly are live in nuclear family, few are in extended families with in laws</li> <li>- Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land and shared cropping,</li> <li>- Have good access to community groups, cooperatives and savings and credit facility this segment is leading these community groups,</li> <li>- Aware on savings, managing and increasing assets with limited earnings,</li> <li>- Highly potential to engage in commercial sector,</li> </ul> <p>- mostly are educated and those with little education are confident to run other enterprises,</p> <ul style="list-style-type: none"> <li>- Very few of this segment are living in rural areas, mostly engaged in business and service sector, and politics,</li> <li>- Landlords are engaged in fish farming and in many cases land is rented out,</li> <li>- Seems interested to engage in activities to earn money.</li> </ul>



Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
			Female	Male
			farming of Fish, business and enterprises, - Seems interested to engage in earning money activities, and collateral in case of land ownership certificate is an issue to get loan from Banks,	
	<b>Margin- alized groups (Mostly Muslim and Tharus belong to this group)</b>	<b>41 + yrs.:</b> <b>ISSUES:</b> - High dependency ratio mostly among illiterate, - Women (widow), elderly and disable headed households looks like more vulnerable, - Limited practice of consultation for any decisions at households, - Lack of workload balance between women and men, - Limited access to community groups cooperatives and skill development opportunities for poor and near poor. - Limited financial knowledge and access, and business skills, - No collateral assets for credits with very poor, - Very low hopes of future life and plans among poor and very poor, - Discrimination often blaming for witchcraft ( <i>Boksi</i> ) to poor elder and single women, - Facing problems on getting social security facility in lack of citizenship by some women, - Lack of basic facilities like electricity, drinking water, sanitation facilities, <b>OPPORTUNITIES:</b> - Potential (40-55 yrs.) to include in producer group with other ages and mobilized for economic earning, - Potential to sensitize and mobilize other age groups to engage in agricultural sector growth as business and profits, - Show them hope and mobilize with full potential, <b>RESPONSES:</b> - Formation of inclusive producer groups/strengthening existing groups of interested and like minded including left out potential households in agricultural sector (with other age groups in one location). - Facilitate to prepare production plan as agreed on MSP, - Mobilize for production and marketing of potential commodity after B2B linkages with traders, - Introduce climate resilient production technology and	<b>Very poor:</b> - High dependency ratio, mostly illiterate, - Women headed (widow) households seems more vulnerable, - Living in small pieces of land with thatched huts, - Citizenship certificate is an issue, deprived from social security facility - Mostly separated from son and daughter in laws, - Borrow money from local money lenders on high interest rate for household financing, and even to send husbands to India for agriculture labor, - Work as agriculture labor within village, - Limited savings due to lack of future visioning of life, - Very limited assess to community groups and productive lands,	- High dependency ratio, mostly illiterate, - Disable and elderly headed households seems more more vulnerable, - Living in small pieces of land with thatched huts, - Citizenship certificate is also an issue, deprived to get social security facility - Borrow money from local money lenders on high interest rate for household financing, and even to send husbands to India for agriculture labor, - Work as agriculture labor within village, - Limited savings from small earning, - Very limited assess to community groups and productive lands,
			<b>Poor:</b> - Few are literate, others just know to put signatures, aware on social contexts and other processes,- Single women (widow), disable and elderly headed hhs are vulnerable,- Limited earning, conscious on savings and increasing assets,- Work on own small pieces of and along with shared cropping, raising, - Some families work on rented lands and managing livelihoods jointly with husbands and/or other family members, - Lack money to invest in rented land for agricultural produce. - Limited ownership om productive land, - Have assess to community group, sometime in leadership positions also,	- Some are literate, very few are have passed school level education, aware on social contexts and other processes,- Disable and elderly headed hhs are vulnerable,- Limited earning, conscious on savings and increasing assets,- Work on own small pieces of and along with shared cropping, raising livestock, - Some families work on rented lands and managing livelihoods jointly with other family members, - A few are working as agriculture labor and construction sector, and work on city areas, - Lack money/credit to invest in rented land to increase agricultural production, - Limited ownership om productive land, - Have good assess to community group, sometime in leadership positions,
			<b>Near Poor:</b> - Majority are literate, illiterate are also aware on social contexts, - Mostly are living in nuclear family, few are in extended families with in- laws, - Managing	- Mostly literate, aware on social and political contexts - Mostly are living in nuclear family, few are in extended families with in- laws, - In most cases returnee from Gulf, working in city areas and younger sons are out for earning,

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
		<p>resilient crop varieties, production technology, - Conduct comprehensive package of financial knowledge and business skill development training with GALS 'Lite' - Identify most vulnerable and risk averse women and engage in household mentoring/Gender Action Learning System (GALS). - Facilitate for collateral free loan to individuals considering group and municipality guarantee/collateral specially for poor women, - Renting in land for commercial production of agriculture commodities (vegetable, fish and goat.....) farming - Coordination with CSOs working on right issues for preparation of citizenship and address other social issues,</p>	<p>households solely, in most cases husbands and younger sons are out for earning, -Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land and shared cropping, - Have access to community groups, cooperatives and savings and credit facility, - Potential for agriculture farming in small scale,</p>	<p>-Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land and shared cropping, - Access to community groups, cooperatives and savings and credit facility is normal in many cases - Potential for agriculture farming in small scale, with credit and market linkages, - Credit required for enterprise is lacking.</p>	
			<p><b>Non Poor:</b> - Mostly managing houses limitedly involved in agricultural activities, - Majority are living with extended families, very few are separated from family (son and daughter in laws), - Families are mostly engaged in politics, commercial farming of Fish, business and enterprises, - Very few of this segment are living in rural areas.</p>	<p>- Education to this segment is good, majority are literate, - Limited portion are involved in agricultural activities, primarily commercial fish farming, business and other enterprises, - Engaged in party politics, - Very few are living in rural areas.</p>	
		<p><b>Influential groups: Brahmans - Jha, Thakur, Mishra, Kayasta, Karna, Rajputs etc.)</b></p>	<p><b>Less than 25 yrs.</b> <b>ISSUES:</b> - Not productively managed time of women who are not engaged in other additional income enterprises, - Limited practice of consultation and joint decision making at family in very poor and poor hhs, - Imbalanced workload between women and men, agriculture is feminized, men are not much interested in agriculture business, - Interested to earn money but lack appropriate skill and opportunities, inputs and technology, - Limited access to groups &amp; cooperatives for very poor and poor, not active and functional even engaged in groups. - Limited financial knowledge and business skills, - Borrow money from relatives and family network some time from money lenders and no credit facility due to collateral issues specially for very poor women - Limited knowledge on visioning of future life and planning for resources and opportunities. - Nutrition problem among children, pregnant and lactating women due to availability and utilization knowledge and practice, - Limited capacity/knowledge of saving and managing</p>	<p><b>Very poor:</b> - Very Few of influential groups are very poor in number, they even use family networks and relatives to get access and opportunities, - Majority of this group have attends schools and due to cultural influence of family and caste social networks, - Women headed households, disables and elderly headed households are likely to be more vulnerable, - Very low level human capitals- like skills, and ideas for better life and management, limited mutual discussions and understanding about future life of self and children between husband and wife, - Working in small land pieces on agriculture, -Borrow money from relatives and to send husbands Gulf and India for work and other household expenses. -Limited access to community group and exposure to development due to their poor economic status and self-esteem, but it is better in comparison to other groups, - Imbalanced workload between women and man,</p>	<p>- Very few from influential groups are in this segment, they even use family networks and relatives to get access and opportunities, - Majority of this group attends schools and due to cultural influence of family and caste social networks, - Very low level human capitals- like skills, and ideas for better life and management, limited mutual discussions and understanding about future life of self and children between husband and wife, - Migrated to Gulf and some time works within villages and India too, - Borrow money from relatives and to go Gulf and India for work and other household expenses. - Limited interest in community group and exposure to development due to their poor economic status and self-esteem, but it is better in comparison to other groups, - Imbalanced workload between women and man,</p>
			<p><b>Poor:</b></p>		

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
			Female	Male
		<p>resources, <b>OPPORTUNITIES:</b> Potential group of human resources to: Organize and mobilize in commercial agriculture and improve their well being, Engage in agricultural sector to run as business, Develop as lifetime entrepreneur providing them required business and financial skills, knowledge, technology and services, <b>RESPONSES:</b> - Formation of inclusive groups of interested and like minded youths (both women and men based on local situation) in one cluster from representing different segments, mobilization of existing groups with inclusion of left out segments household, - Facilitate to prepare production plan as agreed in Multi sector Platform (MSP), - Mobilize for production and marketing of selected/potential VC commodities, - Introduce climate resilient technology and resilient varieties, and production technology, - Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite', - Identify most vulnerable young women and engage in household mentoring/Gender Action Learning System (GALS). - Facilitate guardians to provide consent for collateral to take loan to increase production, specially for youths - Facilitate for collateral free loan to individuals considering group and municipal guarantee/collateral for very poor and poor. - Facilitate for renting in land for vegetable, fish and other potential commodity farming, for poor and who do not have productive land.</p>	<p>- Majority have attended school but not completed properly, very few have passed + 2 lever education, but quality of education is low, - Now a days educated are getting marriage after 18 yrs., very few attend school after marriage, - Majority living with families and very few are separated and living in nuclear family, mostly work agriculture and cash/vegetable crop production, - Limited savings, earnings are not managed properly, very poor segments of other groups, -Rear goats, ducks, buffalos, and engaged in of-farm activities, tailoring, cosmetics, grocery, - Lack credits to invest in rented land even if they are managing for agricultural production, - No ownership of land (in most cases, it belongs to father in law). - Have better assess to community group, but limitedly benefitted,</p> <p><b>Near Poor:</b> - Mostly this category are educated, but quality varies, some are still studying, after marriage also, - Early marriage is still prevail in Terai and a few are marriage after 20 yrs., - Mostly living in extended families with father and mother and with father and mother in laws, - Families are engaged in politics, business, and farming as business, - Majority of this category are engaged in community level development workers, school teachers, cooperatives staff, husbands are getting higher education and also searching opportunities for employment and engaged in student politics of different political Parties,</p> <p><b>Non Poor:</b> -Marriage during studying at +2 and higher level, mostly around age of 20, - Marred before 20 are with just high school level education are confined within household works, due to cultural barrier that high status/ more conservative family do not prefer to go daughter in laws out,</p>	<p>- Majority have attended school but not completed properly, very few have passed + 2 lever education, but due to quality of education very less opportunity available, - Now a days educated are getting marriage after 18 yrs., very few attend school after marriage, - Majority living with families, mostly reading in colleges and work in city areas, - A few are employed in Gulf countries and India too, - Mostly income is controlled by parents, limited understanding with spouse. - Lack credits to invest in rented land even if they are managing for agricultural production, - No ownership of land, trust from parents for investment is limited, - Have better assess to community group, but youths are not much interested to engage in groups, - Some Gulf returnees are exploring opportunities in agriculture so these are potential ones,</p> <p>- Mostly this category are educated, some are studying higher education,- Majority are engaged in development work, school teacher, government services and private sector, - Less educated are employed in Gulf countries, returnees seems interested in agriculture enterprises, - Mostly living in extended families with Parents,- Families are engaged in politics, business, and fish and agriculture farming, - Credit required for enterprise is lacking,</p> <p>- Most of this group are either studying or engaged in any type of jobs, school teacher, government and development sector services, - Few are involved in family business and some are engaged in politics, - Not seems much interested to engage in agriculture work.</p>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
				<ul style="list-style-type: none"> <li>- Mostly are engaged in getting higher education, and engaged any type of work,</li> <li>- Not seems interested to engage in agriculture work.</li> </ul>	
Medeshi ... continued		<b>Influential groups:</b> <b>Brahmans</b> <b>- Jha, Thakur, Mishra, Kayasta, Karna, Rajputs etc.)</b>	<b>26-40 yrs.:</b> <b>ISSUES:</b> <ul style="list-style-type: none"> <li>- High dependency ratio with very poor and poor,</li> <li>- Not productively managed the potentiality, low labor productively/economic return specially of women,</li> <li>- Imbalanced workload between women and men, agriculture is feminized,</li> <li>- Malnutrition among children, pregnant and lactating women, availability is and issue among very poor &amp; poor and utilization knowledge and practice among near poor</li> <li>- Limited practice of consultation and joint decision making between husband and wife specially among very poor and poor hhs,</li> <li>- Lack visioning and planning of resources for future,</li> <li>- Lack appropriate skill and opportunities, inputs and technology,</li> <li>- Limited access to groups &amp; cooperatives and exposure to development opportunities for very poor and poor,</li> <li>- Limited financial access, knowledge and business skills,</li> <li>- Borrow money from money lenders and no credit facility due to collateral issues for specially for very poor women and youth</li> <li>- Limited capacity/knowledge of saving and managing resources,</li> </ul> <b>OPPORTUNITIES:</b> Highly potential age group to organize and mobilize for production and marketing of agricultural commodity providing them required business knowledge and financial skills, basic facilities, service and technology.		
			<b>Very poor</b> <ul style="list-style-type: none"> <li>- Very low number of this segment, High dependency ratio, 3-4 children,</li> <li>- Around half in number have attended school, but not got properly passed out.</li> <li>- Women headed (widow), elderly and disable headed households likely to be more vulnerable,</li> <li>- Due to access and relatively good network of Borrow money from relatives and close networks, as other send husband to work on Gulf.</li> <li>- Work as agriculture and construction labor within village and some as got small entrepreneur.</li> <li>- Savings and thinking about future of children and life is better that other segments of people.</li> <li>- Due to being from influential group, even poor status, assess to community group and exposure to development is relatively better</li> <li>- Workload is Imbalanced between women and man is common.</li> </ul>	<ul style="list-style-type: none"> <li>- Very low number of this segment, High dependency ratio, 3-4 children,</li> <li>- Around half in number have attended school, but not got properly passed out.</li> <li>- Malnutrition in children, pregnant and lactating mother,</li> <li>- Women headed (widow), elderly and disable headed households likely to be more vulnerable,</li> <li>- Due to access and relatively good network of Borrow money from relatives and close networks, as other send husband to work on Gulf.</li> <li>- Work as agriculture and construction labor within village and some as got small entrepreneur.</li> <li>- Savings and thinking about future of children and life is better that other segments of people.</li> <li>- Due to being from influential group, even poor status, assess to community group and exposure to development is relatively better,</li> <li>- Workload is Imbalanced between women and man is common.</li> </ul>	
			<b>Poor:</b> <ul style="list-style-type: none"> <li>- Literacy is not problem and majority are literate, mostly attended basic school level education,</li> <li>- aware on savings, trying to save and increasing assets, earnings are poorly managed,</li> <li>- Living in small pieces of land, but not marginalized,</li> <li>- Works on rented land with husbands, rear livestock like goat, buffalo, cow, ducks and produce vegetables</li> <li>- Lack of money to invest in rented land for agricultural produce, profit is limited,</li> <li>- Limited ownership of productive land, women normally are not entitled to Land ownership,</li> <li>- This group has access to user groups, however often in leadership positions.</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are literate, mostly have + 2 and above level education,</li> <li>- Educated are employed in different sector,</li> <li>- Majority of this group work on rented land, rear livestock like goat, buffalo, fish and produce vegetables</li> <li>- Aware on savings, trying to save and increasing assets, earnings are poorly managed,</li> <li>- Lack of money/credit to invest in rented land for agricultural production,</li> <li>- Limited ownership of productive land,</li> <li>- This group has access to community groups and cooperatives and often lead the organizations,</li> <li>- Business knowledge and financial access is limited,</li> <li>- Those living in rural areas are potential to engage in commercial agriculture,</li> </ul>	
		<b>RESPONSES:</b> <ul style="list-style-type: none"> <li>- Formation of inclusive producer groups of interested and like minded persons (both women and men based on local situation) in one cluster from representing different segments and/or mobilization of existing groups with inclusion of left out segments,</li> <li>- Facilitate to prepare production plan as agreed in MSP,</li> </ul>	<b>Near Poor:</b>		

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
		<ul style="list-style-type: none"> <li>- Mobilize for production and marketing of selected/potential VC commodities,</li> <li>- Introduce climate resilient technology and resilient crop varieties, efficient production technology,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite',</li> <li>- Identify most vulnerable young women and engage in household mentoring/GALS.</li> <li>-Facilitate guardians to provide consent for collateral to take loan to increase production,</li> <li>- Facilitate for collateral free loan to individuals considering group and municipal guarantee/collateral specially for youth and women,</li> <li>- Facilitate for renting in land for production of selected commodity specially for land less poor and those who do not have productive land.</li> </ul>	<ul style="list-style-type: none"> <li>- Majority have got school level education, some have passed +2 level education, a few are employed at mid level works,</li> <li>- Mostly are live in nuclear family, few are in extended families with in laws</li> <li>- Majority are involved enterprise and business and those working on agriculture are producing in commercial level, Majority works on own land and also added rented land to produce more.</li> <li>- Community groups and cooperatives are influenced and lead bit this segments of people,</li> <li>- This group has access and influence on development and getting benefits from skill development work, and running some kind of enterprisers with credits from cooperatives, support from husband,</li> </ul>	<ul style="list-style-type: none"> <li>-Majority have got school level education, some have passed +2 level and higher education,</li> <li>- Majority are employed in development sector, government jobs, school and college teacher,</li> <li>- Majority are involved enterprise and business and those working on agriculture are producing in commercial level,</li> <li>- Majority works on own land and also added rented land for production and income.</li> <li>- Community groups and cooperatives are influenced and lead by this segments of people,</li> <li>- Business knowledge and financial access is limited,</li> <li>- Lack credit and investment to enhance and make more profit.</li> </ul>	
			<p><b>Non Poor:</b></p> <ul style="list-style-type: none"> <li>- Very few of this segment are living in rural areas, mostly are not permitted to work outside, -Educated ones are working outside and engaged in enterprises in main junctions, and market centers, supporting family business,</li> <li>- Families' are mostly engaged politics, commercial farming of Fish, business and enterprises,</li> <li>- This group is not interested to work on agriculture sector,</li> </ul>	<ul style="list-style-type: none"> <li>- Very few of this segment are living in rural areas, -Educated ones are working in city areas, in government, development and private sector jobs, engaged in enterprises in main market centers,</li> <li>- Families' are mostly engaged politics, commercial farming of Fish, business and enterprises,</li> <li>- This group is not interested to work on agriculture sector,</li> </ul>	
		<p><b>Influential groups: Brahmans - Jha, Thakur, Mishra, Kayasta, Karna, Rajputs etc.)</b></p>	<p><b>41 + yrs.:</b></p> <p><b>ISSUES:</b></p> <ul style="list-style-type: none"> <li>- Limited practice of consultation for any decisions at households,</li> <li>- Lack of workload balance between women and men,</li> <li>- Limited access to community groups cooperatives and skill development opportunities for poor,</li> <li>- Limited financial knowledge and access, and business skills to run household and business,</li> <li>- No collateral assets for credits with very poor,</li> <li>- Very low hopes of future life and plans among poor,</li> <li>- Socially aware, engaged in some enterprises also have not been productive enough even near poor too.</li> </ul> <p><b>OPPORTUNITIES:</b></p> <ul style="list-style-type: none"> <li>- Potential (40-55 yrs.) to include in producer group with other</li> </ul>	<p><b>Very poor:</b></p> <ul style="list-style-type: none"> <li>- Women headed (widow), disables, elderly headed households are vulnerable conditions,</li> <li>- UP to 60 yrs. are economic active and earning, engaged mostly in agriculture sector rearing goats, cow, chicken ducks,</li> <li>- Over sixty are connected to social security facility</li> <li>- Grown up children mostly are separated and elderly people are living separately,</li> <li>- Borrow money from relatives and family network for household financing,</li> <li>- Perspective on savings quite better in this segment,</li> <li>- Assess to community groups is not issue but ownership and access to productive lands is limited.</li> </ul>	<ul style="list-style-type: none"> <li>- Very few are literate,</li> <li>- Women headed (widow), disables, elderly headed households are vulnerable conditions,</li> <li>- UP to 60 yrs. are economic active and earning, engaged mostly in agriculture and raising livestock,</li> <li>- Borrow money from relatives and family network for household financing,</li> <li>- Perspective on savings quite better in this segment,</li> <li>- Some are Gulf returnees and interested to engage in agriculture sector,</li> <li>- Lack credit to invest in commercial sector,</li> <li>- Assess to community groups and cooperatives is not problem, but are not properly benefitted,</li> </ul>

Nepal  
 Value Chains for Inclusive Transformation of Agriculture (VITA)  
 Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
			Female	Male
		<p>ages and mobilized for economic earning,            - Potential to sensitize and mobilize other age groups to engage in agricultural sector growth as business and profits,            - Show them hope and mobilize with full potential,  <b>RESPONSES:</b>            - Formation of inclusive producer groups/strengthening existing groups of interested and like minded including left out potential households in agricultural sector (with other age groups in one location).            - Facilitate to prepare production plan as agreed on MSP,            - Mobilize for production and marketing of potential commodity after B2B linkages with traders,            - Introduce climate resilient production technology and resilient crop varieties, production technology,            - Conduct comprehensive package of financial knowledge and business skill development training with GALS 'Lite'            - Identify most vulnerable and risk averse women and engage in household mentoring/Gender Action Learning System (GALS).            - Facilitate for collateral free loan to individuals considering group and municipality guarantee/collateral specially for poor women,            - Renting in land for commercial production of agriculture commodities (vegetable, fish and goat.....) farming            - Coordination with CSOs working on right issues for preparation of citizenship and land ownership certificate and address other social issues,</p>	<p><b>Poor</b>            - Even not properly educated and illiterate, aware on social context and process,            - Work on small pieces of land and earn for livelihoods,            - Limited savings from earnings and managing assets,            - Works on own, rented lands and share cropping with husbands, producing vegetables and managing livestock,            - Managing households when husbands are out for earning,            - Lack money to invest in rented land for agricultural produce.            - Limited productive land in their ownership,            - Have some access to community group, often on leadership positions,</p> <p><b>Near Poor:</b>            - Majority are not school attended however aware on social context,            - Mostly living with families and very few are living separately, single women, disabled and elderly headed households seems more vulnerable,            - Mostly are living in nuclear family, few are in extended families with in-laws,            - Younger sons are out for earning, either Gulf or any outside country,            - Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land and shared cropping,            - Community groups and cooperatives are dominated from this segments of People, managing savings and credit facility,</p>	<p>- Even not properly educated and illiterate, aware on social context and process,            - Less educated are engaged in agriculture and raising livestock,            - Work on small pieces of land and earn for livelihoods,            - Limited savings from earnings and managing assets,            - Works on own, rented lands and share cropping and producing vegetables and managing livestock,            - Limited productive land on their ownership,            - Some returnees from Gulf are interested to engage in commercial farming,            - Lack money to invest in rented land for agricultural production,</p> <p>- Majority literate and some have passed school level education,            - Elder ones are living in villages,            - Gulf returnees, those working in city areas are interested to engage in agriculture enterprise sector,            - Majority are involved in agriculture farms, some are producing cereals and vegetables.            - Some are producing on own land and on additional rented land, raising livestock- goats, buffalo, cow,            - Community groups and cooperatives are dominated from this segments of People, managing savings and credit facility,            - Good social network however, lack investment and proper business ideas,</p>
			<p><b>Non Poor:</b>            - Mostly managing houses limitedly involved in agricultural activities,            - Majority are living with extended families, very few are separated from family (son and daughter in laws),            - Families are mostly engaged in politics, commercial</p>	<p>- Very limited number of this segment are living in rural areas,            - Mobilizing working class for agriculture production,            - Mostly rented out the land and some parts are given for shared crops,            - Families are mostly engaged in politics, commercial farming of</p>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity		Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
				Female	Male
				farming of Fish, business and enterprises, - Very few of this segment are living in rural areas.	Fish, business and enterprises, - Very few of this segment are living in rural areas.
2	Hill				
	Caste groups	Dalits	<p><b>Less than 25 yrs.</b></p> <p><b>ISSUES:</b></p> <ul style="list-style-type: none"> <li>- No ownership of productive land, men are engaged Gulf employment and transportation sector in city areas,- Very minimum mutual discussions and understanding about future life of self and children between husband and wife among very poor and poor hhs,</li> <li>- Imbalanced workload between women and men,</li> <li>- Women mostly are engaged in agricultural and construction wage labor</li> <li>- Not productively managed the potentiality of women even some are educated ones,</li> <li>- Interested to earn money but lack appropriate productive asset, skill and opportunities, inputs and technology,</li> <li>- Limited access to groups &amp; cooperatives for very poor and poor, not active even engaged groups.</li> <li>- Limited financial knowledge and business skills,</li> <li>- Borrow money mostly from relatives and no credit facility due to collateral issues specially for very youths both women and men,</li> <li>- Limited knowledge on visioning of future life and planning for resources and opportunities.</li> <li>- Nutrition problem among children, pregnant and lactating women due to availability for very poor and poor and utilization knowledge and practice for others, - Limited capacity/knowledge of saving and managing resources,</li> </ul> <p><b>OPPORTUNITIES:</b></p> <p>Potential to organize and mobilize for production and marketing providing them required business and financial skills knowledge, basic facilities, service and technology and facilitating to manage productive land,</p> <p><b>RESPONSES:</b></p> <p>Formation of inclusive groups of interested and like minded youths both women and men based on cluster with representation different segments,</p>	<p><b>Very poor:</b></p> <ul style="list-style-type: none"> <li>- Majority attend schools however, it varies based on community awareness, majority leave during class 3-5, very few goes up to class 6-7. - Living in marginal lands, thatched huts, no ownership of productive lands,</li> <li>- Early marriage, bearing child in early age, malnutrition in children, pregnant and lactating mother is prevalent among this group,</li> <li>- Very minimum mutual discussions and understanding about future life of self and children between husband and wife,</li> <li>- Faces problem of social and cultural barrier, discrimination even untouchability is prohibited by law,</li> <li>- Working as agriculture labor within village, work as construction labor at private and public sectors,</li> <li>- Producing cereal crops and vegetables wherever market available on rented land. In some cases producing on share cropping basis, rearing goats, pigs and chickens, - Limited saving, lack knowledge of visioning to improve future life, - Borrow money from family networks and relatives and mostly sending husbands to Gulf for employment, - A few has access to community group, but benefitted less, mobility is good.</li> <li>- Even in joint families, they have good communication with spouse but not proper participation on decision making,</li> <li>- Work balance between women and man is imbalanced. (Majority of Sarki, Pariyar, Gandarba and a few Bishwokarma falls in this group)</li> </ul> <p><b>Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority of this group are attended school up to 6-7 classes, 1/3 are passed class 10 and a few of them are studying at +2 levels also where schools are near to the community, quality of education is an issue.</li> </ul>	<p><b>Very poor:</b></p> <ul style="list-style-type: none"> <li>- Every one are attend schools however, it varies based on community awareness, majority leave before class 8-10, - Living in marginal lands, thatched huts, no ownership of productive lands, - Early marriage, engage in earning before 15 age as agriculture labor, majority leave home and go to city areas and involved in transport sector, brick factory and construction sector,</li> <li>- Very minimum mutual discussions and understanding about future life of self and children between husband and wife,</li> <li>- Faces problem of social and cultural barrier and discrimination even untouchability is prohibited by law,</li> <li>- Producing cereal crops and vegetables wherever market available on rented land in some cases producing on share cropping basis, rearing goats, pigs and chickens, - Limited saving, lack knowledge of visioning to improve future life, - Borrow money from family networks and relatives and mostly to go sending husbands to Gulf for employment, - A few of this group has access to community group, but benefitted less, mobility is good.</li> <li>- Even in joint families, they have good communication with spouse and participation in decision making,</li> <li>- Work balance between women and man is imbalanced. (Majority of Sarki, Pariyar, Gandarba and a few Bishwokarma falls in this group)</li> </ul> <p><b>Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority of this group are attended school up to 8-9 classes, 1/3 are passed class 10 and a few of them are studying at +2 levels also where schools are near to the community, quality of education is an issue.</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
			Female	Male
		<ul style="list-style-type: none"> <li>- Mobilization of existing groups with inclusion of left out segments from poor and very poor household,</li> <li>- Facilitate to prepare production plan as decided in MSP,</li> <li>- Mobilize for production and marketing of selected/potential VC commodities, - Introduce climate resilient technology and resilient varieties and efficient production technology,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite',</li> <li>- Identify most vulnerable young women and engage in Household mentoring/Gender Action Learning System (GALS).</li> <li>- Facilitate guardians to provide consent for collateral to take loan to increase production,</li> <li>- Facilitate for collateral free credit with guarantee mechanisms from municipality and groups,</li> <li>- Facilitate for renting in land for production of selected commodity commercially for those who do not have productive land.</li> </ul>	<ul style="list-style-type: none"> <li>- Early marriage is still happening and bear children before teen age also</li> <li>- No more children these days mostly 2-3,</li> <li>- Work as agricultural labor within village along with share cropping and producing cereals and vegetables where market and irrigation facilities are available, rearing chickens, goats, pigs for supplementary income,</li> <li>- Aware on savings, but not managing earnings meaningfully,</li> <li>- Living within own community sometime on more marginal lands,</li> <li>- Money to invest for more production on rented land is limited, no idea of making profitable,</li> <li>- Mostly ownership of land belongs to father in law and in some case it belongs to husband.</li> <li>- Assess to community group in hill communities is not a big problem these days, however, social discrimination and practice of untouchability still prevails in different forms.</li> <li>- Within Dalit's of hill, Sarki, Darji and Gaine are relatively weaker in comparison to Bishwokarma.</li> </ul>	<ul style="list-style-type: none"> <li>- Early marriage, however no more children these days mostly 2-3,</li> <li>- Work as agricultural labor within village along with share cropping and producing cereals and vegetables where market and irrigation facilities are available, rearing chickens, goats, pigs for supplementary income,</li> <li>- Majority are migrated to India and Gulf countries, a few are ingrted to city areas and working in different sector mostly in construction and transportation sector, engaged in police and army and very few educated one are working as teacher and development sector,</li> <li>- Aware on savings, but not managing earnings meaningfully,</li> <li>- Living within own community, some are living in marginal lands separately,</li> <li>- Both money and business idea to invest for more production and making profitable on rented land is limited,</li> <li>- Mostly ownership of land belongs to father, even small peicess of land.</li> <li>- Assess to community group in hill communities is not a big problem these days, however, social discrimination and practice of untouchability still prevails in different forms.</li> <li>- This is one potential group to engage in commercial agriculture sector,</li> <li>- Within Dalit's of hill, Sarki, Darji and Gaine are relatively weaker in comparison to Bishwokarma.</li> </ul>
			<p><b>Near Poor:</b></p> <ul style="list-style-type: none"> <li>- Education level is better, almost all attends and complete basic school level, more than half pass 10 class and some of them pass +2 level, quality of education is question.</li> <li>- Some are getting community level mobilizer and school teacher job, some</li> <li>- Marriage at the age of 18-20 yrs., conscious and having 2-3 children,</li> <li>- Mostly living in nuclear families, very few are with extended families,</li> <li>- No Productive land ownership, engage in small scale enterprises in absence of husbands, who are mostly in Gulf, Very few are working with parent in laws rented land and producing cereals and vegetables along with</li> </ul>	<ul style="list-style-type: none"> <li>- Education level is better, almost all attends and complete basic school level, more than half pass 10 class and some of them pass +2 level, quality of education is question.</li> <li>- Mostly migrated to Gulf, some are employed in army and polices sector, a few are involved construction and transportation sector,</li> <li>- No ownership over productive land,</li> <li>- Aware on savings, but not managing earnings meaningfully,</li> <li>- Getting access to develop skills like electrician, carpenter, driving, mechanical and utilized for earning</li> <li>- Better access to community groups and exposure of development,</li> <li>- No collateral to get loan due to lack of land ownership,</li> <li>- Assess to community group in hills is not a big problem these days, however, social discrimination and practice of untouchability</li> </ul>



Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
Hill continued ....	Caste groups	Dalits		<p>goat, chicken and pigs, - Getting access to develop skills like sewing and tailoring, however earnings is limited, - Better access to community groups and exposure of development, - No collateral to get loan due to lack of land ownership,</p>	<p>still prevails in different forms have negative implications, - Potential group to engage in commercial agriculture enterprises,</p>
				<p><b>Non Poor</b> (Very few Dalits fall on this category) - Better education, majority are getting +2 level and some are on higher education, - Mostly marriage at after +2 level education, conscious on small family size, - Mostly are working outside and a few are engaged in family business, - Due to better access getting better opportunity on skill development trainings, a few are engaged in tailoring enterprises, - This group is very less interested in agriculture sector.</p>	<p>(Very few Dalits fall on this category) - Better education, majority are getting +2 level and some are on higher education, - Mostly marriage at after +2 level education, conscious on small family size,- This group is much benefitted with the provision of inclusive policies, - Mostly are working in development, government and other public and private sector jobs, a few are engaged in family business, - Due to better access getting better opportunity on skill development trainings, a few are engaged in tailoring enterprises, - This group is very less interested in agriculture sector.</p>
			<p><b>26-40 yrs.:</b> <b>ISSUES:</b> - Not productively managed the potentiality, low labor productively/economic return specially of women, - Imbalanced workload between women and men, Women of very poor are engaged agriculture and construction wage labor, poor and near poor engaged in agriculture with ranging land, - Malnutrition among children, pregnant and lactating women, availability is and issue among very poor &amp; poor and utilization knowledge and practice among near poor -Limited practice of consultation and joint decision making between husband and wife specially among very poor and poor hhs, -Lack visioning and planning of resources for future, - Lack appropriate skill and opportunities, inputs and technology, - Limited access to groups &amp; cooperatives and exposure to development opportunities for very poor and poor, other have access but not benefitted adequately, - Social discrimination and cultural barrier are prevailed, even</p>	<p><b>Very poor</b> - Very few are attended school; are just literate, - Mostly living in a community, in some cases are in very marginal land, - Got marriage on teenage, bearing child in early age, having 2-3 children, - Malnutrition in children, pregnant and lactating mother is prevalent in this group, - Mutual discussions between wife and husband and understanding about future life of self is limited, - Social discrimination and cultural barrier are prevailed, even untouchability is illegal, - Working as agriculture labor within village, Rearing goats, pigs in small piece of land, working on share cropping, - Women, disable and elderly headed households are more vulnerable, Cultural barrier and social discrimination are prevailed, limiting benefits, even untouchability is illegal, - There is access but interest to engage in group/</p>	<p>- Very few are attended school; majority are just literate, - Mostly living in a community, in some cases are in very marginal land, - Got marriage on teenage, mutual discussions between wife and husband and children for understanding about future life of self is limited, - Mostly migrated to city areas and engaged unskilled labor sector, some are engaged in Nepal army and police force, some are working as agriculture labor within village, - There is access but interest to engage in group/cooperatives is limited, very less benefitted, - Social discrimination and cultural barrier are prevailed and minimized confidence, even untouchability is illegal, - Borrow money from family networks &amp; relatives for household matters, - Limited business ideas and earning opportunities in villages, - Imbalanced workload between women and man prevails,</p>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity			Common issues for age group across all wealth levels	Additional challenges by gender and wealth
					Female Male
Hill continued ....	Caste groups	Dalits	<p>untouchability is illegal, - Limited financial access, knowledge and business skills, - Borrow money mostly from relatives and family networks, no credit facility due to collateral issues for specially for very poor women and youth - Received remittances are not productively managed. - Limited capacity/knowledge of saving and managing resources,</p> <p><b>OPPORTUNITIES:</b> Highly potential age group to organize and mobilize for production and marketing of agricultural commodity providing them required business knowledge and financial skills, basic facilities, service and technology.</p> <p><b>RESPONSES:</b> - Formation of inclusive producer groups of interested and like minded persons based on cluster situation, representing different segments, Mobilization of existing groups with inclusion of left out segments, - Facilitate to prepare production plan as agreed in MSP, - Mobilize for production and marketing of selected/potential VC commodities, - Introduce climate resilient technology and resilient crop varieties and efficient production technology, - Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite', - Identify most vulnerable young women and engage in household mentoring/GALS. - Facilitate guareians to provide consent for collateral to take loan to increase production specially for youth, - Facilitate for collateral free credit to youths and women considering mechanisms of guarantee from groups and municipalities, - Facilitate for renting in land for production of selected commodity specially for land less and those who do not have productive land.</p>	<p>cooperatives is limited, - Borrow money from family networks &amp; relatives, Husbands to send Gulf - Imbalanced workload between women and man prevails,</p>	
				<p><b>Poor:</b> - Very few are educated, however aware on social context, - Having children 3-4 on average, a few children, pregnant and lactating mother are affected by malnutrition, - Rearing goats, pigs, chickens and buffalo also, - Majority living within own community, a few are in isolated marginal lands, - Majority are working as agriculture labor, a few works on rented land and/or share crop with husbands, produce vegetables and sale, - Lack awareness and credit to invest in rented land for agricultural produce in commercial level, - Now ownership over productive land, - Assess to community group is not problem, however interest and getting benefit is limited, - Faces social and cultural discrimination even untouchability is illegal, - Potential to enhance capacity increase access and mobilize to increase production.</p>	<p>- Very few are educated, however aware on social context, - Having children 3-4 on average, - A few work as agricultural labor within village, rearing goats, pigs, chickens and buffalo, work on rented and shared cropped mostly cereal crops, - Majority are living within own community, a few are in isolated marginal lands, - Majority works on city areas as construction worker, work in transportation sector, army, police and Gulf countries, - Lack awareness and credit to invest in rented land for profitable agricultural production in commercial level, - Now ownership over productive land, - Assess to community group is not problem, however interest and getting benefit is limited, - Faces social and cultural discrimination, which is limiting their potentials even untouchability is illegal, - Potential to enhance capacity increase access and mobilize to increase production.</p>
				<p><b>Near Poor:</b> - very few are educated, however, aware on social context, - a few from this segment are elected in local election at least one in each ward of Municipality, - Mostly husbands and sons are employed in Gulf, employed in Nepal Army and Police forces in some context employed in India too as jobs and managing households, - Work on agriculture in rented land and/or share cropping basis, Some are engaged in goat, chicken and pig rearing, buffalo too in some cases, - High access to community groups and exposure of development, offer leading the groups, In most of cases they are organized in their own community</p>	<p>- Very few are educated, however, aware on social context, - Mostly employed in Gulf, employed in Nepal Army and Police forces in some context employed in India and city areas too, - Work on agriculture in rented land and/or share cropping basis, Some are engaged in goat, chicken and pig rearing, buffalo too in some cases, - High access to community groups and exposure of development, often leading the groups, In most of cases they are organized in their own community groups and managing monthly savings and credits, - This category are first movers, if got any opportunities and are potential ones to engage in commercial agriculture farming, primarily the returnees,</p>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

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			Female	Male	
Hill continued ....	Caste groups	Dalits		groups and managing monthly savings and credits, - Receives skill development trainings like sewing and tailoring from development agencies(GOs, NGOs) managing small scale enterprisers with credits from groups and cooperatives but limited earnings, - Some women of this category are first movers if got any opportunities and are potential ones to engage in commercial agriculture farming,	
				<b>Non Poor:</b>	
				Very few Dalit's fall under this category) - Educated ones are working outside, other are engaged in family business and politics, - Some have got skill development trainings and few have running enterprises like retail shops, tailoring, beautyparlor, - Very few women have land ownership of productive land - seems less interested to engage in agriculture business,	(Very few Dalit's fall under this category) - Educated ones are working outside, mainly on government jobs, development sector, business and politics, civil society sector as social activist, - Social discrimination are opposed by this group in the society, - Very few are living in rural areas, and engaged in agriculture sector, - Seems less interested to engage in agriculture business,
			<b>41 + yrs.:</b> <b>ISSUES:</b> - - Women (widow), elderly and disable headed households looks more vulnerable, - Limited practice of consultation for any decisions at households, - Lack of workload balance between women and men, women seems overloaded with unproductive work - Limited access to community groups cooperatives and skill development opportunities for poor and near poor. - Limited financial knowledge and access, and business skills to run household and business, - No collateral assets for credits with very poor, - Very low hopes of future life and plans among poor and very poor, - Discrimination and practice of untouchability often blaming for witchcraft ( <i>Boksi</i> ) to poor elder and single women, - Facing problems on getting social security facility in lack of citizenship by very poor women, - Lack of basic facilities like electricity, drinking water, sanitation facilities,	<b>Very poor</b> - No Literacy, this group is socially vulnerable, - Even deprived to get social security facility due to lack of citizenship, in few cases, - Majority are single due to death of husbands and are very marginalized, - Facing social and cultural barrier like untouchability, facing blame as witchcrafts ( <i>Boksi</i> ), even it is illegal, - Working as agriculture labor within village as single source of income, - Rearing 1-2 goats, 1-2 pigs in small piece of land for additional income, - No access to/ and interest to engage in group/ cooperatives, - Very limited hopes of future life, - Limited assess to community group and exposure to development.	- Very few are literate, - Even deprived to get social security facility due to lack of citizenship, in few cases, - Facing social and cultural barrier like untouchability, that has discouraged to move ahead, - Working as agriculture labor within village as single source of income, - Rearing 1-2 goats, 1-2 pigs in small piece of land for additional income, - No access to/and interest to engage in group/ cooperatives, - Very limited hopes of future life, - Limited assess to community group and exposure to development.
			<b>Poor:</b> - Some women of this age group are single and facing discrimination like witchcraft ( <i>Boksi</i> )	- Work as agricultural labor within village, some as unskilled labor, very few are working as skilled meson and carpenter, rearing	

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N		Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
				Female Male	
Hill continued ....	Caste groups	Dalits	<p><b>OPPORTUNITIES:</b> - Potential (40-55 yrs.) to include in producer group with other ages and mobilized for economic earning, - Potential to sensitize and mobilize with other age groups to engage in agricultural sector growth as business and profits, -Show them hope and mobilize with full potential,</p> <p><b>RESPONSES:</b> - Formation of inclusive producer groups/strengthening existing groups of interested and like minded including left out potential households in agricultural sector (with other age groups in one location/cluster). - Facilitate to prepare production plan as agreed on MSP, - Mobilize for production and marketing of potential commodity after B2B linkages with traders, - Introduce climate resilient production technology and resilient crop varieties, efficient production technology, - Conduct comprehensive package of financial knowledge and business skill development training with GALS 'Lite' - Identify most vulnerable and risk averse women and engage in household mentoring/Gender Action Learning System (GALS). - Facilitate for collateral free credit to poor and very poor with guarantee mechanism with municipality and groups for poor women, - Renting in land for commercial production of agriculture commodities (vegetable, fish and goat.....) farming - Coordination with CSOs working on right issues for preparation of citizenship and land ownership certificate and address other social issues,</p>	<p>- Single and elderly headed households are more vulnerable, - Work as agricultural labor within village, some are rearing livestock like, goat (2-3), pig (1-2) Chickens, - Rearing buffalo kids on sharing basis in some cases, - Few works on rented land and/or share crop by husbands, producing vegetables and sale at local <i>hat bazaar</i>, - Lack of credit to invest in rented land for agricultural produce. - No ownership of land, in most cases, it belongs to husband if they have land.</p> <p><b>Near Poor:</b> - Majority separated from, some are living with son daughter-in -laws, - Single and elderly headed households are more vulnerable, - Engaged in agriculture labor, some are engaged in goat, chicken and pig rearing, - No ownership to productive land, engaged in rented in and/or share cropping,- Access to community groups is not bad but interest and exposure to development is limited,-In some communities they are organized in their own community groups and managing monthly savings and credits, - No access to credits and other facilities for production.</p> <p><b>Non Poor:</b> (Very few Dalit's fall under this category) - Mainly women of this group are engaged in family business and politics, - Some have got skill development trainings and few have running enterprises like retail shops, tailoring, beauty parlor, - Very few women have land ownership of productive land - Seems less interested to engage in agriculture business,</p>	<p>livestock like, goat (2-3), pig (1-2) Chickens in family - Rearing buffalo kids on sharing basis in some cases, - Few works on rented land and/or share crop and producing cereal and vegetables - Lack of credit to invest in rented land for agricultural production profitable, - No ownership of productive land, - Potential ones to work on commercial farming mostly returnees of Gulf countries, - Problem of discrimination and cultural barrier like untouchability even it is illegal, - Single and elderly headed households are more vulnerable,</p> <p>- Mostly illiterate, very few are literate, - Majority separated from, some are living with son daughter-in - laws, - Single and elderly headed households are more vulnerable, - Engaged in agriculture labor, some are engaged as mason and carpenter, some are raising goat, chicken, pigs and buffalo, - No ownership to productive land, engaged in rented in and/or share cropping, - Access to community groups is not bad but interest and exposure to development is limited -In some communities they are organized in their own community groups and managing monthly savings and credits, - No access to credits and other facilities for production.</p> <p>(Very few Dalit's fall under this category) - Mainly group are engaged in family business and politics and service sector, - Very few are engaged agriculture sector, -Very few have ownership of productive land in rural areas, - Seems less interested to engage in agriculture business,</p>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
			Female	Male
Hill continued ....	Caste groups	<p><b>Other castes :Khas Aryas-Brahmin , Chhetry, Thakuri, Dasnami</b></p> <p><b>Less than 25 yrs.</b></p> <p><b>ISSUES:</b></p> <ul style="list-style-type: none"> <li>- Not productively managed time of women who are not engaged in other additional income enterprises,</li> <li>- Rapid migration of youths to city and market centers, economically active are migrated to Gulf countries,</li> <li>- Limited practice of consultation and joint decision making at family in very poor and poor hhs,</li> <li>- Imbalanced workload between women and men, agriculture is feminized, men are not much interested as agriculture business, - Interested to be entrepreneur, earn money but lack appropriate skill and opportunities, inputs and technology and market,</li> <li>- Limited access to groups &amp; cooperatives for very poor and poor, - Limited financial knowledge and business skills even more people are educated,</li> <li>- Borrow money from relatives and family network some time from money lenders and no credit facility due to collateral issues specially for very poor women,</li> <li>- Remittances earned is not effectively mobilized in business and less private investment in rural areas and contributing in rural economy.</li> <li>- Limited knowledge on visioning of future life and planning for resources and opportunities.</li> <li>- Nutrition problem among children, pregnant and lactating women due to availability and utilization knowledge and practice on very poor.</li> </ul> <p><b>OPPORTUNITIES:</b></p> <p>Potential human resources to organize and mobilize in commercial agriculture and improve their well being, engage in agricultural sector to run as business, develop as lifetime entrepreneur providing them required business and financial skills, knowledge, technology and financial services,</p> <p><b>RESPONSES:</b></p> <ul style="list-style-type: none"> <li>- Formation of inclusive groups of interested and like minded youths (both women and men based on local situation) in one</li> </ul>	<p><b>Very poor</b></p> <ul style="list-style-type: none"> <li>- Majority of caste groups women are attended school but left school before class 8-9, very few have completed +2 level,</li> <li>- Majority get early marriage, bearing child in early age, malnutrition in children, pregnant and lactating mother is prevalent among this group,</li> <li>- Mutual understanding about future life of self and children between husband and wife looks not happening,</li> <li>- Living in marginal lands, thatched huts, no ownership of productive lands,</li> <li>- Working as agriculture labor within village, work as construction labor at private and public sectors,</li> <li>- Mostly agricultural land owners are absent in hills areas and this group of people are producing cereal crops &amp; vegetables on share cropping basis with parent in laws,</li> <li>- Rearing small animals -goats, chickens and buffalo</li> <li>- Aware on savings due to their social category and family networks but proper management seems problem,</li> <li>- Normally this age group are not interested to join in community groups,</li> <li>- Workload between women and man is imbalanced.</li> </ul> <p><b>Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority of this group attends school, drop out starts form 6 -10, 1/3 pass class 10 and a few of them are studying at +2 levels where school facility is good, quality of education is an issue.</li> <li>- Few of educated ones are working as school teacher in both private and public sector, community level development worker,</li> <li>- Early marriage is still happening due to love marriage and bearing children after 20, not more than 2-3 children these days,</li> </ul>	<ul style="list-style-type: none"> <li>- Majority attended school but left school before class 10, very few have completed +2 level, mainly people with low level human capital,</li> <li>- Mutual understanding about future life of self and children between spouse looks not happening,</li> <li>- Living in marginal lands, thatched huts, no ownership of productive lands,</li> <li>- Majority are migrated to city areas and working on construction, transportation sector, hotel and other service sector, go to India and very few are employed in Gulf,</li> <li>- Aware on savings due to their social category and family networks but proper management is a problem,</li> <li>- Normally this group boys are not interested to join in community groups,</li> <li>- Workload between women and man is imbalanced.</li> </ul> <ul style="list-style-type: none"> <li>- Majority of this group attends school drop out starts form class 8 to 10, 1/2 pass class 10 and studying at +2 levels where school facility is good, A few are studying bachelor and above education,</li> <li>- Few of them are working in city areas in public and private sector, majority are going to Gulf countries,</li> <li>- Aware on savings, but not managing earnings meaningfully,</li> <li>- Money to invest for more production on rented land is limited, lacking business idea,</li> <li>- Mostly ownership of land belongs to father in law and in some case it belongs to husband.</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
Hill continue d....	Caste groups	<p><b>Other castes :</b> <b>Khas</b> <b>Aryas- Brahmin</b> <b>,</b> <b>Chhetry, Thakuri, Dasnami</b></p>	<ul style="list-style-type: none"> <li>cluster from representing different segments,</li> <li>-Mobilization of existing groups with inclusion of left out segments/households,</li> <li>- Facilitate to prepare production plan as agreed in MSP,</li> <li>- Mobilize for production and marketing of selected/potential VC commodities and manage B2B linkages,</li> <li>- Introduce climate resilient technology and resilient varieties and production technology,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite',</li> <li>- Identify most vulnerable young women and engage in household mentoring/Gender Action Learning System (GALS).</li> <li>- Facilitate guareians to provide consent for collateral to take loan to increase production, specially for youths</li> <li>- Facilitate for collateral free loan to individuals considering group and municipal guarantee/collateral for very poor and poor.</li> <li>- Facilitate for renting in land for vegetable, fish and other potential commodity farming, for poor and who do not have productive land.</li> </ul>	<ul style="list-style-type: none"> <li>- Majority of this group work on their own land along with share cropping and rented land and producing cereals and vegetables where market and irrigation facilities are available,</li> <li>- Rearing goats, poultry, cow, buffalo for supplementary income,</li> <li>- Aware on savings, but not managing earnings meaningfully,</li> <li>- Money to invest for more production on rented land is limited, lacking business idea,</li> <li>- Mostly ownership of land belongs to father in law,</li> <li>- Community group in hill are dominated by this group, so no problem of access,</li> </ul>	<ul style="list-style-type: none"> <li>- Community group in hill are dominated by this group, so no problem of access,</li> <li>-This age group is totally detached from traditional type of agricultural work,</li> <li>- Wants to be an entrepreneur, but no proper supporting mechanisms to these fulfill their aspirations,</li> </ul>
			<p><b>Near Poor:</b></p> <ul style="list-style-type: none"> <li>- Education level is better, almost all attends and complete basic school level, more than half pass 10 class and some of them pass +2 level, quality of education is question. A few are getting higher education,- Majority of this group are engaged in community level mobilizer and school teacher, management of cooperatives,</li> <li>- Majority are living in extended families and rest on Nuclear families,</li> <li>- No much Productive land ownership, engage in small scale enterprises in absence of husbands, who are mostly in Gulf, Very few are working with parent in laws rented land and producing cereals and vegetables along with goat, chicken and pigs,</li> <li>- Getting access to develop skills like sewing/tailoring, vegetable farming, however earnings is limited,</li> <li>- Better access and leading community groups/cooperatives and exposure of development is better,</li> <li>- In case of getting credit from Banks, collateral is an issue because they do not have ownership of land, and father in-laws do not trust them,</li> </ul>	<ul style="list-style-type: none"> <li>- Education level is better, almost all attends and complete basic school level, more than 60% pass class 10 and +2 level, quality of education is question. Off them a few are getting higher education,- Majority of this group are engaged government services, school teacher, private and development sector, a few are migrated to Gulf and abroad for higher study,</li> <li>- No much productive land ownership with family,</li> <li>- Better access and leading community groups/cooperatives and exposure of development is better, however this group is not much interested in agriculture, - A few of this group wants to be entrepreneur but the support mechanism is not fully functional,</li> <li>- In case of getting credit from Banks, collateral is an issue because they do not have ownership of land, and father in-laws do not trust them,</li> </ul>	
			<p><b>Non Poor:</b></p> <ul style="list-style-type: none"> <li>- Better education, majority are getting +2 level and some are on higher education, socially dominant group,</li> </ul>	<ul style="list-style-type: none"> <li>- Better education, majority are getting +2 level and some are on higher education, socially dominant group,</li> <li>- Mostly engaged in getting higher education in country and</li> </ul>	

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity			Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
					Female	Male
Hill continued ....	Caste groups	Other castes : Khas Aryas-Brahmin , Chhetry, Thakuri, Dasnami			<ul style="list-style-type: none"> <li>- Mostly marriage at after +2 level education, conscious on small family size,</li> <li>- Mostly are working outside and a few are engaged in family business,</li> <li>- Due to better access getting better opportunity on skill development trainings, a few are running enterprises,</li> <li>- This group is very less interested in agriculture sector.</li> </ul>	<ul style="list-style-type: none"> <li>abroad,</li> <li>- Those who have completed education are engaged government and private services, a few are engaged in family business,</li> <li>- This group is very less interested in agriculture sector but can be potential one for enterprise level,</li> </ul>
			<p><b>26-40 yrs.:</b></p> <p><b>ISSUES:</b></p> <ul style="list-style-type: none"> <li>- High dependency ratio among very poor and poor,</li> <li>- Limitedly managed the potentiality, low labor productively/economic return specially of women,</li> <li>- Imbalanced workload between women and men, agriculture is feminized,</li> <li>- Malnutrition among children, pregnant and lactating women, availability is and issue among very poor &amp; poor and utilization knowledge and practice among near poor</li> <li>- Limited practice of consultation and joint decision making between husband and wife specially among very poor and poor hhs,</li> <li>- Lack visioning and planning of resources for future,</li> <li>- Many productive lands in hills are leaving barren,</li> <li>- Lack appropriate skills, opportunities, inputs and technology,</li> <li>- Limited access to groups &amp; cooperatives and exposure to development opportunities for very poor and poor,</li> <li>- Limited financial access, knowledge and business skills,</li> <li>- Borrow money from relatives and family networks no credit facility due to collateral issues specially for very poor women and youth</li> <li>- Limited capacity/knowledge of saving and managing resources productively</li> </ul> <p><b>OPPORTUNITIES:</b> Highly potential age group to organize and mobilize for production and marketing of agricultural commodity providing them required business knowledge and financial skills, basic facilities, service and technology.</p>	<p><b>Very poor:</b></p> <ul style="list-style-type: none"> <li>- Almost all of this group are attended schools and drop out during class 6 - 10, small portion get pass class 10 and a few of them are studying at +2 levels where school facility is good, quality of education is an issue.</li> <li>- Living with 2-3 children in nuclear family, Majority get early marriage, bearing child in early age, malnutrition in children, pregnant and lactating mother is prevalent among this group,</li> <li>- Mutual understanding about future life of self and children between husband and wife looks not happening,</li> <li>- Living in marginal lands, thatched huts, no ownership of productive lands,</li> <li>- Borrow money from family networks and relatives and mostly sending husbands to Gulf for employment,</li> <li>- Mostly agricultural land owners are absent in hills areas and this group of people are producing cereal crops &amp; vegetables on share cropping basis, some time other labor work</li> <li>- Rearing small animals -goats, cow, buffalo</li> <li>- Aware on savings due to their social category and family networks but proper management seems problem,</li> <li>- Assess to community group is not problem but benefitted less, mobility is good. Workload between women and man is imbalanced.</li> </ul> <p><b>Poor:</b></p>	<ul style="list-style-type: none"> <li>- Almost all of this group are attended schools and dropped out during class 6 - 10, small portion get pass class 10 and a few of them have got higher education,</li> <li>- Mutual understanding about future life of self and children between husband and wife looks not happening,</li> <li>- Living in marginal lands, thatched huts, no ownership of productive lands,</li> <li>- Borrow money from family networks and relatives and mostly to go Gulf and India for employment</li> <li>- Mostly agricultural land owners are absent in hills areas and this group of people are producing cereal crops &amp; vegetables on share cropping basis, some time engaged in short term migration to city areas,</li> <li>- Rearing small animals -goats, cow buffalo,</li> <li>- Aware on savings due to their social category and family networks but proper management seems problem,</li> <li>- Credit facility and knowledge and idea about business is lacking,</li> <li>- Assess to community group is not problem but benefitted less, mobility is good.</li> <li>- Workload between women and man is imbalanced.</li> <li>- Wanted to involve in a more earning in a sustainable manner,</li> </ul>	

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
Hill continue d....	Caste groups	<p><b>Other castes :</b> <b>Khas</b> <b>Aryas-</b> <b>Brahmin</b> <b>,</b> <b>Chhetry,</b> <b>Thakuri,</b> <b>Dasnami</b></p>	<p><b>RESPONSES:</b></p> <ul style="list-style-type: none"> <li>- Formation of inclusive producer groups of interested and like minded persons (both women and men based on local situation) in one cluster from representing different segments and/or mobilization of existing groups with inclusion of left out segments,</li> <li>- Facilitate to prepare production plan as agreed in MSP,</li> <li>- Mobilize for production and marketing of selected/potential VC commodities,</li> <li>- Introduce climate resilient technology and resilient crop varieties, efficient production technology,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite',</li> <li>- Identify most vulnerable young women and engage in household mentoring/GALS.</li> <li>-Facilitate guareians to provide consent for collateral to take loan to increase production,</li> <li>- Facilitate for collateral free loan to individuals considering group and municipal guarantee/collateral specially for youth and women,</li> <li>- Facilitate for renting in land for production of selected commodity specially for land less poor and those who do not have productive land.</li> </ul>	<ul style="list-style-type: none"> <li>- Almost all of this group attends school drop out starts from class 10, majority 1/3 pass class 10 and a few of them are studying at +2 levels where school facility is good and even some are getting higher education, - Few of them are engaged as community level works like social mobilizers, - Having not more than 2-3 children</li> <li>- Majority of this group work on their own land along with share cropping and rented land and producing cereals and vegetables where market and irrigation facilities are available, - Rearing goats, poultry, cow, buffalo for supplementary income, - Aware on savings, but not managing earnings meaningfully,</li> <li>- Money to invest for more production on rented land is limited, lacking business idea,</li> <li>- Mostly ownership of land belongs to father in law and in some case it belongs to husband.</li> <li>- Community group in hill are represented by this group, often in leadership positions, - Borrow money from relatives and family network mainly to send husbands Gulf and other countries for employment,</li> </ul>	<ul style="list-style-type: none"> <li>- Almost all of this group attends school drop out starts from class 10, majority 1/3 pass class 10 and a few of them had studied +2 levels, some are getting higher education, - Majority of their group living in rural areas are work on their own land along with share cropping and rented land and producing cereals and vegetables where market and irrigation facilities are available, - Rearing goats, poultry, cow, buffalo for supplementary income, - Aware on savings, but not managing earnings meaningfully,</li> <li>- Money to invest for more production on rented land is limited, lacking business idea,</li> <li>.- Majority are engaged in school teacher, local level political career,</li> <li>- Better access to community groups and cooperatives in hills often lead by this group, - Borrow money from relatives and family network mainly for management of household and go/send son to Gulf and other countries for employment,</li> </ul>
			<p><b>Near Poor:</b></p> <ul style="list-style-type: none"> <li>- Education level is better, almost all attends and complete basic school level, 1/3 have passed 10 class and some of them pass +2 level, A few are getting higher education,</li> <li>- Majority of this group are engaged in community level mobilizer and school teacher, management of cooperatives,</li> <li>- Majority living in extended families and rest on Nuclear families,</li> <li>- No much Productive land ownership, engage in small scale enterprises in absence of husbands, who are mostly in Gulf, Very few are working with parent in laws rented land and producing cereals and vegetables along with goat, chicken and buffalo</li> <li>- Getting access to develop skills like sewing/tailoring, vegetable farming, beauty parlor and hospitality business however earnings is limited,</li> </ul>	<ul style="list-style-type: none"> <li>- Education level is better, almost all attends and complete basic school level, 1/3 have passed +12 and a few are getting higher education,</li> <li>- Majority are engaged in government and private sector jobs and service sector business</li> <li>- No sufficient productive land ownership, engage in small scale enterprises a few are producing cereals and vegetables along with goat, chicken buffalo most often in rented lands for more income,</li> <li>- Those who are not engaged in supplementary work except regular agriculture are migrated to Gulf and city areas,</li> <li>- Increasing asset but no investment in rural areas, limited credit facility in rural areas to invest in agriculture,</li> <li>- Better access and leading CBOs, forest groups and community groups/cooperatives and exposure of development is good,</li> </ul>	



Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth			
			Female	Male		
Hill continue d....	Caste groups	<b>Other castes :</b> <b>Khas</b> <b>Aryas-</b> <b>Brahmin</b> <b>,</b> <b>Chhetry,</b> <b>Thakuri,</b> <b>Dasnami</b>	<b>41 + yrs.:</b> <b>ISSUES:</b> - Limited practice of consultation for any decisions at households, - Lack of workload balance between women and men, - Limited access to community groups cooperatives and skill development opportunities for poor, - Limited financial knowledge and access, and business skills to run household and business, - No collateral assets for credits with very poor, - Very low hopes of future life and plans among poor, - Socially aware, engaged in some enterprises also have not been productive enough even near poor too. <b>OPPORTUNITIES:</b> Potential (40-55 yrs.) to include in producer group with other ages and mobilized for earning from commercial agriculture - Potential to sensitize and mobilize other age groups to engage in agricultural sector growth as business and profits, - Show them hopes of future and mobilize with full potential, <b>RESPONSES:</b> -		- Better access and leading CBOs, forest groups and community groups/cooperatives and exposure of development is better, - In case of getting credit from Banks, collateral is an issue because they do not have ownership of land, and father in-laws do not trust them, <b>Non Poor:</b> - Better education, majority are getting +2 level and some are on higher education, socially dominant group, - Mostly marriage at after +2 level education, conscious on small family size with 1-2 children, - Mostly are working outside and a few are engaged in family business, - Due to better access getting better opportunity on skill development trainings, a few are running enterprises, -Very few of this group seems interested in agriculture sector, but are potential for commercial farming with improved technology.	
			<b>Very poor:</b> - Mostly Illiterate, very few living village are literate, - Women, disables and elderly headed households likely to be more vulnerable, - Mostly separated from son and daughter in laws, some are single, disable and elderly headed Hhs, very few are in extended family, - Mutual understanding about future life looks not happening, - Living in marginal lands, thatched huts, no ownership of productive land, - Mostly agricultural land owners are absent in hills areas and this group of people are producing cereal crops & vegetables on share cropping basis, some time other labor work,- Rearing small animals -goats, cows, buffalo, - Aware on savings due to their social category and family networks but earning is at that level, - Assess to community group is not problem but benefitted less, mobility is good. Workload between women and man is imbalanced.		- Better education, majority are getting +2 level and some are on higher education, socially dominant group, - Majority of this group are not living in rural areas, migrated to city and town areas and engaged government, private and development sector jobs, - Remaining are engaged in service sector business, -Very few of this group seems interested in agriculture sector, but are potential for commercial farming with improved technology.	
			<b>Poor:</b>			

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
Hill continued ....	Caste groups	<p><b>Other castes :</b> <b>Khas</b> <b>Aryas-</b> <b>Brahmin</b> <b>,</b> <b>Chhetry,</b> <b>Thakuri,</b> <b>Dasnami</b></p>	<p>Formation of inclusive producer groups/strengthening existing groups of interested and like minded including left out potential households in agricultural sector (with other age groups in one location). - Facilitate to prepare production plan as agreed on MSP, - Mobilize for production and marketing of potential commodity after B2B linkages with traders, - Introduce climate resilient production technology and resilient crop varieties, production technology, - Conduct comprehensive package of financial knowledge and business skill development training with GALS 'Lite' - Identify most vulnerable and risk averse women and engage in household mentoring/Gender Action Learning System (GALS). - Facilitate for collateral free loan specially for poor women with mechanism of group and municipality guarantee, - Renting in land for commercial production of agriculture commodities farming</p>	<p>-- Very few are literate, mostly engaged in - Majority of this group work on their own land along with share cropping and rented land and producing cereals and vegetables where market and irrigation facilities are available, - Rearing goats, poultry, cow, buffalo for additional income, - Aware on savings, but income is not at that level, - Money to invest for more production on rented land is limited, lacking business idea, - Access to community group is good, benefitted fairly, very few of this group are in leadership positions, - Borrow money from relatives and family network for household and mainly to send husbands Gulf and other countries for employment, - Potential group to mobilize for commercialization of agriculture,</p>	<p>- Very few are literate, but aware about social context, - Majority of this group work on their own small land pieces along with share cropping and rented land and producing cereals and vegetables where market and irrigation facilities are available, - Rearing goats, poultry, cow, buffalo for additional income, - Aware on savings, but income is not at that level, - Personal asset are increased but investment in agriculture is limited, - Money to invest for more production on rented land is limited, lacking business idea and financial access, - Access to community group is good, benefitted fairly, few of this group are in leadership positions, - Borrow money from relatives and family network for household - Potential group to mobilize for commercialization of agriculture,</p>
			<p><b>Near Poor</b></p> <p>-- Majority are not school attended however aware on social context, - Mostly living with families and very few are living separately, single women, disables and elderly headed hhs seems more vulnerable, - Mostly are living in nuclear family, few are in extended families with in- laws, -Younger sons are out for earning, either Gulf or any outside country, -Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land, - Community groups and cooperatives are dominated from this segments of People, managing savings and credit facility, - Much interested to involve in agriculture, first movers, potential ones for commercial farming.</p>	<p>- Majority are literate very few are educated, mostly aware on social context, - Majority are engaged in teacher, local level politics, and other service sector business, -Younger sons are out for earning, either Gulf or any outside country, - Very few of this group are involved in agriculture farms, some are producing cereals and vegetables in rented land, - Those engaged in agriculture are are also not investing, event public sector investment is increased, - Community groups and cooperatives are dominated from this segments of People, managing savings and credit facility, - Much interested to involve in agriculture, first movers, potential ones for commercial farming. - Appropriate production facility and support system attract this group for commercial agriculture.</p>	
			<p><b>Non Poor:</b></p> <p>- Mostly managing houses limitedly involved in agricultural activities, - Majority are living with extended families, very few are separated from family (son and daughter in laws), - Families are mostly engaged in business, service and</p>	<p>- This group is not involved in agricultural activities, - Majority are engaged in government jobs, business, service and enterprise sector, mostly in city area and market sector, - Very few of this segment are living in rural areas are interested in agriculture sector,</p>	

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
				enterprise sector, , - Very few of this segment are living in rural areas.	
	Hills	<b>Ethnic groups</b> <b>Marginalized groups:</b> <b>chepangs, Kumals, Danawars, Majhi, Bote, Darai, a few Tamang and Magar,.....</b>	<b>Less than 25 yrs.</b> <b>ISSUES:</b> - Chepangs are most vulnerable community in hills, they do not have productive land asset, some section of magars and Tamangs who lives mostly in hill areas do not have productive land, - Bote, Majhi, Darai and Danuwars basically live in hill valleys are primarily engaged in agriculture are very less productively managed their time. - Mostly these groups have fragmented land, agriculture is mostly managed by women only. - Not productively managed the potentiality, even educated ones, - Limited practice of consultation and joint decision making at family in very poor and poor hhs, - Workload between women and men seems imbalanced. - Interested to earn money but lack appropriate skill and opportunities, inputs and technology, - Limited financial knowledge and business skills, - Borrow money from money lenders and no credit facility due to collateral issues specially for very poor women - Limited knowledge on visioning of future life and planning for resources and opportunities. - Nutrition problem among children, pregnant and lactating women due to availability and utilization knowledge and practice, - Limited capacity/knowledge of saving and managing resources <b>OPPORTUNITIES:</b> Potential to organize and mobilize for production and marketing providing them required business and financial skills knowledge, basic facilities, service and technology. <b>RESPONSES:</b> Formation of inclusive groups of interested and like minded	<b>Very poor:</b> - School attended but drop out from class 6, not more than 8 class,- Early marriage, bearing child in early age, high dependency ratio, - Malnutrition in children, pregnant and lactating mother, -Very limited mutual discussions and understanding about future life of self and children between husband and wife, - No productive land, working as agriculture labor within village, husbands are migrated to Gulf and or city area for labor work, -Borrow money from local money lenders and family networks, - Limited savings due to lack of future visioning of life, -Limited assess to community group and exposure to development due to their poor economic status and self-esteem, - Imbalanced workload between women and man, <b>Poor:</b> - Very low level of school attendance, very often complete basic level, - Early marriage and bear children before at age before teen, - No ownership of productive land, work as agricultural labor within village, few works as labor in rural constriction sites, few are migrated to market centers, few are working on rented lend and /share cropping, - Limited savings, earnings are not managed properly, - Lack money to invest in rented land even if they are managing for agricultural production, - No ownership of land normally it belongs to father in law and in some case it belongs to husband.	- School attended but drop out from class 6, no complete more than +2 class,- Very few are engaged in higher education, - Majority are migrated to city areas, and engaged in construction, transpiration, hotels and other sector, - Very few are migrated to Gulf and few are going to India, - Lack further plan for future, - Due to very unproductive land areas and less opportunities in agriculture in hills, very few are engaged in agriculture- Borrow money from local money lenders and family networks, -Limited savings due to lack of future visioning of life, -Limited assess to community group and exposure to development due to their poor economic status and self-esteem, - Imbalanced workload between women and man,  - Majority attend schools but start drop outs before completing basic level, a few are entered in +2 level and higher education, - Majority are migrated to city areas, involved in construction, transportation, hotels and other private sector, - Few are migrated to Gulf and some event to India, - Lack further plan for future, - No ownership of productive land, - Limited savings, earnings are not managed properly, - No ownership of land normally it belongs to parents - This group is not engaged in any group activities,

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity			Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
					Female	Male
				<p>youths (both women and men based on local situation) in one cluster from representing different segments, -Mobilization of existing groups with inclusion of left our segments from household, - Facilitate to prepare production plan as agreed in Multi sector Platform (MSP), - Mobilize for production and marketing of selected/potential VC commodities, - Introduce climate resilient technology and resilient varieties with efficient production technology, - Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite', - Identify most vulnerable young women and engage in Household mentoring/Gender Action Learning System (GALS). - Facilitate guardians to provide consent for collateral to take loan to increase production, - Facilitate for collateral free loan to individuals considering group and municipal guarantee/collateral, - Facilitate for renting in productive land for commercial production of selected commodities for landless and who do not have productive land.</p>	<p>- Interested women have access to community group, but limitedly benefitted, <b>Near Poor:</b> - Majority have reach at class 10, very few got +2 level education, other are also got school level education, employment opportunities are less, - Very few are engaged on community level jobs, work in cooperatives and other groups, - Early marriage is due to mutual understanding between boys and girls prevails in these communities, some marriage after 20 yrs., - Mostly living in nuclear families, and a few are extended families, - Have access to development opportunities and getting skills like sewing and tailoring, beauty parlor and a few are self employed, - Have better access to community groups and exposure of development, - Managing own lands along with rented lands for agriculture and producing cereals and cash crops along with parent in-laws. Raise goat, chicken, pigs and buffalo, - Collateral is an issue for this segment due to ownership on land, - Potential ones for commercialization of agriculture,</p>	
Hills	Ethnic groups	Marginalized groups: chepangs, Kumals, Danawars, Majhi, Bote, Darai, a few Tamang and	<p><b>26-40 yrs.:</b> <b>ISSUES:</b></p>	<p><b>Non Poor:</b> -Majority have passed class 10 and half of them have got +2 level and a few are higher education, - A few are working outside at and few are working as teacher and community level development workers, - Have got skill development trainings and few have running tailoring enterprises, -Limited access to credit facility due to collateral, Limited knowledge of commercial agricultural production and marketing, - Limited financial and business skills. - Potential group to engage in commercial farming.</p>	<p>- Majority have reach at class 10, very few got +2 level education, and higher level education, - Very few are engaged in service sector jobs, - Mostly migrated to city areas and engaged in private sector jobs, majority are migrated to Gulf, - Lack further plan for future, - Lack of proper support mechanism to involve in commercial agriculture sector - Earnings are managed by family, mostly parents, - Supporting mechanisms including financial access, business idea and market facilities, this group is not much interested - Investment for any enterprise is lacking,</p>	<p>-Majority have passed class 10 and half of them have got +2 level and higher education, - Mostly engaged in higher level education are also involved in some development sector jobs, some are engaged in private sector jobs and family business - Mostly not interested in agriculture sector due to is low return.</p>
					<b>Very poor:</b>	

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

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			Female	Male
Hills	Ethnic groups	<p><b>Magar,.....</b></p> <ul style="list-style-type: none"> <li>- High dependency ratio with very poor and poor,</li> <li>- Not productively managed the potentiality, low labor productively/economic return specially of women and gulf returnees,</li> <li>- Imbalanced workload between women and men,</li> <li>- Mostly working on rented and shared crop land,</li> <li>- Malnutrition among children, pregnant and lactating women, availability is an issue among very poor &amp; poor and utilization knowledge and practice among near poor-Limited practice of consultation and joint decision making between husband and wife specially among very poor and poor hhs,</li> <li>-Lack visioning and planning of resources for future,</li> <li>- Lack appropriate skill and opportunities, inputs and technology for commercial production,</li> <li>- Limited financial access, knowledge and business skills,</li> <li>- Borrow money from money lenders and no credit facility due to collateral issues for specially for very poor women and youth</li> <li>- Limited capacity/knowledge of saving and managing resources,</li> </ul> <p><b>Marginalized groups: chepangs, Kumals, Danawars, Majhi, Bote, Darai, a few Tamang and Magar,.....</b></p> <ul style="list-style-type: none"> <li>- Formation of inclusive producer groups of interested and like minded persons (both women and men based on local situation) in one cluster from representing different segments and/or mobilization of existing groups with inclusion of left out segments,</li> <li>- Facilitate to prepare production plan as agreed in Multi Sector Platform (MSP),</li> <li>- Mobilize for production and marketing of selected/potential VC commodities,</li> <li>- Introduce climate resilient technology and resilient crop varieties and production technology,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite',</li> </ul>	<ul style="list-style-type: none"> <li>- High dependency ratio, 3-4 children, mostly illiterate, Malnutrition in children, pregnant and lactating mother prevails,</li> <li>- Women (widow) and elderly headed households likely to be more vulnerable,</li> <li>-Very limited understanding between husband and wife, Lack further plan for future,</li> <li>- Borrow money from close relatives and family network for household financing, and even to send husband to GULF,</li> <li>- No productive land, work on rented and /or share cropping basis,</li> <li>- Limited savings, not much conscious about savings,</li> <li>- Limited assess to community group, interest, exposure to development/business due to their poor economic status and self-esteem is limited,</li> <li>- Imbalanced workload between women and man,</li> <li>- No collateral for credits and lending,</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are illiterate, very few have completed school level education,</li> <li>- Majority are migrated to city areas, India and a few are migrated to Gulf for employment,</li> <li>- Some are engaged as agriculture labor and work on constructions sector in city areas,</li> <li>-Very limited understanding between husband and wife, Lack further plan for future, - Borrow money from close relatives and family network to go India and Gulf,</li> <li>- No productive land, work on rented and /or share cropping basis,- Returnees from foreign employment wants to be engaged in agriculture sector as enterprise,</li> <li>- Limited savings, not much conscious about savings,</li> <li>- Limited assess to community group, interest, exposure to development/business due to their poor economic status and self-esteem is limited,</li> <li>- Imbalanced workload between women and man,</li> <li>- No collateral for credits and lending,</li> </ul>
			<p><b>Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority are illiterate, learned get signature from Non Formal education.</li> <li>- Bear children before teen age, 3-4 children, Malnutrition in children, pregnant and lactating mother,</li> <li>- Work as agricultural labor within village, few works as labor in rural construction sites,</li> <li>- Raising goats, buffalo, chickens</li> <li>- Limited savings, earnings are not managed properly,</li> <li>- Limited ownership over productive land,</li> <li>- Works on rented land with husbands, producing vegetables</li> <li>- Lack money to invest in rented land for agricultural produce.</li> <li>- No ownership of land in most cases, it belongs to husband.</li> <li>- Have some assess to community group, but limitedly benefitted,</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are literate, a few have got school level education and very few on +2 and above,</li> <li>- Work as agricultural labor within village, few works as labor in rural construction sites,</li> <li>- Majority are migrated to city areas and involved in construction, transportation, and hotel areas in cities and a few are migrate to Gulf, very few are engaged in agriculture sector along with goats, pigs, buffalo, chickens</li> <li>- Limited savings, earnings are not managed properly,</li> <li>- Limited ownership over productive land, work on rented land and producing vegetables,</li> <li>- Proper planning for future and management of available opportunities is lacking</li> <li>- Lack money to invest in rented land for agricultural production and business ideas</li> <li>- Have assess to community group, and cooperatives but limitedly benefitted,</li> </ul>
			<p><b>Near Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority are just literate, few have passed +2 level education and employed as teacher and involved in community level work,</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are literate, few have passed +2 level education and some very few of them have got higher education,</li> <li>- Majority are migrated to city areas and Gulf countries for</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
Hills	Ethnic groups	Marginalized groups: chepangs, Kumals, Danawars, Majhi, Bote, Darai, a few Tamang and Magar,...	<ul style="list-style-type: none"> <li>- Identify most vulnerable young women and engage in household mentoring/GALS.</li> <li>- Facilitate guardians to provide consent for collateral to take loan to increase production,</li> <li>- Facilitate for collateral free with guarantee mechanism with group and municipalities, specially for youth and women, - Facilitate for renting in land for production of selected commodity specially for land less and those who do not have productive land.</li> </ul>	<ul style="list-style-type: none"> <li>- Majority of this group has married before age of 20, bearing 2-3 children,</li> <li>- Mostly are live in nuclear family, few are in extended families with in laws</li> <li>- Majority are involved in agriculture, some are producing cereals and vegetables in rented land and shared cropping, raising goats, pigs, buffalos,</li> <li>- Have better access to community groups, cooperatives and savings and credit facility,</li> <li>- Receives skill development trainings like sewing and tailoring from development agencies(GOs, NGOs) managing small scale enterprisers with credits from cooperatives, support from husband,</li> <li>- Lack business and financial management skills,</li> <li>- Credit facility is not easy due to collateral issue,</li> </ul>	<ul style="list-style-type: none"> <li>employment, a few educated are involved teaching, business in roadside small markets, very few male are engaged in agriculture and are producing cereals and vegetables in own including rented land and shared cropping, raising goats, pigs, buffalos,</li> <li>- Have better access to community groups, cooperatives and savings and credit facility,</li> <li>- Lack business and financial management skills to make investment and profit,</li> <li>- Proper planning for future and management of available opportunities is lacking</li> </ul>
			<p><b>Non Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority are literate and some have passed +2 level education,</li> <li>- Educated ones are working as school teacher, community level development worker, work outside in cities,</li> <li>-Engaged agriculture in villages, enterprises in main road junctions and market centers, supporting family business,</li> <li>- Families are mostly engaged jobs, business, business, enterprises and Politics,</li> <li>- Seems interested to engage in earning money activities, and</li> <li>- Collateral is an issue to get loan from Banks,</li> <li>- Potential group for commercial farming,</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are literate and some have passed +2 level education,</li> <li>- Educated ones are working as school teacher, community level development worker, work outside in cities, engaged in private and government sector</li> <li>-Very few are engaged in agriculture who are living in rural areas, with enterprises in main road junction and market centers, a few are engaged in local politics,</li> <li>- Seems interested to engage in earning money activities,</li> <li>- Collateral is an issue to get loan from Banks,</li> <li>- Potential group for commercial farming,</li> </ul>	
			<p><b>41 + yrs.:</b></p> <p><b>ISSUES:</b></p> <ul style="list-style-type: none"> <li>- High dependency ratio mostly among illiterate,</li> <li>- Women (widow), elderly and disable headed households looks more vulnerable,</li> <li>- Limited practice of consultation for any decisions at households between male and female,</li> <li>- Lack of workload balance between women and men,</li> <li>- Limited access to community groups cooperatives and skill development opportunities for poor and near poor.</li> </ul>	<p><b>Very poor:</b></p> <ul style="list-style-type: none"> <li>- High dependency ratio, mostly illiterate,</li> <li>- Women (widow), elderly and disables headed households are likely to be more vulnerable, -Mostly living marginal and unproductive land,-Separated from son and daughter in laws,- Borrow money from local money landers, relatives and family networks, interest rate is high,- Earning is limited and managed poorly,</li> <li>- Work as agriculture labor within village and</li> </ul>	<ul style="list-style-type: none"> <li>- High dependency ratio, mostly illiterate, - Work as agriculture labor within village and construction labor in public and public sector, -Mostly living marginal and unproductive land,-Separated from son and daughter in laws,- Borrow money from local money landers, relatives and family networks, interest rate is high,- Earning is limited and managed poorly,</li> <li>- Limited savings, no proper management due to lack visioning of</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

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			Female	Male
Hills	Ethnic groups	<p><b>Marginal-ized groups: chepangs, Kumals, Danawars, Majhi, Bote, Darai, a few Tamang and Magar,...</b></p> <ul style="list-style-type: none"> <li>- Limited financial knowledge and access, and business skills to run household and business,</li> <li>- No collateral assets for credits with very poor,</li> <li>- Very low hopes of future life and plans among poor and very poor,</li> <li>- Facing problems on getting social security facility in lack of citizenship in few cases,</li> <li>- Lack of basic facilities like electricity, drinking water, sanitation facilities,</li> </ul> <p><b>OPPORTUNITIES:</b></p> <ul style="list-style-type: none"> <li>- Potential (40-55 yrs.) to include in producer group with other ages and mobilized for commercial production,</li> <li>- Potential to sensitize and mobilize other age groups to engage in agricultural sector growth, personal business and profits, - Show them hopes and mobilize with full potential,</li> </ul> <p><b>RESPONSES:</b></p> <ul style="list-style-type: none"> <li>- Formation of inclusive producer groups/strengthening existing groups of interested and like minded including left out potential households in cluster,</li> <li>- Facilitate to prepare production plan as agreed on MSP</li> <li>- Mobilize for production and marketing of potential commodity after B2B linkages with traders,</li> <li>- Introduce climate resilient production technology and resilient crop varieties, production technology,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development training with GALS 'Lite'</li> <li>- Identify most vulnerable and risk averse women and engage in household mentoring/Gender Action Learning System (GALS).</li> <li>- Facilitate for collateral free loan to individuals considering group and municipality guarantee/collateral specially for poor women,</li> <li>- Renting in land for commercial production of agriculture commodities (vegetable, fish and goat.....) farming</li> <li>- Coordination with CSOs working on right issues for preparation of citizenship and other social issues,</li> </ul>	<ul style="list-style-type: none"> <li>construction labor in public and public sector,</li> <li>- Limited savings, no proper management due to lack of future visioning and planning of life,</li> <li>- Very limited access to community groups,</li> </ul>	<ul style="list-style-type: none"> <li>life, limited access to community groups, - Proper planning for future and management of available opportunities is lacking</li> </ul>
			<p><b>Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority are illiterate, high dependency ratio,</li> <li>- Women (widow), disable and elderly headed households</li> <li>- Work as agricultural labor within village, few works as labor in rural construction sites, raising goats, chickens, pigs, buffalo</li> <li>- Limited savings, earnings are not managed properly,</li> <li>- Living in marginal unproductive land, no land ownership,</li> <li>- Works on rented land w/husbands, producing vegetables,</li> <li>- Lack money to invest in rented land for agricultural production.</li> <li>- Have some access to community group, but limitedly benefitted,</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are illiterate, high dependency ratio,</li> <li>- Majority are migrated to city areas and involved in construction, transportation, hotels and other service sector, very few are in rural areas and involved in agriculture partially as labor within village, and also produce cereals and vegetables on rented/ shared cropped land raising goats, chickens, pigs, buffalo</li> <li>- Limited savings, earnings are not managed properly,</li> <li>- Very few marginal and unproductive land on ownership</li> <li>- Lack money to invest in rented land for agricultural production for making profit,</li> <li>- Have some access to community group, but limitedly benefitted,</li> <li>- Lack business and financial management ideas with visioning and planning for future life.</li> </ul>
			<p><b>Near Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority are illiterate, however socially aware on the context,</li> <li>- Living separately, single women are more vulnerable,</li> <li>- Mostly are living in nuclear family, few are in extended families,</li> <li>- Majority are involved in agriculture, some are producing cereals and vegetables in rented land and shared cropping,</li> <li>- Have access to community groups, cooperatives and savings and credit facility, often leading the groups,</li> <li>- Potential for commercial agriculture,</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are illiterate, however socially aware on the context,</li> <li>- Majority are out of rural areas, involved in service sector business and jobs,</li> <li>- Some living in villages are involved in agriculture and producing cereals and vegetables in rented land and shared cropping, educated one are engaged in school teacher and local level politics,</li> <li>- Very limited investment in agriculture due to its low return and profitability with traditional technology,</li> <li>- Have access to community groups, cooperatives and savings and credit facility, often leading the groups,</li> <li>- Proper planning for future and management of available opportunities is lacking,</li> <li>- Potential group for commercial agriculture with production technology and financial access,</li> </ul>
			<p><b>Non Poor:</b></p> <ul style="list-style-type: none"> <li>- Mostly living in better of places, managing houses and agricultural production,</li> <li>- Majority are living, in nuclear family, very few are</li> </ul>	<ul style="list-style-type: none"> <li>- Mostly literate, aware on social context and living in better of places,</li> <li>- Mostly migrated to city areas and engaged in service,</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity		Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
				Female	Male
				<p>separated from son are daughter, - Families are mostly engaged, enterprises, business, commercial farming and politics, - Potential group for commercial agriculture,</p>	<p>enterprises, business, - Very few are living in rural areas and doing agriculture mobilizing labors and rented out/shared out to the working class, - Not invested for further development of land to get more return. - Potential group for commercial agriculture, if production technology, financing is available,</p>
	Hills	<b>Ethnic groups</b>	<p><b>Influential groups (Newars, Gurungs, a few Tamangs Magars and Sherpas)</b></p> <p><b>Less than 25 yrs.</b> <b>ISSUES:</b> - Not productively managed time of women who are not engaged in other additional income enterprises, - Rapid migration of youths to city and market centers, economically active are migrated to Gulf countries, - Limited practice of consultation and joint decision making at family in very poor and poor hhs, - Imbalanced workload between women and men, agriculture is feminized, men are not much interested as agriculture business, - Interested to be entrepreneur, earn money but lack appropriate skill and opportunities, inputs and technology and market, - Limited access to groups &amp; cooperatives for very poor and poor, - Limited financial knowledge and business skills even more people are educated, - Remittances earned is not effectively mobilized in business and less private investment in rural areas and contributing in rural economy. - Limited knowledge on visioning of future life and planning for resources and opportunities. - Nutrition problem among children, pregnant and lactating women due to availability and utilization knowledge and practice on very poor. <b>OPPORTUNITIES:</b> Potential human resources to organize and mobilize in commercial agriculture and improve their well being, engage in agricultural sector to run as business, develop as lifetime entrepreneur providing them required business and financial skills, knowledge, technology and financial services, <b>RESPONSES:</b></p>	<p><b>Very poor:</b> - Majority have attended school but left school before class 7-8, very few have completed +2 level where good school facility and support system is effective, - Majority get early marriage, bearing child in early age, malnutrition in children, pregnant and lactating mother is prevalent among this group, - Mutual understanding about future life and planning between husband and wife looks not happening, - Living in marginal lands, no ownership of productive lands, - Working in agriculture often as labor within village, work as construction labor at local market centers and district headquarters, - Mostly agricultural land owners are absent in hills areas and this group of people are producing cereal crops &amp; vegetables on share cropping basis, rearing small animals -goats, chickens, - Aware on savings due to their social category and family networks but proper management seems problem, - Normally this age group are not interested to join in community groups, - Workload between women and man is imbalanced.</p> <p><b>Poor</b> - Majority of this group attends school, drop out starts form 6 class up to 10, 1/3 pass class 10 and a few of them studying +2 levels where school facility is good, quality of education is an issue in most rural areas, - Early marriage is still happening due to love marriage and bear children is after 20, 2-3 children,</p>	<p>- Majority are attended school but left school before class 7-8, very few have completed +2 level, - Majority are migrated to city areas around 15-18 yrs. age, after drop out school and involved in transportation, construction and hotel sector, - Very few are working as agriculture labor within village, - Mostly agricultural land owners are absent in hills areas and this group of people are producing cereal crops &amp; vegetables on share cropping basis, rearing small animals -goats, pigs and chickens, - Get married when they start earning, normally in early age, - Mutual understanding, visioning and planning for future life between husband and wife looks not happening, - Living in marginal lands, no ownership of productive lands, - Aware on savings due to their social category and family networks but proper management of income is lacking, - Normally this age group are not interested to join in community groups, - Workload between women and man is imbalanced.</p> <p>- Majority attends school, drop out starts form 6 to 10 class, 1/3 passed class10 and a few of them studying +2 levels where school facility is good, - Early marriage is still happening due to love marriage, because males migrate to city areas and start earning from around 16 over,- Majority migrates to city areas engage in construction, transportation and hotel sectors and a few</p>



Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

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			Female	Male
Hills	Ethnic groups  Influential groups (Newars, Gurungs, a few Tamangs Magars and Sherpas)	<ul style="list-style-type: none"> <li>- Formation of inclusive groups of interested and like minded youths (both women and men based on local situation) in one cluster from representing different segments,</li> <li>-Mobilization of existing groups with inclusion of left out segments/households,</li> <li>- Facilitate to prepare production plan as agreed in MSP,</li> <li>- Mobilize for production and marketing of selected/potential VC commodities and manage B2B linkages,</li> <li>- Introduce climate resilient technology and resilient varieties and production technology,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite',</li> <li>- Identify most vulnerable young women and engage in household mentoring/Gender Action Learning System (GALS).</li> <li>- Facilitate guardians to provide consent for collateral to take loan to increase production, specially for youths</li> <li>- Facilitate for collateral free credit with guarantee mechanisms considering group and municipal guarantee for repayment for very poor and poor.</li> <li>- Facilitate for renting in land for vegetable, fish and other potential commodity farming, for poor and who do not have productive land.</li> </ul>	<ul style="list-style-type: none"> <li>- Majority of this group work on their own land along with share cropping and rented land and producing cereals, vegetables are produced where market and irrigation facilities are available, - Rearing goats, poultry, pigs, buffalo for supplementary income,</li> <li>- Aware on savings, but not managing earnings meaningfully,</li> <li>- Money to invest for more production on rented land is limited, lacking business and financial management idea,</li> <li>- Normally ownership of land belongs to father in law and in some case it belongs to husband.</li> <li>- Access to community group is not problem for this group, however interest depends and less benefitted.</li> </ul>	<ul style="list-style-type: none"> <li>go to Gulf countries for employment,</li> <li>Very few of this group work on their own land along with share cropping and rented land and producing cereals, vegetables are produced where market and irrigation facilities are available, - Rearing goats, poultry, pigs, buffalo for supplementary income,</li> <li>- Aware on savings, but not managing earnings meaningfully,</li> <li>- Money to invest for more production on rented land is limited, lacking business and financial management idea,</li> <li>- Normally ownership of land belongs to father in some cases it belongs to grand father,</li> <li>- Access to community group is not problem for this group, however interest is not to have community groups, - visioning and planning for future and make understanding between husband and wife is lacking, - Those how want to engage in agriculture do not have access to credit for investment,</li> </ul>
			<p><b>Near Poor:</b></p> <ul style="list-style-type: none"> <li>- Almost all attends and complete basic school level, more than half pass 10 class and some of them pass +2 level, quality of education is question. A few are getting higher education,</li> <li>- Some of this group are engaged in community level development worker and some time school teacher, cooperatives job,</li> <li>- Majority living in extended families and rest on Nuclear families,</li> <li>- Limited ownership of productive land producing cereals and vegetables along with goat, chicken and pigs,</li> <li>- Getting access to develop skills like sewing/tailoring, vegetable farming, however earnings is limited,</li> <li>- Better access and participate and lead community groups/cooperatives and exposure of development is better,</li> <li>- In case of getting credit from Banks, collateral is an issue because they do not have ownership of land, and father in-laws do not trust them,</li> </ul>	<ul style="list-style-type: none"> <li>- Almost all attends and complete basic school level, more than half pass 10 class and some of them pass +2 level, A few are getting higher education,</li> <li>- Majority are migrated to city areas, involved in service sector jobs, a few got involved in government jobs, some go to Gulf countries,</li> <li>-Very few are are partially involved in agriculture although they have limited ownership of productive land, adding rented land producing cereals with parents and spouse,</li> <li>- Better access and participate and lead community groups/cooperatives and exposure of development is better, however very limitedly involved in this sector,</li> <li>- In case of getting credit from Banks, collateral is an issue because they do not have ownership of land,</li> </ul>
			<p><b>Non Poor:</b></p> <ul style="list-style-type: none"> <li>- Majority are getting +2 level and some are on higher education, better social influence on community,</li> <li>- Mostly marriage at after +2 level education,</li> </ul>	<ul style="list-style-type: none"> <li>- Almost all are getting +2 level and majority are getting higher education in city areas and abroad, better social influence on community,</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
			conscious on small family size, - Mostly are working outside and a few are engaged in family business, - Due to better access getting better opportunity on skill development trainings, a few are running enterprises, - This group is very less interested in agriculture sector.	- A few have started to work on development sector, government jobs, work in Banks and financial institutions, and involved in tourism and hotel sector business with family members, - Non of this segment are engaged in agriculture sector, - This group is very less interested in agriculture sector.	
		<b>26-40 yrs.:</b>			
		<b>ISSUES:</b>	<b>Very poor:</b>		
Hills	<b>Ethnic groups</b>	<b>Influential groups (Newars, Gurungs, a few Tamangs Magars and Sherpas)</b>	<ul style="list-style-type: none"> <li>- Mostly, all segments are migrated to city areas and market centers,</li> <li>- Gulf returnees are not properly engaged in agriculture production,</li> <li>- Limited investment in rural areas from remittance and other income,</li> <li>- High dependency ratio among very poor and poor,</li> <li>- Limitedly managed the potentiality, low labor productively/economic return specially of women,</li> <li>- Imbalanced workload between women and men, agriculture mostly managed by women</li> <li>- Malnutrition among children, pregnant and lactating women, availability is and issue among very poor &amp; poor and utilization knowledge and practice among near poor</li> <li>- Limited practice of consultation and joint decision making between husband and wife specially among very poor and poor hhs,</li> <li>- Lack visioning and planning of resources for future,</li> <li>- Many productive lands in hills are leaving barren is an opportunity for poor and very poor,</li> <li>- Lack appropriate skills, opportunities, inputs and technology,</li> <li>- Limited access to groups &amp; cooperatives and exposure to development opportunities for very poor and poor,</li> <li>- Limited financial access, knowledge and business skills,</li> <li>- Borrow money from relatives and family networks no credit facility due to collateral issues specially for very poor women and youth</li> <li>- Limited capacity/knowledge of saving and managing resources productively</li> </ul>	<ul style="list-style-type: none"> <li>- Majority are illiterate, some are attended schools but drop out during class 6 -7, very few are get pass class 10,</li> <li>- Living in nuclear family, Majority get early marriage, bearing child in early age, malnutrition in children, pregnant and lactating mother is prevalent,</li> <li>- Mutual understanding between husband and wife about future life of self and children looks not happening,</li> <li>- Living in marginal lands, no ownership of productive lands,</li> <li>- Borrow money from family networks and relatives and mostly sending husbands to Gulf for employment,</li> <li>- Majority agricultural land owners are absent in hills areas and this group of people are producing cereal crops &amp; vegetables on share cropping basis, some time other labor work</li> <li>- Rearing small animals -goats, pigs and chickens,</li> <li>- A few are working as agricultural labor,</li> <li>- Aware on savings due to their social category and family networks but proper management seems problem,</li> <li>- Assess to community group is not problem but benefitted less, mobility is good.</li> <li>- Workload between women and man is imbalanced.</li> </ul>	<ul style="list-style-type: none"> <li>- Majority who did not attend school have learned writing own name learning in non-formal education, some have got 6 -7 class avery few are get pass class 10,</li> <li>- Majority are migrated to city area and involved in construction, transpiration and tourism sector, mostly unskilled,</li> <li>- Some are migrated to India and Gulf countries for employment,</li> <li>- Living in marginal lands, no ownership of productive lands,</li> <li>- Borrow money from family networks and relatives and money landers to go Gulf,</li> <li>- Majority agricultural land owners are absent in hills areas and this group of people are producing cereal crops &amp; vegetables on renting land,</li> <li>- Rearing animals -goats, pigs and chickens, buffalo</li> <li>- A few are working as agricultural labor,</li> <li>- Aware on savings due to their social category and family networks but proper management seems problem,</li> <li>- Assess to community group is not problem but benefitted less,</li> <li>- Workload between women and man is imbalanced.</li> <li>- Mutual understanding between husband and wife and visioning and planning for future life is not happening,</li> </ul>
			<b>Poor:</b>	<b>Poor:</b>	
			<ul style="list-style-type: none"> <li>- Majority of this group are literate, school drop out starts from 8-10,very a few of them are studied +2 levels where school facility is good, - Having not more than 2-3 children</li> <li>- Majority</li> </ul>	<ul style="list-style-type: none"> <li>- Majority of this group are literate, school drop out starts from 8-10,very a few of them are studied +2 levels where school facility is good, - Majority are migrated to city areas and involved in more unskilled sector, a few are working on skilled sector in</li> </ul>	

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
			Female	Male
Hills	Ethnic groups	<p><b>Influential groups (Newars, Gurungs, a few Tamangs Magars and Sherpas)</b></p> <p><b>OPPORTUNITIES:</b> Highly potential age group to organize and mobilize for production and marketing of agricultural commodity providing them required business knowledge and financial skills, basic facilities, service and technology.</p> <p><b>RESPONSES:</b></p> <ul style="list-style-type: none"> <li>- Formation of inclusive producer groups of interested and like minded persons (both women and men based on local situation) in one cluster from representing different segments and/or mobilization of existing groups with inclusion of left out segments,</li> <li>- Facilitate to prepare production plan as agreed in MSP,</li> <li>- Mobilize for production and marketing of selected/potential VC commodities,</li> <li>- Introduce climate resilient technology and resilient crop varieties, efficient production technology,</li> <li>- Conduct comprehensive package of financial knowledge and business skill development with GALS 'Lite',</li> <li>- Identify most vulnerable young women and engage in household mentoring/GALS.</li> <li>-Facilitate guardians to provide consent for collateral to take loan to increase production,</li> <li>- Facilitate for collateral free loan to individuals considering group and municipal guarantee/collateral specially for youth and women,</li> <li>- Facilitate for renting in land for production of selected commodity specially for land less poor and those who do not have productive land.</li> </ul>	<p>of this group work on their own land along with share cropping and rented land and producing cereals and vegetables where market and irrigation facilities are available, Very limited supporting hands, - Rearing goats, poultry, cow, buffalo for supplementary income, - Aware on savings, but not managing earnings meaningfully,</p> <ul style="list-style-type: none"> <li>- Money to invest for more production on rented land is limited, lacking business and financial management idea,</li> <li>- Mostly ownership of land belongs husbands and in some case it belongs to father in-laws.</li> <li>- Good access to community group in hills, often in leadership positions, - Borrow money from relatives and family network mainly to send husbands Gulf and other countries for employment,- Imbalanced workload between husband and wife,</li> </ul>	<p>Construction, tourism, transportation, - A few along with returned from city areas are working on their own land along with share cropping and rented land and producing cereals and vegetables where market and irrigation facilities are available, - Rearing goats, poultry, cow, buffalo for supplementary income, - Aware on savings, but not managing earnings meaningfully,</p> <ul style="list-style-type: none"> <li>- Availability of money/access to finance, to invest in production on rented land and own land is limited, lacking business and financial management idea, No proper skill for planning for future,</li> <li>- Good access to community group and cooperatives in hills, often in leadership positions, - Borrow money from relatives and family network mainly to out for employment,- Imbalanced workload between husband and wife,</li> </ul>
			<p><b>Near Poor:</b></p> <ul style="list-style-type: none"> <li>- Education level is better, majority attends and complete basic school level, 1/3 have passed 10 class and some of them pass +2 level, A few are getting higher education,</li> <li>- Majority of this group are engaged in community level worker and school teacher, management of cooperatives,</li> <li>- Majority living in extended families and rest on nuclear families,</li> <li>- No much Productive land on their ownership, engage in small scale enterprises in absence of husbands, who are mostly in Gulf,</li> <li>- Few are working rented land and producing cereals and veg along with goat, chicken and pigs, buffalo</li> <li>- Getting access to develop skills like sewing/tailoring, vegetable farming, however earnings is limited,</li> <li>- Better access and leading CBOs, forest groups and community groups/cooperatives and exposure of development is better,</li> <li>- In case of getting credit from Banks, collateral is an issue because they do not have ownership of land, and father in-laws do not trust them,</li> </ul>	<ul style="list-style-type: none"> <li>- Education level is better, majority attends and complete basic school level, 1/2 have passed 10 class and some of them pass +2 level, A few are with higher education,</li> <li>- Majority of this are out from village and engaged in services, and business,</li> <li>- Those who are in villages are engaged in school teaching, community level worker, management of cooperatives, local politics and running small business in rural areas, and managing own land for agriculture, Marginal lands are fallow,</li> <li>- No much Productive land on their ownership,</li> <li>- Better access and leading CBOs, forest groups and community groups/cooperatives and exposure of development is better,</li> <li>- Credits for business is limited,</li> <li>- Agriculture is not taken as profitable sector, except some plane areas for vegetables,</li> <li>- Better access to finance business ideas are lacking,</li> </ul>

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth		
			Female	Male	
Hills	Ethnic groups	<b>Influential groups (Newars, Gurungs, a few Tamangs Magars and Sherpas)</b>		<b>Non Poor:</b> -Better education status, majority are getting +2 level and some are on higher education, socially aware, - Mostly marriage at after +2 level education, conscious on small family size with 1-2 children, - Mostly are working outside some are engaged in teaching job, some working on community level works, a few are engaged in family business, and enterprises, - Due to better access as influential group, getting better opportunity on skill development trainings, a few are running enterprises, - Very few are engaged in agriculture however, this is the potential group to work on commercialization of agriculture with improved technology.	-Better education status, majority are getting +2 level and higher education, - Majority leave outside, in city areas for business and services, left land on rent and share cropping to poor ones, marginal lands are fellow, - Very few are engaged in agriculture however, this is the potential group to work on commercialization of agriculture with improved technology.
			<b>41 + yrs.:</b> <b>ISSUES:</b> - Limited practice of consultation for any decisions at households - Lack of workload balance between women and men, - Limited access to community groups cooperatives and skill development opportunities for poor, - Limited financial knowledge and access, and business skills to run household and business, - No collateral assets for credits with very poor, - No investment in rural areas and agriculture from individuals - Very low hopes of future life and plans among poor, - Socially aware, engaged in some enterprises also have not been productive enough even near poor too. <b>OPPORTUNITIES:</b> Potential (40-55 yrs.) to include in producer group with other ages and mobilized for earning from commercial agriculture - Potential to sensitize and mobilize other age groups to engage in agricultural sector growth as business and profits, - Show them hopes of future and mobilize with full potential, <b>RESPONSES</b> - Formation of inclusive producer groups/strengthening existing groups of interested and like minded including left out potential households in agricultural sector (with other age groups in one location). - Facilitate to prepare production plan as agreed on MSP, - Mobilize for production and marketing of	<b>Very poor:</b> - Mostly illiterate, very few are literate however, a bit conscious about social context, - Women, disables and elderly headed households likely to be more vulnerable, - Mostly separated from son and daughter in laws, some are single, very few are in extended family, Dependency ratio is high, - Mutual understanding about future life looks not happening, - Living in marginal lands, no ownership of productive land, however livelihood is depended on agriculture and agriculture labor, rearing goats, pigs and chickens, - Mostly agricultural land owners are absent in hills areas and this group of people are producing cereal crops & vegetables on share cropping basis, - Aware on savings due to their social category and family networks but earning is at that level, - Assess to community group is not problem but benefitted less, mobility is good. Workload between women and man is imbalanced. - Lack of credit due to no collateral is an issue	- Majority are literate however, however conscious about social context, - Mutual understanding about visioning and planning for future life looks not happening, - Living in marginal lands, no ownership of productive land, however livelihood is depended on agriculture and agriculture labor, rearing goats, pigs and chickens, - A few are seasonally migrated to city areas for seasonal employment, - Mostly agricultural land owners are absent in hills areas and this group of people are producing cereal crops & vegetables on share cropping basis, by this group, - Aware on savings due to their social category and family networks but earning is at that level, - Assess to community group is not problem but benefitted less, mobility is good. Workload between women and man is imbalanced. - Due to collateral this group is not getting credit appropriately,
				<b>Poor:</b> - Very few are literate, but know the social context, - Majority of this group work on their own land along	- Majority are literate, and a few are got school level education, aware social context,

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity	Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
			Female	Male
Hills	Ethnic groups	<p><b>Influential groups (Newars, Gurungs, a few Tamangs Magars and Sherpas)</b></p> <p>potential commodity after B2B linkages with traders, - Introduce climate resilient production technology and resilient crop varieties, production technology, - Conduct comprehensive package of financial knowledge and business skill development training with GALS 'Lite' - Identify most vulnerable and risk averse women and engage in household mentoring/Gender Action Learning System (GALS). - Facilitate for collateral free loan specially for poor women with mechanisms of group and municipality guarantee, - Renting in land for commercial production of agriculture commodities farming</p>	<p>with share cropping and rented land and producing cereals and vegetables where market and irrigation facilities are available, - Rearing goats, poultry, cow, buffalo and a few are entrepreneur, - Aware on savings, but income is not at that level, - Money to invest for more production on rented land is limited, lacking business idea, - Access to community group is good, benefitted fairly, very few of this group are in leadership positions, - Borrow money from relatives and family network for household and mainly to send husbands Gulf and other countries for employment, - Potential group to mobilize for commercialization of agriculture, are real worker,</p>	<p>- Majority of economically active male (40-55 yrs.) are seasonally migrated to city areas and Gulf countries, and seasonally are living in rural areas, - Majority women of this group are working on agriculture with support from male members on seasonal basis on their own land along with share cropping and rented land and producing cereals and vegetables where market and irrigation facilities are available, - Rearing goats, poultry, cow, buffalo and a few are running as commercial scale, - Aware on savings, but income is not at that level, - Money to invest for more production on rented land is limited, lacking business idea and skills for making agriculture profitable, - Access to community group and cooperatives is good, benefitted fairly, very few of this group are in leadership positions, - Borrow money from relatives and family network for household and mainly to send husbands Gulf and other countries for employment, - Potential group to mobilize for commercialization of agriculture, are real worker,</p>
			<p><b>Near Poor</b></p> <p>- Majority are not school attended however aware on social context, - Mostly living with families and very few are living separately, single women, disables and elderly headed hhs seems more vulnerable, - Mostly are living in nuclear family, few are in extended families with in- laws, - Younger sons and some cases husband are out for earning, either Gulf or any outside country, - Majority are involved in agriculture farms, some are producing cereals and vegetables in rented land and shared cropping, - Community groups and cooperatives are dominated from this segments of People, managing savings and credit facility, - Much interested to involve in agriculture, first movers, potential ones for commercial farming. -</p>	<p>- Majority have attended school level education, aware social context, - Majority of economically active male (40-55 yrs.) are migrated to city areas and Gulf countries, a few are back seasonally to rural areas, - Majority women of this this group work their own land along with share cropping and rented land and producing cereals and vegetables where market and irrigation facilities are available a few of male counter part are supporting seasonally, - Rearing goats, poultry, cow, buffalo and a few are running as commercial scale, - Aware on savings, but income is not at that level, - Money to invest for more production on rented land is limited, lacking business idea and skills for making agriculture profitable, - Community group and cooperatives are better managed and lead by this group and benefitted adequately, - Borrow money from relatives and family network for household and mainly to send husbands Gulf and other countries for employment, - Potential group to mobilize for commercialization of agriculture, are real worker</p>

Nepal  
 Value Chains for Inclusive Transformation of Agriculture (VITA)  
 Social Environment and Climate Assessment (SECAP) review note

S N	Caste/Ethnicity			Common issues for age group across all wealth levels	Additional challenges by gender and wealth	
					Female	Male
					<b>Non Poor:</b> - Mostly managing houses limitedly involved in agricultural activities, - Majority are living with extended families, very few are separated from family (son and daughter in laws), - Families are mostly engaged in business, service and enterprise sector, - Very few of this segment are living in rural areas.	- Majority of this group are mostly not living in rural areas, almost all are migrated to city areas, and involved in business and service sectors, limitedly involved in agricultural activities, - Very few of this group are interested to engage in agriculture, however, this group could be one potential to run agriculture relates enterprises,

## Annex 9 : Poverty by district 2011, from small areas analysis

Source: World Bank. 2013. Nepal small area estimation of poverty 2011 (English). Nepal small area estimation of poverty 2011 ; volume 1. Washington DC : World Bank.

<http://documents.worldbank.org/curated/en/959781468290482736/Nepal-small-area-estimation-of-poverty-2011>

State	SN	District	Poverty rate (%)	Poverty disparity	Poverty intensity	Poor Head count
<b>Nepal</b>			<b>25.16</b>			
<b>VITA Areas – Full Package (All 3 Components)</b>						
<b>State 2</b>	1	Saptari	39.49	10.03	3.58	251579
	2	Siraha	34.55	8.01	2.66	219339
	3	Dhanusha	23.14	4.62	1.38	174071
	4	Mahottari	16.19	3.48	1.14	100544
	5	Sarlahi	17.66	3.58	1.1	135268
	6	Rautahat	33.35	8.28	2.94	227000
	7	Bara	29.92	7.07	2.47	203484
	8	Parsa	29.15	7.07	2.47	172599
			<b>27.93</b>	<b>6.52</b>	<b>2.22</b>	<b>1483884</b>
<b>State 5</b>	1	Arghakhanchi	28.82	6.85	2.39	56739
	2	Gulmi	25.58	5.94	2.03	71369
	3	Palpa	21.6	5.19	1.84	55910
	4	Nawalparasi (west)	17.03	3.8	1.27	54397
	5	Rupendehi	17.31	4.05	1.41	151171
	6	Kapilwastu	35.48	8.88	3.19	201772
	7	Banke	26.35	6.63	2.4	127690
	8	Bardia	28.66	7.05	2.53	121178
	9	Dang	25.05	5.9	2.03	137255
	10	Rukum (East)	26.26	5.75	1.8	27215
	11	Rolpa	26	5.62	1.8	57504
	12	Pyuthan	32.19	7.88	2.78	72791
		<b>Average</b>	<b>25.86</b>	<b>6.13</b>	<b>2.12</b>	<b>1134991</b>
<b>State 3 (VITA locations only)</b>	1	Chitwan	8.89	1.68	0.49	504994
	2	Sindhuli	38.33	9.87	3.57	112302
	3	Dolakha	25.42	5.36	1.67	48064
	4	Sindhupalchok	25.42	5.36	1.67	72613
	5	Kabhrepalchok	13.87	2.49	0.69	52018
	6	Nuwakot	20.3	4.18	1.29	55895
	7	Dhading	18.75	3.78	1.15	62621
	8	Makawanpur	27.86	7.29	2.72	115473
		<b>Average</b>	<b>22.36</b>	<b>5.00</b>	<b>1.66</b>	<b>1023980</b>
<b>VITA areas – “Finance only” with partner programmes</b>						
<b>State 1</b>	1	Taplegunj	26.95	5.53	1.68	34066

Nepal  
Value Chains for Inclusive Transformation of Agriculture (VITA)  
Social Environment and Climate Assessment (SECAP) review note

State	SN	District	Poverty rate (%)	Poverty disparity	Poverty intensity	Poor Head count
	2	Panchthatr	11.41	1.88	0.48	21724
	3	Ilam	7.3	1.19	0.31	21005
	4	Jhapa	10.62	1.87	0.51	85736
	5	Morang	16.51	3.27	0.98	158261
	6	Sunsari	11.98	2.22	0.63	89888
	7	Dhankuta	15.92	2.9	0.81	25677
	8	Tehrathum	14.56	2.52	0.67	14677
	9	Sankhuwasabha	20.96	4.06	1.18	33146
	10	Bhojpur	24.43	4.79	1.4	44268
	11	Solukhumbu	25.43	5.73	1.88	26964
	12	Okhaldhung	20.45	4.06	1.21	30017
	13	Khotang	25.01	4.95	1.46	51315
	14	Udayapur	25.89	5.78	1.88	81618
			<b>Average</b>	<b>18.39</b>	<b>3.63</b>	<b>1.08</b>
<b>State 6</b>	1	Rukum (West)	26.26	5.75	1.8	27215
	2	Salyan	28.80	6.33	2.05	69605
	3	Surkhet	30.45	7.46	2.63	104492
	4	Dailekh	35.82	8.77	3.08	93428
	5	Jajarkot	37.73	9.03	3.11	64175
	6	Dolpa	42.80	11.00	3.99	15455
	7	Jumla	48.98	13.09	4.86	52602
	8	Kalikot	57.93	16.81	6.60	78749
	9	Mugu	47.06	12.52	4.66	25784
	10	Humla	56.02	16.62	6.66	27962
			<b>Average</b>	<b>41.19</b>	<b>10.74</b>	<b>3.94</b>
<b>Non-VITA areas</b>						
<b>State 3</b>	9	Kathmandu	7.64	1.48	45	128973
	10	Lalitpur	7.62	1.51	0.43	34554
	11	Bhaktapru	12.47	2.87	0.99	36999
	12	Rasuwa	31.63	7.21	2.37	13324
	13	Ramechhap	25.58	5.6	1.81	51467
		<b>Average</b>	<b>16.99</b>	<b>3.73</b>	<b>10.12</b>	<b>265317</b>
<b>State 7</b>	1	Bajura	64.05	19.94	8.22	85867
	2	Bajhang	56.79	16.18	6.27	110465
	3	Achham	47.22	12.67	4.73	120931
	4	Doti	48.87	13.53	5.17	101000
	5	Kailali	33.55	8.42	3.03	256821
	6	Kanchanpur	31.36	7.96	2.89	140381
	7	Dadeldhura	43.27	11.76	4.47	60915
	8	Baitadi	45.73	12.31	4.62	114355
	9	Darchula	53	15.16	5.92	70003
		<b>Average</b>	<b>47.09</b>	<b>13.10</b>	<b>5.04</b>	<b>1060738</b>
<b>State 4</b>	1	Gorkha	20.41	4.92	1.8	54875
	2	Lamjung	16.79	4.92	1.33	27895



Nepal  
 Value Chains for Inclusive Transformation of Agriculture (VITA)  
 Social Environment and Climate Assessment (SECAP) review note

<b>State</b>	<b>SN</b>	<b>District</b>	<b>Poverty rate (%)</b>	<b>Poverty disparity</b>	<b>Poverty intensity</b>	<b>Poor Head count</b>
	3	Tanahu	14.83	3.27	1.09	47535
	4	Syangja	11.77	2.27	0.74	33909
	5	Kaski	4.02	2.37	0.25	19330
	6	Manang	36.9	9.89	3.82	2150
	7	Mustang	39.98	10.85	4.17	2150
	8	Myagdi	28.98	7.31	2.7	31323
	9	Parbat	12.65	2.51	0.77	18426
	10	Baglung	22.94	5.29	1.81	61163
	11	Nawalparasi (East)	17.03	3.8	1.27	54397
		<b>Average</b>	<b>20.57</b>	<b>5.22</b>	<b>1.80</b>	<b>353153</b>
<b>Nepal</b>			<b>25.16</b>			

## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture Project Design Report**

#### **Annex 6: First Annual Work Plan and Budget (AWPB)**

Mission Dates: 25 November - 17 December 2019  
Document Date: 19/07/2020  
Project No. 2000002697  
Report No. 5455-NP

Asia and the Pacific Division  
Programme Management Department



## Annex 6: First Annual Work Plan and Budget (AWPB)

	Unit	Quantity	Unit Cost		Cost		Other Accounts
		Yr1	(NPR)	(US\$)	(NPR'000)	(US\$'000)	Fin. Rule
<b>I. Investment Costs</b>							
<b>A. Mentoring and mobilization of producers / POs</b>							
Producer Organisation mobilization sub-award Via NGOs	Sub-award	15	3,815,280	34,065	57,229	511.0	HEIFER (32.2422%), LOAN (54.7578%), BANKS (13%)
Capacity Building of NGOs	Event	64	120,960	1,080	7,741	69.1	HEIFER (44.0916%), LOAN (42.9084%), BANKS (13%)
<b>Subtotal</b>					64,971	580.1	
<b>B. Business Skills to Farmers</b>							
Farmers Diary Design and Publication	Group	6,241	224	2	1,398	12.5	CSR (87%), BANKS (13%)
Business Skills to supply chain groups	Group	208	49,173.6	439.05	10,228	91.3	LOAN (87%), BANKS (13%)
TOT for business skills facilitators	Event	6	784,000	7,000	4,704	42.0	LOAN (87%), BANKS (13%)
Training materials development and printing	Number	8,915	448	4	3,994	35.7	LOAN (87%), BANKS (13%)
Establishment and Operation of Agriculture Market Information System	Number	1	224,000	2,000	224	2.0	CSR (87%), BANKS (13%)
<b>Subtotal</b>					20,548	183.5	
<b>C. Brokering and cluster facilitation</b>							
Provincial Level MSPs	Event	20	392,000	3,500	7,840	70.0	LOAN (87%), BANKS (13%)
Cluster level MSPs	Event	45	168,000	1,500	7,560	67.5	LOAN (87%), BANKS (13%)
B2B/B2S interactions at Cluster Level	Event	180	19,600	175	3,528	31.5	LOAN (87%), BANKS (13%)
<b>Subtotal</b>					18,928	169.0	
<b>D. Capacity Development</b>							
Capacity Development Training for Project Staff	Event	8	672,000	6,000	5,376	48.0	LOAN (87%), BANKS (13%)
Production and Post-harvest Training to Smallholders	Event	90	28,000	250	2,520	22.5	LOAN (87%), BANKS (13%)
<b>Subtotal</b>					7,896	70.5	
<b>E. Sector Development Facilities</b>							
Sector Development Facility	Number	-	28,000,000	250,000	-	-	LOAN (69.1911%), CSR (17.8089%), BANKS (13%)
<b>F. Knowledge Management Support</b>							
Knowledge Product Development and Publication	Number	1	2,240,000	20,000	2,240	20.0	LOAN (87%), BANKS (13%)
<b>Subtotal</b>					2,240	20.0	
<b>G. Vehicles and Equipment</b>							
Double Cab Pick-up (PO-5,PMU-1)	Number	6	5,600,000	50,000	33,600	300.0	LOAN (87%), BANKS (13%)
Motor-cycle	Number	48	336,000	3,000	16,128	144.0	LOAN (87%), BANKS (13%)
Laptops	Number	48	112,000	1,000	5,376	48.0	LOAN (87%), BANKS (13%)
Photocopiers, Printers and Scanner	Number	6	560,000	5,000	3,360	30.0	BANKS (100%)
Furniture Set and Other Logistics	Number	6	560,000	5,000	3,360	30.0	BANKS (100%)
Motor-cycle (heifer)	Number	4	336,000	3,000	1,344	12.0	LOAN (87%), BANKS (13%)
Laptops (heifer)	Number	4	112,000	1,000	448	4.0	LOAN (87%), BANKS (13%)
Printer and other equipments (Heifer)	Number	2	560,000	5,000	1,120	10.0	BANKS (100%)
<b>Subtotal</b>					64,736	578.0	
<b>Total Investment Costs</b>					179,319	1,601.1	
<b>II. Recurrent Costs</b>							

## Annex 6: First Annual Work Plan and Budget (AWPB)

	Unit	Quantity	Unit Cost		Cost		Other Accounts
		Yr1	(NPR)	(US\$)	(NPR'000)	(US\$'000)	Fin. Rule
<b>A. Staff salary</b>							
Targeting, Gender and Inclusion Specialist	pers_year	1	2,329,600	20,800	2,330	20.8	LOAN (100%)
Focal Person Coordinator at HO (1 person in MSME Department)	pers_year	1	2,329,600	20,800	2,330	20.8	LOAN (100%)
Focal Person Officer at HO (1 person in MSME Department)	pers_year	1	1,601,600	14,300	1,602	14.3	LOAN (100%)
Supply chain coordinator at province level (P2-3; P5-6; P3:3)	pers_year	12	2,329,600	20,800	27,955	249.6	LOAN (100%)
SEM Expert at HO (Heifer)	pers_year	1	2,941,008	26,259	2,941	26.3	HEIFER (100%)
SEM coordinator at province level (Heifer)	pers_year	5	2,124,752	18,971	10,624	94.9	HEIFER (100%)
Supply Chain Officer at Branch / District Level (1-2 number)	pers_year	28	1,601,600	14,300	44,845	400.4	LOAN (100%)
SEM Officer at District Level (Heifer)	pers_year	10	1,125,152	10,046	11,252	100.5	HEIFER (100%)
<b>Total Recurrent Costs</b>					<u>103,877</u>	<u>927.5</u>	
<b>Total</b>					283,196	2,528.5	

## Annex 6: First Annual Work Plan and Budget (AWPB)

Table 2: Expanding financial service to agriculture

	Quantity	Unit Cost		Cost		Other Accounts Fin. Rule	
		Unit	Yr1	(NPR)	(US\$)		(NPR'000)
<b>I. Investment Costs</b>							
<b>A. Private Investment Financing</b>							
Medium Term Credit (Net Capital)	Lumpsum	1			1,512,000	13,500.0	LOAN (100%)
Short Term Credit (Net Capital)	Lumpsum	1			492,800	4,400.0	BANKS (100%)
Beneficiary Investment Contribution	Lumpsum	1			269,808	2,409.0	BEN (100%)
Private Sector Investment Contribution	Lumpsum	1			134,960	1,205.0	PRIVATE (100%)
Capacity enhancement and policy development facility	Lumpsum	1	20,720,000	185,000	20,720	185.0	LOAN (87%), BANKS (13%)
<b>Total Investment Costs</b>					<b>2,430,288</b>	<b>21,699.0</b>	
<b>II. Recurrent Costs</b>							
<b>A. Staff salary (ADBL Staff)</b>							
Financial Management Officer	pers_year	1	1,982,288	17,699	1,982	17.7	BANKS (100%)
Credit Officer - Part-time (15%)	pers_year	5	2,180,528	19,469	10,903	97.3	BANKS (100%)
Branch Manager - Part-time (15%)	pers_year	4.5	1,982,288	17,699	8,920	79.6	BANKS (100%)
Finance Officer - Part-time (15%)	pers_year	5	1,982,288	17,699	9,911	88.5	BANKS (100%)
Digital Banking Expert - Part-time (15%)	pers_year	0.45	2,245,488	20,049	1,010	9.0	BANKS (100%)
IT Officer - Part-time (15%)	pers_year	0.45	2,180,528	19,469	981	8.8	BANKS (100%)
<b>Subtotal</b>					<b>33,708</b>	<b>301.0</b>	
<b>B. Staff salary (Project Staff)</b>							
Agricultural Value Chain Financing Expert	pers_year	1	2,912,000	26,000	2,912	26.0	LOAN (100%)
Climate Smart Agricultural Finance Specialist	pers_year	1	2,329,600	20,800	2,330	20.8	LOAN (100%)
Digital Banking Expert	pers_year	1	2,329,600	20,800	2,330	20.8	LOAN (100%)
Assistant Finance Officer	pers_year	1	728,000	6,500	728	6.5	LOAN (100%)
<b>Subtotal</b>					<b>8,299</b>	<b>74.1</b>	
<b>Total Recurrent Costs</b>					<b>42,008</b>	<b>375.1</b>	
<b>Total</b>					<b>2,472,296</b>	<b>22,074.1</b>	

## Annex 6: First Annual Work Plan and Budget (AWPB)

Table 3. Supply chain infrastructure

	Unit	Quantity	Unit Cost		Cost		Other Accounts
		Yr1	(NPR)	(US\$)	(NPR'000)	(US\$'000)	Fin. Rule
<b>I. Investment Costs</b>							
<b>A. Civil Works</b>							
Integrated Market	Number	-	292,173,840	2,608,695	-	-	LOAN (65.25%), LOCAL (34.75%)
Satellite Market	Number	-	35,060,928	313,044	-	-	LOAN (52.2%), LOCAL (47.8%)
Rural Roads (each 2.5 km)	Km	-	6,787,200	60,600	-	-	LOAN (73.95%), LOCAL (26.05%)
Irrigation Scheme (5 ha. each)	Number	-	470,400	4,200	-	-	LOAN (73.95%), LOCAL (26.05%)
<b>Subtotal</b>					-	-	
<b>B. Vehicles and Equipment</b>							
Motor Cycle	Number	7	336,000	3,000	2,352	21.0	LOAN (69.6%), LOCAL (30.4%)
Laptops	Number	7	134,400	1,200	941	8.4	LOAN (69.6%), LOCAL (30.4%)
<b>Subtotal</b>					3,293	29.4	
C. Capacity Development	Number	1	280,000	2,500	280	2.5	LOAN (69.6%), LOCAL (30.4%)
D. Consultation Workshop, Feasibility Study, Design and Estimate, Bid Evaluation	Events	-	1,120,000	10,000	-	-	LOAN (69.6%), LOCAL (30.4%)
<b>Total Investment Costs</b>					3,573	31.9	
<b>II. Recurrent Costs</b>							
Infrastructure Specialist	pers_year	-	2,329,600	20,800	-	-	LOAN (80%), LOCAL (20%)
Sub Engineer / Overseer	pers_year	-	873,600	7,800	-	-	LOAN (80%), LOCAL (20%)
Procurement Specialist	pers_year	1	2,038,400	18,200	2,038	18.2	LOAN (80%), LOCAL (20%)
<b>Total Recurrent Costs</b>					2,038	18.2	
<b>Total</b>					5,611	50.1	

## Annex 6: First Annual Work Plan and Budget (AWPB)

Table 4. Monitoring and Evaluation

	Unit	Quantity		Unit Cost		Cost		Other Accounts
		Yr1	(NPR)	(US\$)	(NPR'000)	(US\$'000)	Fin. Rule	
<b>I. Investment Costs</b>								
<b>A. Capacity Development</b>								
Capacity Building of NGOs on M&E	Event	2	392,000	3,500	784	7.0		LOAN (87%), BANKS (13%)
<b>B. System Development</b>								
MIS System Development, Update, Financial Digitization Tablets for Data Collection	Number	1	3,360,000	30,000	3,360	30.0		LOAN (87%), BANKS (13%)
(for Business Facilitators and Economic Mobilisers)	Number	270	15,680	140	4,234	37.8		LOAN (87%), BANKS (13%)
SIM Cards for Internet Connectivity and Data Uploading	Number	270	1,120	10	302	2.7		LOAN (87%), BANKS (13%)
<b>Subtotal</b>					<b>7,896</b>	<b>70.5</b>		
<b>C. Studies and Documentation</b>								
Baseline Studies including IFAD empowerment indicator + MDD-W	Number	1	8,960,000	80,000	8,960	80.0		LOAN (87%), BANKS (13%)
PPI Survey - (3 times per group - baseline, mid-line and end-line)	Number	297	1,120	10	333	3.0		LOAN (87%), BANKS (13%)
<b>Subtotal</b>					<b>9,293</b>	<b>83.0</b>		
<b>Total Investment Costs</b>					<b>17,973</b>	<b>160.5</b>		
<b>II. Recurrent Costs</b>								
<b>A. Staff salary</b>								
Knowledge management manager (50% time) Heifer	pers_year	0.5	2,184,000	19,500	1,092	9.8		HEIFER (100%)
Communication Officer (25%)	pers_year	0.25	2,180,528	19,469	545	4.9		LOAN (100%)
Monitoring and Evaluation Specialist	pers_year	1	2,329,600	20,800	2,330	20.8		LOAN (100%)
PM&E officer at HO (Heifer)	pers_year	1	1,110,480	9,915	1,110	9.9		HEIFER (100%)
MIS Officer	pers_year	0.25	1,982,288	17,699	496	4.4		LOAN (100%)
Data Collection (Remuneration to BSFs)	Group_year	297	2,240	20	665	5.9		LOAN (100%)
<b>Total Recurrent Costs</b>					<b>6,238</b>	<b>55.7</b>		
<b>Total</b>					<b>24,211</b>	<b>216.2</b>		



## Annex 6: First Annual Work Plan and Budget (AWPB)

### Table 5: Programme Management Office

Unit	Quantity		Unit Cost		Cost		Other Accounts
	Yr1		(NPR)	(US\$)	(NPR'000)	(US\$'000)	Fin. Rule
<b>I. Investment Costs</b>							
<b>A. Meeting and Workshop</b>							
PSC Meeting	Number	2	56,000	500	112	1.0	LOAN (69.6%), BANKS (30.4%)
Project Kick-off and Closure Workshop (National)	Event	1	280,000	2,500	280	2.5	LOAN (69.6%), BANKS (30.4%)
Project Kick-off and Closure Workshop (Provisional)	Number	5	168,000	1,500	840	7.5	LOAN (69.6%), BANKS (30.4%)
Project Kick-off and Closure Workshop (District/Municipal)	Number	90	112,000	1,000	10,080	90.0	LOAN (69.6%), BANKS (30.4%)
Policy Formulation Workshop	Event	-	560,000	5,000	-	-	LOAN (69.6%), BANKS (30.4%)
Coordination and other meetings/workshop as required	Event	4	112,000	1,000	448	4.0	LOAN (69.6%), BANKS (30.4%)
Planning and Review Workshop	Event	1	560,000	5,000	560	5.0	LOAN (69.6%), BANKS (30.4%)
Planning and Review Workshop (Provincial Level)	Number	5	560,000	5,000	2,800	25.0	LOAN (69.6%), BANKS (30.4%)
Supervision / Implementation Support Missions' Preparation	Number	1	112,000	1,000	112	1.0	LOAN (69.6%), BANKS (30.4%)
<b>Total Investment Costs</b>					15,232	136.0	
<b>II. Recurrent Costs</b>							
<b>A. Staff salary</b>							
Chief Executive Officer (10% time)	pers_year	0.1	4,955,776	44,248	496	4.4	BANKS (70%), LOAN (30%)
Country Director: Heifer (10% time)	pers_year	0.1	7,758,016	69,268	776	6.9	HEIFER (100%)
Deputy Chief Executive Officer (10% of time) - 4 persons	pers_year	0.4	2,329,152	20,796	932	8.3	BANKS (70%), LOAN (30%)
VITA PMU Coordinator (PIU Director)	pers_year	1	2,245,488	20,049	2,245	20.0	BANKS (70%), LOAN (30%)
Program director - Heifer (2 part time staff)	pers_year	0.8	4,932,032	44,036	3,946	35.2	HEIFER (100%)
Finance Director - Heifer (40% time)	pers_year	0.4	3,923,248	35,029	1,569	14.0	HEIFER (100%)
Senior Manager PM&E - Heifer (40% time)	pers_year	0.4	2,565,136	22,903	1,026	9.2	HEIFER (100%)
MSME and Agriculture Finance Department Head (25%)	pers_year	0.25	2,245,488	20,049	561	5.0	BANKS (70%), LOAN (30%)
Province Director - 5 persons (10% time)	pers_year	0.5	2,245,488	20,049	1,123	10.0	BANKS (70%), LOAN (30%)
Planning office - 6 persons (25% time)	pers_year	0.6	2,180,528	19,469	1,308	11.7	BANKS (70%), LOAN (30%)
Human Resource Officer (10% time)	pers_year	0.1	2,180,528	19,469	218	1.9	BANKS (70%), LOAN (30%)
Procurement Officer (10% time)	pers_year	0.1	2,180,528	19,469	218	1.9	BANKS (70%), LOAN (30%)
Legal Expert (10% time)	pers_year	0.1	2,279,648	20,354	228	2.0	BANKS (70%), LOAN (30%)
HR officer (30% time) Heifer	pers_year	0.3	1,397,536	12,478	419	3.7	HEIFER (100%)
Finance and Admin at Province level (Heifer)	pers_year	3	1,335,152	11,921	4,005	35.8	HEIFER (100%)
Driver at Province level (Heifer)	pers_year	5	817,824	7,302	4,089	36.5	HEIFER (100%)
Driver (1 part time) Heifer	pers_year	0.5	725,200	6,475	363	3.2	HEIFER (100%)
Programme Assistant	pers_year	1	873,600	7,800	874	7.8	BANKS (70%), LOAN (30%)
Project Divers	pers_year	6	509,600	4,550	3,058	27.3	LOAN (100%)
<b>Subtotal</b>					27,454	245.1	
<b>B. Operational costs</b>							
Travel and DSA	Office_year	1	22,400,000	200,000	22,400	200.0	LOAN (80%), BANKS (20%)
Operation and Maintenance Cost	Office_year	1	11,200,000	100,000	11,200	100.0	LOAN (26.1%), BANKS (73.9%)
Staff insurance and recruitment costs (Heifer)	Office_year	1	182,000	1,625	182	1.6	HEIFER (87%), BANKS (13%)
Travel and DSA (Heifer)	Office_year	1	17,197,040	153,545	17,197	153.5	HEIFER (100%)
Operation and Maintenance Cost (Heifer)	Office_year	1	8,035,328	71,744	8,035	71.7	HEIFER (87%), BANKS (13%)

**Annex 6: First Annual Work Plan and Budget (AWPB)**

Audit expenses and project compliance (Heifer)	Office_year	1	1,779,232	15,886	<u>1,779</u>	<u>15.9</u>	HEIFER (87%), BANKS (13%)
<b>Subtotal</b>					<u>60,794</u>	<u>542.8</u>	
<b>Total Recurrent Costs</b>					<u>88,247</u>	<u>787.9</u>	
					103,479	923.9	

## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture Project Design Report**

#### **Annex 7: Procurement Plan for first 18 months**

Mission Dates: 25 November - 17 December 2019  
Document Date: 19/07/2020  
Project No. 2000002697  
Report No. 5455-NP

Asia and the Pacific Division  
Programme Management Department



**Annex 7: Procurement Plan for first 18 months**  
Draft

Procurement Plan SUMMARY				
Country:	Nepal			
Project Name:	Value Chains for Inclusive Transformation of Agriculture (VITA)			
Project ID:				
Version	1.0			
Version Date				
Prepared by:				
Approved by:				
Procurement Category	Plan		Actual	
Currency	USD	LCU	USD	LCU
Goods	-	83,374,000	-	-
Works	-	-	-	-
Consulting Services	-	96,358,800	-	-
<b>TOTAL</b>	<b>-</b>	<b>179,732,800</b>	<b>-</b>	<b>-</b>

Prior Review Thresholds							
Thresholds		Goods		Works	Non-Consulting Services	Firms - Consulting Services	Individuals - Consulting Services
Prior Review		≥ NPR 2000000.00		≥ NPR 2000000.00	≥ NPR 2000000.00	≥ NPR 2000000.00	≥ NPR 2000000.00

All Direct Contracting and Single-Source Procurements are **Prior Review** (in alignment with IFAD Procurement Handbook).

Procurement Method Thresholds					
		Shopping		NCB	ICB
Goods		< NPR 2000000.00		≥ NPR 2000000.00	> US\$ 0.00
Works		< NPR 2000000.00		≥ NPR 2000000.00	> US\$ 0.00
Non-Consulting Services		< NPR 2000000.00		≥ NPR 2000000.00	> US\$ 0.00
		ICS/CQS		LCS	QCBS
Individuals		< NPR 2000000.00		≥ US\$ 0.00	> US\$ 0.00
Firms		< NPR 2000000.00		≥ NPR 2000000.00	> NPR 2000000.00



Procurement Plan - Consulting

Nepal

Value Chains for Inclusive Transformation of Agriculture (VITA)

Total Amount

USD	LCU	
0.00	96,358,800	Plan
0.00	0	Actual

Project ID:

Approved by:

Prepared by:

**Selection Methods**  
 QCBS: Quality and Cost-Based Selection  
 OBS: Quality-Based Selection  
 CDS: Selection by Consultants Qualifications  
 LCS: Least-Cost Selection  
 FBS: Fixed Budget Selection  
 ICS: Individual Consultants Selection  
 SSS: Sole Source Selection

Version	I.O	O-Jan-00	Basic Data										EOI Shortlist Procedure										Proposal Process										Evaluation										Contract Award & Signature									
			AWPR/Component Ref	No	Description*	Funding	No/ Describe	Plan vs. Actual	Shortlist (Yes/No)	Prior or Post Review	Procurement Method	Amount (USD)	Amount (LCU)	Plan vs. Actual	Submission of REOI	No Objection Date	EOI Launch Date	EOI Submission Deadline	Submission of Shortlist Report	No Objection Date	Submission of RFP/RCQ	No-objection Date	RFP/RCQ Launch Date	Proposal submission deadline	Submission of TER	No-objection Date	Submission of CER	No-objection Date	Plan vs. Actual	Issue of NOT&Stand still	Negotiations completed	Submission of draft Contract and Main	No-objection Date	Date Contract Award	Date Contract Signature	Contract No.	endor Name/	Amount (USD)	Amount (LCU)													
			1	MIS System Development, Update, Financial Digitization			Plan	Yes	Prior Review	QCBS	3,360,000	3,360,000	Plan	44,256	8-Mar-21	10-Mar-21	31-Mar-21	14-Apr-21	21-Apr-21	14-Apr-21	21-Apr-21	23-Apr-21	7-Jun-21	23-Jun-21	28-Jun-21	12-Jul-21	19-Jul-21	Plan	31-Jul-21	21-Aug-21	25-Aug-21	1-Sep-21	3-Sep-21	10-Sep-21			-	3,360,000														
			2	Baseline Studies including pro-WEA			Plan	Yes	Prior Review	QCBS	8,960,000	8,960,000	Plan	44,256	8-Mar-21	10-Mar-21	31-Mar-21	14-Apr-21	21-Apr-21	25-Apr-21	2-May-21	4-May-21	18-Jun-21	2-Jul-21	9-Jul-21	23-Jul-21	30-Jul-21	Plan	11-Aug-21	1-Sep-21	5-Sep-21	12-Sep-21	14-Sep-21	21-Sep-21			-	8,960,000														
			3	Targeting, Gender and Inclusion Specialist			Plan	Yes	Prior Review	ICS	2,329,600	2,329,600	Plan	44,262	14-Mar-21	16-Mar-21	6-Apr-21	20-Apr-21	27-Apr-21	1-May-21	8-May-21	10-May-21	31-May-21	14-Jun-21	21-Jun-21	N/A	N/A	Plan	3-Jul-21	17-Jul-21	21-Jul-21	28-Jul-21	30-Jul-21	6-Aug-21			-	2,329,600														
			4	Focal Person Officer at HO (1 person in MSME Department)			Plan	Yes	Prior Review	ICS	1,601,600	1,601,600	Plan	44,262	14-Mar-21	16-Mar-21	6-Apr-21	20-Apr-21	27-Apr-21	1-May-21	8-May-21	10-May-21	31-May-21	14-Jun-21	21-Jun-21	N/A	N/A	Plan	3-Jul-21	17-Jul-21	21-Jul-21	28-Jul-21	30-Jul-21	6-Aug-21			-	1,601,600														
			5	Supply chain coordinator at province level (2 Nos. (P2-3); P5-6; P9-3) (Cost for each person = NPR 2,329,000.00)			Plan	Yes	Prior Review	ICS	27,955,000	27,955,000	Plan	44,262	14-Mar-21	16-Mar-21	6-Apr-21	20-Apr-21	27-Apr-21	1-May-21	8-May-21	10-May-21	31-May-21	14-Jun-21	21-Jun-21	N/A	N/A	Plan	3-Jul-21	17-Jul-21	21-Jul-21	28-Jul-21	30-Jul-21	6-Aug-21			-	27,955,000														
			6	Supply Chain Officer at Branch / District level (1-2 number) Total 28 Nos. (Cost for each person = NPR 1,601,600.00)			Plan	Yes	Prior Review	ICS	44,845,000	44,845,000	Plan	44,262	14-Mar-21	16-Mar-21	6-Apr-21	20-Apr-21	27-Apr-21	1-May-21	8-May-21	10-May-21	31-May-21	14-Jun-21	21-Jun-21	N/A	N/A	Plan	3-Jul-21	17-Jul-21	21-Jul-21	28-Jul-21	30-Jul-21	6-Aug-21			-	44,845,000														
			7	Climate Smart Agricultural Finance Specialist			Plan	Yes	Prior Review	ICS	2,939,600	2,939,600	Plan	44,262	14-Mar-21	16-Mar-21	6-Apr-21	20-Apr-21	27-Apr-21	1-May-21	8-May-21	10-May-21	31-May-21	14-Jun-21	21-Jun-21	N/A	N/A	Plan	3-Jul-21	17-Jul-21	21-Jul-21	28-Jul-21	30-Jul-21	6-Aug-21			-	2,939,600														
			8	Procurement Specialist			Plan	Yes	Prior Review	ICS	2,038,400	2,038,400	Plan	44,262	14-Mar-21	16-Mar-21	6-Apr-21	20-Apr-21	27-Apr-21	1-May-21	8-May-21	10-May-21	31-May-21	14-Jun-21	21-Jun-21	N/A	N/A	Plan	3-Jul-21	17-Jul-21	21-Jul-21	28-Jul-21	30-Jul-21	6-Aug-21			-	2,038,400														
			9	Monitoring and Evaluation Specialist			Plan	Yes	Prior Review	ICS	2,329,600	2,329,600	Plan	44,262	14-Mar-21	16-Mar-21	6-Apr-21	20-Apr-21	27-Apr-21	1-May-21	8-May-21	10-May-21	31-May-21	14-Jun-21	21-Jun-21	N/A	N/A	Plan	3-Jul-21	17-Jul-21	21-Jul-21	28-Jul-21	30-Jul-21	6-Aug-21			-	2,329,600														

## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture Project Design Report**

#### **Annex 8: Project Implementation Manual (PIM)**

Mission Dates: 25 November - 17 December 2019  
Document Date: 19/07/2020  
Project No. 2000002697  
Report No. 5455-NP

Asia and the Pacific Division  
Programme Management Department





## **Annex 8: Programme Implementation Manual**



**DRAFT**

**Nepal**

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**Value Chains for Inclusive Transformation of Agriculture  
Programme Implementation Manual**

# Part 1 – Rationale, results and approach

## 1 Programme objectives, geographic area of intervention and target groups

### 1.1 Programme Objectives

1. The programme goal, development objective and outcomes are:

Goal	Improved livelihoods, climate resilience and nutrition of poor and vulnerable people
Development Objective	Farm enterprises of poor and vulnerable rural people are more resilient to climate change, increasingly profitable, strengthen their market linkages and use appropriate financial services.
Outcome 1	Improved small-scale producers' capacities to run profitable farm enterprises and establish linkages with suppliers and buyers.
Outcome 2	Transformational increase in investment in the smallholder agricultural sector in supported programme states.
Outcome 3	Improved access by smallholder farmers and clusters' actors to productive infrastructure.

### 1.2 Target groups

2. VITA will target small-scale producers, including landowners and landless, and labourers involved in selected supply chains. Inclusion of small-scale producers and poor and vulnerable rural populations will be ensured by selecting supply chains that have promise to deliver the biggest benefits to the largest number of poor and by propagating technologies that benefit the intended target group most. VITA will have a strong focus of women and youth – with **at least 60% women beneficiaries and 30% youth**. This will involve selection of crops and livestock with high returns on labour and technologies that are labour saving and help reducing drudgery of women. Similarly, disadvantaged individuals including Dalits, Janjatis, landless and other disadvantaged groups will be specifically targeted using similar approaches and to be outlined in an inclusions strategy to be included in the Programme Implementation Manual (PIM). A secondary target group are MSMEs and producer groups also active in the targeted supply chains.

3. Graduation in VITA. To maximize the inclusion of disadvantaged individuals and households, the programme will adopt an explicit 'graduation' approach among supported small-scale producers and groups, building on experience from HVAP. In the context of VITA, this means that producer groups will be mobilized on an inclusive basis, i.e. with the voluntary participation of like-minded small-scale producers in a community but with varying levels of individual resources and starting incomes. More able and less risk averse small-scale producers from a community may be the first to mobilize themselves into producer groups to interact jointly with the market. As initial linkages with buyers and service providers become more established, other interested but poorer or risk averse individuals will then be supported by the programme and existing groups members to join these producer groups and learn from the experience of their friends and neighbours. This natural 'graduation-based' growth of producer groups allows the groups to achieve scale and so attract more buyers and services providers, hence delivering benefits to all the members and creating a natural self-motivation within groups to support these graduation-based inclusion processes, as was seen in HVAP.

### 1.3 Geographical area

4. While the programme will have a mandate to operate nationwide as part of its scaling-up objective, it will initially focus intensive activities within 28 districts in three states where all three programme components will operate (see table below). Within these districts, the programme will work in specific locations linked to clusters for specific supported commodities with priority given to locations with high agricultural potential and higher concentrations of poorer households. State 5 and State 2 have strong agricultural

potential combined with highest numbers of people living in poverty – together they are home to 55% of all people living in multi-dimensional poverty in the country (NPC, 2018). In State 3, the programme be more focused, working in districts with good agricultural potential that were the most severely impacted by the 2015 earthquake. VITA will also provide financial services under Component 2 to small-scale producers in State 1 and State 6 in partnership with other ongoing programmes providing business-focused support similar to that provided under Component 1. In the IFAD portfolio, this includes the ASDP in State 6 and RERP in State 1. RERP is also already active in State 2 and VITA is designed to build-on RERP activities there.

5. Initial programme focus districts and estimated outreach are shown in Table 1

#### 1.4 Outreach

6. 120,000 small-scale producers are expected to directly benefit from programme supported services, falling into three categories:

around 70,000 will be in the main focus states 2, 3 and 5 where all three components will be active and receive full package of programme support;

around 20,000 who are already in relatively mature self-help groups and co-operatives supported by Heifer's SLVC2 project in the 28 project districts and will receive business capacity and market linkage support under Component 1 and be eligible for support under component 2 and 3 on the same basis as those under category (a) and;

around a further 30,000 households outside these primary locations who will benefit only from financial services supported under Component 2.

7. In addition to the above, many more individuals and MSMEs will benefit as users of public infrastructure supported by the programme, such as markets and access roads.

**Table 1 Programme locations and outreach**

VITA Coverage	State	Districts	by Agro-ecological zone		Small-scale producers under VITA	Branches ADBL
			Terai and Siwalik	Mid and High Mountain		
<b>Full programme coverage</b>  Comp: 1, 2 & 3	<b>Newly engaged groups</b>					
	Five	All - 12	Nawalparasi West, Banke, Bardiya, Dang, Kapilvastu, Rupandehi	Arghakhanchi, Palpa, Pyuthan, Rolpa, Gulmi, Rukum East	30,000	33
	Two	All - 8	Saptari, Siraha, Dhanusha, Bara, Mahottari, Sarlahi, Rautahat, Parsa		25,000	37
	Three	8 <sup>1</sup> of 13	Chitwan	Makawanpur, Sindhuli, Kavre, Dhading, Dolakha, Sindhupalchok, Nuwakot	15,000	20
	Sub-total	<b>28</b>	<b>15</b>	<b>13</b>	<b>70,000</b>	<b>90</b>
<b>Co-ops already supported by Heifer</b>					<b>20,000</b>	
<b>Finance services only, Comp 2 only - with partner projects</b>					<b>30,000</b>	
<b>Total</b>					<b>120,000</b>	

<sup>1</sup> Severely affected district from 2015 earthquake - see National Planning commission (2015) Nepal Earthquake 2015, Post Disaster Needs Assessment

## 1.5 Duration

8. of the programme will be a minimum of 72 months, with the actual completion date to be the end of the financial year in which 72 months of implementation have been passed.

## 2 Targeting

9. **Geographic targeting:** The three focus states and 28 districts have been selected as they have good agricultural potential and one or both of a) high numbers of poor and vulnerable households living in them or c) were severely affected by the 2015 earthquake. Poverty data is included in the SECAP.

10. **Self-targeting** will then be applied within the focus districts through the following:

11. **Commodity and cluster selection** within programme areas is a critical element of the targeting strategy and also drives the selection of priority municipalities for more intensive programme support. A portfolio of seven main commodities plus a further five locally specific commodities has been pre-screened and approved during the design to confirm that they meet the commodity selection criteria outlined in para 30 below – making them particular of interest to poor and vulnerable small-scale producers as well as women and youth.

12. The programme team will conduct a **Corridor Opportunity mapping exercise** along the road corridors in each focus state and district. The mapping exercise will identify the most suitable opportunities from among the 12 commodities by municipality. It will then be used to identify and prioritise the candidate location for clusters for the various commodities. It is expected that, typically between 2-4 focus commodities will be identified for each municipality and that, overall, VITA may work in around 90 such rural municipalities. Prioritization of municipalities and cluster will be based on achieving the greatest impact on target beneficiaries while meeting the criteria referred to above.

13. An indicative mapping of commodity opportunities and districts is shown in Table 2.

14. **Affordable investment pathways** will be identified for all 12 commodities. These must be credible and allow for poor and vulnerable small-scale producers to make affordable initial investments and, through reinvestment of part of their increased income, generate net income per family worker at least 125% of unskilled-wage rates within not more than 4 years of their first investment. As of Dec 2019, this means target net incomes of at least NPR15,000 per month for full time work (USD145).

15. The affordable investment pathways will be documented in 'template' farm investment plans that show a credible sequence of costed investments, phased over a number of production cycles with realistic changes in farm income and costs. For each commodity, several investment pathways will be produced, for farmers starting from different initial production sizes. The smallest starting point for the affordable investment pathways for each commodity must be below the size limit for collateral free loans from ADBL and other partner FIs – currently [NPR300,000].

16. The affordable investment pathways will be deliberately small-scale to be of most interest to poorer and vulnerable producers. They will be promoted both in the initial awareness raising for the programme and then in more detail via the business skills training. This is vital to help create a genuine appetite among the next generation of producers and micro-entrepreneurs (18-40 yrs) to live and work in their villages and reduce rural to urban and overseas migration.

17. **Small loan sizes:** Term loans to producers supported via VITA financing will have a maximum loan limit of NPR 20 lakh (2 million). This will ensure that such resources are not captured by larger producers.

18. **Inclusive producer groups** will be mobilized in each ward/municipality such that no one interested is left behind. While some poor and vulnerable producers may choose not to participate in the commercial aspects of the group initial, due to the perceived risk, they will be encouraged to participate after they have seen a few production cycles succeed

for their neighbours and they have greater confidence in their capacity and the market linkages.

19. Beneficiaries are expected to increase over time in each group and cluster areas. It is fully expected that in an initial stage mostly those able to assume risks more easily (those living just below or above the poverty line) be the first ones to engage in the cluster. Subsequently, it is expected that more poorer households and youth will be ready to engage in larger numbers as they witness proof of concept and the local economy improves. While the better off are not the main target group, their participation in producer organization will be beneficial to increase production volumes and generate market appeal that other participating households can benefit from, so long as they do not dominate such organizations.

20. Critical activities such as Business Skills training will be conducted in multiple rounds so that those more risk averse producers that join latter, can also gain the same skills.

21. Based on Heifer's proven approaches, there will be an emphasis on good governance within the groups, to ensure they are representative and inclusive and not subject to elite capture. This will be actively monitored through the regular group capacity assessments.

22. **Pier-based capacity development** will be used as a key strategy for the program to make the skills and knowledge more accessible and relevant, especially women-to-women, with most business skills facilitators to be women. This has proved highly effective in HVAP.

23. **To attract youth** to join the programme specific measures will be taken including:

- (a) Identification and promotion of successful young producers as role models for modern farming, especially young women.
- (b) Extensive use of social media and other channels to specifically market opportunities to youth
- (c) Developing and promoting specific support mechanisms to address youth's limited access to land and finance for production. This will be done in partnership with the local authorities as well as producer group leaders for their adult children. Such measure will include simplified mechanism for the young to lease land for production as well as the provision of institutional guarantees for loans (where they are ready to invest above the size limit for collateral free borrowing) – with the guarantees provided either from the municipality or the producers group the youth are linked to.
- (d) Promotion of opportunities as services providers – receiving more intensive training and support from the programme to establish themselves as private service providers serving other producers in their community.

24. **Direct targeting** will be used in two specific aspects to promote women's voice and leadership in the supply chains;

- (a) Women will be a large majority in the genuine leadership roles of groups and therefore will represent the groups at MSP and in dialogue with buyers, local authorities and other stakeholders.
- (b) Women will be prioritised for other "high status" roles created through VITA – notably as Business Skills Facilitators and private technical services providers.

25. **Enabling measures** to improve the institutional environment among stakeholders and partners that is favourable to poverty targeting will include;

- (a) Producer organization and co-operatives – will be mobilized on inclusive basis using Heifer's Corner Stones approach. These local farmer-led institutions will provide full opportunities for poorer and more risk averse household to work with and learn from their neighbours to engage in the market. The presence of such producer groups also enables more risk averse producers to start their market-oriented production on a small scale, but gain the benefits and competitiveness created by the group in interacting with the market.
- (b) MSPs will be mobilized widely along corridors and at the hub level for each commodity. These are important informal forum to give a genuine voice to

small-scale producers – both for programme priorities but also into local and state government agencies.

26. **Empowering and capacity-building measures** will focus on two critical aspects to ensure small-scale producers have the skills and confidence to profitable work in the supply chains:

- (a) Business skills development offered to all members of the supported groups. This is intensive training, with around 60+ hours of training covering: household finance; farming as a business; running a group enterprise.
- (b) Group capacity development – to operate as effective farmer own enterprises in the supply chain.

27. **Monitoring of targeting effectiveness** will be conducted on a regular basis including via participatory monitoring, with beneficiary led data collection (as outlined in the M&E section of this PIM). Targeting and tracking data will be at the individual/MSME level (i.e. individuals) and not based on households unless specifically set-out for a given activity. This will capture characteristics include: gender, age, ethnic/social groups. Additional data will also be collected to calculate the Poverty Propensity Index for each beneficiary.

28. In practice, there may be more than one participating beneficiary in each household – a young women may start a small fish farm while her mother expands her goat rearing. This is to be encouraged and the MIS system will enable the linking of different lead producers to any given household.

**Table 2. Matrix of Potential commodities and respective Districts**

S.N.		Value Chian	Vegetable	Goat	Milk	Fish	Banana	Potato	Cereal Seed	+5 VCs - Local Potential	Total
		<b>Total HHs</b>	16250	16250	6500	9750	4550	6500	5200	5200	<b>70200</b>
	<b>A</b>	<b>State 2</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>8</b>		<b>42</b>
1	1	Parsa	1	1	1	1			1		5
2	2	Bara	1	1	1	1	1		1		6
3	3	Rauthat	1	1	1	1			1		5
4	4	Sarlahi	1	1	1	1			1		5
5	5	Mahottari	1	1	1	1			1		5
6	6	Dhanusha	1	1	1	1			1		5
7	7	Siraha	1	1	1	1			1		5
8	8	Saptari	1	1	1	1	1		1		6
	<b>B</b>	<b>State 5</b>	<b>12</b>	<b>12</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>		
	<b>B1</b>	<b>Rupendehi PO</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>		
9	1	Kapilvastu	1	1	1	1	1		1		6
10	2	Rupendehi	1	1	1	1	1		1		6
11	3	Nawalparasi West	1	1	1		1		1		5
12	4	Palpa	1	1							2
13	5	Gulmi	1	1				1			3
14	6	Arghakanchi	1	1				1			3
	<b>B2</b>	<b>Nepalgunj PO</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>		
15	1	Banke	1	1	1	1	1		1		6
16	2	Bardia	1	1	1	1	1		1		6
17	3	Dang	1	1	1						3
18	4	Pyuthan	1	1							2
19	5	Rolpa	1	1				1			3
20	6	Rukum East	1	1				1			3
	<b>C</b>	<b>State 3</b>	<b>8</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>3</b>		
	<b>C1</b>	<b>Kathmandu PO</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>1</b>		
21	1	Dolkha	1	1				1			3
22	2	Sindhuli	1	1				1			3
23	3	Kavre	1	1	1			1	1		5
24	4	Sindupalchowk	1	1	1			1			4
25	5	Nuwakot	1	1				1			3
	<b>C 2</b>	<b>Birendranagar, Chitwan PO</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>		
26	1	Dhading	1	1				1	1		4
27	2	Chitwan	1	1	1	1	1		1		6
28	3	Makwanpur	1	1				1			3
<b>Total Districts (S2+S5+S3)</b>			<b>28</b>	<b>28</b>	<b>17</b>	<b>13</b>	<b>8</b>	<b>11</b>	<b>16</b>		
HHs per VC	%		<b>24</b>	<b>25</b>	<b>8</b>	<b>13</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>8</b>	100
	HHs		16848	17550	5616	9126	5616	4914	4914	5616	<b>70200</b>
% HHs by state	State 2		25	30	60	60	25	0	55	15	
	State 5		45	45	30	30	60	30	40	40	<b>320</b>
	State 3		30	25	10	10	15	70	5	45	<b>210</b>
	Total %		100	100	100	100	100	100	100	100	
HH by state	State 2		4212	5265	3370	5476	1404	0	2703	842	<b>23271</b>
	State 5		7582	7898	1685	2738	3370	1474	1966	2246	<b>28958</b>
	State 3		5054	4388	562	913	842	3440	246	2527	<b>17971</b>
	Total %		16848	17550	5616	9126	5616	4914	4914	5616	<b>70200</b>



### 3 Components and activities

#### 3.1 Component 1: Inclusive Supply Chain Development

29. Inclusive supply chain development is the component within the programme that facilitate and provide non-financial services in creating enterprises for producers, including small-scale producers through the development of competitive & inclusive agricultural commodity clusters that are part of supply chains for investment. The component will focus on an iterative process of cluster brokering, facilitation and capacity building support to SC actors for inclusive growth of higher value product supply chains - covering livestock, cereals and horticulture crops.

##### 3.1.1 Commodity Selection

30. The programme will initially focus on seven main commodities as vegetables, goats, fish, cereal seed, seed potato, dairy and banana. These commodities have been prioritized based on the following criteria:

- (a) Clear, current market demand for the specific products - sufficient to absorb the expected increase in production;
- (b) Substantial confirmed interest from:
  - (i) traders and businesses to increase their sourcing from small-scale producers and producer groups in the cluster locations;
  - (ii) producers, including small-scale producer, women and youth, to expand and improve their production to a commercial basis;
- (c) Opportunities for competitive, profitable and sustainable small-scale production via affordable investment pathways;
- (d) Practical intervention opportunities for the programme to facilitate the accelerated development of the particular supply chain and local clusters.
- (e) Commodities and smallholder-based production systems can be viable and competitive in target production areas under current and future agro-climatic conditions, including via the adoption of climate smart agriculture practices.

31. In addition to the seven main commodities initially prioritized, in Year 2 onwards, the programme will work on additional commodities relevant to specific locations within the programme area as: Citrus; Backyard chicken (traditional breed); Coffee; Honey, and; Medicinal and Aromatic Plants (MAPS), however, all commodities should pass the criteria outlined above as well as economically and financially viable when evaluated.

32. VITA will operate more intensively in 28 districts of state 2, 3 and 5, through approx. 90 bank branches<sup>2</sup> with actual clusters/locations determined by above mentioned priority supply chains potential and higher concentration of poorer households (HHs), having access to road connectivity. In some districts, there will be few supply chains and clusters active initially, while there may be multiple supply chains and clusters in other districts driven by the market player and demand.

33. Moreover, the programme will provide financial services under component 2 to small-scale producers in State 1 and 6 in partnership with IFAD ongoing programmes RERP and ASDP respectively. The programme will consider additional supply chains as spice crops, walnut etc., undertaken by RERP and ASDP besides outlined above for development.

34. The expected potential supply chains and respective districts are summarized in Table 3 below. However, supply chains having credible market opportunities, growth potential and impact potential will be considered as first set of supply chains.

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<sup>2</sup> See Annex for potential branches by districts

**Table 3: Potential Supply Chains by Districts Expected Outreach**

S.N	No of District	Supply chain	SC 1	SC 2	SC 3	SC 4	SC 5	SC 6	SC 7	SC 8
			Vegetable	Goat	Milk	Fish	Banana	Potato	Cereal Seed <sup>3</sup>	Local Potential <sup>4</sup>
	<b>A</b>	<b>State 2</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>2</b>	<b>0</b>	<b>8</b>	
1	1	Parsa	1	1	1	1			1	
2	2	Bara	1	1	1	1	1		1	
3	3	Rautahat	1	1	1	1			1	
4	4	Sarlahi	1	1	1	1			1	
5	5	Mahotari	1	1	1	1			1	
6	6	Dhanusa	1	1	1	1			1	
7	7	Siraha	1	1	1	1			1	
8	8	Saptari	1	1	1	1	1		1	
	<b>B</b>	<b>State 5</b>	<b>12</b>	<b>12</b>	<b>6</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>0</b>
9	1	Kapilvastu	1	1	1	1	1		1	
10	2	Rupendehi	1	1	1	1	1		1	
11	3	Nawalparasi West - Parasi	1	1	1		1		1	
12	4	Palpa	1	1						
13	5	Gulmi	1	1				1		
14	6	Arghakanchi	1	1				1		
15	7	Banke	1	1	1	1	1		1	
16	8	Bardia	1	1	1	1	1		1	
17	9	Dang	1	1	1					
18	10	Pyuthan	1	1						
19	11	Rolpa	1	1				1		
20	12	Rukum East	1	1				1		
	<b>C</b>	<b>State 3</b>	<b>8</b>	<b>8</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>3</b>	<b>0</b>
21	1	Dolkha	1	1				1		
22	2	Sindhuli	1	1				1		
23	3	Kavre	1	1	1			1	1	
24	4	Sindupalchowk	1	1	1			1		
25	5	Nuwakot	1	1				1		
26	6	Dhading	1	1				1	1	
27	7	Chitwan	1	1	1	1	1		1	
28	8	Makwanpur	1	1				1		
<b>Total Districts (A+B+C)</b>			<b>28</b>	<b>28</b>	<b>17</b>	<b>13</b>	<b>8</b>	<b>11</b>	<b>16</b>	
<b>Total Target HHs (70000)</b>			16848	17550	5616	9126	5616	4914	4914	5616

### 3.1.2 Component Approach

35. Supply Chain Development (SCD) upgrading strategies mainly includes technical capacities development for processes; managerial capacities development for functions and networking capacities development for cooperation. Creating mutual benefits for the producers, traders, input suppliers and service providers involved in the supply chain and surrounding market is key to the success of supply chain development.
36. The programme will adopt a Cluster development approach, that will build on existing and/or new emerging production clusters. Cluster approach will geographically group

<sup>3</sup> Cereals Seed: Maize and Paddy

<sup>4</sup> Coffee in 3 districts, citrus fruit (9), Honey (4), MAPs (13) and Backyard chicken/Local (7) in all three provinces based on their local potential accounts 5600 HHs

the key actors along the supply chain of a particular commodity in the same areas. Cluster development processes will be driven by the primary actors themselves, principally farmers and MSMEs, who make investments for profit and carry the risk of failure. Facilitating an ongoing process of action-oriented dialogue and brokering among these key actors (buyers, producers and service providers) through MSP or similar mechanism in each commodity cluster is a central element of the cluster development approach.

37. The initial focus of these dialogue and brokering processes is grounded in immediate opportunities for actions and improvements that help build trust and momentum within the cluster. Only once momentum and trust begin to emerge it will be feasible to jointly consider longer-term aspirations and begin to tackle them. The dialogue and brokering process among key cluster actors will establish jointly owned, albeit informal, action plans and progress tracking for the development of their cluster addressing bottlenecks.
38. Support market development forms a vital part of the cluster development process. Vibrant support markets, including commercial supply of inputs and services (e.g. technical, financial) are essential for sustaining competitive clusters and for enabling other clusters to emerge to copy the initial successes (sometime called "crowding in"). Within profitable clusters and supply chains, the costs of such services and inputs should be an affordable routine business cost for producers and businesses and should not require external subsidy. The programme will therefore focus on facilitating investments that develop, in a broadly harmonized manner, the demand and supply of these market-based services and inputs in the clusters, consistent with the pluralistic framework envisaged in the ADS.
39. Clusters (See Box 1) offer many advantages for small-scale producers in competitive commodity markets and can make it possible for clusters to be more inclusive. Clustering is vital if small-scale producers are to succeed in becoming reliable suppliers in the market as it will facilitate to aggregate supply and reduce transaction costs between buyers and farmers as well as in the delivery of critical services (e.g. financial or technical services). It is especially important for younger and poorer households who are only able to make the minimum initial investments and must expand their farm business gradually.. Clustering can thus help improve market access for small farmers and hence make the above investment pathways viable.
40. In VITA, as an approximate guide, a typical local cluster when mature might include 8-10 producer groups of 30 - 40 farmers per group – approximately 200- 400 producers, though some groups and cluster may be much larger, with the size of the group often influenced by characteristics of the commodity. These producer groups would ideally be supplying regularly to 3-5 buyers to ensure adequate competition. VITA may therefore expect to support approx. 2300 producer groups spread across 200-250 local commodity clusters.

### **Box 1: Clusters and their importance**

A cluster is a geographic concentration of interconnected producers, businesses, suppliers, service providers, and associated institutions (government and non-government) which creates direct and indirect synergies among them, resulting in market linkages (USAID, 2008). In VITA, cluster will be commodity specific (i.e. each cluster focuses on one commodity) and will typically be defined geographically by zones of commercially viable production volume which form distinct buying zones of several competing buyers/traders. i.e. there will be several different clusters each in a different location for a single commodity and/or one village may have farmers participating in several different clusters, each for a different commodity in VITA.

A cluster is useful when:

- supply chain is highly fragmented or unstructured throughout its segments (production, transportation, distribution, enabling environment etc), thus requiring interventions by numerous stakeholders who could not resolve any single issue alone,
- trust among stakeholders is weak and hence a special effort is necessary to create trust and 'social capital' and
- obstacles to objectives (e.g. increased sales and income) need to be addressed by multiple stakeholders and supply chain segments on building relationships and trusts among each other (USAID, 2008).

A cluster-based approach creates a more enabling environment for supply chain actors (producers, buyers & service providers) for growth and government agencies /support organisations to optimize the resources and ensure sustainability as follows;

Benefits to farmers: (especially concerned about price, production plan and availability of time/inputs)

- Aggregation and creating Better market access with greater bargaining power;
- Increased income as a result of attaining higher prices and increased production
- Better relationship among producers and with other actors
- Improved interaction with buyers due to improved relationship and trust
- Lower production cost due to better relationship with input suppliers
- Long term group business development

Benefits to buyers: (especially concerned about quantity, quality and delivery reliability)

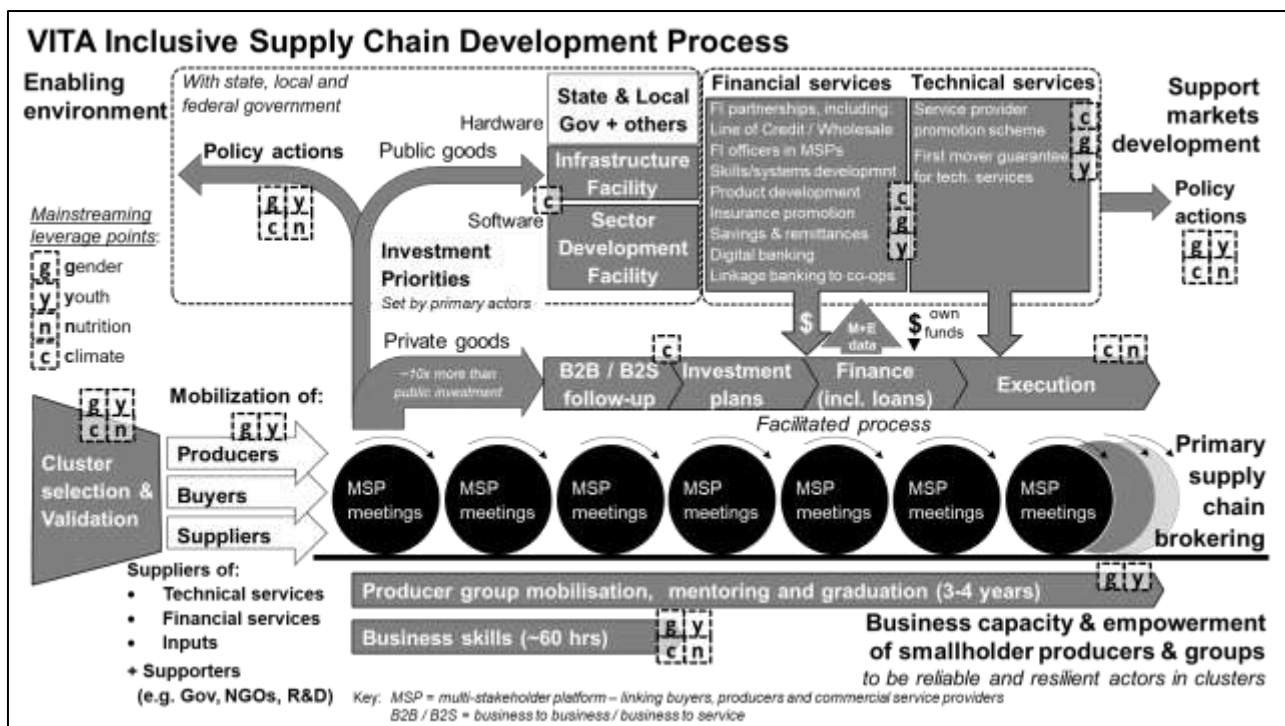
- Access to a larger scale of supply (quantity, quality and regularity)
- improved trust with suppliers and other cluster members
- Assurance of a steady supply of product volume and quality at a reasonable price
- Efficient communication of market feedback and preferences for quick response to market needs

Benefits to relevant service providers/support institutions:

- More efficient utilization of project resources and services
- Start from cluster actors but can increase to more beneficiaries & Sustainability

41. The state level supply chain team and ADBL staff will work closely involving State government and Municipalities during the cluster development process, including via. MSPs. The team will need to consider following points when applying a cluster-based approach:
- With multiple stakeholders involved in clusters, leadership can create a challenge. In that case, honest neutral brokers are required who take up the role of bringing the stakeholders together and stimulate trust. It is important that the brokers gain the respect of all stakeholders.
  - To create trust among numerous stakeholders, it is very helpful to have a common goal and indicator e.g. increased sales and incomes. The MSP process facilitates in bringing together and developing ownership and mutual understanding among stakeholders.
  - Quick wins and early accomplishments are essential in fostering trust. This should be incorporated in early, doable action plans.
  - Clusters are not an end in themselves; through clusters, the stakeholders need to achieve demonstrable, quantifiable and successful results based on market demands: supply chains need to focus on what buyers want not on what is currently produced. Agribusiness/Buyers - Producers Interactions meeting helps in driving this market led production. These wins will stimulate the stakeholders to continue in the same spirit of cooperation.
  - Supply chain enhancement requires the involvement of supporting institutions e.g. government (federal, state and local), research institutions. To support the clusters, the stakeholders need to be able building on existing institutions, amongst others this will contribute to sustainability.
42. The sub-component and major activities under this component broadly include: Cluster brokering & Investment facilitation ii) Farm Business Capacity Development and iii) Inclusive supply chain knowledge and policy as outlined in figure 1 below.

**Figure 1: Inclusive Supply Chain Development Process**



### **3.1.3 Sub-component 1.1: Farm business capacity development**

#### **1.1.1 Mentoring and Mobilization of small-scale producers**

43. Mobilization of small-scale producers into the supply chains within clusters and programme activities will be led by a team of market-oriented SEMs of local NGO partners managed by Heifer in all districts with support from the Supply Chain teams at State and District level. This will draw on Heifer's successful experience in Nepal, using its Values-based Holistic Community Development (VBHCD) approach and Cornerstones tool. The NGOs will work closely with local government in leveraging the resources for synergy and maximizing the programme outputs.
44. Heifer will select around [xx no.] local NGOs of proven competence and sustainability to provide full coverage of the programme areas, with each sub-award expected to cover around 2000 households (HHs) and more. The LNGOs will be responsible for pre-group facilitation, group formation, conducting Heifer group strengthening 12 Corner Stones trainings, consolidation of group into cooperative and registration at cluster level and supporting group/coop in particular to enhance production meeting the traders/buyers requirement at cluster level in close coordination with local government.
45. Each LNGOs will have a [Programme coordinator, Accountant and 3-4 socio-economic mobilisers] on average. The number of HHs per SEM will be approx. 500 HHs. However, the number of LNGOs and field staff will vary based on the number of SCs, number of POs, number of cluster/sub award covered in municipality/district. LNGOs will work under the guidance and supervision of Heifer staff and coordinators based at district and state branch office.
46. It is expected that the starting point for each commodity in each community may fall into one of three categories and the detailed mobilization process may be fine-tuned to accommodate these different starting points:
  - (a) Existing active producer group focused on the target commodity
  - (b) Existing production of the target commodity by many farmers but not organized in a producer group
  - (c) Minimal current production of target commodity by farmers and no organized producer groups
47. The detailed mentoring and mobilization approach will draw on Heifer's established VBHCD approach and Cornerstones tool and successful experience in Nepal, including its flagship "Strengthening Smallholder Enterprises of Livestock Value Chains" (SLVC) project now in its second phase (SLVC II). The programme will work with newly mobilized groups where needed, including women-led groups, as well as linking with 'market-ready' existing producer groups, such as the many groups supported by Heifer and other IFAD-backed projects.
48. Heifer's Cornerstones tool is based on a set of 12 core values. All small-scale producers Component 1 will take part in training around the Cornerstones, establishing a set of common values between them at the beginning of the partnership. The Cornerstones include, inter alia: 1. Passing on the Gift 2. Accountability 3. Sharing and Caring 4. Sustainability and Self-Reliance 5. Improved Animal and Resource Management 6. Nutrition and Income 7. Gender and Family Focus 8. Genuine Need and Justice 9. Improving the Environment 10. Full Participation 11. Training, Education and Communication 12. Spirituality. Several are notable in the context of VITA: Passing the Gift embodies the expectation that the first wave of beneficiaries in the producer organization will be expected to actively mobilize and support their less able friends and neighbours to join as soon as possible. This gift being the know-how, market networks and mutual support (not physical or monetary inputs) – a practical graduation approach to inclusion.
49. On nutrition, the Cornerstones tool supports individuals within the POs to identify practical ways to improve the nutrition of their families. In VITA this will include nutritional practices in the home and also how to better use increased incomes and

increased local supply of high nutritional value foods created by the programme. A specific focus will be on improving the nutritional status of women, especially teenage girls, as well as early childhood nutrition.

50. The tool includes facilitation on climate smart agricultural focusing on the capacitating small scale producers on soil quality improvement and waste management. VITA will avoid land with more than 30° slope and flood and landslide prone areas, tillage operation will be regulated in the moderate to steep slopes (5-30°). The chemical fertiliser and pesticides will be discouraged by adopting integrated pest management. The program will reduce the stress on natural resources by encouraging to manage livestock size herds by carrying capacity assessment and suggesting quality breed, adopting stall feeding and encourage fodder and forage plantation. VITA will only use the certified and verified varieties and priority will be given to the native species to reduce the treat of pest outburst and impact on environment (ESMP matrix, annex 13).
51. The small scale producers and local service providers will be capacitated on managing environmental, social and climate impacts through the activities listed in ESMP matrix (annex 13) via business skill classes and local service providers through supply chain development.
52. Mentoring and mobilization of producers and producer organizations will enable them to make successful investments and become reliable supply chain partners for buyers and customers. Regular coaching and mentoring of producers via the cluster development processes will also help producers to access essential technical services and inputs; improve and sustain links to buyers for assured market, and; increasingly work together in producer groups with like-minded neighbours to be more efficient in the supply chain.

#### **1.1.2 Business skills training to small-scale producers**

53. The programme will provide small-scale producers of respective supply chain group essential foundational business skills so they can transform their farming as a business. The business skills course will cover essentials of financial skills and household finances; managing own farm as a business; managing a group enterprise as well as aspects of climate change and environmental safeguard, youth, nutrition and GALS.
54. The programme will develop business skills course curriculum and associated modules incorporating financial education, GALS, Nutrition, women's land rights, climate change, and environmental safeguard aspects and TOT materials, adapting existing financial and business skills education programmes of RERP and others where appropriate. The programme will conduct about 10-12 days long TOT trainings on the business skill modules mentioned above to Business Skill Facilitators (BSFs) before mobilizing them in the field. BSF will be selected from a short-list of those nominated by the producer groups and community themselves.
55. On climate adaptation, the modules will apply the Participatory Integrated Climate Services for Agriculture<sup>5</sup> (PICSA) approach (or similar approaches) to help small-scale producers identify and access relevant climate and weather information; assess pertinent options for crops and livestock investments and adaptations; and the use of participatory planning tools to improve and enlighten their decision-making based on their situations. These adaptation investments for all priority commodity are summarized in the attached SECAP Report (Table 15) and will be financed under Component 2.1.
- 56.
57. The programme trained BSF will run Business Skills training courses that will be approx. 60-70 hours spread over 32-36 session, over 1-2 session per week, delivered on a peer-to-peer basis by BSF trained by the programme. Socio-economic mobiliser will provide regular backstopping and supervision of the BSFs and to facilitate the

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<sup>5</sup> <https://cgspace.cgiar.org/handle/10568/68687>

participation of suitable resource person from relevant Institutions to attend selected sessions of the Business Skills training. BSF's may be able to run multiple courses concurrently, with evening session up to 3 or 4 times per weeks – each with a different class, as well as running daytime courses for those wanting more concentrated training;

58. The programme will train around 800 BSF trained, who will run 3 business skill class in clusters so as to ensure delivery of sufficient training during the programme to approx. 2300 producers groups engaged in respective supply chains and, importantly, also to ensure a small pool of experienced service providers remain in the clusters that can be paid by the local government, trainees themselves and/or other organization to run similar courses in the future to meet ongoing demand;
59. The programme will use farmer's diary specific to individual supply chain to track and record data on individual households of producers group of their farming activities. The experience from IFAD programme HVAP is that the farmers themselves place a very high value on the insights they gain from their own records and a majority are keen to keep their records books up to date once they are given the skills and support to do so.
60. BSF's will also play an important role on the programmes M&E and data collection, especially in regularly capturing data on the sales and financial performance of the producers and producer groups in supported clusters and supply chains through farm business diaries and entering in M & E system using MIS-enabled tablet. The BSF will be trained by the programme on data entry on VITA MIS using tablet and also paid an honorarium of for data collection and entry in MIS on per group basis.

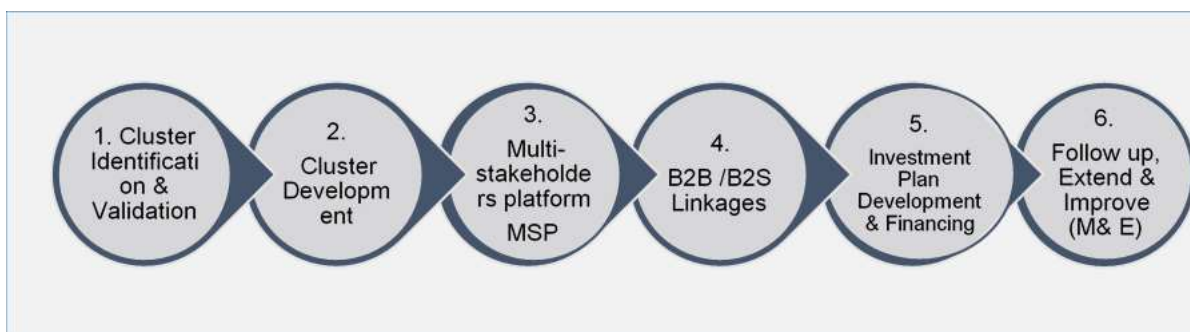
### **3.1.4 Sub-component 1.2 Brokering & Investment facilitation**

#### **1.2.1 Brokering & investment facilitation**

61. Cluster brokering helps to improve linkages between farmers, buyers and service providers along the supply chain of a particular commodity within specific area and develop action plan together for addressing issues and make investment to better exploit market opportunities for increased sales and income/economic growth. The main steps to be considered in each supply chain clusters for cluster brokering will be as shown in Figure 2 below.
62. The respective supply team lead in each State/Regional Hub Office with support from territory-based supply chain staff and Economic mobilizers will take the lead in coordinating these activities in the respective SC they are responsible for. The programme Implementation Unit (PMU) will ensure coordination and consistency between Regional Hub teams working in the same supply chain. Each of these main steps is summarized below.
63. In the context of COVID-19 and the potential prolonged need for safe social distancing practices, the substantial increase in collective marketing of farm produce through POs, with trucks collecting produce in bulk directly from the village, will dramatically reduce the number of small-scale producers having to regularly go to the market to sell their producer one by one. Greater use of electronic payments between buyers and producers will also reduce the need for face to face transaction. However, physical produce will still need to be aggregated and transported along the supply chain in a safe manner. Similarly, there will still need to be some safe face-to-face interaction, especially in the early stages as relationships are built, for example via safe MSPs. VITA will support the widespread adoption and adherence to such safe working practices in supported supply chains.



## Step I: Cluster Identification/selection and verification



64. For each commodity, the potential clusters in each geographical area will be identified by rapid mapping exercise led by the programme supply chain team. The program will develop site selection criteria including the characteristics of i) having sufficient agriculture land where farmers are traditionally doing farming, ii) irrigation facility for the cereal crops, iii) not prone for flood and landslide, iv) gentle to moderate slope, cultivation will be discouraged in lands with slope more than 30° and v) confined only in agriculture lands with no any pressure on the natural resources. Rapid mapping is carried out for all commodities / products of interest in a given location using semi-structured interview questionnaires for all levels of stakeholders followed by focus group discussion (FGD) as required. The Programme will also in collaborate with other organizations (development programmes, progressive banks and financial institutions etc) that are actively pursuing similar objectives during this exercise and hold further consultation/workshop if necessary involving representatives of the primary actors (producers, buyers, suppliers) to validate the rapid mapping findings including confirming buyers demand.
65. Rapid Mapping will identify the main actors and supporters in the local supply chain, including their demands, downstream and upstream linkages, contributions and expectations within an area/sector. This will also provide existing (and potential) market segments, product volume and flows, driving forces, and leverage points, constraints and opportunities and finally indications of potential interventions for supply chains development.
66. The rapid mapping for identification of identified SC potential clusters includes three parallel elements:
- (a) Scouting and meeting with traders/buyers to confirm specific demand for products and explore their interest working with producer groups in cluster areas.
  - (b) Mapping geographical production clusters, encompassing existing producer groups and other potentially interested groups, and estimating supply potential over time (to match to identified demand from traders/buyers).
  - (c) Identify existing (and potential) markets segments potential to provide additional incentives for the supply chain actors including small-scale producers, each of whom may have differing interests and constraints.

## Step II: Cluster Development

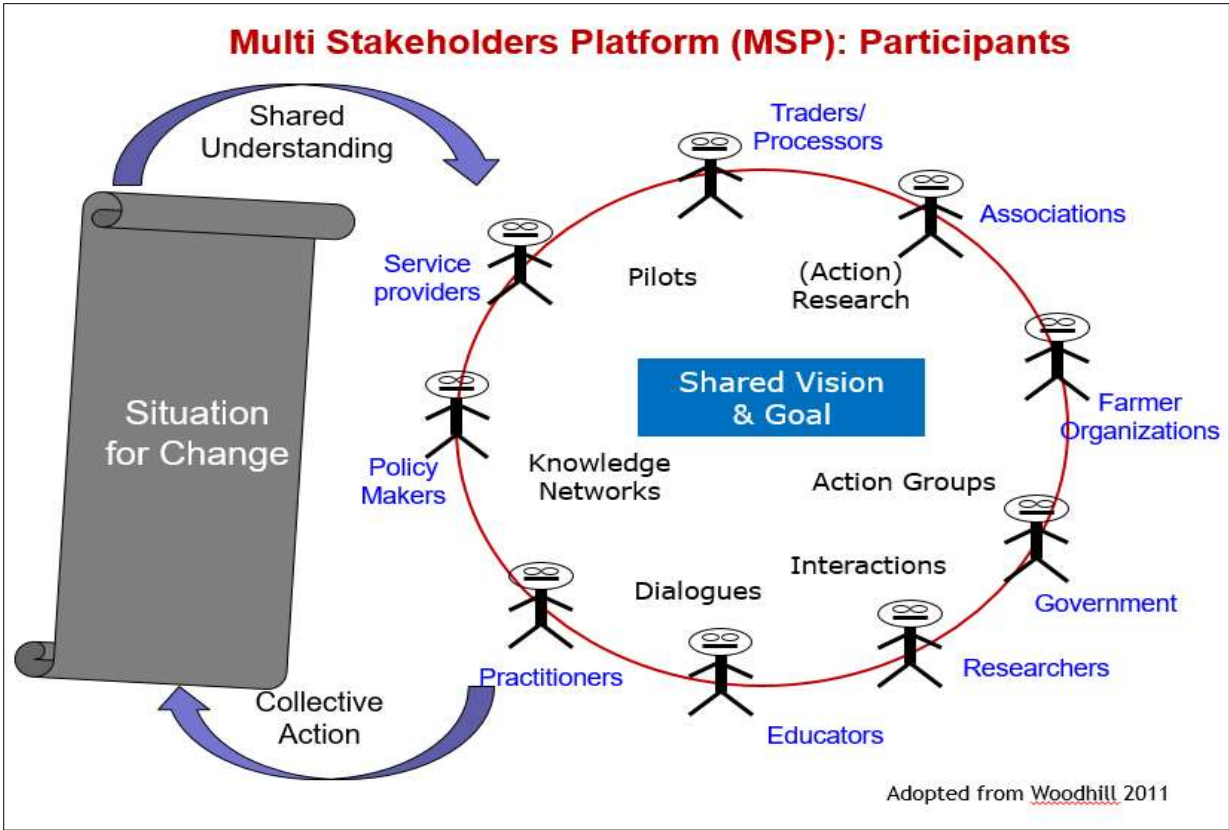
67. Based on the information generated, the SC team will develop clusters in relevant geographical areas. The SC teams will select the potential areas of action for each commodity having viable size of SC actors: producers, agribusinesses, service providers (business, technical & financial) for having dialogue and to work with. Mobilization of farm and non-farm households into the clusters will be led by a team of market-oriented Socio-economic mobilisers (Comp 1.2) with support from the Supply Chain teams. The different actors will also be approached individually to explain the purpose, discuss expectations and contributions and agree on the next

steps. The projected number of households per cluster in VITA varies as per the supply chain considering the viability of business including services. The households range from 100-200 HHs in vegetable, Banana, Milk, Fish and potato seed, 300 HHs in goat to 400 HHs in cereal seed.

68. A first concrete action after the identification of clusters will be rolling process of action-oriented brokering, dialogue among the concerned actors/stakeholders (see MSP) with the aim to foster cooperation among actors to catalyse investments and remove bottlenecks to increase trading and profits and make the most of practical opportunities for growth in a win-win manner.

### **Step III: Multi-stakeholder Platforms (MSPs)**

69. MSPs in VITA are central element of the cluster development approach to facilitate inclusive development of each SC cluster. MSPs are platforms, processes or partnerships of different stakeholders / actors together with similar interests interacting each other for improving the situations affecting them through shared learning, joint decision-making and collective action as shown below (fig 3.). Producers, traders/ processors, commercial and non-commercial suppliers (of technical or financial services or inputs) as well as government agencies (states, municipalities) and other Supporters including research institutions, insurance companies are be active participants of such MSP meetings as illustrated below.
70. The MSPs will bring together the main actors involved in the supply chain to establish relations between different (types of) supply chain actors as a means for supply chain upgrading and fostering collaboration and innovation. MSP also enables action-oriented dialogues between groups of buyers and producers for B2B linkages and actors with service providers (input suppliers, service centres, financial institutions etc.) for B2S linkages to deepen mutual understanding, catalyse investments to increase trading and profits creating win-win opportunities for greater collaboration, and make the most of practical opportunities for growth.
71. MSP will be organised at regular intervals in VITA separately for each SC driven by the actors both at State/corridor and cluster level with anticipated objectives evolving in a gradual manner, starting by a focus on creating ownership, stimulating B2B, B2S linkages relationship, addressing sector priorities and investments including experience sharing and knowledge development as outline in Figure 3 below.



**Figure 2. MSP Participants**



**Figure 3. MSP Anticipated Functions and Purposes**

72. The MSPs for each SC are driven by the actors and expected to serve following purposes as outlined below in general:

- (a) MSP validate the information generated from SC Mapping and Market assessment study and set priorities for SC upgrading. The initial priorities need to focus on immediate market opportunities and over time, the plans need to address more strategic opportunities that may affect longer term growth and vibrancy of the local sector as well as developing critical local service markets necessary for sustaining growth;
  - (b) MSPs strengthen the internal coherence of the supply chain, promoting inclusive business, and improving the productivity or earnings in order to generate higher supply chain earnings, which in turn are aimed to particularly benefit small-scale producers;
  - (c) Facilitate meetings between groups of buyers/agribusinesses and farmers/producer for B2B linkages including contract facilitation and actors with other service providers (banks, nurseries, input suppliers, service centres, technical production consultancy providers etc.) for B2S linkages to deepen mutual understanding and identify win-win opportunities for greater collaboration;
  - (d) Develop and agree on joint action plans (SC road map) among producer, agribusinesses and service providers for developing supply chain cluster and commit themselves for implementation through individual or joint investments and also serve the foundation for programme resource planning;
  - (e) Involved SC actors (via MSP strategy and action plan) to set priority areas for programme and support organisation including government entities support - e.g. critical public and market infrastructure investment, types of typical technical support needed, sector development investment as Quality standards, Lab strengthening etc.);
  - (f) Developing capacity through relating and engaging and Increased ownership of supply chain upgrading process;
  - (g) Enhance transparency, improved trust, quality and relevance of relationships between actors at different levels; and
  - (h) Improves coordination and partnership among the stakeholders for sector level investment, policy dialogue for improved business environment as well as experience sharing and knowledge brokering in specific supply chain stimulating sector growth as a whole.
73. Initially, MSP will be facilitated by the VITA SC team involving Provincial and Local government. In order to strengthen the consultative process and institutionalize MSP mechanism, MSPs will be assisted to become self-governing forum, owned by the producers and businesses themselves and aligned with Provincial, DCC and Municipal institutions as they establish.
74. In VITA, State/Corridor level MSPs that will last up to 2 days will be held at respective state/corridor (1-2 times per year) to create shared vision and common understanding of the opportunities and challenges among primary actors and stakeholders concerned and to foster trust among different players, which is vital for sustaining longer-term relationships.

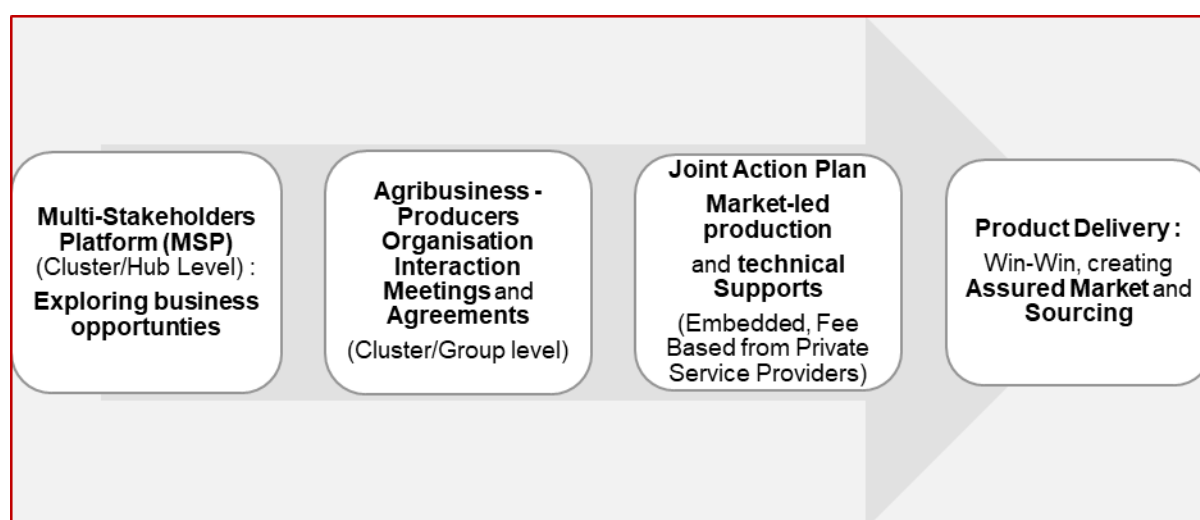
#### **Step IV: Business-to-business (B2B) Linkages**

75. The B2B linkages also termed as Cluster level MSP are expected to evolve after the MSPs at State /cluster level. Business to Business (B2B) meetings/interactions will be held, typically between buyer and group of producers who met during the MSPs and explore business opportunities of working together.
76. The B2B follow-up meetings will focus on developing and negotiating market led production/sourcing plan between producers and buyers a reliable supply of products as required by the market to have competitive advantage (volume, seasonal & varietal) creating win-win situation for both parties as illustrated in figure 5 below. In turn, the agreed market production/trading plans will often lead to the need for

specific actions or investments to be made by the producers, buyer/business or both. The investments and actions may be taken individually or jointly, depending on what has been agreed.

77. In VITA, Cluster level MSP or Business to Business Interactions (B2B/B2S) meetings, as follow up of State/Corridor level MSP, will be held 2-3 times per year depending on the nature of commodities between producers and businesses that form the basis for individual or joint plans for financing.
78. Like B2B meetings, after the MSPs, Business to services meetings/interaction will be held so as to facilitate linkages between supply chain actors in particular producers and service provider (input supply, business, technical, financial etc. ) with a focus to deliver wide range of services/products to help them operate and grow their businesses.
79. The SC team will facilitate this type of B2B, B2S interaction at group and cluster level on regular interval followed by regular support, and monitoring to ensure implementation of joint action plan.

**Figure 4: MSP and SC actor interaction sequence**



### **Step V: Investment Plan Development, Financing and Execution**

80. Following the B2B/B2S interaction meetings, the producer's organisation and traders/ agribusiness and/or service providers will develop investment plan in responses to their agreed trading plans or for their own business development purposes. It is important that such plans are well informed, credible and realistic and based on sound technical and business foundations without being unduly complicated. The VITA team including ADBL staff will facilitate and provide technical support to producers and MSMEs/agribusiness to prepare well-informed investment plans for own financing or to submit to respective ADBL or other financial institutions for loan financing. The programme will support in developing service providers and facilitate producers group/individuals requiring such support to acquire it from commercial service providers in order to stimulate development of critical support markets.
81. Individual producers will be participating in Farm business skill class in their producer group, will have growing confidence in understanding the financial aspects of their investment plans they are now considering. As needed, the programme will arrange additional pre-investment technical advice to the producers/farmers to ensure the plans are sound. Such advice will be in terms of better understanding associated risks to the proposed investment, but also to identify technologies or strategies that can reduce those risks.
82. The programme will facilitate and link individual farmers or group to respective branch of ADBL and other financial institutions for loan finance if need for their investments. Bank credit officers will participate in the MSPs and cluster process, so should be increasingly familiar with the market opportunities and risks by the time the loans application begin to be received. Individual producers participating in FBL will have growing confidence in understanding the financial aspects of their investment plans they are now considering.
83. If investments are to be made as multiple small investments by several cooperating producers in a community, the loan applications and investment proposal will be aggregated and pre-screened to ensure adequate quality and completeness before they are submitted to banks by field staff. Likewise, for multiple similar small investments, loan application may either be consolidated into a single loan application or as a single bundle of multiple smaller loans depending on the decisions of the applicants and the acceptability to the bank.



## **Execution of investment Plans**

84. Investment plans will be implemented by the producers themselves who will carrying the risks and rewards of their own investments. However, investment implementation will be supported through the ongoing process of producer group mentoring by supply chain team and Socio-economic mobilisers. Producers will be advised in buying the necessary quality inputs and technical services they need for success. Technical advice required by producers to implement their plans will be provided by commercial service providers. The programme will support for the development of strong support markets by developing and strengthening such service providers and facilitate their linkages with producers/ MSMEs.

## **Step VI: Participatory Monitoring and reporting**

85. Data on performance of the farm investments will be collected by Individual farmers through Farm Business Diary. These data from the farm diary will be entered using tablets by Farm Business Skills Facilitators (BSF), compiled and analysed via the programme MIS. Where potential performance issues are identified, the supply chain & ADBL team will work with the SC actor investor (producer / MSMEs) to take corrective actions to prevent the investment failing.
86. The field teams in cooperation with SCT will regularly monitor and report on progress against defined milestones for the development of each of the priority SCs cluster. All monitoring done will be captured in the MIS system of the programme and guided by the M&E team.

### **1.2.2 Capacity Development of Staff and Stakeholders including local and state government**

87. The Programme will capacitate Programme, Bank staffs, key government partners (local and state government personnel) and stakeholders on brokering inclusive supply chain cluster development including MSP, B2B/ B2S linkages & relationships among business and producers' organizations in developing efficient and competitive supply chain through trainings, interaction sessions and national/international exchange visits.
88. The programme and bank staff will be oriented /sensitized on inclusive planning, gender and targeting as well as Inclusive and green financing to meet the programme targeting outreach and business investment addressing the possible climate change risks. This will support facilitate transformation of agriculture financing to be climate smart and inclusive too. In addition, the socio-economic mobiliser will be trained on market led social mobilization, Gender, social inclusion and targeting.
89. Likewise, the programme will orient and capacitate state and municipal representatives/ relevant staff on MSP and cluster development process through their full participation in MSP and business interactions as well as exposures in building their confidence on market driven supply chain development.

### **1.2.3 Supply chain development facility:**

90. Under supply chain development facility (SDF), the programme will make "public good" investments to address issues that emerge from the supply chains, as identified and prioritized by the SC actors during the MSPs. These will primarily be "software" type investments (e.g. market research, varietal trials, climate change resilience production technologies as suggested by SECAP and listed in ESMP matrix (annex 13), SPS protocol development, Quality standard of sexed semen, planting materials, improved technologies demonstration etc.) that cannot otherwise be financed as private investments.
91. The facility will also be used to improve the quality and coverage of local market based technical services that are essential for developing competitive supply chains. This will include advanced professional training and investment support to local



service providers and embedded service providers to improve and expand their technical services in supported clusters.

92. For support market development, a key focus will be to expand the network of local private technical service providers that can provide advice to small-scale producers on appropriate climate adaptation investments and climate smart agriculture practices for their farm enterprises – for crops, livestock and fish. VITA will partner with municipal authorities, POs and buyers to identify, train and mentor suitable technical service providers in the municipality – operating as either embedded or independent service providers. Similarly, VITA will partner with state MOLMACs to ensure the Agriculture Knowledge Centres (AKCs) and Veterinary Hospital and Livestock Specialist Service Centres (VHLSSCs), who have more higher qualified staff, provide technical backstopping to the municipalities and local service providers supported by the municipalities and the programme - which is a stated role and justification for the AKCs/VHLSSCs.
93. The SDF is also expected to support the greater use of information and communication technologies (ICT) in the supply chains, based on demand. Three areas are anticipated as priorities:
  - (a) Agriculture Market Information System for market price discovery. Previous project supported systems have worked well but proved financially and institutionally unsustainable. ADBL will build on these previous systems to provide this key service to the supply chain actors while addressing
  - (b) Mobile 'expert systems' primarily for use by technical service provider to give better advice to farmers, building on the successful pilot of this under HVAP as well as through collaboration with other initiatives in this area.
  - (c) Piloting e-market/trading tools – initially within more standardized commodities where such systems can add value and efficiency to the supply chains, for example in goats.
94. The facility will specifically not finance public infrastructure – which will be addressed by collaboration with local, state and federal government investment programmes and Component 3.

### **General Principles**

95. SDF will invest on "public goods", the sectors which are not generally expected to attract exclusively private investment. Thus, "Public goods" are financed through a combination of public and private investment. While SDF may typically cover 85% percent of the total investment, private/ public actors in the supply chain will be expected to make a financial contribution of typically 15% (cash or in-kind equivalent) in order to confirm that these are indeed an immediate priority for the supply chain actors themselves. The share of private finance should consider the degree to which specific private actors capture the financial benefits of the investments in comparison to the wider socio-economic benefits.
96. A variety of 'public goods' investments are anticipated to be needed during the programme period to develop competitive and inclusive clusters of targeted supply chains. The types of investments under the SDF may include, among others, hardware and software investments, for example: **(list is not exhaustive)**
  - (a) carrying capacity assessments (box 2) at municipality or ward level of proposed production clusters.
  - (b) action research on production issues,
  - (c) variety/production trials in targeted agro-ecological zones,
  - (d) demonstration of new technologies,
  - (e) strengthening public lab facilities or sanitary and phyto-sanitary (SPS) inspection capacity (detail in ESMP matrix, annex 13),
  - (f) piloting novel or untested business model;
  - (g) market research ;

- (h) measures to accelerate the development of critical local support markets for key technical services and inputs.

#### Box 2: Carrying Capacity Assessment

The livestock density in Nepal is considered highest among the South Asian countries. In the mixed farming system of the mountains of Nepal, pressure from livestock is heavier per units of land. Over stocking with unhealthy and unproductive animals further aggravates this situation. One important management factor in livestock production and the sustainable development of agro-ecosystem is the maintenance of an optimum number of livestock in relation to the carrying capacity of an ecosystem to maintain its productivity, adaptability and capability of renewal.

VITA will conduct carrying capacity assessment for the livestock supply chain, specially for the goat farming aiming to increase production with managing herd size and no any pressure to the natural resources. The program will conduct the carrying capacity assessment at the municipality or ward level as per the requirement.

Generally, the carrying capacity is calculated by taking the ratio of total amount of total digestive nutrients (TDN) and TDN required per unit of livestock (Das and Shivakoti, 2006<sup>6</sup>; Thapa and Paudel, 2000). This requires study on the feed demand and supply analysis.

#### **Demand analysis:**

The ruminant population is estimated through the secondary sources to estimate demand. Nutrients requirement differ according to age and production performance. Livestock number can be converted to livestock units (LSU) in order to calculate their nutrient requirement. Conversion factors can be found in secondary sources. Total digestive nutrients (TDN) can be calculated as follows (Banerjee 1986<sup>7</sup>):

$TDN = \%Digestive\ protein + \%Digestible\ nitrogen-free\ extract + \%crude\ fibre + \%digestible\ ether\ extract * 2.25$

The carrying capacity study can use the already calculated TDN requirement of the similar locality studies.

#### **Supply analysis:**

Agriculture land provides livestock feed in the form of crop residues, crop by-products and lead fodder for privately owned trees and also from planted grass. Crop residues such as straw, maize bran and maize cobs, are important sources of animal feed, especially during winter when there is a scarcity of green grass.

The supply status can be calculated by the secondary sources like master plan of forestry sector, Land utilization report. The household survey, focus group discussion would be helpful to supplement and verify the information gathered through documents.

The analysis of GIS land use map can be helpful to calculate annual feed supply from different land resources.

#### **Carrying capacity of improved scenario (Thapa and Paudel, 2000<sup>8</sup>):**

The project will assist on three key major areas: i) replace the local unproductive breed by the hybrid productive breed considering not to increase livestock number, ii) financial support to smallholders to purchase nutritious food and to maintain hygiene of livestock, and iii) facilitate to plant fodder species to their land,

<sup>6</sup> Das R and Shivakori GP (2006). Livestock carrying capacity evaluation in an integrated farming system: A case study from the mid-hills of Nepal. International Journal of Sustainable Development. World Ecology 13 (2006) 153-163.

<sup>7</sup> Banerjee GC. Feeds and Principles of Animal Nutrition. New Delhi: Oxford & IBH Publishing Co. Pvt

<sup>8</sup> Thapa, GB and Paudel GS, 2000. Evaluation of the livestock carrying capacity of land resources in the Hills of Nepal based on total digestive nutrient analysis. Agriculture, Ecosystems and Environment 78 (2000) 223-235.

especially on fellow land. Thus, the project support will not increase the livestock unit but increase the availability of TDN.

The carrying capacity of improved scenario will be calculated as: Total amount of TDN available after the project support from different sources/TDN required per unit of livestock

The sub watershed management planning guideline (2016) published by then Department of soil conservation and watershed management has also elaborated the methods of carrying capacity assessment. VITA will discuss with the nationally available organizations like *Geokrishi* on the suitable methodology and collaboration for the assessment.

97. In addition, the SDF fund will be used to provide technical capacity development of state and local governments working with the programme.
98. All investments under the SDF will be implemented as defined sub-project, with specific objectives, expected results, resources and deliverables defined in a simple SDF sub-project documents.
99. for partnership activities will follow the same process as other grants under SDF.
100. SDF sub-project implementers may be any suitably qualified organization, including inter alia: government agencies, research institutions, private enterprises, non-governmental organizations.

### **Management of SDF**

101. SDF will be managed directly by the PMU under a Public-Private Partnership Framework/Model. Investments under the SDF will be managed as distinct sub-projects, implemented either by a suitably qualified contracted organization from either the government, research institutions, public or private sector. Selection of the contracted organization for each sub-project will be based on purposeful selection of the best qualified to deliver the sub-project objectives and activities but with an element of competition where multiple equally-well qualified and interested potential partners are available. Procurement of goods, civil works and consultancy services directly under the SDF will be governed by the agreed procurement arrangements for the programme.

### **Overview of SDF Sub-project Approval Procedure**

102. Investment under the SDF will be identified by the supply chain (SC) actors through the MSP dialogues processes and /or SC team will identify the area of investment that address SC bottlenecks/ constraints and propose it for endorsement through MSP or similar consultative meetings.
103. Where sub-projects under the SDF are deemed necessary prior to a relevant MSP being constituted, e.g. carrying capacity assessments, such activities may be included in the AWPB and approved through the regular AWPB approval processes.
104. The PMU will finalise Notice and call for Expression of Interest for implementation of sub-projects as identified through MSPs and disseminated through appropriate media and means including notice dispatched to respective local bodies for wider dissemination. If the implementation agency is Government Organisation, a letter will be sent requesting to submit Concept note.
105. Submission of brief Expressions of Interest (EOI) /Concept note along with the proposed implementation/management modality will be done at Branch, State and PMO office.

106. A Supply Chain Investment Committee (SIC) will review EOIs and suitable EOI from qualified organizations shall be invited to submit full proposals.
107. Supply Chain Team will facilitate and support interested partners as group/Cooperatives, market management committee, Private sector, government agencies etc. to submit SDF investment proposals with support from Private Business Service Providers (BDSPs) in consultation with technical assistance from experts and organizations.
108. Supply Chain Investment Committee (SIC) will do assessment and evaluation of the detail investment proposal using per-defined criteria. SIC will seek support from technical expert for evaluation of the proposal as required.
109. For proposal recommended by the SIC, PMU will complete a compliance check of the evaluation sheet, investment proposal and supporting documents and recommend to the Project Director for final approval and contract as shown in figure 1.
110. SDF sub-projects investment greater than USD 25,000 need to be reviewed and approved by PSC and also send to IFAD for review and no objection.
111. Payment will be released as per pre-defined schedule confirming achievement of pre-defined milestones as per grant agreement in advance.
112. Supply chain Team will provide technical support as required in sub-project implementation, conduct regular monitoring visit to sub-project sites to confirm that the fund is being used properly and the intended output are in right track.
113. Supply Chain Investment Committees may be constituted at State level as well as central level in order to accelerate workflow, as deemed appropriate by the Programme Director.

### **3.1.5 Sub-component 1.3: Inclusive supply chains knowledge and policy**

114. The programme will carry out activities to strengthen knowledge-sharing and learning processes and develop more supportive knowledge-sharing and learning infrastructure as well as foster partnerships for broader knowledge-sharing, learning, and public awareness in several thematic areas: inclusive cluster development process, evidence based targeting approach, climate smart and inclusive financing. The programme will also prepare a series of evidence-based inputs into policy dialogue and development processes at federal, state and local levels. Some of the examples may be free or heavily subsidized services not provided unnecessarily to profitable clusters that can afford to pay for them.
115. In addition, the programme will actively monitor the commercial development of each cluster from season to season, providing insights back to producers and business as well as data for evidence-based management of activities and results, including on targeting and inclusion.
116. The programme will also prepare a series of evidence-based inputs into policy dialogue and development processes at federal, state and local levels once the learning and practices get established during the course of implementation. Some of the examples may be free or heavily subsidized services not provided unnecessarily to profitable clusters that can afford to pay for them.
117. A key policy focus under the Component will be on strengthening the processes and capacities for local economic development policies and plans at state and municipal level, in particular to create the space for genuine voice from women, youth and other target groups as well as MSMEs into the policy processes. The MSPs under VITA will act as practical role models for this, often focusing on priority local sectors. The sub-component will then use evidence and insights from these to champion the adoption of similar policy dialogue processes into other aspects of local economic development policy and planning, including potentially into sectors other than agriculture. VITA will collaborate with other project working on these issues, including those of GIZ.

### **3.1.6 Component 1 implementation arrangements**

118. The overall implementation of Component 1 will be led by ADBL as the Lead Programme Agency through dedicated supply chain teams working with the Socio-Economic Mobilization (SEM) teams inbuilt within Local NGOs to be managed by Heifer. This component will be coordinated centrally through the dedicated Programme Management Unit (PMU) at Kathmandu, led by full time Project Coordinator deputed from the LPA and a team of project contracted expert as Targeting Specialist; Climate Smart Agriculture Finance Specialist (see cost tables for component 2) to assist on climate change and environmental risk assessment and technically support on climate smart agriculture practices and M&E Specialist to provide technical leadership and capacity building of programme teams on specific areas besides staff from ADBL's SME and Agriculture Department and Heifer. PMU will support and implement the major activity in the field through five regional provincial office and 28 district level bank branches.
119. The 5 regional hub offices in 3 states under the supervision and guidance of ADBL Provincial Director and PMO will be responsible for overall delivery of field activities under Component 1 through district and cluster level bank branches (approx. 66 Nos). The regional and district level offices for VITA will be hosted in respective regional and participating branches offices, having staff from both ADBL and Heifer. In addition, the VITA team will be assisted partially by bank core staff of various discipline as required to meet the objectives of the project at central, provincial and branch offices. All staff under ADBL and Heifer will operate a 'one programme' approach with all staff working as a single team at all level.
120. The staff in each regional hub offices will be organised by supply chain teams with each team accountable for delivery of results and managing all relationship in their assigned supply chains. Each regional/hub supply chain team will be 2- 4 experienced supply chain coordinators responsible to look after 1-3 commodities depending on the potential HHs that can be covered in each SC as driven by market demand potential within the region/hub. Each regional supply chain team will be supported by 1 cluster Social Mobilization and Capacity Development Coordinator from Heifer to coordinate and support social mobilization and other activities under the component 1.1.
121. The supply chain team recruited from ADBL will be responsible for overall delivery of Component 1 and activities under Sub-component 1.1 cluster brokering and facilitation through multi-stakeholder platform process at Provincial, corridor and group level with active participation of agri-businesses/traders, small-holder producers, service providers, banks and government agencies as provisioned in the project whereas the staff managed by Heifer Nepal and Heifer contracted Local NGOs at regional/district and supply chain cluster level will have lead responsibility for delivery of Sub-component 1.1 i.e. mobilization and strengthening small holder producers in meeting the demand of traders/agribusiness in terms of volume, quality and other requirements.
122. There will be 28 supply chain officer based at potential district/corridor bank branches responsible for coordination of SC activities in the district and function as honest broker in running corridor level MSP, business linkages with traders/service providers and contract facilitation in respective supply chain within the project with technical support and guidance from supply chain coordinators at regional hub office. The 8 Socio-economic officers will be based in potential districts /corridors with the SC team and

provide technical supervision to local NGOs for implementation of field level activities as mentoring and support producer organisations so that they can build successful commercial relationships with buyers/customers, participate effectively in the MSP processes and plan and execute profitable business and investment plans.

## **3.2 Component 2: Expanding financial services to agriculture**

### **3.2.1 Sub-component 2.1: Private investment financing**

123. The subsidiary loan to ADBL, part of which it will on-lend to PFIs (Class A and Class D financial institutions) on wholesale basis, is specifically for increased provision of medium- and longer-term credit (>12 months term) to farmers and MSMEs in supported supply chains. ADBL will provide such loans to partner FIs and bear the administrative responsibility and credit risk in a way that will limit the transaction cost of GON. Short-term working capital finance expansion, to compliment the term finance above, will be financed by ADBL and PFI from their own resources.
124. It is expected that a large majority of the investments by small-scale producers financed under the sub-component will be to upgrade their farm production practices including adapting to climate risks. Such investment decisions will be informed by the business skill training under Component 1.1, including the tools for farmers to factor in climate considerations into their investment and production plans. For example, these include investment in poly-tunnels for vegetables, in water efficient technologies like drip irrigation, developing in-field water catchment ponds, construction of shed and shifting to stall-fed production systems for livestock with increased planting of fodder and forage, adaptation of fish ponds to reduce risks from flooding, planting of wind breaks to protect from more frequent storms etc. Expected typical adaptation investments for all commodities and which farmers will select from using a defined selection criteria are listed in the attached SECAP Report (Table 15).

#### **Financial and operational specifications for the lending facility**

125. The proceeds of IFAD loan set aside for Component 2 will be on-lent by GON to ADBL under a subsidiary loan agreement (SLA) in local currency terms at an interest rate of about xx% per cent per year. The total repayment period of the loan will be xx years, including a grace period of x years. GON will bear the foreign exchange risk associated with the IFAD loan. Further details related to such relending will be defined in the SLA which will be subject to the endorsement by IFAD.
126. ADBL in its credit operation applies sound banking principles and has elaborated in significant details the main principles for providing credit, eligibility requirements for various types of loan applicants, and different steps within the credit cycles Its first credit principle requires it to reduce potential credit risk by basing its decision on estimated cashflow of the proposed project. It also requires its loan appraisal process to take into account of managerial, technical, marketing, financial, economic, social, environmental, and legal aspects diligently. It also puts significant emphasis on SWOT and risk analyses of the proposed project.<sup>9</sup> In general, these principles and practices will be applied diligently for the loans provided under the Programme. The main features of such principles and practices with upgrades and revisions applicable for the credit operation under the VITA Programme is described below.

#### **Scope of financing.**

127. ADBL will sub-lend the funds made available under the SLA to the small farmers residing within the project area for specific agricultural value chains selected for development under the project. In undertaking such sub-lending operation ADBL will finance viable agricultural activities in production clusters with concentration of small farmers who plan to produce for the market. ADBL will also sub-lend part of the loan proceeds to the enterprises which plan to engage in input supply, processing, marketing, trading and otherwise value adding activities and thereby directly contribute to the strengthening of the selected agricultural value chains.
128. In providing loans under the Programme ADBL, following sound and prudent banking practices, will minimise enterprise failure risk and consequently the credit risk by: (i) selecting enterprises only from among the value chains that are proposed to be in strengthened under the project; (ii) selecting enterprises which are profitable and remunerative and which significantly contribute to meeting the financial needs of the

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<sup>9</sup> ADBL Credit Procedure (Karja Karyabidhi), 2073, P 1-62.

to the small farmers/entrepreneurs; and (iii) closely aligning credit terms with the projected cashflow of the enterprise being financed.

### **Targeting**

129. Since the project is specifically targeted to small farmers and other rural poor households, the average sub-loan size will be significantly lower than the current average size of the ADBL's agricultural loans. The negative impact of this change on the operational efficiency of ADBL will be reduced by adopting a corridor approach in selecting project villages and concentrating lending activities in production clusters. This strategy will be complemented by adopting a 'saturation' approach aiming at: (i) further reducing the transaction cost of ADBL; and (ii) minimising the 'left-out' error in targeting project beneficiaries. In addition, ADBL will follow a modular approach to sub-loan appraisal by specifying standard investment levels and credit terms for specific, commodities, corridor and production clusters. To this end ADBL has been developing technical and cost norms with priority accorded to the value chains selected under VITA. This approach will help significantly in reducing the Bank's transaction cost.

### **Eligibility criteria for individual borrowers**

130. For individual borrowers who are natural persons the minimum eligibility requirements for being a loan applicant will be:

- (a) be a citizen of Nepal;
- (b) of at least 18 years of age;
- (c) be of sound physical and mental state
- (d) should not be a defaulter or in the blacklist of any financial institution;
- (e) should have a savings/ current account in the concerned bank branch;
- (f) self-declare any overdue loans of any member within the family; and
- (g) willing to offer adequate collateral acceptable to the bank;
- (h) have verifiable experience relevant to the proposed enterprise or plan to receive training and other capacity building support provided under the Programme or similar support under other nationally or internationally funded projects
- (i) have received all necessary registrations for the proposed enterprise with the relevant municipality or appropriate authority, or is in the process of obtaining such registrations, if such requirement is necessary.

131. In minority of cases when the loan applicant is a sole proprietorship firm, a partnership firm, a privately- or publicly held company; and a co-operative society eligibility requirement will be as per the normal requirement of ADBL.

### **Interest rate, penalty charges and fees**

132. ADBL currently expects interest accrued on its loans to be paid on monthly basis irrespective of the cashflow generated by enterprise financed. Since any changes on this will be very disruptive, interest will be paid by VITA borrowers on monthly basis. This requires some attention to the analysis of household level cashflow which is an inherent part of ADBL loan appraisal process. This practice will be continued under VITA as well.

### **Current loan products and proposed changes**

133. Most loans under the Programme will be provided using the provision made under simplified agricultural credit loan product (Product Paper 1), with recent amendments accompanying<sup>10</sup>. This loan product provides for:

crops, livestock, fisheries, herbs, forest products etc. which are produced for the market (*byabasaik utpadan*);

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<sup>10</sup> Saral Krishi Karja, Credit Procedure 2073, P 64 along with amendment effected on various dates.



80 percent of the working capital requirement with repayment period of up to 1 year (renewable), and 70 percent of term credit repayment period of up to 5 years, including a grace period of one year;

maximum loan limit of NPR 20 lakh (2 million); and

land and building as primary collateral, and personal guarantee as secondary collateral if the borrower is not a permanent resident of the area served by the bank branch.

134. Loans under simplified procedure fall also under the category of loans eligible for receiving interest subsidy from the Government of Nepal (GoN) through Nepal Rashtra Bank, central bank of the country. Such loans can be up to NPR 50 million with a maximum term of 5 years. Loans up to NPR one million can be provided only with group guarantee and so collateral in the form of land and building is not required. Such loans attract an interest subsidy of 5 percentage points, 6 percentage point in the case of women borrowers. Insuring the enterprise under this Loan Product is compulsory. Of this 75% of premium amount is subsidised by GON. In addition, 75% of credit guarantee fee is subsidised by NRB<sup>11</sup>.
135. The above terms and conditions applicable under the simplified loan product matches with the projected cashflows of initially prioritized main commodities of vegetables, goats, fish, cereal seed, potato (seed), dairy and banana. From among the commodities selected for limited support in specific locations within the programme area backyard chicken (traditional breed); Honey, and Medicinal and Aromatic Plants (MAPS) will also be able to meet the applicable terms and conditions. From among the latter category of commodities Citrus and Coffee will not generate adequate cashflow to meet the grace total repayment period specified given the longer gestation period and economic life. ADBL therefore will have to revise the loan product to allow for financing these commodities, where applicable. Applicable NRB guidelines for such loans allows financial institutions to offer appropriate repayment period. Interest subsidy, however, would not be available for loans with repayment period above 5 years (?)<sup>12</sup>.
136. In minority of cases which may find above provisions restrictive, loans under the Programme will be provided under Loan Products No 2 (crop, horticulture, forestry, production, no maximum limit, term loan up to 15 years, with 2 years grace period); Loan Product No 3 (livestock, no maximum limit, term loan up to 10 years with grace period of 1 year); Loan Product No 4 (fish farming, no maximum limit, term loan up to 10 years with grace period of 1 year); Loan Product No 5 (cold storage, no maximum limit, term loan up to up to 10 years with grace period of 2 years); and Loan Product No 10 (agro-industry, no maximum limit, of requirement for up to 10 years with grace period of 1 year). Under these loan products ADBL finances up to 70% of the total term loan requirement, except for cold storage for which the maximum limit is 60%. Working capital financing is up to 80% in all cases.
137. Since the available loan products with ADBL adequately cater to the requirements of intended target group under the Programme, no changes, except the grace and repayment period as mentioned above, have been proposed at this stage. Changes have been suggested with respect to lending to the borrowers who cannot furnish collaterals in the form of land and building or operate the enterprise in leased lands. This is described below.

#### **Collateral requirement and waiver**

138. Most financial institutions in Nepal including ADBL require borrowers to provide adequate collateral against the loans approved. The loan provisioning guidelines issued by Nepal Rashtra Bank, the central bank of Nepal, encourages banks to adopt

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<sup>11</sup> NRB, *Unified Guidelines 2076 (BS), Karyabidhi 2.2 P 120- 127.*

*The maximum on-lending rate for this loan in the case of ADBL will be xx% (base rate of 10.X% plus 25 spread).*

<sup>12</sup> NRB, *ibid*, Clause 4, P 122.

this approach for financing<sup>13</sup>. ADBL, however, has exception for loans for creating self-employment for the youth in **non-traditional (?)** enterprises<sup>14</sup>. The maximum loan limit under this loan product is NPR 2 lakh for individuals, NPR 20 lakh for groups, and NPR 50 lakh for institutions. As noted, under the GON programme for subsidised credit, NRB has relaxed collateral requirement and group guarantee alone is sufficient (para 6 above).

139. In addition, ADBL along with other financial institutions in Nepal, requires the project site to compulsorily be part of the collateral. While this requirement would usually not pose a problem with most enterprises, this affects the enterprises that are operated in leased land. ADBL waives this requirement, however, for loans required for working capital. In the case of term loans, waivers can be made in the cases where: (i) adequate collateral from other sources is made available; and (ii) lease agreement with double the duration of the project period has been agreed upon<sup>15</sup>.
140. As some proportion of the beneficiaries are likely to face the situation of not being able to provide adequate collateral and/or collateralise project site, waivers for collateral requirement under the Programme will be extended to beneficiaries requiring such waivers following above provisions, subject to following restrictions: beneficiaries who do not possess any property that can be used as collateral and this is adequately proven through ADBL's pre-loan supervision which may involve seeking advice for local government bodies and/or land revenue office; and the approved loan amount does not exceed NPR 200,000.
141. While preparing the list of potential loan recipients, the SC team will clearly identify the list of beneficiaries who cannot back their loan with adequate collateral and/or who would be operating the enterprise in leased land and provide such list to concerned ADBL branch in advance. Such list will also contain information related to the type of enterprise selected and maximum loan amount required for the purpose.

#### **Loan application, appraisal, approval, and supervision**

142. Under the simplified lending procedure ADBL has integrated loan application form (Annex 5.1) with pre-loan supervision, collateral valuation, staff recommendation and loan approval by the manager. This practice will be continued with following changes:

Addition of the description of fixed assets owned by the applicant's household in Annex 5.1. This will: (i) help establishing early on the ability of the applicant to offer collateral against the proposed loan; and (ii) eliminate the need for filling schedule 2 which otherwise duplicates most information in Annex 5.1.

As Annex 5.1 is designed mainly to cater to the working capital requirement, the description on fixed capital requirement is rather scanty. So, Annex 5.1 will be upgraded by adding the description of loans recommended for fixed capital which may be adapted from section 7(kha) of Annex 2. In addition, a simple table that helps in assessing how will the applicant meet the equity participation requirement for the proposed enterprise will be added.

ADBL's current loan appraisal process relies heavily on total income/ cashflow of the applicant household, firms or companies and contains very little reference to the cost-benefit analyses of the enterprise being proposed for bank financing. In this background, Annex 5.1 will be upgraded by adding a table that will allow to assess the cost, benefit and profitability of the proposed enterprise which will then be integrated with the projected household cashflow (Table 6). In order to reduce transaction cost to the participating banks, the cost-benefit analyses for the loans to be provided under the simplified lending

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<sup>13</sup> See NRB, *Unified Guidelines 2076 (BS) Clause 5 and 6; Loan classification and loan loss provision, Instruction 2/076. P 95-96.*

<sup>14</sup> *Yuba Sworojgar Karja (Loan product no 8), ADBL credit Procedure, 2073, P74.*

<sup>15</sup> *Ibid, Clause 43 (Jha) P 38.*

product will be prepared on modular basis taking into account of the specific value chain and cluster being selected and thus need not be undertaken for each applicant.

143. In cases involving loan application for above NPR 2 million, provided under Loan Products other than simplified procedure ADBL applies separate loan appraisal process for individuals (Annex 12.1) and institutions (12.2, 12.3 and 12.4, depending upon the loan amount). As these forms also lack the cost-benefit analyses of proposed enterprise these will also be upgraded to include enterprise cost-benefit analyses. For these loan proposals specific CBA will be undertaken in each case separately.

#### **Loan approval authority**

144. In general, ADBL has substantially decentralized the loan approval authority to its branch offices located in the field. The loan approval authority delegated to its lowest level field office – a sub-branch – is NPR 3 million for single transaction and NPR 120 million for total credit limit. This increases respectively to NPR 200 million and NPR 650 million to a Provincial Office<sup>16</sup>. Almost all loans under VITA will therefore be approved within the office accepting loan application in the first place. If these offices are fully staffed and properly equipped, the time taken from application for a loan to its final approval can be very short, usually not longer than a week.

#### **Loan monitoring and follow-up**

145. ADBL requires its branches to undertake utilization supervision as well as quarterly post loan supervisions. This provision will apply for the loans provided under the Programme. These supervisions could be supplemented/complemented by the Cluster Team. Farm business diaries being used by IFAD-assisted value chain development projects can provide a very useful basis for monitoring the costs and benefits of the enterprises financed, in particular, when it is a crop. Since VITA intervention involves loan financing of the enterprise, inclusion of cashflow, interest costs can make those diaries more meaningful. In the longer term these diaries can provide valuable inputs on production costs, benefits, productivity, input and output prices, profitability and revise technical and financial norms applied by the financial institutions.

#### **Wholesale lending**

146. Relative to the size of national economy, manufacturing sector in Nepal is miniscule and agriculture sector is only served scantily, Nepalese banks and financial institutions (BFIs) compete mainly for providing credit to trade and service sector (wholesale and retail trade, 21%; construction services, 11%; gas and energy, including hydro power production, 4%; and consumption loan, 5%). Financial product-wise, term loans are limited to less than 20% of total portfolio and short-term loan products such as working capital loan (21% of total) and overdraft (15%) dominate. While BFIs report relatively low level of non-performing asset in Nepal, this may be explained at least in part by the 'evergreening' of loans which while may not be wide-spread seems to hide the extent of problem to some extent.<sup>17</sup> These factors call for a more prudent approach to credit operation of the BFIs which includes, *inter alia*, development of appropriate loan products, more rigorous analyses of the financial attractiveness of the enterprise being financed and setting of loan terms based on realistic cashflow, introduction of measures to reduce real sector risks associated with the enterprises being financed, including through the adoption of a value chain approach, and robust mechanisms for risk transfer when enterprises failure cannot be avoided.

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<sup>16</sup> See circular dated 2075-10-16, Abhilekh no 205.

1.1 <sup>17</sup> Finding of recent IMF follow-up mission as reported in Kantipur 12 Jan 2020 (?). Also see a report by Sanjeev Sharma, quoting panel discussion, *Banking Strategies and Disruptions: Nepali Banking Industry's New Direction*, *New Business Age*, November 2018.

147. Almost all BFIs in Nepal rely overwhelmingly on the short-term funds for financing their credit programme, including for agriculture, and therefore encounter the issue of term-mismatch. Relative lack of specialised human resources and dedicated organizational units also play a role. These factors have caused commercial banks to significantly fall short of the minimum lending target of 10% set by the Central Bank. In fact, of the 28 commercial banks, only ADBL has been able to meet this minimum target (Annex1) and almost 40 per cent of them have been unable to meet even a quarter of the minimum lending target. Currently, NRB imposes no disincentive (penalty) against the unmet target for agricultural lending. This policy may not continue for long, however.
148. In response to the situation explained above, the Programme will also assist other interested commercial banks (Category A and D institutions) to act as Programme's participating financial institution (PFI) aiming at assisting the Nepalese financial sector to gradually increase their financing for agricultural value chain development. To this end, ADBL will offer wholesale lending to the selected Category A and D institutions so that they can actively participate in the value chain development of selected commodities adopting lending policies and procedure similar to what is described above with revisions as suggested.
149. During its interaction with selected BFIs, the Design Mission found significant interest among commercial banks to act as a partner financial institution under VITA. Their chief motivation seems to be the desire to expand their portfolio of agricultural loans. This was true particularly among commercial banks who report relatively low proportion agricultural loans to total portfolio (For example, NMB Bank, Sanima Bank, Laxmi Bank). Interest were shown also by banks with relatively larger share of agricultural portfolio (Sunrise, Prabhu).
150. ADBL's current lending policy allows for wholesale lending of its funds to development banks, financial institutions, groups, and money lenders to on-lend to small farmers and micro and small enterprises.<sup>18</sup> The maximum loan limit and the repayment period under this policy will not be adequate for participating commercial banks. The relevant Product paper will be revised in order to accommodate the terms and conditions mentioned above.
151. **Targeting and use of wholesale loans.** PFIs using wholesale borrowing facility will cater to the same target group of small farmers and adopt a saturation approach to lending to prevent any left-out error. PFIs will work towards developing specific value chains within the cluster selected under the programme with average loan size similar to that of the Programme overall average. This will require PFIs to finance primary producers and engage in financing processing and marketing enterprises only when it caters to the primary producers already financed by the PFI concerned. In no case PFIs will be allowed to 'cherry-pick' only large-sized enterprises requiring high-volume loans.
152. **Estimated amount of wholesale lending.** Since the proposed wholesale lending approach is without any precedent, any estimate of the volume of such lending is inevitably a guesswork. From a PFIs point of view it will basically be a pilot which they will use to test the efficacy of proposed value chain financing. Such pilot may be meaningful if it is in a scale of at least NPR 300-400 million (US\$ 3-4 mn) and if 3 to 4 FIs participate their uptake will be about \$ 12 mn. On this basis, 20% of the line of credit provided to ADBL by GON is estimated to be funds on-lent under wholesaling arrangement.
153. **Provisional terms and conditions for wholesale loans.** The funds under the programme will therefore be extended to them on terms that encourage them to finance agriculture on sustained basis. The total repayment period will be xx years, inclusive of x years as grace period. The on-lending interest rate payable to ADBL would be x%, implying a spread of x% to ADBL.

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<sup>18</sup> ADBL, *op. cit.*, Product paper No 9, Pg76.

154. **Process to selected recipient banks.** The preparatory work on the part of ADBL will involve: (i) identifying potential PFIs for wholesale lending; (ii) short-listing 7-9 PFIs, (iii) issuing request for proposal to the short-listed Category A and D FIs; (iv) evaluating proposals and selecting 3-5 PFIs; (v) agreeing on project area and negotiating on changes that aligns concerned PFI's operational policies and procedures with that of VITA; and (vi) signing of MOU. The preparatory work will be initiated and completed in the second half of PY 1 and lending operation will begin in PY 2.
155. Identification of the potential FIs will be done mainly through informal consultations, possibly with the involvement of Nepal Banker's Association. Following such consultation short-list of potential institutions will be prepared and submitted to the Project Steering Committee for its review and approval. Selection criteria for selecting FIs, *inter alia*, will be: (i) field office network of the FI overlapping with VITA; (ii) delegation of authority and approval process that ensures timely approval and lower transaction cost to the farmer-entrepreneurs; (iii) presence or otherwise of organizational units dedicated to lending to small farmers and micro-entrepreneurs in FI HQ; (iv) state of development of agriculture and appropriate lending policies, procedures and loan products; and (v) willingness to align processes and systems with that of VITA on sustained basis so that concerned FI's engagement in agricultural lending continues in the long run.
156. To the extent possible, PFIs will be provided with refinancing facility for the loans they have disbursed to the Programme target group in line with the wholesale lending agreement entered with ADBL. If this arrangement does not become feasible, each PFI will be provided with an advance against the projected lending programme which will be replenished by ADBL on eth basis of the claims submitted by the concerned PFI. The advance amount extended thus will be interest-bearing from the date such fund is released by ADBL.
157. To the extent possible PFIs will participate in the VITA process suggested for value chain development including in multi-stakeholders platform in the areas they are assigned to serve. Staff of the PFIs will also participate in the training orientation, monitoring and review programmes along with ADBL staff. While this will help smoother implementation of VITA, it will also facilitate mutual learning.
158. A smaller part of the line of credit amount has been set aside for wholesaling to **savings and loan co-operatives as well as micro-finance institutions**. This part aims at strengthening selected institutions in the programme area and build rather than disrupt the relationship that has developed between farmers and these institutions over the years. While ADBL refinancing will be mainly on back-to back basis, the total repayment period will be slightly higher than the one offered by these institutions to their borrower to allow for some time lag between their collection of loans and repayment to ADBL. The on-lending interest rate payable to ADBL would be x%, implying a spread of x% to ADBL.

### **Credit Disbursement plan**

159. The credit disbursement plan is based on the indicative list of agricultural value chains identified for development under the Programme. In selecting these commodities and determining the scale in which the enterprises will be financed, inclusiveness has been assigned the highest weight keeping in consideration of the project objectives. The loan sizes have been determined after undertaking financial viability tests (Financial Analyses Annex x) and are significantly smaller than the average loan size of the agricultural loans disbursed by ADBL and other commercial banks. This will allow for serving maximum possible households while ensuring that the enterprises selected generate adequate return to investments.
160. The gross credit disbursement has been calculated by first determining the total unit investment cost for each type of 11 enterprises spread over 7 commodities considered to be representative activities that will be undertaken by the target group (Annex Table 2). A development phasing of these enterprises was projected with a

modest beginning accompanied by rapid build-up (Annex Table 3). Then the gross total investment requirement was projected multiplying the no of enterprises for each year by unit investment costs (Annex Table 4). Subsequently, gross credit requirement was estimated taking a standard financing percentage for term and working capital (Annex Table 5). Likewise, loan amount due was calculated based on typical repayment schedule determined considering the net cash inflow of each enterprise.

161. Of the loan amount due, for term loans 94% were assumed to be repaid on time, 3% within one year of due date and 3% as loan loss, as a provision. The short-term loans respective numbers are 95%, 3% and 2%. The proposed loan loss provision is slightly higher than currently incurred/ provided by commercial banks in Nepal in agricultural loans in view of the need to impose rigorous discipline on portfolio quality reporting and prevent even an isolated event of 'evergreening' of loans. Significant reduction in the real sector risks of the enterprises financed as is expected to be achieved under VITA should help in improving the quality of loan portfolio further.
162. The net credit requirement was calculated thereafter after deducting repayment amount from the gross disbursement (Annex Table 6). In reimbursing the expenditures under the line of credit component IFAD will finance 100% of the net disbursement made by ADBL and PFIs for medium term. All loan disbursements made by ADBL and PFIs for short term working capital will be using their own capital and therefore the line of credit provided under IFAD loan will not be used for this purpose.
163. Funds provided by GON to ADBL using IFAD loan as line of credit will be ring-fenced and disbursements made, loans repaid, net loans outstanding, loans overdue, loan loss provision made, and loans repaid under subsidiary loan agreement will be reported separately until the loan under SLA is fully repaid. This will require ADBL and PFIs to distinctly identify each enterprise funded under VITA.
164. The approach to IFAD financing of only the net incremental credit has enabled significant amount of investment leveraging within the project period. To illustrate, IFAD's term financing of US\$58.7 million generates total investment of over US\$119 million. Since the recycling is faster for working capital, ADBL and PFI financing of US\$ 25.7 million will fund total working capital of almost US\$99 million over the 6 years of project period. Since IFAD requires borrowing countries to invest its resources to similar target group, such leveraging will continue till ADBL fully repays the loan to the GON.
165. In order to ensure that the reimbursement, loan recording and loan portfolio quality reporting is made as per stipulation, following mechanism will be put in place:  
 review and reporting during annual supervision mission fielded by IFAD;  
 annual review by internal audit departments of respective FIs and reporting to the CEO;  
 and  
 review by statutory (external) auditor of the respective banks and reporting to the CEO and Board of Directors of respective banks.

### **3.2.2 Sub-component 2.2: Capacity enhancement and policy support**

166. Capacity enhancement and policy development facility (CEPD) - will provide for capacity enhancement across all its activities pertaining to financial inclusion and supply of financial services to agriculture and rural communities. The programme will use this facility for any relevant technical support during implementation, including the following: capacity development for financial intermediaries on rural MSME and smallholder lending; improvements in digital banking operations for rural areas; internal systems and processes improvement to reduce transaction costs and improve supply chains analysis and financing, including consideration of climate change on financial risks and mitigation; development of specific value chain financing and risk assessment manuals; improvement of remittance related products and services; capacity for the design of new financial products more suitable to rural MSMEs and small-scale producers, including micro-insurance; relevant financial

market research, thematic studies, sectoral assessment and analysis. Amongst others, priorities will be to support further business enhancement of ADBL and digital innovation. On insurance, the programme will harmonize its support with the proposed new project on insurance between ADBL and GIZ, to be coordinated by the same PMU.

167. Expansion of rural digital financial services by ADBL and others, for example including electronic payment systems as well as savings and loans products, will be an important focus for the sub-component. To increase youth access to finance for farm investment, specific measure and instruments will be developed to address the current obstacles – including piloting of arrangements for institutional guarantees provided by the local municipality and or POs.
168. On policy, the priority will be to generate high quality evidence to contribute to improvements in the policies, regulations and strategies for expanding agricultural finances, especially to small-scale producers and MSME, as well as digital rural financial services. A related area for policy engagement will be to demonstrate the viability and practical policies and strategies to use loan finance to support productive investments by small-scale producers and MSME instead of through grants and subsidies. Where feasible, the programme will seek to collaborate with others economic research institutions to enhance the quality of the evidence and analysis generated through the programme to feed into this policy dialogue.
169. VITA will support capacity enhancement of the ADBL and PFI aiming at achieving financial deepening by serving hitherto unbanked or underbanked communities using a variety of financial instruments. In doing so while the micro credit support for value chain development will be the principal instrument, it will be complemented by enhancing savings, insurance and remittance handling services. Activities related to this sub-component has been presented in Annex Table 7 and summarised below in 4 clusters.
  - (a) Financial systems development through: (a) hardware and software development support for branchless banking that will help ADBL to extend its outreach in a cost-effective manner; (b) digitization of participating co-operative societies and micro-finance institutions in project clusters; and (c) support to co-operatives for providing debit card services to their members.
  - (b) Financial product adaptation and efficiency enhancement of loan processing through: (a) IT strategy development; (b) credit and other financial products review and adaptation; and (c) development of a portal-based automated and standardized system for loan processing.
  - (c) Staff capacity building of ADBL and PFIs through orientation programmes, training, and exposure and observations visits aiming at: (a) leadership building; (b) orientation to VITA and innovative approaches to financial deepening; (c) value chain, enterprise cost-benefit and risks analyses; (d) planning and monitoring of VITA activities; and (e) learning from successful experiences within the country and from among regional countries.
  - (d) Policy analyses and advocacy focussing on: (i) real sector risk reduction through value chain approach; (b) assessment of the efficacy of group-/community-based group insurance scheme and its adaptation based on learning from the field and in relation to the crops and livestock insurance products offered by formal insurance companies; and (c) empirical study of interest subsidy on the access to credit and income of small farmers, dissemination of findings and recommendations for policy changes.

#### **Enhanced access to wider range of financial products**

170. Efforts will be made by ADBL and other PFIs to develop and give access to a range of financial products to the small farmers residing in VITA area. To this this end, ADBL will:

introduce the 'human-ATM' an agent-operated system for effecting banking transactions that will enable deposit and withdrawal of cash and repayment of loans cost-effectively and extend ADBL's outreach significantly; and

using the network of co-operatives, ADBL will give access to debit card services in the VITA project area.

171. Similarly, in addition to requiring all borrowers to open a savings account, ADBL will actively promote savings mobilization programmes which may involve effecting transactions through bank branches when farmer-entrepreneurs sell their products or buy inputs under tri-partite arrangements for channelling transactions through the bank have been agreed upon. Financial literacy training proposed to be undertaken under VITA will include a module highlighting the importance of savings and effecting transactions through banking system.
172. In addition, ADBL in collaboration with co-operative societies will provide remittance services in VITA project area and thereby significantly reduce the transaction cost of remittance recipients which in turn will encourage the recipients to withdraw remittance amount in smaller instalments and thereby increase their savings, even if transiently. This will help forming savings habit and forge closer relationship between the financial system and small farmers. While this service will serve clients both in Terai and hills, its need is more in the hills where only a very small part of the remittance income is saved.
173. **Agricultural insurance.** Government of Nepal (GoN) has been implementing crop and livestock insurance scheme which is subsidised by the government to the extent of 75% of the premium.<sup>19</sup> Overall, insurance coverage is higher for livestock than for the crops. Although participation in this insurance scheme is voluntary, there are some agricultural development schemes which make insurance compulsory. Despite these developments the penetration of agricultural insurance is severely limited, unless it has been made compulsory.
174. Responding to the felt need for making risk transfer mechanism available, ADBL has been helping framers implementing group/ community-based insurance scheme since 1980s<sup>20</sup>. Overall, farmers appear to be satisfied with the scheme.<sup>21</sup> Adoption of this scheme is not very widespread, however. Lack of information, *inter alia*, explain relatively low adoption rate. For very poor farmers, a community-/ group-based scheme is more attractive as they are more readily accessible, and they can see directly how the risk sharing mechanism operates in practice. VITA beneficiaries will be actively encouraged to opt for insurance coverage with options for choosing either the group-based insurance or the formal insurance. Since awareness continues to mar the expansion of insurance coverage, a module will eb added in the financial literacy package highlighting the benefits of insurance and options available with attendant cost.

### 3.2.3 Component 2 implementation arrangements

175. Overall coordination will be by the PMU. ADBL's SME and Agriculture Department will provide technical leadership supported by a fulltime agri-finance specialist attached

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<sup>19</sup> So far over 70 insurance products have been developed. Premium rate is fixed five percent to cost of production based and seven percent to value based insurance for most of crops and livestock except apple (8%), turmeric (5%), spring rice (5%), cereal seed multiplication (5%), fish pond (one percent), ostrich (2%) and broilers (1.25 percent). Coverage is up to 90% of the insured amount.

<sup>20</sup> Current provisions for livestock insurance charges a premium of 5%. Policies are issued on annual basis and are renewable. Limits have been set for the cost of type of animal and their age. Loss coverage is limited to 60% in first year, 70% in second year and 80% from third year onwards against the insured value. In case of epidemic and the funds available are not enough, claims are settled on proportionate basis as there is no provision for re-insurance. For crops premium rate has been set at 8% on yearly basis (for longer term crops). A maximum amount of coverage per farmer has been set along with fixed amount as cost of production and a minimum size. Compensation against loss is limited to a maxim of 80%.

<sup>21</sup> An impact study conducted by ADBL shows that the participants are highly satisfied (79%) or satisfied (18%). Some 73% of those participating find the scheme useful and of those incurring losses find getting compensation very easy (59%) or moderately easy (35%).

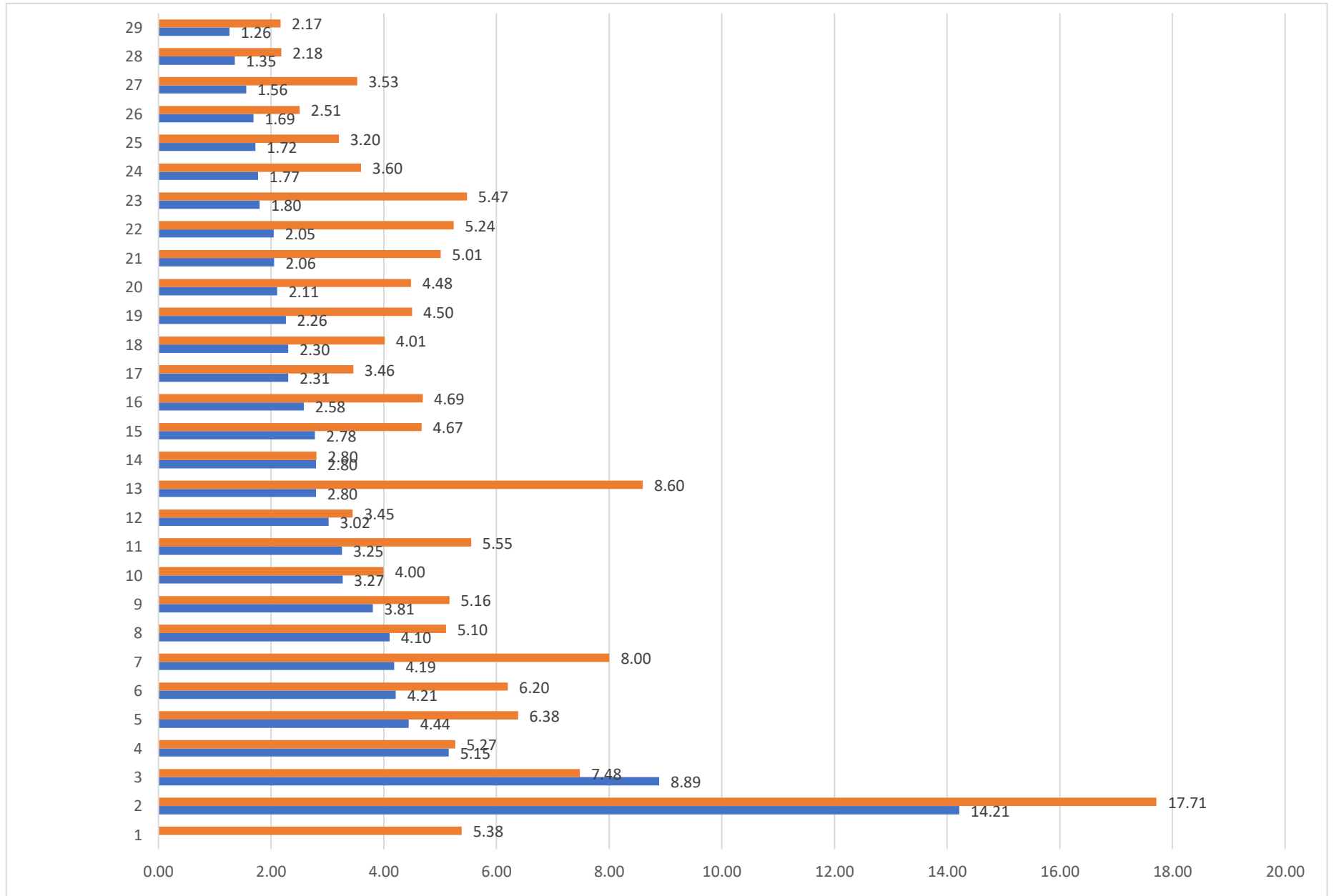


to the PMU. However, as primarily a lending operation the component will be mainstreamed in ADBL structures. As ADBL is already a wholesale lender to other financial institutions, the wholesale loans under VITA will be managed by the relevant departments in ADBL responsible for these activities. Similarly, the specific identified capacity development sub-project will be managed by the relevant departments – e.g. on Digital Bank – and accountable to the PMU. For capacity building activities with external partner financial institutions (PFI), the PMU will be responsible for coordinating these activities with the relevant PFI.

#### **3.2.4 Action Plan for first 18 months**

176. The proposed programme has been designed in a way that will ensure expedited start-up and implementation. To this end ADBL had set-up a PMU for supporting the design of the programme which will be converted into a PMU that will act as a co-ordinating unit during implementation phase as well. Early start-up will also be facilitated by this unit working on loan negotiations, loan signing and in fulfilling the conditions of loan effectiveness conditions and getting the Programme declared effective by IFAD. In view of this key activities have been listed for 5 months prior to the Loan Effectiveness and 18 months following that. A self-explanatory Gantt chart has been developed on that basis and presented in Annex Table 8.

**Annex Table 1: Percent Share of Individual Banks in Total Agricultural Credit of Commercial Banks**



**Annex Table 2: Unit Enterprise Cost and Financing**

	<b>Enterprise</b>	<b>Fixed Cost- NPR '000</b>	<b>Working Capital- NPR '000</b>	<b>Total cost NPR '000</b>	<b>Average Investment Cost/ Enterprise- US\$</b>	<b>Av Loan size - US\$</b>	<b>Description</b>
<b>1</b>	Vegetables - Terai	155	162	317	2830	2126	5 Kattha
<b>2</b>	Vegetables - Hills	180	60	240	2143	1554	1 Ropani, Tunnel (.075 Ha)
<b>3</b>	Seed Potato - Hills	160	105	160	1429	1750	7 Ropani (0.3ha)
<b>4</b>	Seed Potato - Terai	100	75	175	1563	1161	10 Kattha (0.3 ha)
<b>5</b>	Paddy seeds, Wheat - Terai	120	120	240	2143	1607	1 Ha
<b>6</b>	Banana	276	75	351	3131	2258	10 Kattha (0.3 ha)
<b>7</b>	Goats	150	15	165	1473	1045	5 Does unit
<b>8</b>	Dairy Buffalo	230	15	245	2188	1545	2 buffaloes unit
<b>9</b>	Aquaculture - New Ponds	227	68	294	2629	1901	5 Kattha (0.15 ha)
<b>10</b>	Aquaculture - Rehabilitation	163	61	224	2004	1457	5 Kattha (0.15 ha)
<b>11</b>	Aquaculture - Pond leasing	163	61	224	2004	1457	5 Kattha (0.15 ha)

**Annex Table 3: Indicative List of Enterprises and Phasing**

	Enterprises	No of Sub - projects						
		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Total
<b>A. Term Loan for Fixed Capital/ No of New Enterprises Inducted</b>								
1	Vegetables - Terai	1,500	2,000	3,000	3,000	3,000	3,000	15,500
2	Vegetables - Hills	2,000	3,000	4,000	5,000	6,000	5,000	25,000
3	Seed Potato - Hills	300	500	700	1,000	1,500	1,000	5,000
4	Seed Potato - Terai	1,000	1,500	2,000	2,500	2,500	2,500	12,000
5	Paddy seeds, Wheat - Terai	100	200	400	400	400	400	1,900
6	Banana	300	500	1,000	1,200	1,500	1,400	5,900
7	Goats	1,000	3,000	5,000	7,000	7,000	6,000	29,000
8	Dairy Buffalo	1,000	1,200	1,500	1,600	1,600	1,600	8,500
9	Aquaculture - New Ponds	500	1,000	1,200	1,200	1,500	1,500	6,900
##	Aquaculture - Rehabilitation	100	200	300	300	300	300	1,500
##	Aquaculture - Pond leasing	50	150	200	300	300	300	1,300
<b>Total Term loans</b>		<b>7,850</b>	<b>13,250</b>	<b>19,300</b>	<b>23,500</b>	<b>25,600</b>	<b>23,000</b>	<b>112,500</b>
<b>B. Short-term production loans and working capital, 2 years carry-over of customers</b>								
1	Vegetables - Terai	1,500	3,500	5,000	6,000	6,000	6,000	28,000
2	Vegetables - Hills	2,000	5,000	7,000	9,000	11,000	11,000	45,000
3	Seed Potato - Hills	300	800	1,200	1,700	2,500	2,500	9,000
4	Seed Potato - Terai	1,000	2,500	3,500	4,500	5,000	5,000	21,500
5	Paddy seeds, Wheat - Terai	100	300	600	800	800	800	3,400
6	Banana	300	800	1,500	2,200	2,700	2,900	10,400
7	Goats	1,000	4,000	8,000	12,000	14,000	13,000	52,000
8	Dairy Buffalo	1,000	2,200	2,700	3,100	3,200	3,200	15,400
9	Aquaculture - New Ponds	500	1,500	2,200	2,400	2,700	3,000	12,300
10	Aquaculture - Rehabilitation	100	300	500	600	600	600	2,700
11	Aquaculture - Pond leasing	50	200	350	500	600	600	2,300
<b>Total Short-Term Working Capital Sub-projects</b>		<b>7,850</b>	<b>21,100</b>	<b>32,550</b>	<b>42,800</b>	<b>49,100</b>	<b>48,600</b>	<b>202,000</b>

**Annex Table 4: Total Investment Cost for Enterprises**

*NPR Million*

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Total
<b>A. Term Loan for Fixed Capital/ No of New Enterprises Inducted</b>								
1	Vegetables - Terai	233	310	465	465	465	465	2,403
2	Vegetables - Hills	360	540	720	900	1,080	900	4,500
3	Seed Potato - Hills	48	80	112	160	240	160	800
4	Seed Potato - Terai	100	150	200	250	250	250	1,200
5	Paddy seeds, Wheat - Terai	12	24	48	48	48	48	228
6	Banana	83	138	276	331	413	386	1,626
7	Goats	150	450	750	1,050	1,050	900	4,350
8	Dairy Buffalo	230	276	345	368	368	368	1,955
9	Aquaculture - New Ponds	113	227	272	272	340	340	1,566
10	Aquaculture - Rehabilitation	16	33	49	49	49	49	245
11	Aquaculture - Pond leasing	8	24	33	49	49	49	212
<b>Total cost of enterprises</b>		<b>1353</b>	<b>2252</b>	<b>3270</b>	<b>3942</b>	<b>4353</b>	<b>3915</b>	<b>19,085</b>
<b>B. Short-term production loans and working capital, 2 years carry-over of customers</b>								
1	Vegetables - Terai	243	567	810	972	972	972	4,536
2	Vegetables - Hills	120	300	420	540	660	660	2,700
3	Seed Potato - Hills	48	128	192	272	400	400	1,440
4	Seed Potato - Terai	75	188	263	338	375	375	1,613
5	Paddy seeds, Wheat - Terai	12	36	72	96	96	96	408
6	Banana	23	60	113	165	203	218	780
7	Goats	15	60	120	180	210	195	780
8	Dairy Buffalo	15	33	41	47	48	48	231
9	Aquaculture - New Ponds	68	149	182	209	216	216	1,040
10	Aquaculture - Rehabilitation	6	18	31	37	37	37	165
11	Aquaculture - Pond leasing	3	12	21	31	37	37	141
<b>Total for Working Capital</b>		<b>627</b>	<b>1551</b>	<b>2264</b>	<b>2886</b>	<b>3253</b>	<b>3253</b>	<b>13,833</b>
<b>Total cost of sub-projects</b>		<b>1980</b>	<b>3803</b>	<b>5533</b>	<b>6828</b>	<b>7606</b>	<b>7168</b>	<b>32,918</b>

## Annex Table 5: Estimated Gross Credit Requirement

Proportion of Credit in Total Sub-project Cost in %

Short-term production loans and working Capital	70
Term loans for fixed capital	80

In NPR Million

Enterprises	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Total	
<b>A. Term Loan for Fixed Capital/ No of New Enterprises Inducted</b>								
1	Vegetables - Terai	163	217	326	326	326	1,682	
2	Vegetables - Hills	252	378	504	630	756	3,150	
3	Seed Potato - Hills	34	56	78	112	168	560	
4	Seed Potato - Terai	70	105	140	175	175	840	
5	Paddy seeds, Wheat - Terai	8	17	34	34	34	160	
6	Banana	58	96	193	232	289	1,138	
7	Goats	105	315	525	735	735	3,045	
8	Dairy Buffalo	161	193	242	258	258	1,369	
9	Aquaculture - New Ponds	79	159	191	191	238	1,096	
10	Aquaculture - Rehabilitation	11	23	34	34	34	171	
11	Aquaculture - Pond leasing	6	17	23	34	34	148	
<b>Total Gross Credit Requirement - Fixed Capital</b>		<b>947</b>	<b>1,576</b>	<b>2,289</b>	<b>2,759</b>	<b>3,047</b>	<b>2,741</b>	<b>13,359</b>
<b>B. Short-term production loans and working capital, 2 years carry-over of customers</b>								
1	Vegetables - Terai	194	454	648	778	778	3,629	
2	Vegetables - Hills	96	240	336	432	528	2,160	
3	Seed Potato - Hills	38	102	154	218	320	1,152	
4	Seed Potato - Terai	60	150	210	270	300	1,290	
5	Aquaculture- Fixed Capital	10	29	58	77	77	326	
6	Banana	18	48	90	132	162	624	
7	Goats	12	48	96	144	168	624	
8	Dairy Buffalo	12	26	32	37	38	185	
9	Aquaculture - New Ponds	54	119	146	167	173	832	
10	Aquaculture - Rehabilitation	5	15	25	29	29	132	
11	Aquaculture - Pond leasing	2	10	17	25	29	113	
<b>Total Gross Credit Requirement - Working Capital</b>		<b>502</b>	<b>1,241</b>	<b>1,811</b>	<b>2,309</b>	<b>2,602</b>	<b>2,602</b>	<b>11,067</b>
<b>Total Loans, Term Loan +WC</b>		<b>1,449</b>	<b>2,817</b>	<b>4,100</b>	<b>5,068</b>	<b>5,649</b>	<b>5,343</b>	<b>24,426</b>
<b>US\$ equivalent in million</b>		<b>13</b>	<b>25</b>	<b>37</b>	<b>45</b>	<b>50</b>	<b>48</b>	<b>218</b>

## Annex Table 6: Estimated Net Credit Requirement

### Proportion of Credit in Total Sub-project Cost in %

#### Short-term production loans and working Capital

#### Term loans for fixed capital

70	In NPR Million
80	

Enterprises		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Total
<b>A. Term Loan for Fixed Capital/ No of New Enterprises Inducted</b>								
1	Vegetables - Terai	163	217	326	326	326	326	1,682
2	Vegetables - Hills	252	378	504	630	756	630	3,150
3	Seed Potato - Hills	34	56	78	112	168	112	560
4	Seed Potato - Terai	70	105	140	175	175	175	840
5	Paddy seeds, Wheat - Terai	8	17	34	34	34	34	160
6	Banana	58	96	193	232	289	270	1,138
7	Goats	105	315	525	735	735	630	3,045
8	Dairy Buffalo	161	193	242	258	258	258	1,369
9	Aquaculture - New Ponds	79	159	191	191	238	238	1,096
10	Aquaculture - Rehabilitation	11	23	34	34	34	34	171
11	Aquaculture - Pond leasing	6	17	23	34	34	34	148
<b>Total Gross Credit Req-Term Loans NPR mn</b>		<b>947</b>	<b>1,576</b>	<b>2,289</b>	<b>2,759</b>	<b>3,047</b>	<b>2,741</b>	<b>13,359</b>
Total Gross Credit Req-Term Loans \$ mn		8.5	14.1	20.4	24.6	27.2	24.5	119.3
Amount disbursed - NPR Million		24	270	726	1391	2114	2569	7071
Total Amount Due - NPR million		24	270	726	1391	2114	2569	7071
Amount repaid - NPR million		23	255	691	1329	2029	2479	6782
Net Incremental credit		947	1322	1598	1430	1018	262	6577
Net Incremental credit - US\$ mn		8.5	11.8	14.3	12.8	9.1	2.3	58.7
Gross Loans Outstanding - NPR million		947	2269	3867	5297	6315	6577	
Of which, Credit risk fund provided per Year		0.7	8.1	21.8	41.7	63.4	77.1	
Credit risk fund, cumulative		0.7	8.8	30.6	72.3	135.8	212.8	
Credit risk fund, cumul as % of loans outstanding		0.1	0.4	0.8	1.4	2.2	3.3	
<b>B. Short-term production loans and working capital, 2 years carry-over of customers</b>								
1	Vegetables - Terai	194	454	648	778	778	778	3,629
2	Vegetables - Hills	96	240	336	432	528	528	2,160
3	Seed Potato - Hills	38	102	154	218	320	320	1,152
4	Seed Potato - Terai	60	150	210	270	300	300	1,290
5	Aquaculture- Fixed Capital	10	29	58	77	77	77	326
6	Banana	18	48	90	132	162	174	624
7	Goats	12	48	96	144	168	156	624
8	Dairy Buffalo	12	26	32	37	38	38	185
9	Aquaculture - New Ponds	54	119	146	167	173	173	832
10	Aquaculture - Rehabilitation	5	15	25	29	29	29	132
11	Aquaculture - Pond leasing	2	10	17	25	29	29	113
<b>Total Gross Credit Req - Working Capital- NPR mn</b>		<b>502</b>	<b>1,241</b>	<b>1,811</b>	<b>2,309</b>	<b>2,602</b>	<b>2,602</b>	<b>11,067</b>
Gross Credit Req - Working Capital US\$		4.5	11.1	16.2	20.6	23.2	23.2	98.8
Total Amount Due - NPR million		502	1241	1811	2309	2602	2602	11067
Amount repaid - NPR million		0	477	1181	1740	2247	2542	8186
Net incremental credit requirement - NPR		502	1266	1896	2464	2819	2880	
Net incremental credit requirement - US\$		4.5	11.3	16.9	22.0	25.2	25.7	
Gross loans outstanding		502	1266	1896	2464	2819	2880	
Of which, Credit risk fund provided per Year		0.0	10.0	24.8	36.2	46.2	52.0	
Credit risk fund, cumulative			10	35	71	117	169	
Credit risk fund, cumul as % of loans outstanding			0.8	1.8	2.9	4.2	5.9	
<b>TOTAL Portfolio</b>								
Gross Credit requirement-NPR mn		1449	2817	4100	5068	5649	5343	24426
Gross Credit requirement-NPR mn		12.9	25.2	36.6	45.2	50.4	47.7	218.1
Amount Due		37.1	295.4	762.6	1436.4	2164.6	2617.0	7288.9
Amount repaid - NPR million		525.9	1510.7	2537.0	3699.7	4716.6	5171.7	18137.4
Net incremental credit requirement - NPR		947.2	1798.2	2779.3	3169.5	3265.3	2803.7	14763.3
Net incremental credit requirement - US\$		510.2	1277.4	1909.8	2477.2	2828.5	2882.6	58.7
Gross Loans Outstanding - NPR million		1449.0	3534.4	5762.5	7761.3	9134.2	9457.3	
Of which, Credit risk fund provided per Year		0.7	18.1	46.6	78.0	109.6	129.1	
Credit risk fund, cumulative		0.7	18.9	65.5	143.4	253.0	382.1	
Credit risk fund as % of loans outstanding		0.05	0.53	1.14	1.85	2.77	4.04	

**Annex Table 7: Capacity enhancement and policy support**

SN	Description	Unit	No of Programmes								Unit cost- NPR'000	Total cost - NPR '000								
			Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Total	Yr-1		Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Total			
<b>A. Financial Systems Development (FSD) for Inclusive Value Chain Financing</b>																				
1	Extending outreach through branchless banking- ADBL																			
	One-time system development cost										Lumpsum	700	-	-	-	-	700			
	Hardware	POS machines		60	120	-	-	-	180		50	-	3,000	6,000	-	-	9,000			
	Training and awareness raising		-	60	120	-	-	30	210		15	-	900	1,800	-	-	450			
	Annual Maintenance cost (*10% of Hardware cost)												-	300	900	900	3,000			
	Sub-total for branchless banking								-		-	700	3,900	8,100	900	900	1,350			
2	Digitization and upgrading of Selected Agricultural Co-operatives and MFIs in project clusters			10	20	30	-		60		300	-	3,000	6,000	9,000	-	18,000			
3	ADBL-coordinated debit card service for cooperative society members in project clusters	No of Co-op	25	50	125	-	-		200		25	625	1,250	3,125	-	-	5,000			
Sub-total - FSD																				
												12,325	8,150	19,225	9,900	2,900	1,350	53,850		
<b>B. Credit and savings product adaptation and efficiency enhancement for inclusive value chain financing</b>																				
1	IT strategy development for inclusive value chain financing	Lump sum	1										5,000	-	-	-	5,000			
2	Credit and other financial product review and development	Pers-mth	6	2	1	2	1	2	14		400	2,400	800	400	800	400	5,600			
3	Software adaptation and development of a portal-based productivity enhancing IT tools for standardized loan processing	Lump sum										6,000	-	2,000	-	2,000	10,000			
Total for system enhancement												400	13,400	800	2,400	800	2,400	800	20,600	
<b>C. Staff Capacity Building of ADBL and PFIs, including Co-ops and MFIs</b>																				
SN	Description	Participants type	No of persons	No of Days	No of Programmes								Unit cost- NPR'000	Cots/year						Total Cost
					Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Total	Yr-1		Yr-2	Yr-3	Yr-4	Yr-5	Yr-6		
1	Strategic programme leadership building - including for staff turnovers	Top+Senior managers-HO+States	20	2	1	1	1	1	1	1	8	400	400	400	400	400	400	2,400		
2	Programme Orientation, including staff turnover	Province Mgr+Branch managers (BM)		2	4	6	2	2	2	2	20	300	1,200	1,800	600	600	600	5,400		
3	Business Officers Training, VCA, Enterprise selection & loan appraisal for specific value chains (Including staff turnover) PFIs, inc Coop+MFIs	Business Officers (BO)		7	40	35	45	30	20	18	188	100	4,000	3,500	4,500	3,000	2,000	1,750		
4	Business Officers Training - Refresher/-annual	Business Officers		2	-	40	35	45	30	20	170	30	-	1,200	1,050	1,350	900	5,100		
5	Annual Planning, monitoring, review and learning at Provincial level	BM+ BOs		3	3	5	5	5	4	4	23	400	1,200	2,000	2,000	2,000	1,600	10,400		
6	Domestic Exposure and Mutual learning visits	BMs+ Bos+ Prov Staff	10	5		5	7	8	8	8	36	600	-	3,000	4,200	4,800	4,800	21,600		
7	Regional International Exposure Visits	Top managers, PMs, BMs, BOs	15	10		1	1	1	1	1		3,000	-	3,000	3,000	3,000	3,000	15,000		
C. Sub-total for staff capacity building												4,830	6,800	14,900	15,750	15,150	13,300	12,750	78,650	



<b>Annex Table 7: Capacity enhancement and policy support, continued</b>																	
SN	Description	Unit	No of Programmes							Unit cost-NPR'000	Total cost - NPR '000						
			Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Total		Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Total
<b>D. Policy analyses and advocacy</b>																	
1	Study and Dissemination of Impact of Inclusive Value Chain Financing on reducing the real sector, including marketing, risks of small agri-entrepreneurs	LS			1					2,500	-	-	2,500	-	-	-	2,500
2	Efficacy of community-based risk sharing mechanism through group insurance	LS				1				2,000	-	-	-	2,000	-	-	2,000
3	Agricultural credit subsidisation and access of micro and small agri-entrepreneurs to institutional credit - evidences from the field	LS			1					2,500	-	-	2,500	-	-	-	2,500
Sub-total for policy analyses and advocacy											-	-	5,000	2,000	-	-	7,000
Total for Capacity enhancement and policy support - NPR '000											<b>32,525</b>	<b>23,850</b>	<b>42,375</b>	<b>27,850</b>	<b>18,600</b>	<b>14,900</b>	<b>160,100</b>
Total for Capacity enhancement and policy support - US\$ '000											<b>290</b>	<b>213</b>	<b>378</b>	<b>249</b>	<b>166</b>	<b>133</b>	<b>1,429</b>

**Annex Table 8: Action Plan for first 18 months following IFAD Board approval of VITA**

Activities	Month																						
	Prior to Loan Effectiveness					Subsequent to Loan Effectiveness																	
	1	2	3	4	5	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Preparation of Action Plan for Loan Signing & Effectiveness		■																					
Briefing to Top and Senior Management on Action Plan and approval		■																					
Review of loan effectiveness conditions and initiate actions on fulfilment			■	■																			
Drafting of Subsidiary loan agreement and discussion with MOF																							
Fulfilling conditions for loan signing & loan signing			■																				
Strengthening of Central PMU, MSME Division and Provincial Units				■																			
Final Selection of ADBL branches to be inducted in PY-1 in close consultation with co-financier/ implementing INGO				■																			
Fulfilment of loan effectiveness conditions and Declaration					■																		
Strategic programme leadership building workshop					■																		
Strengthening of selected branches through staff reallocation & recruitment (credit administration part)					■	■	■																
Finalisation of technical and cost norms for the enterprises under selected value chains					■																		
Review of existing loan process, loan products and adaptation					■	■	■																
IT strategy development for inclusive value chain financing Development of portal-based automated loan processing system					■	■	■																
Design of training curricula on loan processing, including on automated loan appraisal								■															
Request for proposal, selection and MOUs with PFIs								■	■	■	■	■	■	■	■	■							
Business Officers Training, VCA, Enterprise selection & loan appraisal for specific value chains (Including staff turnover) PFIs, inc Coop+MFIs									■														
Programme implementation Launch on the ground										■													
Selection of VC clusters for first year intervention											■	■											
Extending outreach through branchless banking- ADBL													■	■	■	■							
Digitization and upgrading of Selected Agricultural Co-operatives and MFIs in project clusters														■	■	■	■						
ADBL-coordinated debit card service for cooperative society members in project clusters															■	■	■						
First Annual Planning and monitoring - review of PY-1 activities and planning for PY-2 activities																	■						
Domestic exposure visits to successful value chain programmes																■	■						
Recruitment of credit staff																	■	■					
2nd batch of training on VCA and loan appraisal																		■					
Selection of final list of branches																			■				
Selection of VC clusters for 2nd year intervention																				■	■		
Launch of programme in 2nd year clusters																						■	■

### 3.3 Component 3: Supply Chains Infrastructure

177. To improve supply chain efficiency, the enabling environment, and reduce the risks and impacts of changing weather patterns and climate conditions, VITA will invest in critical supply chain infrastructure prioritized via the MSP processes at corridor and regional level (which includes climate risk assessments and integration of measures to strengthen the infrastructure against changing weather patterns and climate conditions). Three types of infrastructure to be supported include:

- (a) Window 1: Regional wholesale markets serving the wider supply chain of supported commodities across multiple districts and the state. The programme will support up to 1 such market in each of states 2, 3 and 5. Sub-project implementors will be the state authorities.
- (b) Window 2: Satellite wholesale markets serving one or more municipalities in a supported road corridor to improve the aggregation and sale of products from clusters out to larger regional and wholesale markets. The programme expects to support networks of 5-8 satellite markets in each of states 2, 3 and 5. Sub-project implementors will be individual municipal authorities or consortia of municipal authorities in programme districts.
- (c) Window 3: Small-scale community infrastructure, including small-scale productive and multi-use water and irrigation schemes for crops and livestock (< 5 Ha. each) and upgrading farm access roads (under 10 km each). The number and mix of community infrastructure will be based on the needs identified through the various corridor-level MSP processes. Sub-project implementors will be registered producer groups or co-operatives participating in the MSP or the host municipality authorities on their behalf.

178. All infrastructure will apply locally relevant climate smart design principles and practices. Furthermore, due to COVID-19, the design of new market infrastructure will also take into account the likely need for greater physical spaces as well as improved hygiene facilities in physical markets and other changes to market operating practices to reduce the risk of markets becoming centres of transmission.

179. Increased variability of rainfall due to climate change has been identified as a specific risk to small-scale producers. Investments in multi-use water systems, infield water harvesting, water catchment pond, including for livestock and domestic purposes, and small-scale irrigation for crops are specially intended to mitigate these risks by reducing reliance on purely rainfed production systems. Similarly, improved farm access roads will further reduce risks from periods of more intensive rainfall disrupting the ability to get produce to market, especially during the monsoon season.

180. VITA will work with market management board and local authorities to develop and execute solid waste management plans. The program will support on capacity building to the stakeholders on recycling and reuse of waste generated during production to processing and to make the bio-compost (Annex ...).

181. **VITA funding share:** Based on recent experience in Nepal, including discussion with state and municipal government on the availability and interest in co-financing similar types of investment, the following levels are proposed for the maximum share of VITA finance for each sub-project:

- (a) Window 1: 75%
- (b) Window 2: 60%
- (c) Window 3: 85%

182. **Phasing of Windows and sub-projects:** Prioritization of infrastructure needs for each local supply chain will be via the MSPs for all 3 windows and be based on actual needs to enable growth. Investments in wholesale market infrastructure will be required once there is clear growth in the supply chains in the concerned corridors. Investment in community-scale productive infrastructure are likely to be needed up-front in order to drive growth. Windows will be phased-in with growth of the local

supply chains in each corridor. At the programme level, the following phasing will apply:

Window 1 and 2: will operate from the beginning of Year 3 onwards, unless approved in advance on an exception basis case by case by the PSC and IFAD

Window 3 will operate from the beginning of the programme but will open in each commodity corridor 3 months after the first MSPs have been completed.

183. An estimated schedule of the type and number of sub-projects is shown below. The number, timing and unit costs of each type of sub-project is subject to change based on specific demands confirmed via each MSP.

	Unit	Quantities						Unit Cost (US\$)	
		Yr1	Yr2	Yr3	Yr4	Yr5	Yr6		Total
<b>I. Investment Costs</b>									
<b>A. Civil Works</b>									
Integrated Market	Number	-	-	2	1	-	-	3	2,608,695
Satellite Market	Number	-	-	15	15	-	-	30	313,044
Rural Roads	Km	-	25	25	25	-	-	75	60,600
Irrigation / water scheme	ha.	-	300	300	300	-	-	900	4,200

184. **Technical assistance** to state and municipal authorities will be provided through the component budgets to support them on the technical design of the associated works, including incorporation of climate proof design principles. In addition, the component may support municipalities to develop their infrastructure master plan subject to requests from the municipal authorities to do so and available resources within the component.

185. **Modalities:** The Component will operate as a financing facility available to eligible sub-project implementers. Sub-project implementers awarded works will be fully responsible for the implementation of all aspects of the works. The programme will hire appropriate technical staff to conduct site inspections to supervise works and for payment release purposes. In the case of municipal authorities, the programme will additionally offer capacity building support as necessary to raise the permanent capacity of the local authorities and their staff to implement such works.

186. For regional and satellite wholesale markets, VITA will finance up to 75% of approved costs with the balance financed by sub-project implementers or other sources. Financing will be on a reimbursement basis with verified physical and financial progress against payment milestones. For small-scale community infrastructure VITA will finance up to 85% of the approved costs.

187. Eligible sub-project implementers may submit EoIs for sub-projects to the LPA. EoIs meeting the eligibility criteria will be ranked against an agreed set of criteria, linked to their contribution to the programme's development objectives and key performance indicators. Within the limits of available funding for each round, the highest ranked EoIs for each category of infrastructure will be invited to submit fully costed technical designs alongside a clear business case and rationale for the sub-project. The programme will contribute to the costs of necessary technical assistance to the sub-project implementers to develop the detailed proposals to the required standard. Detailed design will be evaluated by the LPA, with evaluation sub-contracted out as necessary, and those confirmed as meeting the agreed criteria will then be approved by the LPA for full implementation by the respective sub-project implementer. All procurement and contracting of design and works will be the responsibility of the assigned sub-project implementer.

188. **Implementation of component 3.** The LPA will appoint a small team of technical advisors, including engineers, overseers and procurement specialists to oversee the component. They will coordinate the evaluation of all Expressions of Interest (EoI) and technical review of the detailed designs and proposal. The Component team will include staff at both PMU and state level who will carry out site inspection of the proposed sites and actual works to authorize payment release. The PMU staff will be recruited from the

start of Yr1, while the staff at Provincial offices will be in post by the time the first Windows open.

189. The infrastructure team will comprise:

PMU

(a) Infrastructure Specialist x1

(b) Infrastructure Procurement Specialist x1

Provincial offices (five)

(c) Sub Engineer / Overseer x5 (1 per office)

190. **Infrastructure Facility Guidelines.** A detailed Guidelines will be prepared by the PMU Infrastructure team to set out all technical, fiduciary and operational aspects and norms. Care will be taken when preparing the guidelines to ensure that they are fully aligned with the evolving practices and spirit of operation of the funding of such works in the federal context. The Guidelines will be approved by the PSC and subject to no-objection approval from IFAD.

191. Financial management and procurement procedures within the guidelines will be consistent with those set out in the approved PIM for VITA.

## Part 3: Implementation arrangements

### 4 Programme governance and management

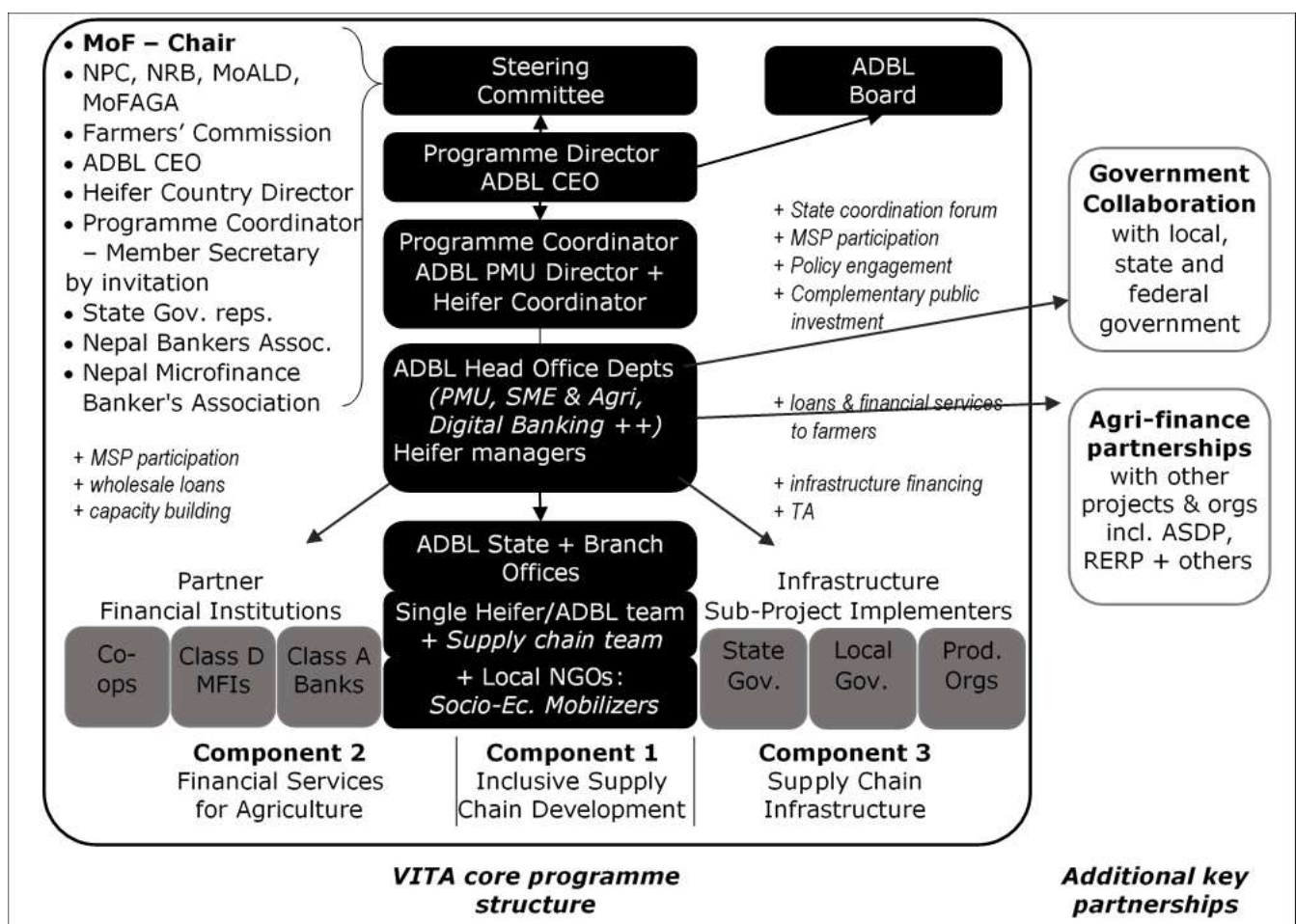
#### 4.1 Institutional framework

192. A **Programme Steering Committee** will provide overall policy guidance, coordination and supervision.
193. The **Lead Programme Agency** (LPA) will be the ADBL, on behalf of the GON, responsible for achievement of the programme development objectives and overall performance of the programme. The dedicated Programme Management Unit (PMU) of ADBL, reporting directly to the Chief Executive Officer, will lead overall programme implementation. The LPA will lead implementation of all aspects of the Component 1 and 2. Within this, it will act as a wholesale lender providing wholesale loans for term financing to PFIs participate in the programme. Within ADBL, programme implementation will be mainstreamed in its organizational structures, supplemented where necessary with targeted technical assistance and additional human resources. For Component 3, LPA will provide overall coordination, monitoring and reporting while infrastructure sub-projects will be implemented by sub-project implementers (see below).
194. The **Implementing Partner** will be Heifer Nepal, on behalf of Heifer, as a co-financier and full implementing partner particularly on Component 1 on aspects of socio-economic mobilization and supply chain development as well providing parallel financing towards the costs of their activities within VITA.
195. **Partner Financial Institutions** (PFIs), including Class A and Class D regulated institutions, will be eligible to apply for wholesale loans under the programme, to increase availability of term financing to small farmers and MSMEs in the sector, and supported supply chains in particular. PFIs will be expected to be active participants in the MSPs in each supply chain. PFIs will also be eligible to receive capacity building support for building their competence in offering appropriate rural financial services (Component 2).
196. It is noted that banks and financial service providers will be proactively encouraged to participate in the MSPs and offer financial services to small-scale producers and businesses in the supported supply chains regardless of whether they are in receipt of wholesale financing or capacity building support under Component 2 of the programme.
197. **State and municipal governments** will be key partners to the programme, both for overall coordination within programme locations and, importantly, in coordinated investment in supply chain infrastructure in support of local supply chain development. State-level coordination committees will be established between the programme and local stakeholders, including State and Municipal authorities in each State and meet at least annually. In addition, the programme will put in places MoUs signed between the LPA and the relevant government bodies. In addition, representatives from State and Municipal authorities will be active participants of the MSP processes in each supply chain. The MSPs will be a key mechanism for achieving practical coordination and harmonization of public support. The programme will provide capacity building support to municipal authorities so they can internalize the VITA approach. For Component 3, State and Municipal government will be eligible sub-project implementers.
198. **Sub-project implementers** for infrastructure sub-projects (Comp 3) will sign agreements with the LPA to implement the approved sub-projects Procurement and contracting of design and works for each sub-project will be the responsibility of the assigned sub-project implementer.
199. Sub-project implementers for each of the three types of infrastructure will be:  
**State authorities for regional wholesale market infrastructure,**

Municipal authorities, and/or consortia of Municipal authorities, for satellite market infrastructure, and

Municipal authorities and registered producer groups/co-operatives for small-scale community infrastructure, including small-scale irrigation and water infrastructure and upgrading of farm access road.

200. **Partnerships with other projects and organizations.** Federal government programmes, especially those of MoALD focused on market and value chain development (including ASDP (State 6)) and RERP (States 1 and 2), will be key partners to ensure coordinated investments in supported supply chains. Similarly, partnerships with other programmes and organizations beyond government will also be developed, as appropriate. As open rolling platforms, the multi-stakeholder platforms in each supply chain are a key mechanism for practical coordination and harmonization among the numerous federal investment programmes in support of the priorities of the supply chain actors themselves.



## 4.2 Programme Steering Committee

### Mandate

201. The Programme Steering Committee (PSC) is established by the Government of Nepal to ensure overall execution of the Programme and effective coordination and cooperation among key stakeholder including: small-scale producers, farmer organizations, the private sector and government agencies.

202. The PSC will provide overall policy guidance, coordination and supervision of programme delivery. It will serve as the decision maker for strategic direction of the Programme, including approval of the Annual Work Plan and Budget (AWPB).
203. The PSC will periodically review performance against the specified Programme Goal and Development Objectives and ensures any required remedial actions are taken to ensure these objectives are met.

### **Membership**

204. Regular Members of the Steering Committee will include representatives of:

- (a) MoF – Chair, [Position to be confirmed]
- (b) National Planning Commission (NPC) - representative
- (c) Nepal Rastra Bank – [Executive Director of Research Department]
- (d) Ministry of Agriculture and Livestock Development – [Secretary]
- (e) Ministry of Federal Affairs and General Administration (MoFAGA) - representative
- (f) Farmers Commission representative
- (g) ADBL CEO
- (h) Heifer Nepal – Country Director
- (i) VITA Programme Coordinator (ADBL PMU Director) as member secretary.

205. Invite members shall include representatives of:

- (a) States 2,3 and 5 MoLMACs and State Planning Commissions
- (b) Nepal Bankers Association
- (c) Nepal Microfinance Banker's Association
- (d) Federation of Nepalese Chambers of Commerce and Industry

### **PSC Meetings**

206. Meetings will be held twice per year as a minimum with further meetings as required.

### **Responsibilities**

207. The main responsibilities of the PSC will be:

#### **Policy guidance and harmonization**

- (a) Ensure complementarity between the Programme and key government strategies, initiatives and other programmes for the efficient use of programme resources;
- (b) Provide a supportive public policy framework and guidelines for efficient programme implementation and supporting the resolution of any issues with the relevant institutions;
- (c) Ensure timely provision of government counterpart funds, in line with Programme needs as defined by annual work plans and budgets.
- (d) Ensure effective coordination between relevant authorities at federal, state and municipal level in support of programme delivery and instilling a system of accountability for performance and proper use of resources at all levels;
- (e) Facilitate effective coordination and information sharing between VITA and other government and donor-funded programmes and projects through annual review workshops and drawing upon and sharing of policy forums and communication facilities;
- (f) Business enabling environment strengthening for private sector engagement in agriculture: Soliciting/proposing amendments to regulations and policies for government approval, where needed, to facilitate implementation of the Programme, especially in regard to private sector engagement in the targeted supply chains and agriculture sector in general;

#### **Supervision**



- (g) Review and approval of key programme guidelines, including the Programme Implementation Manual
- (h) Review and approval of annual work plans and budgets (AWPBs);
- (i) Periodically review performance against the specified Programme Goal and Development Objectives and ensures any required remedial actions are taken to ensure these objectives are met;
- (j) Co-ordinate with IFAD and Heifer, as donors, to conduct annual Joint Supervision and Mid Term review missions of the programme and agree actions to be taken based on the findings of these missions.
- (k) Interfacing between PCO and MoAD/Ministry of Agriculture or equivalent for State 6 on matters of policy formulation, revision and implementation, with a view to ensure effective implementation of the Programme.

### **4.3 Programme Management Unit**

208. The Project Management Unit of ADBL will serve as the VITA Programme Management Unit, led by the ADBL PMU Director who will serve as the VITA Programme Coordinator. Staff of ADBL and Heifer will work together in a single PMU.
209. The PMU will report to the Programme Director, who will be the CEO of ADBL. The PMU will be responsible for all aspects of programme management and reporting on behalf of the LPA. The PMU will work closely with the heads of the relevant departments in ADBL Head Office and the Regional Directors in the five regional offices overseeing VITA field activities.
210. Key staff in the PMU include:
- (a) VITA Programme Coordinator (ADBL PMU Director)
  - (b) Programme Chief Finance Officer (deputed from ADBL)
  - (c) Accounts Assistant
  - (d) Monitoring and Evaluation Specialist
  - (e) Planning, M&E officer (Heifer)
  - (f) Targeting, Gender & Social Inclusion Specialist
  - (g) Socio-economic Mobilization Expert (Heifer) – with responsibility for nutrition
  - (h) Supply Chain Focal Person Coordinator at HO (in ADBL MSME Department)
  - (i) Supply Chain Focal Person Officer at HO (in ADBL MSME Department)
  - (j) Agricultural Value Chain Financing Expert
  - (k) Climate Smart Agricultural Finance Specialist
  - (l) Digital Banking Expert
  - (m) Assistant Finance Officer
  - (n) Infrastructure Specialist
  - (o) Infrastructure Procurement Specialist
211. The PMU will be supported by the following senior staff in Heifer on a part time basis:
- (a) Program Director
  - (b) Finance Director
  - (c) Senior Manager PM&E
  - (d) Knowledge management manager
212. The organizational structure of the full programme team is illustrated in the figure below. Terms of reference for all key posts are attached as an Annex to this PIM.

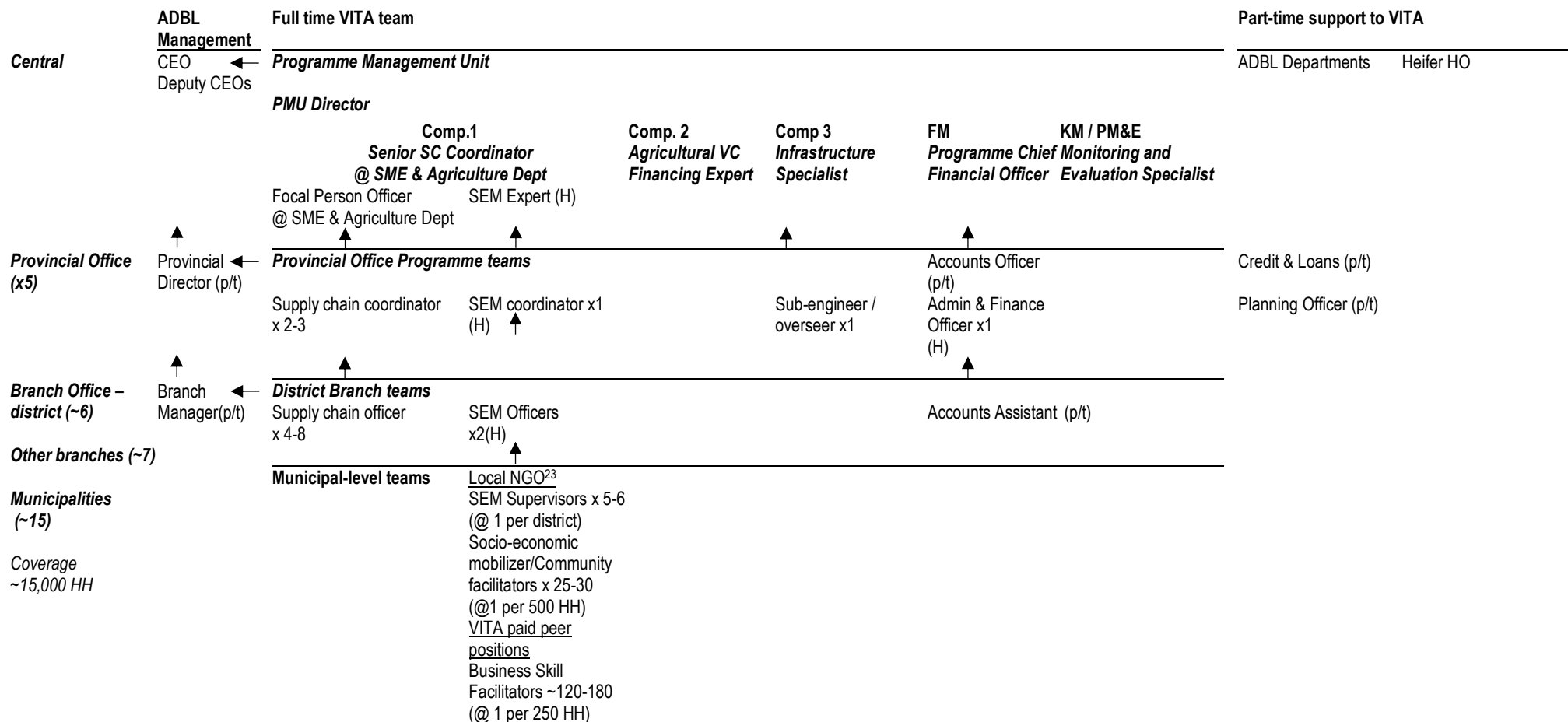
**VITA whole programme team structure:** Matrix reporting for all VITA staff – i) via regular ADBL management line (horizontal) ii) via component/technical line in VITA (vertical)

	ADBL Management	Full time VITA team				Part-time support to VITA	
Central		Programme Management Unit				ADBL Departments	Heifer (H)
	CEO (10%) Deputy CEOs (x2, 10%)	<b>PMU Director</b>					Country Director Program Directors (x2, 40%)
		<b>Comp.1</b> <b>Senior SC Coordinator</b> <b>@ SME &amp; Agriculture Dept</b>	<b>Comp. 2</b> <b>Agricultural VC</b> <b>Financing Expert</b>	<b>Comp 3</b> <b>Infrastructure</b> <b>Specialist</b>	<b>FM</b> <b>Programme Chief Monitoring and</b> <b>Financial Officer</b>	<b>KM / PM&amp;E</b> <b>Evaluation Specialist</b>	
		Focal Person Officer @ SME & Agriculture Dept.	Targeting/GESI Specialist SEM Expert (H)	Digital Banking Expert Climate Smart Agri- finance Specialist Assistant Finance Officer	Infrastructure Procurement officer Accounts Assistant PM&E officer (H)	KM manager (50%) (H)	SME & Agri (25%) Digital Banking Credit (x3, 15%) HR & Training Finance / Procurement IT / MIS Communications
		<b>Provincial Office Programme teams</b>					
<b>Provincial Office (x5)</b>	Provincial Director (x5, 10%)	Supply chain coordinator x 12	SEM coordinator x5 (H)	Sub-engineer / overseer x5	Admin & Finance Officer x3 (H)		Credit & Loans (x3, 15%) Finance Officer (x3, 15%) Planning officer (25%)
		<b>District &amp; Municipal Level Branch teams</b>					
<b>Branch Office – district (x28)</b>	Branch Manager (x90, 15%)	Supply chain officer x 28	SEM Officers x10 (H)				Accounts Assistant (x90, 15%) Credit & Loans (x90, 15%) Planning officer (x5, 25%)
<b>Other branches (x62)</b>							
		<b>Municipal-level teams</b>		<b>Local NGO<sup>22</sup></b>			
<b>Municipalities (~90)</b>			SEM Supervisors x28 (@ 1 per district)				
Coverage ~75,000 HH			Socio-economic mobilizer/Community facilitators ~150 (@1 per 500 HH)				
			<u>VITA paid peer positions</u> Business Skill Facilitators ~750 (@ 1 per 100 HH)				

<sup>22</sup> Staff levels/coverage for LNGOs still to be agreed. Numbers are based on initial planning assumptions.

## VITA Team Structure – per Provincial Office (x5)

Matrix reporting for all VITA staff – i) via regular ADBL management line (horizontal) ii) via component/technical line in VITA (vertical)



<sup>23</sup> Staff levels/coverage for LNGOs still to be agreed. Numbers are based on initial planning assumptions.

#### **4.4 State / Municipality Coordination Forum**

214. In each of the three focus states, and all supported municipalities, the programme will organize a regular Coordination Forum among relevant stakeholders. The Supply chain team will lead this at the state level while the local NGO partners under Heifer will lead this at the municipality level.
215. At the state level, membership is expected to include, as a minimum, representatives of:
- (a) Ministry of Land Management, Agriculture and Cooperatives
  - (b) State Planning Commission:
  - (c) State Chamber of Commerce and Industry
  - (d) Municipal government where VITA is active
  - (e) Other major investment programmes of relevance
  - (f) Partner banks and financial institutions
216. At the municipality level, membership is expected to include
- (a) Local elected leaders
  - (b) Technical staff of the municipality responsible for economy and agriculture
  - (c) Representatives of all producer organization from the municipality supported by VITA
- By invitation
- (d) Representative of other investment projects and programmes working in the municipality on related issues
  - (e) Representatives of State MOLMAC, including local service centres (AKCs//VHLSSC)
  - (f) Private sectors buyers and services providers working with producers in the municipality
217. The Coordination Forum should meet twice per year.
218. The purposes of the CF is to:
- (a) Review progress in programme activities in the previous period
  - (b) Identify emerging opportunities and issues in achieving programme development objectives in the state/municipality
  - (c) Share information on potentially complementary investment plans and activities of the local authorities and others
  - (d) Agree priority actions to be taken during the following period.

## 5 Planning, Monitoring & Evaluation and Knowledge Management

### Contents

Part A. Planning.....	61
Part B. Monitoring and Evaluation.....	63
1) Key definitions and M&E system overview .....	63
A) Key terms and definitions .....	63
B) Purpose of the M&E system .....	65
C) Overview of the M&E system .....	65
a) Monitoring of implementation performance and outreach.....	66
b) Measuring outcomes and impact.....	66
c) Risks' monitoring.....	67
d) Performance targets and results' indicators .....	68
e) The IFAD ORMS.....	68
f) Key M&E actors .....	68
2) Detailed M&E tools and processes .....	70
A) Tools and processes for the monitoring of execution .....	70
a) Data collection tools .....	70
i) Producers' groups' records .....	70
ii) Service providers' and implementation partners' records and reports.....	70
iii) Business Skills facilitators and Socio-economic Mobilizers' records.....	70
iv) ADBL MIS and loan applications .....	71
v) Contractors' reports .....	71
b) Performance evaluation .....	71
c) Data verification .....	72
B) Tools and processes for the measurement of outcomes and impact .....	72
a) Data collection tools .....	72
i) Farmers' diaries .....	74
ii) Baseline surveys.....	74
iii) Mid-term and completion surveys.....	76
iv) Annual cluster tracking surveys.....	77
v) Other thematic surveys .....	77
b) Performance evaluation .....	78
3) Information Management and Reporting .....	79
A) Detailed data requirements .....	79
B) Management Information System (MIS) .....	82
C) Reporting .....	83
Part C. Knowledge Management and Communication.....	85
Annex 1 – VITA Detailed Logframe .....	123
Annex 2 - VITA Theory of Change .....	130
Annex 3 - Monitoring and Evaluation Matrix .....	130
Annex 4 – AWPB Template - Narrative part (Part 1).....	131
Annex 5 - PTBA Template – Part 2 .....	133
Annex 6– AWPB Implementation Monitoring Template.....	134
Annex 7 – Output Monitoring Tables .....	135
Training Monitoring Table .....	135
SDF and other Grant Windows – Monitoring Tables.....	136

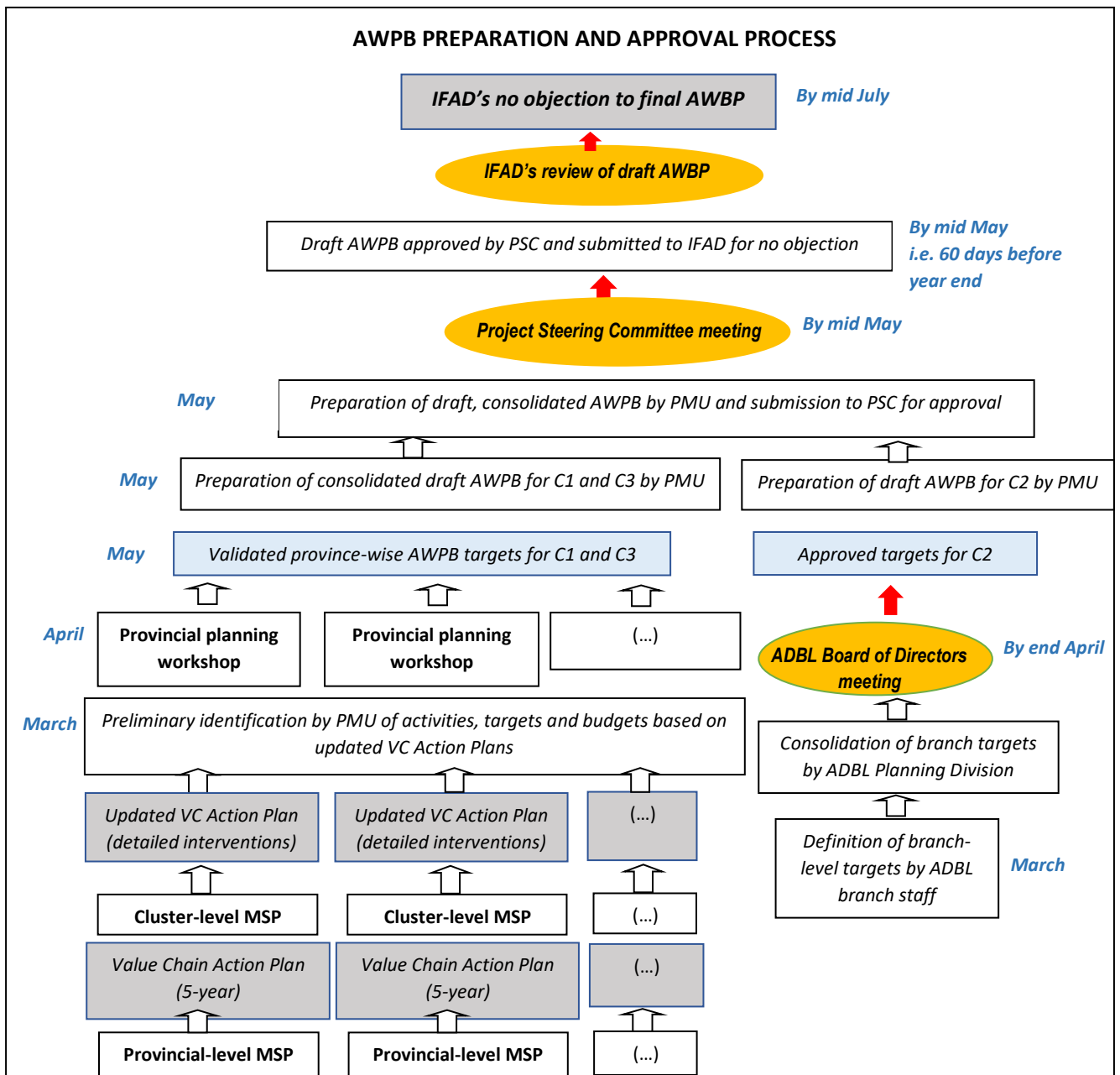
Infrastructure Construction Monitoring Tables .....	137
Outreach Monitoring Table.....	138
Annex 8 – Quarterly Progress Report Outline.....	139
Annex 9 – Annual Progress Report Outline .....	140
Annex 10 – Guidelines for ORMS Indicators Reporting .....	142
Annex 11 – Project Completion Review Guidelines and Report Outline .....	144
A) PROJECT COMPLETION REVIEW GUIDELINES .....	144
B) ANNOTATED OUTLINE FOR PROJECT COMPLETION REPORTS.....	151
Annex 12– Draft TOR for the Baseline Survey.....	156
Annex 13 – Conducting Key Informant Interviews .....	159
Annex 14 – Conducting Focus Group Discussions.....	163
Annex 15 – Data Collection Forms – Draft Templates .....	168
Training Participants’ list.....	168
B2B Meetings’ Minutes.....	169
Multi-Stakeholders’ Cluster Meeting - Minutes.....	170
Cluster Profile Template .....	172
Farmers’ Group Profile Template.....	174
Dairy Farmers Diaries – Tentative template .....	179
Annex 16– M&E Specialist and KM Expert (Draft).....	180
Annex 17 - ESMP Matrix.....	181

## 5.1 Part A. Planning

219. A rigorous planning process that clearly identifies the concrete outputs (or physical targets) to be produced in the next 12 months in pursuit of overall project objectives, the activities to be implemented in order to deliver these outputs and the financial resources (or financial targets) required, will be the starting point for the sound management and monitoring of project execution. To this end, the PMU will use the AWPB template (see Annex 1) that was designed as a tool for results-based management.
220. While the first AWPB (which shall include an 18-month procurement plan) will be prepared by the PMU at the start of project implementation, the subsequent AWPB shall be prepared each year towards the end of the on-going fiscal year for submission to IFAD 60 days before the end of the fiscal year. Once developed, the AWPB shall be approved by the Project Steering Committee and shall receive the “no objection” from IFAD before the end of the fiscal year. It may be revised in the course of the year upon receiving another “no objection” from IFAD.
221. The key reference for the preparation of the first AWPB will be: (i) the project Logframe, which summarizes and quantifies the key results to be achieved before project completion; and (ii) the Cost Tables included in the Project Design Document (PDD), which provide an indicative project budget break down by years and components and for each activity with quantity and unit cost. Both documents, however, do not constitute a rigid blueprint. As implementation progresses, these expenditure estimates become increasingly obsolete, in particular unit costs, and some planned activities may need to be changed, or new ones added. The original project Log-frame and Cost Tables may therefore need to be revised at mid-term, upon the recommendations of the Mid-Term Review and upon IFAD’s approval.
222. After the first year, the preparation of subsequent AWPBs shall follow an iterative, two-pronged process, as follows:
223. **Component 1, 3 and Programme Management:** The PMU will adopt a rolling planning process for the planning of C1 and 3 activities, with annual activities being identified based on the content of newly developed or revised VC Action Plans. The

VC Action Plans of a duration of 3 years shall thus include a multiyear breakdown of key activities and investments that will need to be financed from VITA budget. Towards the end of a given fiscal year, the content of new and updated VC Action Plans will be analysed and consolidated by the PMU, the result being a draft AWPB for C1 and C3. This draft AWPB will be reviewed and discussed during provincial-level planning workshops, with the consultation of key local implementers and stakeholders (municipality staff, private sector partners, etc.) before initial validation. The content of this draft AWPB will mostly concern targets for the number of farmers and farmers' groups to be supported; infrastructure to be constructed; capacity building activities for beneficiaries, Bank and PMU staff; other hard and soft activities to be financed from the various project funds; human resources requirements and other inputs required for the PMU, etc.

224. **Component 2:** For Component 2, planning will follow the standard ADBL planning process, with tentative lending targets for the IFAD financing window being specifically defined at the local branch level by the branch Planning Team, based on VC needs and projections under Component 1 and alongside the other branch targets (i.e. for ADBL own resources and standard business). These tentative targets for VITA loan windows will be reviewed as per ADBL normal process, first by the Regional Planning Team and ultimately by the Planning Division, before final approval by ADBL Board of Directors by end June each year. These approved targets will then be the basis for developing the draft AWPB for C2, which will mostly concern targets related to the number of branch clients and the volume of VITA funds to be on-lent to these clients.
225. The two draft AWPB will be consolidated for the preparation of the final draft AWPB covering all Components and PMU costs and using the template in Annex 5. The document shall clearly, identify, for each Component:
- the detailed outputs and related physical targets to be achieved in all localities,
  - the key activities, sub-activities and inputs required in order to deliver planned outputs,
  - the timetable for implementation of key activities,
  - the name of the staff or partners responsible for each activity and sub-activity,
  - the financial resources (or financial targets) required for implementing activities and acquiring planned inputs.
226. The version forwarded to the Project Steering Committee and IFAD for approval should include a narrative part, in addition to the Excel tables, describing the implementation context, key results achieved to date and rationale for proposed activities and implementing arrangements (see Annex 4).
227. The process for developing and AWPB is described in the next chart.



## 5.2 Monitoring and Evaluation

### 5.2.1 Key definitions and M&E system overview

#### Key terms and definitions

**Accountability:** Obligation to demonstrate that work has been conducted and resources spent in compliance with agreed rules and standards or to report fairly and accurately on performance results vis à vis mandated roles and/or plans.

**Activity:** Action taken, or work performed, through which inputs such as funds, technical assistance and other types of resources, are mobilized to produce specific outputs.

**Assumptions:** Hypotheses about external factors that may influence the progress or success of a development intervention.



**Attribution:** The ascription of a causal link between observed changes (or changes expected to be observed) and a specific intervention.

**Baseline study:** Quantitative survey or analysis describing the situation prior to a development intervention, against which progress can be measured at project completion.

**Beneficiaries:** The individuals, groups, or organizations that benefit from the development intervention. Direct beneficiaries are usually those specifically targeted and reached by the project, but they may also include some individuals not specifically targeted but still benefiting directly from project interventions (e.g. the households in locations not targeted by the project, but who will benefit from a road newly constructed by the project for other beneficiaries). Indirect beneficiaries are those who are not targeted by the project but may indirectly benefit from its implementation (for example the shopkeepers in targeted locations who will increase their sales and revenues because project beneficiaries have increased their incomes).

**Efficiency:** Extent to which resources (funds, expertise, time, etc.) are converted into results in an efficient way.

**Effectiveness:** Extent to which the objectives of an intervention/project have been/are being achieved, as measured by concrete development results.

**Evaluation:** Process of reflection and analysis in order to assess if the human, technical, legal, administrative and financial resources mobilized by a development project have produced the desired results and achieved agreed objectives. The assessment usually focuses on determining the relevance, efficiency, effectiveness and sustainability of project interventions and aims at the generation of lessons learned.

**Impacts:** Long-term effects or changes, positive and negative, intended or not, produced by a development intervention, directly or indirectly.

**Indicator:** Quantitative or qualitative factor or variable that provides a simple and reliable means to measure the outcomes of an intervention or to monitor implementation performance and success.

**Lessons learned:** Generalizations based on experience and learning that can be applied in the design of new projects with similar objectives or circumstances, or to improve the approaches followed by an on-going project. Frequently, lessons learnt relate to design or implementation features that have ensured success, or explain failure, and to the factors that have influenced performance or results.

**Logical Framework Matrix (Logframe):** Matrix developed during the design of a development project in order to succinctly present: (i) the expected project results (impact, outcomes, outputs), (ii) performance indicators used to measure if expected results were reached; (iii) sources of information or data collection methods for performance indicators; and (iv) external factors (risks) that may affect the success of interventions. It is a results-based management tool that is the foundation of the project M&E system and serves as an accountability framework.

**Monitoring:** The continuous process of collecting and processing information that relates to implementation processes. This is an internal function that supports project management and aims at the continuous assessment of implementation performance and results through the systematic collection and analysis of data.

**Outputs:** The capital goods and services resulting from a development intervention and delivered to targeted beneficiaries.

**Outreach:** An activity of providing services to any populations who might not otherwise have access to those services; or the number of project beneficiaries effectively reached by a development project.

**Outcomes:** Immediate effects or results of a development intervention in terms of short-term changes induced in beneficiaries' behaviors (e.g. improved capacities, adoption of new practices) or in the opportunities available to them (e.g. improved access to water).

**Performance Indicator:** Indicator relevant to measure performance in attaining planned targets or results.

**Performance monitoring:** The continuous collection and analysis of information and data aiming at the assessment of implementation progress and the measurement of results achieved against set targets or agreed standards.

**Results-based Management (RBM):** Management approach primarily concerned with the regular measurement of performance and results as a basis for informed decision-making and implementation guidance.

**Results:** The outputs, outcomes or impacts (intended or unintended, positive and / or negative) of a development intervention.

**Results chain:** Suite of causal relationships between activities and development results. The results' chain starts with activities that will lead to the realization of outputs, these outputs themselves leading to a series of outcomes and impacts.

**Stakeholders:** Agencies, organizations, groups or individuals who have a direct or indirect interest in the development intervention or its evaluation.

**Target group:** The specific individuals or groups whom/which the project aims to support and for the benefit of whom/which the development intervention was designed.

**Theory of change:** Comprehensive description and illustration of how and why a desired change is expected to happen in a particular context. It is essentially the logic behind an intervention, showing how inputs and activities are linked to a chain of intended, observable outcomes towards the achievement of longer-term goals. It also helps identify the assumptions that underly the design hypothesis and logic.

### **A) Purpose of the M&E system**

228. The main purpose of the M&E system is to provide the PMU and key stakeholders (IFAD, ADBL CEO, MoF) with a sound basis for informed management decision-making, with the regular collection and analysis of data that will help monitor implementation progress, identify potential bottlenecks and measure project results and impact.
229. More precisely, the M&E system aims to support project stakeholders in the tracking of progress achieved in the field and in understanding if implementation is going on as planned, or if corrective actions are required. An important function of the system is the provision of early warnings of implementation problems, so that these can be mitigated in a timely and efficient manner. The system will also help measure development results and impact on targeted beneficiaries, and to ensure that the intended target groups are effectively reached. M&E activities and regular reporting will also enhance the transparency of implementation processes and provide a clear accountability framework for all implementation actors.
230. Ultimately, the system will also contribute to the generation of useful implementation lessons, by processing information on best practices - or failure - and transforming this information into knowledge material that can be disseminated to a wider audience of policy makers and strategic development partners.

### **B) Overview of the M&E system**

231. The M&E system will cover two distinct, yet inter-linked, aspects: (i) the monitoring of project implementation performance (or the execution of activities described in the AWPB) and outreach (or effectiveness of targeting strategy).; and (ii) the measurement of project results (outputs, outcomes and impact).
232. In the initial first or second year of project implementation, M&E activities will naturally focus on the first dimension, as outcomes and impact will not be immediately measurable. The quality of delivered outputs and the level of beneficiaries' satisfaction shall be a constant concern during this initial phase of M&E work. The measurement of early project results will become possible as soon as a large enough number of beneficiaries have been reached and at least one full agricultural season has been completed for each beneficiary.
233. During project implementation, the AWPB developed each year for the programming of activities will be the main reference for the monitoring of implementation performance, while the project Logframe and its performance targets will be the main reference for the measurement of outcomes and impact. An overview of the M&E system is provided in the next chapters.

## a) Monitoring of implementation performance and outreach

234. **Monitoring of implementation performance.** The monitoring of project execution will focus on assessing the extent to which the various activities planned in the AWPB are being conducted on time and with the expected scale and are delivering the expected outputs. To this end, activity and output data will be collected regularly by the various M&E actors and will be analysed by comparing achieved physical targets with planned targets. Reasons for discrepancies or delays should be reflected upon and necessary corrective measures taken so that, at the end of each year, all physical targets are successfully met. The focus on assessing the quality of implementation processes should be a constant, important concern.
235. More precisely, the monitoring of implementation progress will focus on the following:
- Tracking the actual implementation pace and physical delivery rate, by comparing delivered outputs against planned targets.
  - Assessing quality of implementation processes and outputs.
  - Ensuring that the intended target groups (women, youth, dalit/janajati) have been reached.
  - Comparing actual disbursements against budget estimates.
  - Assessing if implementation progress is within schedule and according to the agreed calendar.
236. The collection of the required M&E data and information will be done using the tools, and according to the processes, described in Chapter 2. The data collected will also be used for the preparation of various progress reports described in Chapter 3. The proper functioning of the entire system will largely depend on the rigor and discipline with which all M&E stakeholders and implementation partners will collect and submit the expected data at agreed-upon intervals.
237. **Outreach monitoring.** For each key output, as and when they will be delivered, the M&E system shall track the number of direct beneficiaries. In so doing, the M&E system will help monitor the extent to which intended beneficiaries, in particular young smallholder farmers, poor women and marginalized groups, are actually being reached, helping thus track targeting performance. This means that, each time a specific project output is delivered, the specific implementer shall collect information on the number of beneficiaries, their gender, their age and if they belong to the *janajati* community. The table below summarizes the key outreach data that will need to be monitored by the PMU (more details are provide in Appendix 6).

**Table X : Outreach targets**

	Year 1	Year 3	Year 6
Number of beneficiaries	15,000	70,000	100,000
Number of women	7,000	35,000	50,000
Number of youth	5,250	24,500	35,000
Number of <i>janajatis</i> (indigenous people)	To be monitored	To be monitored	To be monitored
Number of households	13,800	64,400	92,000

### Measuring outcomes and impact

238. The M&E system should also enable the systematic and objective assessment of the immediate effects (outcomes) and longer-term impact of project interventions on targeted beneficiary households, in order to determine if VITA has achieved – or is achieving - its objectives. The aim is also to assess the extent to which the activities planned at the time of project design remain relevant to the needs of targeted beneficiaries in an environment that may evolve.
239. The key reference for the assessment of project results will be the Logframe outcome and impact indicators and related targets. The objective will be to verify, at regular intervals, that the outputs delivered under all Components are leading to the expected results in terms of increased production and marketing of selected commodities and increased farming incomes. In essence, M&E activities will help monitor the implicit theory of change underlying project design and document project results (see Annex 2).

240. In order to measure outcomes and impact, two types of tools will be used by the PMU: self-assessments and independent assessments. The detailed tools to be used for the collection of reliable information and data on project results (or outcomes and impact) are presented in the M&E Matrix (see Annex 2) and will involve the following:
241. **Independent assessments.** Three major quantitative surveys using a representative sample of project beneficiaries will be conducted at project start (to collect baseline data), mid-term and completion (in order to measure changes since project start). The baseline, mid-term and final surveys will be conducted by an external consultant that will be selected through a competitive bidding process. If the same consultant is to be contracted for the three surveys, the contract shall include a clause stating that decision to continue the contract for subsequent survey will be based on the satisfactory performance of the consultant with the previous survey. The questionnaire to be developed shall ensure, among others, that all Logframe indicators will be informed. The same questionnaire will be used at baseline, mid-term and completion. It shall comprise three different parts: Module A: IFAD Empowerment survey questionnaire; Module B: PPI questionnaire; and Module C: Additional questionnaire. (See Chapter 2.B for details). Some qualitative data will also be collected during these quantitative surveys through key informants' interviews in order to provide additional insights useful to interpret the results of the quantitative survey (see Annex 16 and 17 for sample interview guides).
242. **Self-assessments and other surveys.** In order to collect essential data on farmers' incomes, production, profits, and poverty status, the PMU will use the following tools.
- **Longitudinal studies on incomes and production.** Key production, income and profit data will be regularly collected from all supported farmers (i.e. at the end of each agricultural season of the concerned commodity) by Basic Skills Facilitators (BSF), using the information maintained by beneficiary farmers in their farmers' diaries (see chapter 2.B). Once collected, these data will be analyzed in order to understand major trends by value chain, commodity, cluster and corridor in terms of increase in production, incomes and profits, among others, for supported farmers. For each farmer, the first data thus collected will serve as baseline. Overtime, the longitudinal data recorded in the MIS will enable the PMU to track and quantify the changes in beneficiaries' farming incomes and profits, as well as a means to identify highly successful farmers and least successful farmers for the preparation of case studies. At mid-term and completion, these data will also be used to cross-reference the data collected through the independent quantitative surveys.
  - **Longitudinal studies on poverty status.** Using the PPI methodology (see Chapter 2.B), the BSF will also collect data that will allow the characterization of the poverty status of each beneficiary. In other words, BSF will administer a PPI questionnaire each time a new farmer is selected (in order to collect baseline data), this exercise being repeated at mid-term and completion. Data thus collected from all project beneficiaries will be used measure changes, overtime, in the poverty status of project beneficiaries and it will be useful to cross-reference the results of the quantitative survey.
  - **Annual Cluster Tracking Surveys (ACTS).** Each year, the PMU will organize ACTS in order to collect the key qualitative and quantitative information necessary to understand project impact on production, farm incomes and profits, and more generally on the performance of each supported value chain and cluster.
243. These tools and others, are further described in Chapter 2B.

### **Risks' monitoring**

244. Several assumptions were made while designing the project and key assumptions are identified in the Logframe. These are the critical success factors in the external project environment that, if not realized, may compromise project success. They will thus need to be monitored as part of a risk management strategy and will be included in the risk management matrix to be developed upon project start.
245. In addition, the PMU will need to monitor the key social and environmental risks that have been identified at design stage in the ESMP matrix (See Appendix 18), such as the following:

- Environmental risks: Potential threat to forest and biodiversity resources including: Encroachment or expansion of agriculture in forest area; Excessive harvesting of forest products and open grazing; Increasing water pollution; Improper waste management; Land and soil degradation; Threat from introduction of exotic varieties and breeds.
  - Social risks: Potential increase on the workload on women (especially from road maintenance activities) ; Within high risk communities negative social dynamics from greater social and economic empowerment of women; Investment failing (Depletion of HH assets and livelihoods' base to the point where they can no longer recover; Indebtness by loan beneficiaries unable to repay their loans).
  - Climate change: Flood and landslide; Drought; water shortage; Change in disease timing and outbreaks; Occurrence of windstorms; Heat stress.
246. For each key risk, the ESMP matrix identifies at least one key indicator. Such indicators were included in the regular M&E Matrix (See Annex 3) and will be periodically measured and analysed.

### **Performance targets and results' indicators**

247. The detailed project Logframe (see Annex 1) will serve as the main reference for the monitoring and measurement of project results, while the summary Logframe included in the PDD will remain the key reference for IFAD supervision missions. The Logframe is also the reference against which service providers' performance will be assessed. The service providers' contracts will therefore need to include in annex a clear results' framework (or "mini" Component Logframe), that will clearly spell out and quantified all expected outputs and intended outcomes as well as the agreed-upon AWPB24.
248. M&E activities will aim at collecting the primary data that will help measure all Logframe indicators. The type of primary data required, and the methods and frequency of data collection, are summarized in the M&E matrix presented in Annex 3. While output indicators will be measured in a continuous basis through routine M&E activities, outcome indicators will be measured annually after the 2nd year of implementation start. As for impact indicators, they will be measured at mid-term and completion, and compared with baseline data.
249. Quantitative targets have been assigned to key impact and outcome-level indicators. These targets will be the reference against which project overall performance will be assessed at completion. Key impact-level indicators are summarized in the Logframe.

### **The IFAD ORMS**

250. Since 2005, IFAD has adopted an Operational Results Management System (ORMS) that aims to aggregate the results achieved across projects and countries and to report them to IFAD's constituency. Measurement and reporting concerns only two levels of results: outputs and outcomes. The system defines a list of standard indicators<sup>25</sup> which need to be included in projects' Logframes and M&E systems, when relevant, and against which annual targets and achievements need to be reported annually by all on-going projects.
251. Relevant ORMS indicators were included in VITA's summary and detailed Logframes and are summarized in Annex 9. Each year, the PMU will be responsible to prepare and submit to IFAD updated ORMS data (annual targets and actual achievements; overall targets and cumulative achievements to date) using the template provided in Annex 11. In Year 1 and Year 2, reporting will be limited to output indicators, while starting Year 2 or Year 3, ORMS outcome indicators will also be reported upon.

### **Key M&E actors**

252. The following actors will play a major role in M&E activities:

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<sup>24</sup> The contract will include a results' framework for SP deliverables, and, on this basis, an AWPB will be prepared every year by the SPs. The final, agreed-upon AWPB will be annexed to the contract and will become binding.

<sup>25</sup> See IFAD website for ORMS guidelines and indicators' definition: <https://webapps.ifad.org/members/ec/96/docs/EC-2017-96-W-P-7.pdf>.

- **Individual farmers:** Farmers will be trained to maintain Farmers’ Diaries, with the twin objective of building their business management capacities and recording information that will help monitor project outcomes and impact (e.g. data on production, sales, incomes, profits).
- **Farmers’ groups:** Through their records (membership records, meeting attendance sheets, collective sales’ records, animal insurance records, etc.), supported farmers’ groups will collect key data that will also be used to monitor project outreach and groups’ institutional maturity.
- **Business Skills Facilitators (BSF):** BSF will play an essential role in the collection of primary data from farmers’ diaries or during the conduct of various surveys. To this end, BSF will receive specific training and will be equipped with electronic tablets so that captured data is immediately uploaded into the MIS. They will be paid on a task-wise basis to collect and enter the required data.
- **Heifer and local NGO Partners:** As a key project partner responsible for implementation of Component 1.1 and 1.3, Heifer will be responsible for the collection, consolidation and submission of agreed-upon activity, output and outreach data. To this end, Heifer will use its own staff, M&E processes and tools, including quality assurance for the data collected by partner NGOs. The standard outcome and output indicators used by Heifer at a corporate level have been included to the extent possible in the detailed VITA Logframe in order to minimize data collection and reporting efforts for the partner.
- **Other Service Providers:** Selected service providers (e.g. Trainers) and project implementers will have the direct responsibility of collecting, compiling and recording data on activities and outreach, and of preparing periodic activity reports.
- **Contractors:** The private companies selected under Component 3 for the construction or rehabilitation of strategic market-access infrastructure will be to record and compile data on activities and work progress, and to submit periodic activity reports.
- **ADBL Branch staff:** Branch Loan Officers will play a prominent role for the monitoring of Component 2, being responsible for the loan application process. They will receive specific training to ensure that loan applications of VITA clients are properly filled so that the profile of these clients can be adequately monitored.
- **ADBL Central Business Monitoring Cell:** The Cell will play a leading role in preparing period activity reports for Component 2.
- **PMU M&E Specialist.** The M&E Specialist will be ultimately responsible of the quality and efficiency of the project M&E system, ensuring that it delivers reliable and timely information on implementation performance, results and impact. The M&E Specialist will also be responsible to verify the reliability of the data provided from the various actors through periodic field visits and random verification.
- **Programme Management Unit (PMU).** While the Programme Coordinator will be responsible to use M&E findings to take informed management decisions and steer project implementation, the PMU technical staff will be required to keep proper records for the monitoring of all the activities under their respective responsibility. For these activities, they will also be responsible to ensure that implementation pace is according to schedule and outputs timely delivered. They will be responsible for verifying the data submitted by the various service providers, before this data is entered in the MIS or submitted to the M&E Specialist for consolidation.
- **PMU Infrastructure Specialist:** The PMU Infrastructure Specialist will be responsible for maintaining proper records related to infrastructure works (contracts, activity reports, etc.) that will help monitor the performance of each service provider/contractors, their compliance with contracts’ provisions (quality norms, bills of quantities, etc.) and with agreed calendar of activities. He/she will be responsible

for verifying the data submitted by contractors through their activity reports before this data is entered in the MIS.

- **PMU Knowledge Management Expert:** The KM Expert will actively support the transformation of M&E findings into practical knowledge, while supporting the design of qualitative surveys or case studies to document lessons learned or in order to understand key success factors or reasons for failure of certain approaches.
- **PMU Targeting, Gender and Inclusion Specialist:** The Specialist will support the M&E Specialist in the design and conduct of specific studies aimed at an in-depth at assessing the manner in which project activities may have contributed to the socio-economic empowerment of women and the youth. Also, he/she will play a role in ensuring that the intended target groups are being effectively reached by the project in the manner intended, through the regular analysis of outreach data.

### **5.3 Detailed M&E tools and processes**

#### **5.3.1 Tools and processes for the monitoring of execution**

253. While the data required for the proper monitoring of project execution is presented in Chapter 3, the next paragraphs present the key data collection tools and processes.

#### **Data collection tools**

##### **Producers' groups' records**

254. Farmers' Groups will play an active role in the collection of primary data on project activities and outputs. Thus, supported Farmers' Groups or cooperatives will be requested to maintain a number of registries/books in which they will record important information related to the group itself (membership, frequency of meetings, etc.) and the type of services or capacity building support received from the project or other service providers. For farmers' groups able to provide services to their members (e.g. extension, bulk marketing, input supply), specific registries will also be kept in order to record key data (e.g. number of members receiving services, volume of production stored and sold, etc.). Some of the information thus recorded by Farmers' Groups will be periodically collected by the BSF and uploaded in the PMU MIS. Some templates are provided in Annex 7 and 19, while the complete set shall be developed during the first three months of implementation, once all commodities have been selected.

##### **Service providers' and implementation partners' records and reports**

255. Each time a given service provider will implement a given intervention (e.g. capacity building support, training) or deliver a specific output (e.g. a study), the service provider or partner will be required to appropriately record key information (e.g. list of trainees, quantity of inputs delivered). At agreed upon intervals, this information will be consolidated and presented in activity reports, to be submitted to the PMU. Such M&E and reporting requirements shall be clearly identified in the service providers' contracts or implementation partners' memorandum of understanding, together with the list of key deliverables and timetable for implementation. Activity reports containing consolidated data on activities, outputs and outreach will be sent to the PMU M&E Specialist for final consolidation and analysis.

256. Some templates of data collection tools are provided in Annex 7 and 19, while the complete set shall be developed during the first three months of implementation.

##### **Business Skills facilitators and Socio-economic Mobilizers' records**

257. Each time Socio-economic mobilizers (SEM) and BSF will implement a given activity, they will be required to record key information (e.g. the number of groups mobilized, number of farmers trained, beneficiaries' profile, number of farmers or groups mentored). To this end, they will use the following templates (i) Cluster meeting minutes, including list of participants; (ii) BSF training report, including list of trainees; (iii) B2B meetings minutes, including list of participants) (See also Annex

7 and 19). Once recorded, this information will be uploaded by the BSF into the PMU MIS via electronic tablets.

### **ADBL MIS and loan applications**

258. All data required for the monitoring of Component 2 will be tracked by the ADBL MIS, using the standard tools and processes of ADBL, with all primary data collected by local branch staff from clients' loan applications and clients' records. In order to track VITA beneficiaries specifically, a few adaptations to ADBL central database (also known as "core banking system") will be required (see chapter 3.B). The standard ADBL reporting process will also be followed for Component 2, with the Central Business Monitoring Cell of ADBL playing a leading role in the preparation of monthly, quarterly and annual activity reports.
259. The standard loan application template used by ADBL branches will require a few adaptations (which will also be reflected in ADBL core banking system), in order to allow for the monitoring of the IFAD loan funds to be on lent to VITA target groups. Mostly, the loan applications template will require the following new fields: (i) name, sex and age of intended loan user<sup>26</sup>; (ii) VITA beneficiary number<sup>27</sup>; (iii) VITA commodity code<sup>28</sup>; (iv) Intended purpose of loan<sup>29</sup>.

### **Contractors' reports**

260. All the construction companies contracted to build or rehabilitate markets, roads or irrigation schemes under Component 3 will be required to prepare weekly and monthly activity reports and submit them to the PMU Engineer, who will have the primary responsibility of works' monitoring and supervision. Importantly, all engineering plans or drawings shall clearly estimate the capacity of such infrastructure (in terms of number of expected users). All monitoring and reporting requirements shall be clearly stipulated in contractors' contracts, including standard reporting templates. Every month, the PMU Infrastructure Specialist will consolidate the detailed data extracted from contractors' activity reports and submit it to the PMU M&E Specialist, using some of the templates presented in Annex 7. The PMU Infrastructure Specialist will have the primary responsibility to verify and validate the information provided by contractors, through regular field inspection visits (upon which a supervision and inspection report shall be prepared).

### **Performance evaluation**

261. On the basis of the monthly MIS reports, and the consolidation of the quarterly reports prepared by the various service providers and project implementers, the assessment of project implementation performance will be done on a weekly, monthly, quarterly and annual basis, using the following processes:
- **Weekly PMU meetings:** Every week and under the leadership of the PMU Director, selected PMU staff will meet to discuss the main activities and tasks carried out during the past 2 weeks and the main activities to be undertaken until the end of the month.
  - **Monthly coordination meetings:** At the end of each month, a coordination meeting will be organized with the participation of all PMU staff and selected implementation partners (as and when required, e.g. ADBL staff from other Departments or local branch staff). These meetings will provide an opportunity to discuss monthly progress against physical and financial targets,

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<sup>26</sup> The rationale is as follows: when a woman needs a loan, she usually needs to use her husband's name in the loan application as only men usually have land titles and can therefore avail the necessary collateral. Unless the name and sex of the intended or actual loan beneficiary is recorded in the loan application, together with the name of the person whose collateral is being used, VITA M&E system will not be able to track the actual number of women accessing a loan.

<sup>27</sup> This is the unique beneficiary code provided to Component 1 beneficiaries. Unless this code is being captured in the loan application, the M&E system will not be able to easily track the number of Component 1 beneficiaries also accessing a financial product or service under Component 2.

<sup>28</sup> This additional field will allow ADBL MIS to produce specific reports for each commodity supported by the project.

<sup>29</sup> Although this field may already exist in ADBL loan applications, it would be useful if a standard list/menu of "loan purposes" could be developed by VITA PMU, in order to ensure consistency in the way ADBL Branch Officer will record it in the core banking system (for example: land acquisition, land improvement, livestock investments, agricultural inputs purchase, housing improvement, agricultural equipment purchase, SME development, processing equipment purchase, transportation means, etc.)



challenges and difficulties encountered as well as mitigating measures envisaged. Meeting minutes will be prepared.

- **Annual provincial performance review workshops.** At the end of each year, a workshop will be organized in each state by the PMU with the participation of all PMU staff, key service providers, project implementers and local branch staff (e.g. local Supply Chain Coordinators) and other key stakeholders. The purpose will be to review past year experience, compare achievements with physical and financial targets and reflect on performance, challenges and solutions. The results of outcome surveys, when available, shall be presented, and targeting performance, outreach and gender issues will also be discussed. During these workshops, next year targets will also be discussed and decided (see chapter “Planning”).

#### **Data verification**

262. The primary responsibility for verifying that the data provided by service providers, implementation partners and the construction companies contracted for infrastructure development will lie with each PMU technical/sector Specialists (e.g. Infrastructure Specialist, Provincial Coordinators, Social Inclusion Specialist) before their consolidation and submission to the M&E Specialist or entry into the PMU MIS.
263. The PMU M&E Specialist will be responsible for periodically verifying that the information provided by the various project implementers, service providers, concerned PMU staff and BSF regarding activities, outputs and outreach, as entered in the MIS, is correct and truthful. To this end, unannounced field visits will be organized at least once every 2 months. On these occasions, the M&E Specialist will randomly compare MIS data with the primary data recorded in beneficiaries’ records or will verify that the reported activities have taken place in the manner described in the various progress reports. Observations, interviews with project beneficiaries and focus groups discussions will be other methods used by the M&E Specialist during these field visits in order to verify that undertaken activities are relevant to beneficiaries’ needs and are producing the expected results. Such field visits may be jointly undertaken with other PMU technical staff (e.g. Infrastructure Specialist), who will verify that the activities under their responsibilities are technically sound, the extension methods appropriate or that infrastructure works are according to technical specifications. When possible, the Social Inclusion Specialist should also join these field visits to examine targeting issues. At the end of these field visits, observations, remarks and recommendations will be recorded in a mission report, which will be discussed during monthly coordination meetings.

### **5.3.2 Tools and processes for the measurement of outcomes and impact**

#### **IFAD Core Indicators in VITA**

264. Since 2017, IFAD has adopted a Core Indicators (CIs) framework to make its corporate results reporting more strategic, robust, simpler and effectively mainstreamed in project M&E systems. All investment project can have a mix of project-specific indicators and CIs.
265. The CIs consist of 1 outreach, 22 outcome and 20 output indicators for programme to choose from. These are mapped to the strategic objectives (SOs) and areas of thematic focus of IFAD Strategic Framework 2016-2025; they are also aligned with the Sustainable Development Goals (SDGs) defined in the 2030 Agenda. A core aspect of the CIs is that they are easily integrated into project logframes and can be aggregated across projects and countries to facilitate corporate reporting. CIs are mandatory whenever relevant to the project Theory of Change (ToC), and can be complemented by project-specific indicators (PSIs). For VITA, the CIs included in the logframe are clearly marked as “CIs” with the corresponding CI number.
266. VITA is expected to report on a total of 30 CIs, of which 17 are in the main logframe with quantitative targets and an additional 13 will be reported on but are not in the main logframe and will not have ex-ante quantitative targets set.
267. For measurement and reporting on the Core Outcome Indicators (COI) within its logframe, VITA will follow the approved IFAD COI Guidelines in terms of the instruments and methodologies used for data collection and analysis.

268. VITA logframe includes a total of 17 CIs:
- (a) 1 Outreach core indicators
  - (b) 8 Outcome core indicators
  - (c) 8 Output core indicators
269. Of which mandatory and/or mainstreaming indicators are a total of 7. This are shown in bold in the table below.

**VITA Core Indicators in Logrframe**

<b>Outreach</b>
<b>1 Number of persons receiving services promoted or supported by the programme - of whom: 60% women, 30% youth, 25% dalit/janajati;</b>
<b>1.a. Corresponding number of distinct households</b>
<b>1.b Estimated corresponding total number of households' members.</b>
<b>Outcome</b>
<b>CI IE.2.1: Percentage of women smallholder producer demonstrating an improvement in empowerment (IFAD empowerment indicator)</b>
<b>CI 1.2.8: Percentage of women reporting Minimum Dietary Diversity</b>
<b>CI 3.2.2: Percentage of small-scale producers adopting environmentally sustainable and climate resilient technologies and practices.</b>
<b>CI SF.2.1: (Number) Percentage of households satisfied with project-supported services</b>
<b>CI SF.2.2: (Number) Percentage of households reporting they can influence decision-making of local authorities and project-supported service providers</b>
CI 2.2.6 Number of farmers reporting improved physical access to markets, processing or storage facilities in locations where such infrastructure was delivered.
CI 1.2.6 Percentage of partner financial institutions (PFIs) with a portfolio-at-risk $\geq 30$ days below 5% .
CI Policy Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment
<b>Outputs</b>
<b>CI 1.1.8 Persons provided with targeted support to improve their nutrition</b>
CI 1.1.5: Number of small-scale producers accessing financial services supported by the programme. Of whom: women = 50%, youth = 35%
CI 2.1.6 Number of market infrastructure constructed or rehabilitated.
CI 1.1.2 Hectares of farmland under water-related infrastructure constructed/rehabilitated
CI 2.1.4: Number of small-scale producers who are members of a group
CI 1.1.7 Number of small-scale producers trained in financial literacy.
CI 2.1.2 Number of persons trained in business skills.
CI Policy: Percentage of established multi-stakeholder platforms (MSPs) that are functional and self-sustaining .

**IFAD CIs for reporting only**

270. In addition to the CIs in the main logframe, VITA will be able to routinely report on around 13 additional CIs – as listed below. VITA will report on these to the extent possible within the available time and budgets of the M&E activities.
271. Quantitative targets will not be set in the main logframe for these indicators for one or more of the following reasons:
- (a) insufficient room in the logframe given limit on number of indicators
  - (b) methodological difficulties to define relevant quantitative target

- (c) risk that setting a quantitative target may negatively affecting programme management and impacts e.g. programme mobilizes large numbers of small producer groups to meet target but making group too small to be sustainable.

**VITA Core Indicators for reporting only**

<b>Outcome</b>
1.2.2 (Number) Percentage of persons/households reporting adoption of new/improved inputs, technologies or practices
1.2.4. (Number) Percentage of persons/households reporting an increase in production
1.2.5. Percentage of persons/households reporting using rural financial services
2.2.1 Number of new jobs created in agricultural / farm enterprises
2.2.3. (Number) Percentage of rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities
2.2.4. (Number) Percentage of supported rural producers' organization members reporting new or improved services provided by their organization
2.2.5. (Number) Percentage of rural producers' organizations reporting an increase in sales
<b>Outputs</b>
1.1.3 Number of rural producers accessing production inputs and/or technological packages
1.1.4 Number of persons trained in production practices and/or technologies
1.1.6 Number of financial service providers supported in delivering outreach strategies, financial products and services to rural area
2.1.3 Number of rural producers' organizations supported
2.1.5 Number of kilometres of roads constructed, rehabilitated or upgraded
Policy 3: Number of policy-relevant knowledge products completed

**Data collection tools**

272. The following sections describes the specific tools that will be used for the measurement of outcomes and impact.

**Farmers' diaries**

273. For all beneficiary farmers, the PMU will measure farming incomes, production levels and sales (from selected commodities) on an annual basis, once farmers have started the production of one of the supported commodities. It is thus proposed to build on the opportunity offered by the fact that, under Component 1, beneficiary farmers will be required to maintain a diary to record expenditures, production, sales or net profit, among others, in order to strengthen or develop their business skills. To this effect, the PMU will design, print and distribute these diaries to each beneficiary farmer and all will be trained on their proper use.

274. The primary data recorded by farmers themselves will be collected at the end of each agricultural season and/or during cluster meetings by the BSF, using electronic tablets. The detailed data to be recorded in farmers' diaries will vary slightly for each commodity and the diaries' content will be fine-tuned and field-tested by the PMU technical Specialists and the M&E Specialist during the first 6 months of implementation, once all commodities have been identified. The key data that will be required is presented in Chapter 3.A., while some examples of farmers' diaries are provided in Annex 19.

**Baseline surveys**

275. The conduct of a baseline survey is a critical exercise whose objective is to describe and document the socio-economic and livelihoods conditions of VITA beneficiaries prior to the start of project interventions. This information will, at mid-term and completion, become the reference against which to measure changes, and therefore appreciate project outcomes and impact, or lack thereof.

276. As soon as a large number enough of beneficiaries in all states will have been selected under Component 1 (e.g. at least some 5,000 persons), a baseline survey will be undertaken by an independent consulting firm selected through a call for proposals. A representative sample will be selected from this initial set of beneficiaries, taking into account the need for the sample to include the adequate proportion of male, female, youth and *janajatis* from the various states. For ethical<sup>30</sup> and methodological<sup>31</sup> reasons, no control group will be used. The sampling methodology suggested in Annex 12 shall be fine-tuned by the consulting firm and fully described in a methodological note at the onset of the survey.

277. The baseline survey will use a questionnaire comprised of three distinct parts or modules (some of which will require sophisticated skills for the analysis), as follows:

- **Module A – IFAD empowerment indicator survey:** Inspired by the simplified Pro-WEAI, this is a new survey-based index for measuring empowerment, capacity to act and inclusion of women in the agriculture sector. An approved version of the questionnaire will be used by VITA to measure the level of empowerment versus the IFAD empowerment index (see logframe target).

VITA will adopt the approved survey instruments for measuring the IFAD empowerment indicator, in line with the requirement for measuring Core Outcome Indicators.

At the time of VITA design, it is understood that this will be adapted from the simplified pro-WEAI. The simplified pro-WEAI was developed jointly by the International Food Policy Research Institute (IFPRI) and other partners. The tool helps assess women's empowerment in a project setting, diagnose areas of women's disempowerment and monitor project outcomes.

A new version of the questionnaire and empowerment index tools is being developed by IFAD. This new version should be available at the programme start for use by the selected consulting firm. If required, IFAD Headquarters' technical support may be provided to the PMU (e.g. to calculate the composite indicator).

The questionnaire used by VITA will also include the relevant modules to measure the Minimum Dietary Diversity – Women (MDD-W) score. This will be based on the approved tools in line with the IFAD Core Indicator guidelines.

- **Module B - PPI questionnaire:** The Poverty Probability Index (PPI) is a tool developed by the Grameen Foundation and the Group to Assist the Poor (CGAP)<sup>32</sup> to measure targeting effectiveness (i.e. the proportion of beneficiaries who live below the poverty line) and track beneficiaries' poverty levels overtime. The Module will use a standard questionnaire of 10 questions about a household's characteristics and asset ownership. Using a standard methodology, answers will be scored to compute the likelihood that the household is living below the poverty line. The PPI is country-specific and a version was developed for Nepal; it can be downloaded from the PPI Website<sup>33</sup>.
- **Module C: Additional questionnaire.** The third module will be a questionnaire of about 20 questions that will help measure all the impact-level and outcome-level indicators identified in the detailed logframe presented in Annex 1 on domains and issues not covered by Module A and B. The key variables to be measured are tentatively described in Annex 12.

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<sup>30</sup> It could be considered to be unethical to ask non-beneficiary households to waste their time answering survey questions solely for research purposes, i.e. to compare their situation to the conditions of households who have received project support.

<sup>31</sup> In the Nepal context, the search for the perfect control group may simply be too time-consuming and costly, and the risks of selecting an imperfect one quite high.

<sup>32</sup> Group to Assist the Poor (CGAP) and Ford Foundation. Their goal was to create an easy-to-use poverty measurement tool for microfinance institutions, understanding that these institutions need

<sup>33</sup> <https://www.povertyindex.org/country/nepal>

278. **Collection of additional baseline data.** Because the first project beneficiaries selected during year 1 are likely to be "first movers", thereby less risk-adverse farmers who are likely to be slightly better-off than the average poor farmers, the baseline data collected through the Year 1 baseline survey may not be representative of the entire group of project beneficiaries. For this reason, additional baseline data will also be collected on a continuous basis by the BSF, as and when a new VITA beneficiary will be officially selected. The project will thus follow a system of "rolling baseline" which will help obtain solid baseline data from the entire group of project beneficiaries. This will be done by asking BSF to collect, upon the selection of each beneficiary, essential data on: (i) current production, income, sales and farm profit (using farmers' diaries); (ii) poverty profile (using the PPI questionnaire); and (iii) Other baseline data using Module C. It will be important that this information is collected right upon beneficiary's selection, that is before the start of any intervention targeted at this beneficiary.
279. Finally, additional baseline data on beneficiaries selected in Year 3, will be collected at the same time as the conduct of the mid-term survey. To this end, the sample of the mid-term survey will include a number of new beneficiaries (i.e. beneficiaries selected in year 3 and not having yet benefited from any project intervention). The rationale is that the beneficiaries who will only have joined project implementation in Year 3 are likely to be poorer than the "early movers", and the baseline data collected by the independent source should also concern this group.

#### **Mid-term and completion surveys**

280. The mid-term and final surveys will also be conducted by an external consultant that may be the same as for the baseline survey, depending on the quality of the baseline survey report<sup>34</sup>. A representative sample will be selected from the entire group of project beneficiaries, taking into account the need for the sample to include the adequate proportion of : (i) male, female, youth and janajatis from the various states; (ii) beneficiaries joining project implementation in Year 1, Year 2 and Year 3; (iii) beneficiaries benefiting from all project interventions (C1+C2) or only from C2 (microfinance only). The sampling methodology provided in Annex 12, to be fine-tuned by the consulting firm, will be broadly followed to select the survey sample. Again, no control group will be used for ethical<sup>35</sup> and methodological<sup>36</sup> reasons.
281. In the localities selected for the surveys, the survey supervisors will also be charged to collect some qualitative data through key informants' interviews in order to provide additional insights useful to interpret the results of the quantitative survey (see Annex 12 for details).
282. The results of the quantitative mid-term and completion surveys shall be used to cross-reference the data collected by the PMU through its M&E system to inform key logframe indicators.
283. The following table summarizes the process for the conduct of the baseline, mid-term and completion surveys.

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<sup>34</sup> If the same consultant is to be contracted for the three surveys, the contract shall include a clause stating that decision to continue the contract for subsequent survey will be based on the satisfactory performance of the consultant with the previous survey

<sup>35</sup> It could be considered to be unethical to ask non-beneficiary households to waste their time answering survey questions solely for research purposes, i.e. to compare their situation to the conditions of households who have received project support.

<sup>36</sup> In the Nepal context, the search for the perfect control group may simply be too time-consuming and costly, and the risks of selecting an imperfect one quite high.

### Proposed process for baseline, mid-term and completion surveys

	Sample	Y1	Y2	Y3	Y4	Y5	Y6	Responsibility
<b>1) Baseline data</b>								
<b>A) Baseline survey</b>	Y1 beneficiaries							Independent firm
Module A – IFAD empowerment questionnaire		x						
Module B - PPI questionnaire		x						
Module C - Additional questionnaire		x						
<b>B) Rolling baseline data collected by BSFs</b>	N/A (ALL beneficiaries)							BSFs
Module B - PPI questionnaire		x	x	x				
Module C - Additional questionnaire/farmers' diaries		x	x	x				
<b>2) Impact data</b>								
<b>A) Mid-term survey</b>	Y1&2 beneficiaries (for impact data) and Y3 beneficiaries (for baseline data)			x				Independent firm
Module A - IFAD empowerment questionnaire				x				
Module B - PPI questionnaire				x				
Module C - Additional questionnaire				x				
<b>B) Final survey (sample)</b>	Y1 ,2 and 3 beneficiaries in appropriate proportion						x	Independent firm
Module A - IFAD empowerment questionnaire							x	
Module B - PPI questionnaire							x	
Module C - Additional questionnaire							x	
<b>C) Impact data collected by BSFs</b>	N/A (ALL beneficiaries)							
Module B - PPI questionnaire				x			x	
Module C - Additional questionnaire/farmers' diaries			x	x	x	x	x	

### Annual cluster tracking surveys

284. Starting from Year 2, an Annual Cluster Tracking Survey (ACTS) will be organized and managed by the PMU. The overall objective of the survey will be to assess and evaluate on a regular basis the development, functionality and performance of each cluster and corridor and to assess the level of satisfaction of the various clusters' actors, including farmers, with project implementation.
285. This survey will combine data from: (i) individual farm households collected via tablet-based MIS by the BSF from all C1 beneficiaries; (ii) a Trader and service provider tracking survey in each cluster; (iii) secondary data (e.g. municipal agricultural production data, area cultivated), when available.
286. The detailed content of the Trader and service provider tracking survey will be developed during the first year of implementation by the M&E Specialist, in close cooperation with the PMU technical Specialists. The purpose of this survey will be to: (i) monitor the number and types of traders, service providers and other actors being actively involved in project activities and the multi-stakeholders' platform in order to understand if, in each cluster, the appropriate dynamic is taking place; (ii) to quantify the number of formal and informal contracts or agreements that have been established between farmers and traders/service providers in the current year.
287. The annual cluster surveys will also represent an opportunity to collect the secondary data from municipal or provincial authorities that will be required for the monitoring of the socio-environmental risks identified in the ESMP and for informing some of the indicators of the ESMP matrix.
288. The full methodology of the ACTS will be developed and field-tested by the M&E Specialist during the first year of implementation, in close collaboration with the PMU technical Specialists.

### Other thematic surveys

289. As and when needed, thematic or qualitative surveys will also be carried out by the PMU in order to deepen the understanding on certain aspects or results (e.g. the

results of training or capacity building activities; the functionality of Producers' Groups; women or youth socio-economic empowerment). Their design may be jointly decided by the M&E Specialist, the KM Expert and the Gender Specialist, depending on the topic. The results of these surveys shall be a useful basis for the preparation of knowledge material and some of the topics shall be identified in the KM Strategy<sup>37</sup>.

### **Performance evaluation**

290. Two key processes will be used for the evaluation of project results and impact: self-assessments led by the PMU M&E Specialist and two independent assessments led by IFAD.
291. **Self-assessments:** The data collected through farmers' diaries will be continuously used to analyse trends and value chains' performance. The MIS will generate performance dashboards at commodity, corridor, cluster and farmers' groups' levels in order to identify the corridors, clusters or farmers' groups in need for additional support, or the most successful groups and farmers who could become case studies. The data will also be used by PMU Specialists in order to understand which are the most profitable commodities for poor and marginal farmers. In the course of project implementation, a specific methodology will also be developed to assess the institutional maturity of the farmers' groups mentored by the project.
292. The findings of the various surveys will be used by the M&E Specialist and the entire PMU technical Specialists to reflect on overall project implementation, analyse trends and the likelihood to meet project objectives, in particular women and youth socio-economic empowerment.
293. Throughout project implementation, self-assessment exercises will also be conducted when required (e.g. thematic workshops) in order to reflect on key lessons learned and the determinants for project success or failure. Such lessons learned will be properly documented for wider knowledge dissemination (see Part C. Knowledge management).
294. **IFAD mid-term and completion reviews:** At mid-term and completion, IFAD will field a mid-term review and a project completion review mission, the purpose of which will be to assess project relevance, effectiveness and efficiency, as well as likelihood of sustainability of project results. These two missions will greatly rely on the results of the mid-term and completion impact surveys, respectively, and it will be important that the survey reports are available prior to the missions' start. In preparation for the completion review mission, the PMU will also be requested to prepare its own Project Completion Report, using the outline provided in Annex 12 (See also Part 3.C).

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<sup>37</sup>For example: "women-friendly IGA"; "how to reach out to poor women in traditional societies"; "effective service provision among nomadic pastoralists"; "microfinance for the ultra-poor"; "women socio and economic empowerment".

## 5.4 Information Management and Reporting

### 5.4.1 Detailed data requirements

295. The following chapters present the detailed data requirements for the proper monitoring of project execution and the measurement of outcomes and impact (i.e. the information that will need to be tracked by the M&E system and recorded by the PMU MIS). The M&E Plan presented in Annex 3 further describes the detailed tools and responsibilities for data collection, consolidation and use, as well as the frequency for data collection.

#### For the monitoring of project execution

##### Data required for the monitoring of project execution

Activities	Data required (to be recorded in MIS)	Data collection tool	Responsibility
<b>Brokering and cluster facilitation</b>	<ul style="list-style-type: none"> <li>– Number of provincial and cluster-level MSP meetings held annually, by cluster</li> <li>– Number and profile of MSP meetings' participants (occupation, provenance, age, sex), by cluster</li> <li>– Number of Value Chain Action Plans prepared, revised, financed and completed</li> <li>– Number of B2B/B2S interactions/meetings held and number of farmers and traders/SP involved</li> </ul>	Cluster meeting minutes	PMU VC Specialist
	<ul style="list-style-type: none"> <li>– Number of trading plans or agreements concluded, by cluster</li> <li>– Number of farmers and farmers' groups with an agreed trading plan or agreement, by cluster</li> </ul>	B2B meetings minutes or MoU	BSF ( <i>using tablets</i> )
<b>Farmers' training</b>	<ul style="list-style-type: none"> <li>– Number of farmers' groups mobilized</li> <li>– Number of farmers who are members of groups mobilized</li> <li>– Number of trainees and trainees' profile (age, sex, poverty status, janajati)</li> <li>– Training topic and duration</li> <li>– Number of farmers provided with a farmers' diary and maintaining it</li> <li>– Number of farmers trained in production or post-harvest techniques</li> </ul>	BSF and service providers' training records	BSF ( <i>using tablets</i> ) and service providers (through reports)
<b>Sector Development Facility</b>	<ul style="list-style-type: none"> <li>– Number of grants' proposals received, by types of recipient and purpose</li> <li>– Number and value of grants approved and disbursed, by types of recipient and purpose</li> <li>– Number of grants disbursed according to original schedule</li> <li>– Amount of USD withdrawn from the SDF</li> <li>– Number of funding proposals received, appraised and approved</li> <li>– Number of and type of public goods financed and delivered</li> <li>– Number of farmers directly benefiting from public goods investments</li> <li>– Number of traders, input suppliers or processors benefiting from public goods investments</li> </ul>	SDF Manager records	SDF Manager
<b>Capacity building for PMU and Bank staff</b>	<ul style="list-style-type: none"> <li>– Number of training events organized</li> <li>– Number of trainees and trainees' profile (age, sex, employing institution)</li> <li>– Training topic and duration</li> <li>– Number of exposure visits</li> <li>– Number of persons participating in exposure visits</li> </ul>	Trainers' records	Trainers, Consultants, Service providers
<b>Loan window</b>	<ul style="list-style-type: none"> <li>– Number of farmers accessing financial services from the project windows: <ul style="list-style-type: none"> <li>– (a) Number of persons accessing a loan from the Medium-Term Credit Window</li> <li>– (b) Number of persons accessing a loan from the Short-Term Credit Window</li> </ul> </li> <li>– Amount of funds on-lent by ADBL from the Medium-Term Credit Window</li> <li>– Amount of funds on-lent by ADBL from the Short-Term Credit Window</li> </ul>	<ul style="list-style-type: none"> <li>– ADBL loan applications</li> <li>– ADBL clients' records</li> </ul>	ADBL branch staff
<b>First Movers Guarantee Fund</b>	<ul style="list-style-type: none"> <li>– Amount of funds withdrawn from the FMGF</li> <li>– Number of persons benefiting from the FMGF</li> </ul>	ADBL MIS	ADBL branch staff
<b>Capacity Enhancement and Policy Development Facility</b>	<ul style="list-style-type: none"> <li>– Amount of funds withdrawn from the CEPD Facility</li> <li>– Number of persons receiving capacity building support</li> <li>– Number of policy studies or initiatives financed</li> </ul>	CEPDF Manager records	CEPDF Manager



### Data required for the monitoring of project execution

Activities	Data required (to be recorded in MIS)	Data collection tool	Responsibility
Infrastructure	<ul style="list-style-type: none"> <li>– Quantities, material, labor, costs, works calendar (as per design and as deployed)</li> <li>– Infrastructure characteristics (e.g. length of roads; water reservoirs capacity)</li> </ul>	Contractors' reports	Contractors
	<p><u>For each infrastructure scheme:</u></p> <ul style="list-style-type: none"> <li>– Date of scheme approval</li> <li>– Date of contract award</li> <li>– Feasibility study completion date (planned/realized)</li> <li>– Works' start and completion dates (planned/realized)</li> <li>– Works' execution rate at agreed intervals</li> <li>– Completion date of key construction steps (planned/realized)</li> <li>– Dates of pre-reception and final reception (planned/realized)</li> <li>– Number of minor and major reservations of works' quality raised and cleared.</li> </ul>	<ul style="list-style-type: none"> <li>– Contractors' reports</li> <li>– PMU supervision and inspection reports</li> </ul>	<ul style="list-style-type: none"> <li>– Contractors</li> <li>– PMU Infrastructure Specialist</li> </ul>
	<ul style="list-style-type: none"> <li>– Dates of supervision visits by Municipal and PMU Infrastructure Specialist</li> <li>– Date of post-reception and final inspection visits by PMU infrastructure Specialist</li> </ul>	PMU supervision and inspection reports	PMU Infrastructure Specialist
	<ul style="list-style-type: none"> <li>– Number of expected infrastructure users, by infrastructure</li> <li>– Number of infrastructure users also supported under Component 1</li> </ul>	Infrastructure feasibility studies	PMU Infrastructure Specialist

### For the measurement of outcomes and impact

296. As mentioned earlier and in order to measure and monitor early outcomes, all farmers supported under Component 1 will receive a diary in which they will record all the necessary information for sound farm management, such as the one presented in the next table. At the end of each agricultural season (for fruits, vegetables and potato seeds) or twice a year for livestock owners, the BSF will upload this information in the PMU MIS using electronic tablets. This will allow the PMU to assess farm-level profitability, by cluster, corridor and commodity.

### Data required for the measurement of farm profitability

Commodity	Data to be recorded in farmers' diaries	Data to be recorded in central MIS annually
Bananas, citrus, coffee	(a) <u>Costs</u> : Initial land investment costs; Seedling costs; Fertilizers/chemical costs; Water charges; Labour costs; Other costs; (b) <u>Production</u> : Size of area planted (in ha); Quantity produced (in kg or tons) per season; (c) <u>Sales</u> : Quantity sold per season; Average price; Total income from sales; (d) <u>Net profit</u> from fruit production.	For each farmer: <ul style="list-style-type: none"> <li>– Area of land utilized</li> <li>– Total production costs</li> <li>– Total production volume</li> <li>– Total production volume sold</li> <li>– Total value of production sold</li> <li>– Total gross income and net profit</li> </ul>
Vegetables, cereals	a) <u>Costs</u> : Initial land investment costs; Sees' costs; Fertilizers/chemical costs; Water charges; Labour costs; Other costs; (b) <u>Production</u> : Size of area planted (in ha); Quantity produced (in kg or tons) per season; (c) <u>Sales</u> : Quantity sold per season; Average price; Total income from sales; (d) <u>Net profit</u> from fruit production.	
Seed potatoes	(a) <u>Costs</u> : Initial land investment costs; Seeds' costs; Fertilizers/chemical costs; Water charges; Labour costs; Other costs; (b) <u>Production</u> : Size of planted area (in ha); Quantity of potatoes produced (in kg or tons); Quantity of seeds potatoes; (c) <u>Sales</u> : Quantity sold as seed potatoes and average price; Quantity of potatoes sold and average price; Total income from seeds potatoes and potatoes; (d) <u>Net profit</u> : Total net annual income from seed potatoes.	
Goat, chicken	(a) <u>Costs</u> : Cost of new animal purchased; Feed costs; Veterinary fees; Vaccines and medicine; Barn/chicken farm infrastructure and equipment; Initial investments; Other costs; (b) <u>Production</u> : Number of productive animals; Average number of liters of milk/number of eggs produced annually; Number of new born animals; (c) <u>Sales</u> : Number of liters of	For each farmer: <ul style="list-style-type: none"> <li>– Area of land utilized</li> <li>– Total production costs</li> <li>– Total production volume</li> <li>– Total production volume sold</li> <li>– Total value of production sold</li> </ul>

Commodity	Data to be recorded in farmers' diaries	Data to be recorded in central MIS annually
	milk/animals (or number of eggs) sold and average price; (d) <u>Net profit</u> : Total net income from sale of milk and live animals.	– Total gross income and net profit
<b>Dairy</b>	(a) <u>Costs</u> : Cost of new animal purchased; Feed costs; Veterinary fees; Vaccines and medicine; Dairy equipment purchase; Other costs; (b) <u>Production</u> : Number of productive cows; Average number of litres of milk produced annually; Number of kg of cheese produced annually; (c) <u>Sales</u> : Number of kg of cheese sold and average price; (d) <u>Net profit</u> : Total net income from sale of cheese.	For each farmer: – Area of land utilized – Total production costs – Total production volume – Total production volume sold – Total value of production sold – Total gross income and net profit
<b>Meat</b>	(a) <u>Costs</u> : Type, number and cost of new animal purchased; Investment costs (e.g. stable, water point); Feed costs; Veterinary fees; Vaccines and medicine; Dairy equipment purchase; Other costs; (b) <u>Production</u> : Number of new animals born, by type (c) <u>Sales</u> : Number of live animals sold, by type; Average price by type and age.	

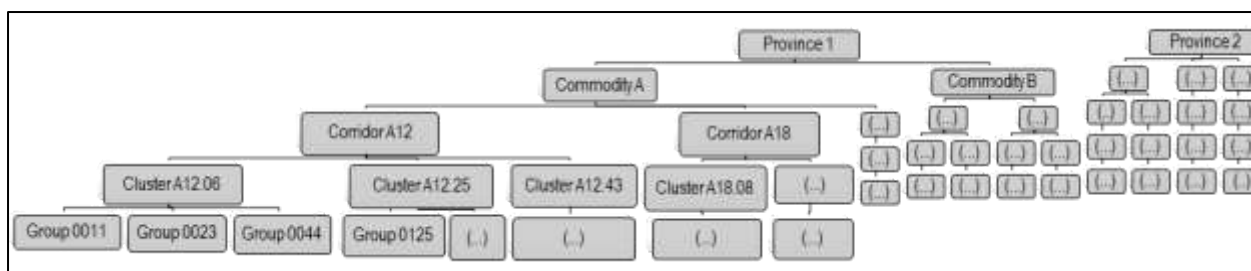
297. So that both the MTR and PCR processes can be informed by reliable quantitative data on outcomes and early impact, the following additional outcome and impact data will also be required (see details in the Annex 3).

#### Data required for the measurement of project outcomes and impact

Aspects to be measured	Tool	Universe	Frequency for data collection
- Beneficiaries' poverty status	PPI survey (by BSFs)	Entire universe of beneficiaries	Upon farmers' selection (rolling baseline) mid-term, completion
	Baseline/MT/completion survey – Module B	Representative sample of beneficiaries	Baseline, mid-term, completion
- Change in net farm income and change in return from labor for farmers	Farmers' diaries	Entire universe of beneficiaries	After each agricultural season
	Baseline/MT/completion survey – Module B	Representative sample of beneficiaries	Baseline, mid-term, completion
- Change in return from labor for farmers - Change in aggregate value of production sold by farmers - Change in total private investments in priority clusters and supply chains	Annual Cluster Surveys	All clusters	
- Change in women empowerment as per their IFAD empowerment score - Change in assets' ownership	Baseline/MT/completion survey – Module A ( <i>with nutrition module if available</i> )	Representative sample of beneficiaries	Baseline, mid-term, completion
- Change in nutrition security	Baseline/MT/completion survey – Module A ( <i>if nutrition module available</i> ) or nutrition survey	Representative sample of beneficiaries	Baseline, mid-term, completion
- Access to technical services and satisfaction with these services - Access to agricultural inputs and satisfaction with quality of inputs - Adoption of improved climate-resilient techniques and practices	Baseline/MT/completion survey – Module B	Representative sample of beneficiaries	Baseline, mid-term, completion
- Access by small farmers to credit and savings services, and use of credit and savings - Access by small farmers to collateral free lending	ADBL and partner FI MIS	All C2 beneficiaries	Baseline, mid-term, completion
- Change in physical access to markets - Access to market information by small farmers - Access to irrigation	Baseline/MT/completion survey – Module C	Representative sample of beneficiaries	Baseline, mid-term, completion
- Change in income and use of income - Change in expenditure patterns - Change in migration patterns for men	Baseline/MT/completion survey – Module C	Representative sample of beneficiaries	Baseline, mid-term, completion

### 5.4.2 Management Information System (MIS)

298. **Component 1 and 3.** In order to properly manage, process, archive and use the data on activities, outputs, outreach and results generated by M&E activities, the PMU will use and maintain its own MIS. This MIS will be developed soon after project start by an external service provider selected through tender, or by ADBL IT Department if enough capacities can be internally mobilized for the necessary amount of time.
299. The PMU MIS shall be configured to meet the specific information requirements of the M&E system and to generate a set of pre-defined consolidated tables or reports that should allow the proper monitoring of AWPB execution and overall implementation progress. The MIS will be web-based, with most of the data being entered remotely by BSF via electronic tablets. This MIS will be also be fed with the information submitted by all service providers and project implementers, through their activity reports.
300. Essentially, the PMU MIS shall allow the following:
- The tracking and recording of all activities and expenditure categories defined in the detailed AWPB and all physical targets.
  - The tracking of outreach (number of beneficiaries and their sex, age, poverty status and if *janajatis*).
  - The tracking of all activities benefiting each individual beneficiary and each farmers' group under Component 1.
  - The tracking of farm-level data production, sales and profit data for all Component 1 beneficiaries.
  - The tracking of outreach and beneficiaries' profile.
  - Data disaggregation by state, commodity, corridor, cluster.
  - The monitoring all Logframe detailed output-level indicators and targets.
  - The generation of performance tables/dashboards and standard reports (see Annex 6).
301. So that the support provided to individual farmers may be adequately recorded in the MIS, each beneficiary will receive a unique ID number (or "Beneficiary Number"). The same shall apply for the farmers' groups supported: each one shall be provided with a unique Group ID number. This unique beneficiary and group ID numbers will have to be collected by BSFs and other project implementers each time they deliver a certain service to this beneficiary or group. Similarly, each cluster formed and supported will receive a unique cluster number (to which will be associated a specific state, commodity and corridor).
302. In the MIS, the following profile information will be associated with each unit ID number:
- Beneficiary ID number: The associated beneficiary profile shall provide information on sex, age, and if *janajati*.
  - Cluster Number: The associated cluster profile shall provide information on state, commodity, associated corridor, and group ID numbers of associated groups. The
  - Group ID number: The associated group profile shall provide information on: (A) group membership (contacts/location, number of members, date of creation, date of last Management Committee elections, number and sex of elected Management Committee); and (B) Information on concerned/associated commodity, corridor and cluster.
303. Overall, a possible coding system for the Cluster ID number and Group ID number is suggested below, with a chart showing the various levels/hierarchy:



304. In order to facilitate data analysis, it is tentatively proposed that the unique Beneficiary Number shall combine the farmer's Cluster Number with his/her national Identity Card Number and the first 4 letters of family name, as follows<sup>38</sup>:

C0-00 / G0-00 / 00000000 / NNNN  
 (Cluster #) / (Group #) / (National Identity Card #) / (Name)

305. Such coding system will allow the MIS to produce trends and tables disaggregated by state, commodity, corridor, cluster and farmers' groups.

306. The detailed technical specifications for the MIS will be defined by the concerned PMU staff and the M&E Specialist, with support from ADBL IT Department, shortly after project start.

307. **Component 2.** All data necessary for Component 2 monitoring will be tracked and recorded by the ADBL core banking system and MIS. A few adaptations will however be necessary. Thus, ADBL core banking system and MIS should be adapted as follows:

- To track the use of IFAD funds from the various loan windows that the project will avail to ADBL for on-lending. To this end, the loan application template should include a field to tag "IFAD funds", so that VITA beneficiaries can be distinguished from other ADBL clients. A similar adaptation will be required in ADBL core banking system, so that ADBL MIS may produce reports on the number of ADBL clients accessing a loan from VITA loan windows.
- To record the following additional information from loan applicants: (i) Name, sex and age of intended/actual loan user<sup>39</sup>; (ii) VITA beneficiary number; (iii) Commodity name; (iv) Intended purpose of loan<sup>40</sup>.

308. For the funds that the project may avail to other partner FI, the PMU will request partner FI to introduce similar adaptations to their own systems and MIS. At the bare minimum, their systems will need to be adapted to allow for the tagging of IFAD funds.

### 5.4.3 Reporting

309. The M&E Specialist will be responsible for the preparation of monthly, quarterly, 6-monthly and annual progress reports (see Annex 8 to 10 for report outlines). The 6-monthly and annual progress reports will be sent to IFAD for information and shall be important documents to inform the work of IFAD supervision missions. The mandatory annual progress report shall be prepared towards the end of the year and submitted to IFAD, if possible, together with the draft AWPB of the subsequent year.

<sup>38</sup> For example, the beneficiary number of a farmer named Bashurak belonging to Cluster A12.06 and Farmer Group 0011 and with a citizenship number of FG114582AW would be: A12.06/0011/FG114582AW/BASH. Because this farmer belongs to Cluster A12.06 and a cluster profile is available for all clusters, the PMU will know that he/she belongs to a certain province and corridor and is involved in a certain commodity.

<sup>39</sup> The rationale is as follows: when a woman needs a loan, she usually needs to use her husband's name in the loan application as only men usually have land titles and can therefore avail the necessary collateral. Unless the name and sex of the intended or actual loan beneficiary is recorded in the loan application, together with the name of the person whose collateral is being used, VITA M&E system will not be able to track the actual number of women accessing a loan.

<sup>40</sup> A standard menu should be developed in the core banking system, in order to ensure consistency, for example: land acquisition, land improvement, livestock investments, agricultural inputs purchase, housing improvement, agricultural equipment purchase, SME development, processing equipment purchase, transportation means, etc.

310. Each year, the M&E Specialist will also be responsible for the preparation of ORMS tables (see Annex 11 for template and guidance).
311. Towards the end of the project implementation period, the PMU will also be required to prepare an Project Completion Review report, as an input to the PCR review mission that will be organized by IFAD.

## 5.5 Knowledge Management and Communication

312. By the end of the second quarter of implementation, the Knowledge Management Expert (under Heifer) shall develop a comprehensive Knowledge Management and Communication Strategy. This document will identify the detailed tools and processes to be used for efficient knowledge management, as well as a detailed action plan and timetable. This strategy will be developed along the lines described in the following section.
313. Knowledge management activities in VITA will have a triple objective: (i) the sustainable anchoring of technical and managerial knowledge among supported farmers and their groups (e.g. through the production of teaching materials); (ii) the generation of knowledge from project experience in various domains, based on the information collected through M&E activities and specific thematic studies; (iii) the sharing of this knowledge with interested parties, such as IFAD and ADBL management, other donors interested in rural finance or value chain development and policy makers, using various media (publications, website, brainstorming workshops, participation in Communities of Practice, film production videos). Ultimately, it is hoped that knowledge management activities will feed the policy dialogue between IFAD and the Government on successful rural poverty approaches, and that the new rural finance products and services developed and tested under Component 2 will be upscaled by ADBL and partner FIs.
314. Various tools and processes will be followed for knowledge management and sharing, including:

- Capitalization of experience: Through the regular analysis of results in the field, the collection of testimonies, interviews with beneficiaries and resource persons and other qualitative studies or quantitative surveys, M&E activities should culminate in the identification and documentation of good practices and relevant lessons learned from project implementation. Ultimately, these processes of learning and capitalizing on experience will help capture and formalize tacit knowledge, so that it can be documented and shared. Such knowledge should eventually provide a basis for policy dialogue.

The key subjects or themes concerned with the capitalization of the experience, as a basis for informed policy dialogue, could be the following: women and youth socio-economic empowerment; inclusive value chain development; corridor approach to local economic development; public/private partnerships; inclusive rural finance products and services; innovative agricultural lending, etc.

- Case studies: Specific case studies will be undertaken when the project will need to properly document some specific implementation aspects, results or lessons learned, or to illustrate cases of successful farmers or farmers' groups. The purpose will be to deepen the understanding and knowledge on key success factors, or the reasons for the possible failure of some approaches. These case studies may, or not, include the conduct of a thematic/quantitative survey, or will be mainly based on interviews and field observations.
- Innovative rural finance products and services: The various rural finance products and services (in particular collateral-free lending products) that will be tested by ADBL and partner FIs will be carefully documented.
- Knowledge fairs and events: these events will be periodically organized at provincial and national level to share innovations, promote local products, stimulate exchanges between producers and new buyers or share knowledge between corridors.
- Exchanges and study trips: Selected producers, value chain actors and ADBL branch staff will participate in exchange visits and study tours in order to acquire new knowledge, agricultural practices or ways of working from their peers, which will facilitate learning and the adoption of best practices.

- Production and dissemination of teaching materials: appropriate supports (posters, technical booklets, videos, etc.) intended for producers or members of farmers' groups will be developed and widely disseminated in order to ensure the sustainable anchoring of improved production techniques or management skills and to perpetuate the messages of the various awareness campaigns.
- Establishment of an electronic library. In order to safeguard the institutional memory and the accessibility of information, all the documents, studies and reports produced by the PMU, as well as all the documents developed for knowledge management or sharing purposes (videos, material ) will be carefully archived in a central electronic library.

315. **For communication** activities, the Knowledge Management Expert will be supported by ADBL Communication Department, which will avail the services of a part-time Communication Expert. Appropriate media (web articles, written press articles, videos, etc.) will be used in order to disseminate relevant information on project activities, results and approaches, and the various knowledge products, to specifically targeted audience or the general public. ADBL Website may also be used to post articles, videos and other communication material.

316. The following table presents a tentative action plan for knowledge management and communication activities during the first year of implementation.

**Tentative KM activities and plan**

<b>KM Activity</b>	<b>Type/Description</b>	<b>Responsible staff</b>	<b>Time frame</b>
<b>Knowledge needs and gaps stakeholder analysis</b>	<b>Stakeholders' consultation and analysis to be carried out to determine existing levels of knowledge among the different stakeholders (rapid review of knowledge and information flows, current good practices) and to identify their information and knowledge needs and gaps at (and between) all levels.</b>	<b>PMU KM Expert</b>	<b>First three months of implementation</b>
<b>KM and Communication strategy</b>	<b>Based on stakeholders' analysis and consultation outcomes, develop a full KM and communication framework and strategy as well as an annual KM and communication plan.</b>	<b>PMU KM Expert, ADBL Communication Department</b>	<b>Within first six months of implementation</b>
<b>Link KM &amp; M&amp;E</b>	<b>Build effective learning processes into the project M&amp;E system and introduce any relevant additional KM indicators in the M&amp;E system.</b>	<b>PMU KM Expert and M&amp;E Specialist</b>	<b>When M&amp;E system is being operationalized</b>
<b>Documentation</b>	Use simple documentation tools and methods, such as: print, photography, audio and video. Document case studies (success and failures). Support collection and initial analysis of data to generate relevant knowledge.	<b>KM Expert, with support from ADBL Communication Department, M&amp;E Specialist and selected PMU staff (Social Inclusion Expert; Nutrition Specialist)</b>	<b>Year 2 to year 6.</b>
<b>Communication and sharing</b>	Use the documented best practices to communicate results in different settings, such as workshops, ADBL or IFAD website, print publications, learning exchanges, newspapers, media, etc., and adapt them to the targeted end users. Facilitate the dissemination of project results in different fora. Provide relevant communication toolkits and backstopping to the relevant project staff/partners.	<b>KM Expert, with support from ADBL Communication Department M&amp;E Specialist and selected PMU staff (Social Inclusion Expert; Nutrition Specialist)</b>	<b>Within Year I and Year II of implementation</b>

<b>Knowledge-based decision-making and policy dialogue</b>	Facilitate the reporting and presentation of lessons learned and good practices for use in policy advocacy and policy dialogue.	<b>KM Expert and selected PMU staff</b>	<b>Year 3 to 6.</b>
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## 6 Financial management and accounting

### Summary

317. **Financial Management:** The PMU will report to the Project Director and accountable to the PSC for the overall financial management, preparation of AWPB, procurement plan, M&E and MIS, withdrawal applications and financial reports, and compliance requirement of internal and external audit. The concerned departments, provincial and branch offices of the ADBL and Heifer will be responsible and accountable for the implementation of project activities of their sector, planning of their annual work plan, preparation of budget and safeguard of project assets and resources and preparation and submission of financial reports. The initial financial management risk assessment of ADBL project is assessed as substantial due to first IFAD project, lack of experience in preparing AWPB, implementation of IFAD funded project, accounting and reporting requirement of IFAD, working with the local government and beneficiaries on grant basis, newly established PMU for the project, and separate funds flow. The Heifer has experience in implementing the IFAD Improved Seed for Farmers Programme (ISFP) funded project. However, the risk would reduce to moderate with the implementation of mitigating measures.
318. **Finance unit organization:** The PMU shall have one Programme Chief Finance Officer (FO), deputed by the ADBL, and one Account Assistant (AA) recruited for the project, one Account Officer and one Account Assistant in the provincial and A, B & C class branch offices and Account Assistant in D class branch offices will be designated from the existing account staff for maintaining accounts and preparing reports of the project. The job description of the FO and AA is given in the PIM.
319. **Budgeting:** The province and branch offices shall prepare their budget and submit the AWPB finalized in the workshop held in provincial level to PMU. The PMU will review the AWPB received from province and branch offices and consolidate with its budget and submit to Program and Budget Section of Planning and Research Department which, in consultation with PMU, will finalize annual work plan and budget (AWPB) of the project including co-financing by the Heifer and counterpart funds of the Federal, State and Local Government, ADBL and beneficiaries and loan to be received from bank and financial institutions based on the implementation schedule of the project activities, cost table, subsidiary loan and financing agreement and prevailing market price for submission to the ADBL Board and Project Steering Committee. The ADBL will provide funds including the corporate social responsibility (CSR) fund. After PSC approval, the AWPB will be submitted to IFAD for no objection before 15 May of each year and MoF for entering in the line Ministry Budget Information System (LMBIS) for budget provision in the federal budget to be presented by the Finance Minister on 29 May (Jestha 15) of each year by creating a separate budget line for the loan to be provided to ADBL for project implementation. The MoF will provide loan for the lending activities signing subsidiary loan agreement with ADBL. The MoF will release budget to the ADBL after approval of the budget by Parliament. The PMU will allocate and release annual budget to the province and branch offices specifying the activities. The PMU will monitor physical and financial performance on a quarterly basis. The budget allocated to the province and branch offices can be revised by the ADBL not exceeding the approved annual budget.
320. **Disbursement arrangements and flow of funds:** The ADBL, on receipt of authorized signatories from the MoF, shall open a designated bank account in USD at Nepal Rastra Bank (NRB) for the loan to be provided by government in which IFAD will disburse initial advance on compliance with the loan covenant precedent to first withdrawal application as specified in finance agreement the letter to the borrower (LtB) and thereafter reimburse eligible expenditures on submission of withdrawal application. The government and ADBL will not pre-finance the project expenditures to be funded from IFAD source. The ADBL will open separate project bank account

in which the advance amount of USD 10 million or as specified in the letter to the borrower will be transferred from designated account on imprest system. The amounts received from ADBL from corporate social responsibility fund for non-lending project activities will also be deposited in the project bank account. The ADBL will make payments from the project bank account for incremental operating cost, capacity building expenses, other project related expenses and infrastructure construction expenses to the respective payees. The payment to the local government will be made as per memorandum of understanding entered between the ADBL and local government. The ADBL will provide wholesale loan to other partner financial institutions and ADBL for loan provided to the borrowers based on the statements of loan from the project bank account following the credit policy of the ADBL and approval of the Credit Committee wherever required. The Credit Department and Credit Committee of the ADBL will be responsible for loan approval, monitoring and recovery and compliance with the ADBL's own credit policies and also the directives of the Nepal Rastra Bank. The ADBL will request next advance when 75% of the previous advance amount has been spent but not exceeding threshold of advance. The Heifer will incur expenses for the activities as specified in the districts not directly covered by own funded activities and request for reimbursement. The PMU will reimburse the expenses requested for reimbursement based on the statement of expenses to Heifer. The PMU will be directly responsible for the management, maintenance and reconciliation of the DA and project bank accounts.

321. The local government or other implementing agencies will open separate bank account for construction of market and other infrastructure in which the counterpart fund and project loan/grant will be deposited. The local government or other implementing agencies and sub-project implementers will incur expenses and request for reimbursement of instalment of loan/grant as agreed in the memorandum of understanding. The sub-project implementers (private sector/beneficiaries) will deposit their contribution in the separate bank account of the implementers in which ADBL and other partner financial institutions will disburse the loan to the borrowers for approved sub-project activities.
322. The PMU will prepare withdrawal applications for advance amount and eligible expenditures already paid and submit to IFAD along with the supporting documents required for IFAD disbursements. The IFAD will disburse the advance and eligible expenditures to the designated bank account maintained by the ADBL.
323. **Retroactive Financing:** A sum of USD 500,000 has been provisioned for retroactive financing for the expenses to be incurred between 01 February 2020 or the date specified in the Letter to the Borrower and the date of Financing Agreement signature ("Entry into Force") to facilitate smooth start-up. Retroactive financing shall be used for the expenditures incurred for: (i) recruitment of project staff and training of staff; (ii) purchase of furniture and office equipment for PMU; (iii) conducting baseline surveys and customization of existing MIS software; (iv) preparation of guidelines and any other activities to be conducted before start of the project. These expenditures would be reimbursed on submission of a separate withdrawal application when the conditions precedent to first withdrawal application stipulated in the financing agreement have been met.
324. **Accounting systems, policies, procedures and financial reporting:** The PMU, province and branch offices of the will maintain separate accounts of the project following double entry accrual basis of accounting system using existing core banking and accounting software. The existing chart of accounts will be modified to avoid systematic weakness before the start of the project for accounting expenses by categories, components, sub-components, activities, commodity, funding sources, geographical region to monitor expenses and meet accounting and reporting requirement of IFAD. The Heifer will also maintain accounts for the expenses incurred for the project. The contribution made by the provincial government, municipalities and beneficiaries shall be recorded to expenditures based on statement of

expenditures. In-kind contributions will be quantified based on fair market value and accounted to expenses and income disclosing in the notes to accounts.

325. The province and branch offices and Heifer will submit monthly financial statements to the PMU within first week from the end of the month. The PMU will prepare consolidated monthly financial statements and submit to the VITA Programme Coordinator (PMU Director). PMU will prepare quarterly interim financial reports in the prescribed format within 45 days of the end of each quarter and annual Project financial statements in the prescribed format within four months of the end of each financial year for submission to IFAD.
326. **Internal Audit:** The Internal Audit Department of the ADBL will conduct internal audit of the project in accordance with the Standards on Internal Audit (SIA) on quarterly basis. The draft internal audit reports are to be submitted to the respective cost centres copied to the PMU Director. The final internal audit report after receipt of response on the draft internal audit report will be submitted to the Audit Committee of the ADBL. The Audit Committee will review the internal audit report and recommends for the remedial action to resolve the observations and avoid recurrence. The internal audit report along with the actions taken to resolve audit observations shall be submitted to the Board, Audit Committee, VITA Programme Director (ADBL CEO) and PMU Director. IFAD shall have access to all Internal Audit Reports and actions taken to resolve audit observations.
327. **External Financial Audit:** The ADBL shall hire a chartered accountant firm appointed to conduct audit of the ADBL on recommendation of the Office of the Auditor General to carry out the audit of the project in accordance with Nepal Standards of Auditing and IFAD's General Conditions and the IFAD Handbook for Financial Reporting and Auditing of IFAD-financed projects, which, inter alia, requires public disclosure. The audit report shall be submitted to the PMU Director and Board for review the audit report and audit observations reported in the management letter. The audited project financial statements including the designated account and management letter along with management response have to be submitted to the IFAD within six months of the end of each financial year during the project implementation period and by the financing closing date for the last year of the project to comply with the deadline for submission of the audit report. The Heifer will also submit the audit report of the project expenditures within six months of the end of each fiscal year.
328. **Investigative Authority:** Under IFAD's Policy on Preventing Fraud and Corruption<sup>41</sup>, the independent and competent authority responsible for receiving, reviewing and investigating allegations of fraud and corruption will be the Commission for the Investigation of Abuse of Authority, who will take action as per provisions of the Federal Law.

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<sup>41</sup> <https://www.ifad.org/en/document-detail/asset/40189695>

## 6.1 Introduction and financing

329. This chapter explains about the financial management of the project. It lays down the process of planning and budgeting, the accounting system, financial procedures for approval and system of recording transactions, system of funds flow to the project and within the project, the disbursement systems, submission of withdrawal application for reimbursement of funds, preparing and reporting of the financial statements, internal audit and the statutory audit requirements.
330. **Country Inherent Risk:** The overall country inherent financial management (FM) risk is assessed as substantial based on the 2018 with Transparency International Corruption Perception Index score of 3.2. The latest PEFA report published in May 2015 disclosed that the commitment to change and reform to PFM systems and process by the Government of Nepal has produced results. Among 28 performance indicators (PI), 16 indicators improved, 10 indicators remained unchanged, and 2 indicators deteriorated. However, compared to 2008 with improved systems, data availability has assisted to fine-tune the assessment and downgrade the rating of an indicator to reflect the current system. PEFA indicates weakness for Nepal in budget execution, audit, accounting and reporting.
331. **Financial Management:** The Project Management Unit (PMU) will report to the PMU Director and accountable to the PSC for the overall financial management, preparation of AWPB, procurement plan, M&E and MIS, withdrawal applications and financial reports, and compliance requirement of internal and external audit. The concerned departments, provincial and branch offices of the ADBL and Heifer will be responsible and accountable for the implementation of project activities of their sector, planning of their annual work plan, preparation of budget and safeguard of project assets and resources and preparation and submission of the financial reports. The initial financial management risk assessment of ADBL project is assessed as substantial due to first IFAD project, lack of experience in preparing AWPB, implementation of IFAD funded project, accounting and reporting requirement of IFAD, working with the local government and beneficiaries on grant basis, newly established PMU for the project, and separate funds flow. The Heifer has experience in implementing the IFAD Improved Seed for Farmers Programme (ISFP) funded project. However, the risk would reduce to moderate with the implementation of mitigating measures
332. **Retroactive Financing:** In accordance with Section 4.07 of the General Conditions (GC), expenditures shall be eligible for financing if they are incurred during the Implementation Period. With the approval of the Executive Board, project expenditures may be incurred before entry into force, known as retroactive financing. At the request of the GON, a sum equivalent to USD 0.5 million is provisioned as retro-active financing for meeting the following specific expenditures that are related to the project: (i) recruitment of project staff and training of staff; (ii) purchase of furniture and office equipment for PMU; (iii) conducting baseline surveys and customization of existing MIS software; (iv) preparation of guidelines and any other activities to be conducted before start of the project. Expenditures for retroactive financing, to be pre-financed by the ADBL or Government of Nepal (GoN), should be preauthorized by IFAD and will only be eligible from 1 February 2020 or the date specified in the Letter to the Borrower.
333. The expenditures need to be specifically identified as retroactive financing in the project Work Plan and Budget, including the related Procurement Plan that will provide a detailed description of planned activities, related methods of procurement, quantities, estimated costs and the expected dates of finalization of Procurement activities. Both the specific AWPB and Procurement Plan are subject to prior review by IFAD. Upon entry into force and fulfilment of disbursement conditions, eligible expenditures are reimbursed into the ADBL bank account or Government treasury depending on who has pre-financed such expenditures. Retroactive expenditures are pre-financed by the prospective Borrower at its own risk. If the financing is not approved, or does not enter into force, expenditures will not be reimbursed. These

expenditures would be reimbursed on submission of a separate withdrawal application when the conditions precedent to first withdrawal application stipulated in the financing agreement have been met. Expenditures eligible for retroactive financing should be included in the first financial statements of the project and audited, with appropriate separate disclosure of the amount in the Notes to the Accounts.

334. **Taxes and duties** to be paid on expenses incurred for the programme will be funded from the counterpart funds provided by the state and local government for the infrastructure construction expenses and by ADBL for the inclusive supply chain development of component 1, capacity enhancement and policy development facility of component 2 and project management expenses. In case of private investment financing, the private sector and beneficiaries will cover the taxes and duties from their equity, cash contribution and bank loan while Heifer will provide funds for expenses inclusive of taxes and duties. Because of above funding modality, the federal government will not provide counterpart funds for this programme.
335. **Start-up Advance:** An advance for approved start-up activities is encouraged, such as staff salary, training of key staff, office equipment and the initial operating costs, shall be provided on request in the period between project entering into force (financing agreement signed and meeting the conditions precedent to first withdrawal). The activities plan for such advance should be approved in advance. This will provide liquidity if required until the conditions precedent to first withdrawal have been met.
336. **Conditions precedent to First Withdrawal:** No withdrawal can be made in respect of expenditures until:
- (a) PMU has been duly established and finance staff recruited and trained;
  - (b) PIM has been approved by the PSC and IFAD;
  - (c) Accounting software should have been customized for accounting project expenditures as per revised chart of accounts and generating required information and reports;
  - (d) GoN shall have duly authorized ADBL to open and operate the Designated Account for IFAD loan;
  - (e) The Project shall have duly opened the project accounts;
  - (f) The first AWPB, including the procurement plan for the initial 18 months of Project implementation, shall have been submitted to, and approved by IFAD;
  - (g) Subsidiary loan agreement and memorandum of understanding are entered between the ADBL and the government; and
  - (h) Lending procedure should have been approved by the Board of the respective participating financial institutions.

## **6.2 Disbursement and Fund Flow Mechanism**

337. **Financing:** The project expenditures will be financed from IFAD Loan, GoN contribution, Heifer co-financing, State and local government, ADBL corporate social responsibility (CSR) fund, banks, private sector, and beneficiaries' contribution. Government contribution will be for taxes, salaries and allowances of project staff, operating costs, training, consultancies, workshop and office equipments required for activities of the components as specified in the project cost table. Heifer will contribute the expenses incurred for the activities of mentoring and mobilization of products/producers organizations, business skills to farmers, producers' organization service market strengthening, capacity building, brokering and cluster facilitation and project management of component 1. The commercial banks participating in this project will provide loans to the various cooperatives, producers groups, farmer producer organizations and farmers. The state and local government will provide funds for construction of civil works infrastructure to be used by the local market, producers and farmers. The CSR funds of ADBL will be used for mentoring and mobilization of products/producers organizations, business skills to farmers of

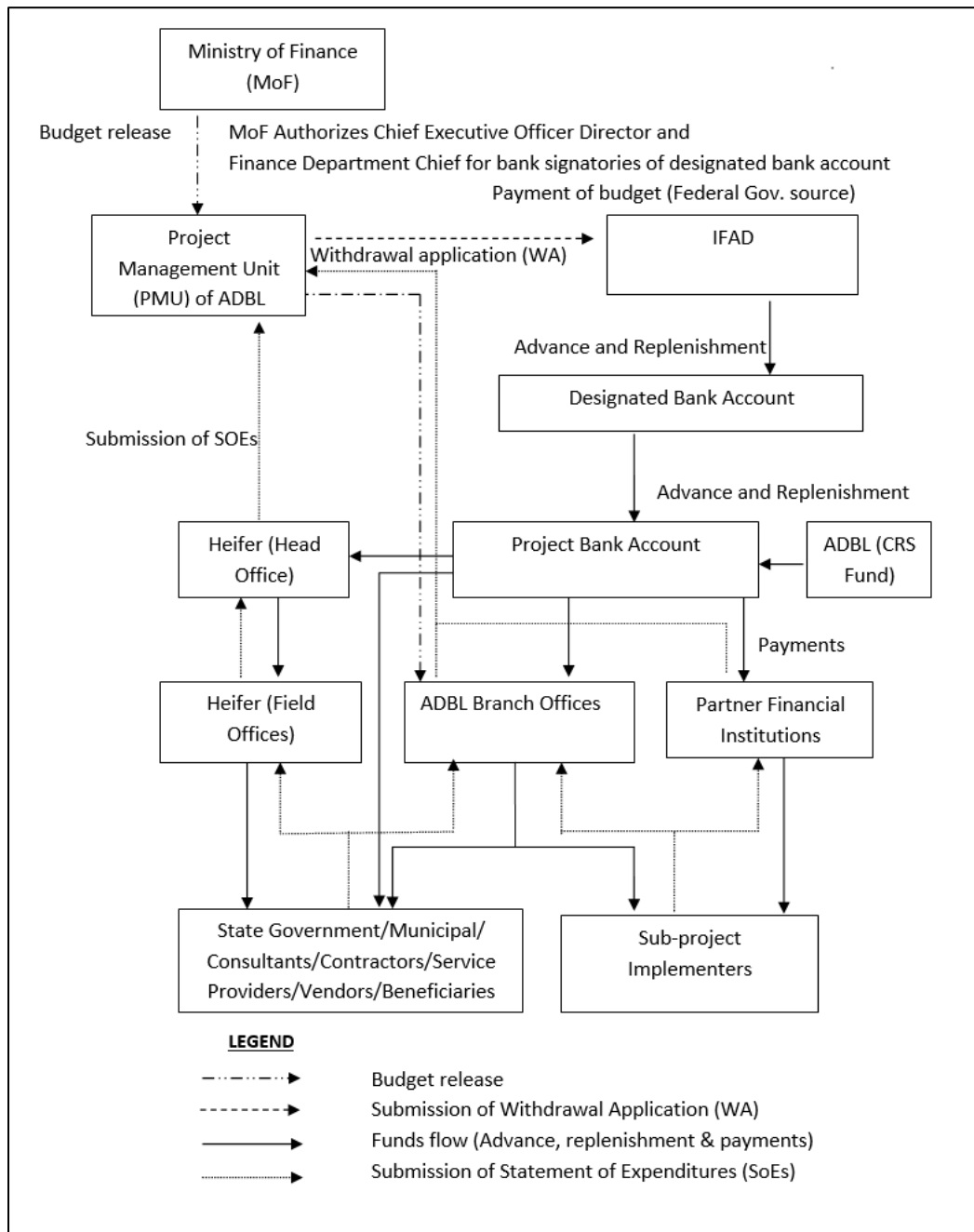
component 1. The ADBL will also provide funds for training, workshops, office equipment and salary and allowances of the staff deputed by ADBL. The private sector and beneficiaries contribution will be in cash or in-kind for labour and goods for the private investment activities. The funding source of the particular activity of the component should be referred to the project cost table and approved AWPB for accounting the expenses.

338. **Bank accounts:** The IFAD loan account will be designated in USD. GoN shall authorize the ADBL to open a Designated Account at Nepal Rastra Bank (NRB) in USD. The ADBL, on receipt of authorized signatories from the MoF, shall open a designated bank account in USD at Nepal Rastra Bank (NRB) for the loan to be provided by government in which IFAD will disburse initial advance as specified in the letter to the borrower and thereafter reimburse eligible expenditures on submission of withdrawal application. The government and ADBL will not pre-finance the project expenditures to be funded from IFAD source.
339. The ADBL will open separate project bank account in which the advance amount of USD 10 million or as specified in the letter to the borrower will be transferred from designated account on imprest system. The amounts received from ADBL from corporate social responsibility fund for non-lending project activities will also be deposited in the project bank account.
340. The local government or other implementing agencies will open separate bank account for construction of market and other infrastructure in which the counterpart fund and project loan/grant will be deposited. The local government or other implementing agencies and sub-project implementers (state and local government, cooperatives, producers groups and other beneficiaries) will incur expenses and request for reimbursement of instalment of loan/grant as agreed in the memorandum of understanding. The sub-project implementers will deposit their contribution in the separate bank account of the implementers in which ADBL and other partner financial institutions will disburse the loan to the borrowers for approved sub-project activities.
341. Flow of Funds: The ADBL, on receipt of authorized signatories from the MoF, shall open a designated bank account in USD at Nepal Rastra Bank (NRB) for the loan to be provided by government in which IFAD will disburse initial advance as specified in the letter to the borrower and thereafter reimburse eligible expenditures on submission of withdrawal application. The government and ADBL will not pre-finance the programme expenditures to be funded from IFAD source. The ADBL will open separate programme bank account in which the advance amount of USD 10 million or as specified in the letter to the borrower will be transferred from designated account on imprest system. The amounts received from the ADBL from corporate social responsibility fund for non-lending programme activities will also be deposited in the programme bank account. The ADBL will make payments from the programme bank account for incremental operating cost, capacity building expenses, other programme related expenses and infrastructure construction expenses to the respective payees. The payment to the local government will be made as per memorandum of understanding entered between the ADBL and local government. The ADBL will provide wholesale loan to other partner financial institutions and ADBL for loan provided to the borrowers based on the statements of loan from the programme bank account. The ADBL will request next advance when 75% of the previous advance amount has been spent but not exceeding threshold of advance. The Heifer will incur expenses for the activities as specified in the districts not directly covered by own funded activities and request for reimbursement. The PMU will submit WA to IFAD for direct reimbursement of the expenses based on the statement of expenses to Heifer. The PMU will be directly responsible for the management, maintenance and reconciliation of the DA and programme bank accounts.
342. The PMU will prepare withdrawal applications for advance amount as specified in the Letter to the Borrower and eligible expenditures already paid and submit to IFAD along with the supporting documents required for IFAD disbursements. The IFAD will

disburse the advance and eligible expenditures to the designated bank account maintained by the ADBL. The IFAD Loan Disbursement Handbook and the Letter to the Borrower will detail the disbursement arrangements.

343. The following diagram visualises the fund flow arrangements:

**Figure 5: Funds Flow Process**



344. **Disbursements:** The Loan Disbursement Handbook for Directly Supervised Projects<sup>42</sup> (LDH) in conjunction with the Financing Agreement and the Letter to the Borrower (LtB) set out the disbursement procedures. The funds from IFAD loan will be disbursed using one of the following three methods:

Procedure I: Advance withdrawals or replenishments to a bank account designated to receive loan resources

Procedure II - Direct Payment

Procedure II: Reimbursement

<sup>42</sup>[https://www.ifad.org/documents/38711624/39633845/Loan+Disbursement+Handbook+%28for+projects+approved+under+GC+s+effective\\_e.pdf/af446750-29c5-49e2-a514-85132173bf8](https://www.ifad.org/documents/38711624/39633845/Loan+Disbursement+Handbook+%28for+projects+approved+under+GC+s+effective_e.pdf/af446750-29c5-49e2-a514-85132173bf8)



345. The designated account is replenished through the submission of a Withdrawal Application (WA) to IFAD. The Form 100 summary of the WA, Form 101 and/or Form 102/A will be prepared by PMU and submitted to IFAD through the IFAD Client Portal (ICP). The list of the expenditures being claimed is to be submitted in the specified format with WA. The amount to be replenished is to be requested in the currency of denomination of the designated account as described in the LtB. A WA should be submitted at least every 90 days, or in the case where an advance from IFAD has been provided then when 30% of it has been utilised (even if this is earlier than the 90 day normal requirement).
346. PMU will also submit a Designated Account Reconciliation Statement Form 104 with each WA for replenishment to the designated account for the same reporting period in which the eligible expenditures are being claimed. This form shall be accompanied by bank statement of the designated account ensuring that the closing bank balance for the bank account corresponds to the balance at the end of the same reporting period as indicated in the WA period. Sample templates for the reconciliations, as applicable, are provided in Appendix FM-1 - Designated Account Reconciliation Statement.
347. A Checklist Form 105 is used to assist with the compilation of the WA. It is in the LDH and a sample is provided in Appendix FM-2.
348. **Procedure I - Advance withdrawals or replenishments to a bank account(s) designated to receive loan resources:** The design foresees the requirement of a designated account for the project, as the GoN is not pre-financing the project expenses to be borne from IFAD source. The GoN and ADBL will only finance the expenses to be borne by them. Hence, this disbursement procedure is required to provide funds for implementation of the project.
349. This procedure is a mechanism to provide an advance to the government from the IFAD loan account using an imprest mechanism to replenish eligible expenditures incurred for the project as specified in the financing agreement and LtB. This modality is used to provide an advance from the IFAD loan account not exceeding a ceiling amount and in the currency as specified in the LtB and/or replenish funds for eligible expenditures not exceeding the limit of advance to a bank account designated by the government. The mechanism helps the government in financing eligible expenditures defined in the financing agreement. During the project implementation, the designated account is replenished when satisfactory evidence of expenditure incurred is received. The designated account will be maintained in a freely convertible currency agreed by the government and IFAD and specified in the LtB.
350. Expenditures above the "Statement of Expenditure" (SoE) threshold stipulated in the Letter to the Borrower shall be documented on a Form 101 and the photocopy of supporting evidence as stipulated in section 3.1(d) of the LDH needs to be submitted to IFAD retaining all supporting documents at the project. Expenditures below the threshold should be listed on a Form 102 mentioning full description of payment, name of payee, contractor, supplier or service provider, reference to the relevant AWPB and budget line/item, contract or invoice number, payment voucher number, contract amount and currency, invoice amount and currency, date of payment, payment reference, exchange rate, withdrawal application amount, country of origin and other details following information in the SOE form. The statement of expenditures will be reviewed substantively on a sample basis during supervision and implementation support missions. All original documentation is to be retained by the project and securely located to enable inspection by IFAD representatives and auditors for a period of at least 10 years after the project completion date (PCD), in accordance with article VIII of the General Conditions.
351. Towards project completion, IFAD initiates procedures to ensure recovery of advances by project closure. Recovery of the advance shall start either six months before completion date or when the undisbursed balance of the financing (including outstanding special commitments) is equal to twice the amount of the advance. The

project shall submit advance recovery plan to the IFAD with an information of WA No., date and amount of authorized initial advance in NPR, USD & SDR if IFAD loan is in SDR, estimated amounts in NPR & USD of each WA No., date and period of WA, amounts in USD and proposed percentage of each WA and cumulative amounts to be recovered and cumulative unjustified balance.

352. The gradual recovery of the advance is achieved by applying part of the amount documented in each replenishment application to reduce the outstanding advance either on receipt of advance recovery plan or even before receipt of advance recovery plan if the advance outstanding is estimated to be more than estimated eligible expenditures for the remaining project period. Gradual recovery offers the most effective means of ensuring that some funds in designated account remain available to finance eligible expenditures to be incurred in the remaining project period. For example, recovery may be made on a 2 to 1 ratio; that is, for each US\$3 of documented eligible expenditure, IFAD replenishes the imprest account of the borrower with US\$2 and applies documentation for US\$1 towards the recovery of the outstanding advance, thus ultimately ensuring that full documentation is gradually submitted to cover the entire advance. If some further withdrawals are projected to be made from other than the designated account, the recovery ratio for subsequent applications is appropriately increased to ensure that recovery is completed in good time before the financing is fully disbursed or before the financing closing date. A recovery plan is provided in Appendix FM-3.
353. **Procedure II - Direct Payment.** Direct payments are not foreseen for this project but are explained here in the unlikely case that the need should arise during the project life. Under this procedure, the project requests IFAD to pay suppliers/service providers directly from the loan account indicating in the WA the date on which payment becomes due to the supplier/service providers. The procedure is similar to Procedure I described above but the payment is made directly to the supplier/service providers as advised and instructed by the PMU. This procedure is generally suitable for payment of large civil works progress and retention payments, and consultant fees (when these are of substantial magnitude). The threshold of direct payment is specified in the LTB.
354. Under the direct payment procedure, payment is requested by completing separate Form 100 - Application for Withdrawal for each supplier and currency in which the payment is requested. The WA for direct payment should be received by IFAD at least two weeks before the payment to the supplier/service providers becomes due. The WA should be submitted along with the corresponding Application Summary Sheet(s) Form(s) 101 for direct payment, together with complete supporting documentation as per the instructions provided in section 2.1 of the LDH.
355. **Procedure III - Reimbursement.** The method is used to claim reimbursement of eligible expenditures pre-financed by the ADBL to the ADBL bank account submitting separate Application for Withdrawal – Form 100, Application Summary Sheets Form 101 & Statement of Expenditure Form 102 as in case of Procedure I above. This type of disbursement will only be used for payment to ADBL bank account from IFAD loan account if the expenses to be borne from IFAD source have been spent by the ADBL. There may not be case of reimbursement as an advance will be provided by the IFAD for project expenses. WA for reimbursement is to be submitted to the IFAD within ninety calendar days from the dates of payments or the period as specified in the LtB.
356. This procedure is followed when expenditures have already been incurred, that is, the supplier of goods, works, consulting or other services and incremental operating costs have already been paid by the ADBL from its own funds. Reimbursement will be made to the ADBL in the currency of payment made for eligible expenditures. The amount reimbursed in the requested currency will be calculated in USD and currency of financing agreement by the IFAD, using the IMF rate of exchange on the date of payment by the IFAD Treasury. The reimbursement procedure has the same Forms (100, 101 and 102) and documentary evidence requirements as described above.

357. **Project completion:** Withdrawal Applications may be continued to be submitted up to the Loan Closing date i.e. six months after the project completion date. Submission of the Project Completion Report making reference to financial management and the final audit report are requirements in order to close the loan account. Only payments made, or payments due for goods delivered, works completed and services rendered, prior to the project completion date, qualify for disbursement. The only additional expenditures allowed are for winding up activities (salaries, audit fees, impact assessment study, project completion report and other activities as agreed with IFAD). No replenishment will be made after the project completion date. Expenses are eligible only if services have been rendered, construction of works have been completed and goods have been delivered by the completion date, except that costs for winding up activities are eligible until closing date. No disbursements can be made after loan closing date.
358. **Beneficiary Contribution:** The beneficiaries will provide cash or in-kind contributions for labour and construction materials for construction or rehabilitation of market, processing, storage, and infrastructure related to irrigation and income generation activities. The PMU shall develop a system to collect information of beneficiary cash and in-kind contribution to the project on a regular and ongoing basis. The labour contribution shall be calculated based on the prevailing wage rates and cost of construction materials of the respective places while cash contribution shall be calculated based on actual contribution made for construction and other input for the activities. The statement of expenditures showing labour contribution and percentage of beneficiaries' contribution of the total expenses incurred shall be used for collecting and accounting beneficiaries contribution. The contribution made in cash by the beneficiaries and participating organizations shall be recorded to expenditures by the implementing agencies based on incurred expenditures. The in-kind contributions for goods and services will be disclosed in the income and expenses statements and notes to accounts.

### **6.3 Budgeting, processing of payments, accounting systems, policies, procedures and financial reporting**

359. **Finance unit organization:** The PMU shall have one Programme Chief Finance Officer (FO), deputed by the ADBL, and one Account Assistant (AA) recruited for the project, one Account Officer and one Account Assistant in the provincial and A, B & C class branch offices and Account Assistant in D class branch offices will be designated from the existing account staff for maintaining accounts and preparing reports of the project. The job description of the Finance Officer and Account Assistant shall be as specified in this PIM. Account Officer/Assistant of the province and branch offices will be responsible for accounting and record keeping of all financial transactions, and preparation and submission of financial statements and statement of expenditures to PMU.
360. PMU will be responsible for overall financial management, preparation and submission of consolidated AWPB, procurement plan, withdrawal application and monthly, quarterly and annual financial statements, internal and external audit and compliance with the terms of LtB, IFAD's general conditions, financing agreement, subsidiary loan agreement, project agreement and prevailing policies, procedures, rules and laws. PMU will report to the Project Director (ADBL CEO), GoN and IFAD.
361. **Budget:** The province and branch offices shall prepare their budget and submit the AWPB finalized in the workshop held in provincial level to PMU. The PMU will review the AWPB received from province and branch offices and consolidate with its budget and submit to Program and Budget Section of Planning and Research Department. The Budget Section, in consultation with PMU, will finalize annual work plan and budget (AWPB) of the project including co-financing by the Heifer and counterpart funds of the Federal, State and Local Government, ADBL, private sector and beneficiaries and loans to be received from bank and financial institutions based on the implementation schedule of the project activities, cost table, subsidiary loan and

financing agreement and prevailing market price for submission to the ADBL Board and Project Steering Committee in the format given in Appendix FM-4. The ADBL will provide funds from the corporate social responsibility (CSR) fund and other budget for expenses to be borne by the bank. After PSC approval, the AWPB will be submitted to IFAD for no objection before 15 May of each year and MoF for entering in the line Ministry Budget Information System (LMBIS) for budget provision in the federal budget by creating a separate budget line for the loan to be provided to ADBL for project implementation. The MoF will provide loan signing subsidiary loan agreement with ADBL. The MoF will release budget to the ADBL after approval of the budget by Parliament. The PMU will allocate and release annual budget to the province and branch offices specifying the activities. The PMU will monitor physical and financial performance on a quarterly basis. The budget allocated to the province and branch offices can be revised by the ADBL not exceeding the approved annual budget.

362. If the AWPB is required to be revised within the approved budget allocation to reallocate the budget among the activities or for new activities, a request for budget revision with justification should be submitted by the PMU to the PSC, GoN and IFAD for approval. After approval of the revised budget, the budget will be allocated among the PMU, province and branch offices office for implementation of revised activities.
363. The PMU will monitor the monthly budget execution in the format given in Appendix FM-5 and the statement of expenditures of the previous quarter and cash forecast of the next quarter which are given in Appendix FM-6 of financial reporting table.
364. **Payment procedures:** The expenditures are to be incurred for the project related activities as specified in the financing and subsidiary loan agreement, project design report, and cost table. The payments of such expenditures are to be made with due care of internal check and internal control to avoid ineligible expenditures and unauthorized payments as per ADBL payment procedures. There should be segregation of duties in processing the payments. One staff should check all supporting documents related to the expenditures and prepare voucher and these documents and voucher should be reviewed, recommended and approved by other staff. All the financial transactions are to be carried out only upon approval by the Project Coordinator at PMU and Office Chief of the province and branch offices. The finance staff should check the availability of budget and eligibility of expenditures for processing the payment of expenditures. The accountant should check all the supporting documents related to expenditures based on nature of expenditures and forward to the Finance Officer except D class branch offices for review the completeness of supporting documents, correctness of the amounts, and eligibility of expenditures and recommend for approval to the Project Coordinator in PMU and Office Chief of the province and branch offices. The procurement staff should check the related documents to ensure quality, specification and price of the goods supplied or services provided. If any discrepancy is identified, the payment should be withheld till required explanation/justification is provided for the requested payment.
365. The Finance Officer/Assistant should ensure that the following steps are performed:
  - (a) A payment voucher should be prepared for each payment,
  - (b) The availability of sufficient supporting documents to justify the expenditures,
  - (c) The supporting documents (original copies of invoice, receipt, quotations, purchase order, goods received note, inspection report of the technical committee or specialist, contract, travel order, travel claim, travel report, participants attendance, distribution list, photographs, etc) should be checked to validate the amount and nature of expenditure,
  - (d) Arithmetic correctness of expenditures, and
  - (e) Cross verification of all supporting documents to ensure correctness of the amount of expenditures.

366. **Consultants' Services:** The payment to the consultants either individual or consulting firm shall be made in accordance with payment terms and other terms and conditions of the contract. The consultants may be hired either based on a lump sum contract or a time based contract. In case of a lump sum contract, payments will be made against the delivery of outputs/milestone as specified in the contracts while in case of time based contract, payments will be made against the submission of a time sheet and a summary of activities performed. The individual consultants will be hired on monthly basis or on the basis of number of days if required on intermittent basis and they will be paid against the submission of a time sheet and a report of activities performed. The report submitted by the consultants is required to be reviewed and approved by the concerned specialist to ensure quality of the expected report and compliance with the terms and conditions of the contract in case of lump sum contract. The payment will be made only after approval of the report.
367. **Training and capacity building:** The expenditures incurred for training and capacity building of the project staff and beneficiaries will be approved only on verification of all supporting documents related to such expenditures. The documents required are approval of the cost estimate & training by the Project Director/Coordinator at PMU and Office Chief in province and branch offices and IFAD if required, invoices and receipts of the expenditures, invitations to the participants, participants' attendance, payees' signatures for payment of allowances to the participants and trainers, distribution list of materials, photographs of training, completion report, etc.
368. **Incremental operating costs:** The expenditures will be incurred for the incremental operating expenses as provisioned in the project design report, cost table and AWPB and incurred for the project management. Such expenditures must be incurred for the project management during implementation of the project and eligible for funding. All the required supporting documents are to be submitted for processing payments and the concerned finance staff should check the sufficiency, correctness and eligibility of the expenditures and availability of budget before recommending the payment. The project management expenditures should be correctly classified to the respective component and category.
369. **Travel Expenditures:** Staff of the project has to travel for implementation and monitoring of the project activities as well as for meeting, workshops, study tours and staff training. The staff requiring to travel must obtain prior approval of the Project Director/Coordinator/ Office Chief and IFAD if it is required. The approved travel request, advance required and No Objection obtained from IFAD have to be submitted to the Finance Officer/Assistant for travel advance if required. The staffs have to submit to the Finance officer/Assistant all the supporting documents and travel report within one week from the date of return from travel. The finance staff will check accuracy and completeness of travel expenses with the supporting documents and submit to the Project Director/Coordinator at PMU and Office Chief at province and branch offices for approval. Upon approval of the travel expense, the advance provided will be settled or amount due to the staff will be reimbursed.
370. **Matching Grant:** The grants will be provided to the sub-project implementers for construction or rehabilitation of market, processing, storage, farm access roads and infrastructure related to irrigation and income generation activities. The grants will be provided only for the activities provisioned in the project design report and approved in the AWPB. The first instalment of the grant will be paid on signing of the grant agreement with the sub-project implementers if the advance payment is provisioned in the agreement. The sub-project implementers have to submit the statement of expenditures and grant utilization certificate in the format given in Appendix FM-7 with the supporting documents to request for the next instalment or reimbursement of expenses incurred. The Finance Officer/Assistant will check the supporting documents and forward to the concerned technical officer who will check physical progress and compliance with the terms and conditions of the grant agreement as per project grant guidelines and recommend for payment. The record

of grant provided by the project to the sub-project implementers will be maintained by the PMU, province and branch offices of ADBL in the format given in Appendix FM-8. The record should include description of activity, name of grantee, grant agreement date, grant completion date, total amount of the activity, grantee contribution, project grant amount, instalments of grant payment, milestone to be achieved to be eligible for instalment payment, date and amount of each instalment payment, completion date, and remarks. All supporting documents related to the expenditures should be marked with "PAID" stamp immediately after approval of payment voucher to avoid double payment of same expenditures.

371. **Loan to the sub-project implementers:** The sub-project implementers are responsible to arrange loan from the commercial banks and financial institutions for the sub-project before requesting for matching fund/co-financing from the project. The sub-project implementers have to submit the project proposal and other documents required for obtaining loan as per procedures and terms and condition of the concerned commercial banks and financial institutions. The commercial banks and financial institutions will follow their loan approval and disbursement procedures and disburse loan to the sub-project implementers. The commercial banks and financial institutions have to submit the statement of loan disbursed and outstanding showing at least the information mentioned in the format of Appendix - 9 for reimbursement of loan to the PMU. The PMU will provide loan to the banks and financial institutions after deducting loan if already provided from the amount of loan outstanding.
372. **Accounting:** The PMU, province and branch offices of the will maintain separate accounts of the project following double entry accrual basis of accounting system using existing core banking and accounting software. The existing chart of accounts will be modified for accounting expenses by categories, components, sub-components, activities, commodity, funding sources, geographical region to monitor expenses and meet accounting and reporting requirement of IFAD. The Heifer will also maintain accounts for the expenses incurred for the project. The contribution made by the state and local government, sub-project implementers and beneficiaries shall be recorded to expenditures based on statement of expenditures.
373. The contribution made in cash by the sub-project implementers shall be recorded to expenditures based on incurred expenditures. In-kind contributions will be quantified based on fair market value and accounted to expenses and income disclosing in the notes to accounts. The advance provided to the project staff shall be accounted on receipt of SoEs with the supporting documents. The PMU and all offices of ADBL implementing the project activities, Heifer and other implementing agencies shall maintain all required records of financial transactions. All supporting documents shall be retained and made available for verification during supervision and implementation support mission and mid-term review mission of IFAD and audit. The accounts and records are to be maintained consistently to reflect the operations, resources and expenditures related to the project until the financing closing date, and shall retain such accounts and records for at least ten (10) years after project closing date.
374. The accounts shall be maintained using ADBL core banking and accounting software at all project implementing offices. A uniform chart of accounts shall be developed having the features as given in Appendix FM-10 indicating project name, implementing offices, district, assets/ Liabilities/Income/expenses, source of funds, component, sub-component, activities, category and expenditure heads. The ADBL staff authorized to modify chart of accounts will provide code to the chart of accounts and issue guidance to PMU, province and branch offices of ADBL to maintain accounts using this chart of accounts. The chart of accounts will help to identify nature of expenditures incurred by each office in each district for each activity of the component and category so that software can generate consolidated statement of expenditures by component, category, financiers, expenditure heads, and financial statements. The core banking and accounting software shall have features of

- maintaining books of accounts viz. cash book, bank book, journal, ledger, trial balance, bank reconciliation statement, expenditure by components, categories, and financiers in each cost center and consolidation at PMU.
375. An advance will be given to the staff as per ADBL policy to maintain petty cash on imprest system for incurring petty expenses. The staff taking advance for petty expenses shall maintain petty cash statement for control of advance and to avoid use for personal purpose. The formats of petty cash voucher, statement of petty cash and request form and petty cash reconciliation are given in Appendix FM-11.
  376. The PMU, province and branch offices shall also maintain the following registers/ records (i) register of contracts (ii) register of fixed assets (iii) register of advances (iv) register of contract monitoring forms (vi) vehicle record forms (vii) tax register (viii) salary statement (ix) cheque issued register (x) stock book (xi) tour register etc. PMU, province and branch offices shall take back up of the data daily and stored off site as per Information Technology policy of the ADBL.
  377. The PMU, province and branch offices of ADBL will provide the details of expenditure incurred for salaries and allowances of the staff working for the project and any other expenditures incurred for the project for accounting and reporting of ADBL counterpart fund in total expenditure of the project.
  378. **Asset Management:** The detail record of fixed assets purchased from the project funds shall be maintained at the PMU and province and branch offices of ADBL in the fixed assets register provided in Appendix FM-12. The fixed assets register shall include the description of fixed assets, identification number, manufacture serial No., supplier, date of purchase, invoice No. & date, source of funding, cost, date of receipt, the location, user if the asset is allocated to any staff, verification date, signature of verifier, date and amount of transfer or disposal, and remarks if any. The sub-project implementers shall also maintain register of fixed assets purchased from project funds and the register shall be submitted to the concerned branch offices within 15 days of the year-end. All fixed assets shall be physically verified at least once in a year and the proof of physical verification shall be recorded in the asset register. The team of physical verification shall prepare physical verification report reconciling with the fixed assets register and mentioning the condition of assets and any shortage. The statement of fixed assets together and the physical verification reports shall be submitted to PMU together with the financial statements. All assets procured by the project shall be adequately insured.
  379. The sub-project implementers will own the equipment procured from IFAD fund and use for the intended purpose of the sub-project. The concerned sub-project implementers will maintain fixed assets register of such equipment.
  380. **Internal controls:** The internal control system relating to financial procedures, accounting, procurement, record maintenance, preparation of financial statements and reporting will be based on internal control system prescribed in this PIM and the existing internal control system of the ADBL where applicable. There shall be segregation of duties for accounting, payment, bank reconciliation, procurement, inventory management and approval of financial transactions at all levels of implementation. Finance Officer/Assistant shall be responsible for the effective implementation of the overall internal control system. The PMU, province and branch offices using project vehicles shall maintain vehicle record form for recording movement of vehicle in the vehicle log and vehicle history with regard to repair showing information given in the format of Appendix FM-13.
  381. **Reporting:** The PMU will provide support to the province and branch offices of ADBL in preparing the financial statements in the beginning of the project. The province and branch offices and Heifer will submit to the PMU monthly financial statements showing monthly and cumulative expenditures by components, categories, and financiers, comparative statement of actual and budgeted expenditure, bank reconciliation statement of the project account, actual and percentage of each component and financiers, appraisal, disbursement and percent of each financiers,

financial performance by component and financiers, and disbursement status of IFAD loan against allocation should also be reported in the formats given in Appendix FM-14. These financial statements should be signed by the finance staff and office chief of the province/branch offices. The province and branch offices and Heifer will submit monthly financial statements to the PMU within first week from the end of the month. PMU shall consolidate the monthly financial statements received from province & branch offices and Heifer with its financial statements and submit to the PMU Director.

382. The PMU shall prepare quarterly interim financial reports in the format given Appendix FM-15 within 45 days of the end of each quarter and annual Project financial statements in the format given in Appendix FM-16 based on the IFAD Handbook, on accrual basis of accounting, within four months of the end of each financial year for submission to IFAD and also the auditor for audit. The PMU shall also prepare the quarterly progress report in the format prescribed by the GoN for submission to the GoN. The PMU can submit online through ICP the quarterly IFR, other reports and budget execution data and use various functionality of ICP to extract and view disbursement and other financial information.
383. The financial statements of the project for each fiscal year should consist of:
- (a) Statement of financial position;
  - (b) Statement of Operating Performance (by category);
  - (c) Statement of Operating Performance (by component);
  - (d) Statement of Cash flows;
  - (e) A statement of comparison of budget and actual expenditures (by category);
  - (f) A statement of comparison of budget and actual expenditures (by component);
  - (g) Designated Account Statement
  - (h) Designated account Reconciliation Statement
  - (i) SOEs by withdrawal application and category of expenditures; and
  - (j) Notes to the project financial statements with respect to accounting standards, basis of accounting, foreign currency transactions, budget, government counterpart funds, other donor funds, other receipts, yearly procurement; statement of fixed assets, cumulative status of funds by category, reconciliation between the amounts shown as received by the project (GON) and those shown as being disbursed by IFAD.

#### **6.4 Audit procedures and arrangements**

384. The ADBL shall hire a chartered accountant firm appointed to conduct audit of the ADBL on recommendation of the Office of the Auditor General to carry out the audit of the project in accordance with Nepal Standards of Auditing, IFAD's General Conditions and the IFAD Handbook for Financial Reporting and Auditing of IFAD-financed projects<sup>43</sup> ("the Handbook", in order to meet the deadline for submission of the audit reports (within six months of the closing of fiscal year). The Handbook, inter alia, requires public disclosure of the audited financial statements.
385. The audit report submitted by the project shall contain a clear expression of the auditor's opinion on the project's financial statements. It should include a financial statement's audit, a compliance audit and should include a Management Letter. It should also include a section on the project's compliance to loan covenants particularly those dealing with the financial matters. The auditor shall review the financial statement, designated account and SOEs and give an opinion on the financial statements. The auditor will also conduct audit of the matching grant award process to ensure compliance with grant guidelines.

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<sup>43</sup> <https://www.ifad.org/en/document-detail/asset/39641638>



386. The standard ToR for the auditors is provided in Appendix FM-17. The auditor shall be appointed before the end of the fiscal year during the project implementation period and before financing closing date for the last year of the project in accordance with the IFAD approved Audit Terms of Reference. The ToR should be sent to IFAD for review and "No-objection". The PMU shall start procurement process after obtaining approved ToR from IFAD using the agreed ToR subject to IFAD prior review and inform IFAD the name of the proposed auditor and the procurement process followed for the selection. The PMU shall appoint the auditor on receipt of "No-objection" from the IFAD. The auditors so appointed shall issue a formal engagement letter confirming their acceptance of the appointment and outlining the methodology, scope and responsibilities under the audit. The representatives of the PMU will sign and return a copy of the engagement letter to the auditor. A sample audit engagement letter is given in Appendix FM-17 to this chapter. At least 30 days before the end of the fiscal year, the PMU confirms to IFAD that an auditor has been appointed.
387. In general, and in accordance with international best practice and as recommended by IESBA, contracted audit firms cannot provide consultancy services to the project or have done so in the previous two years. Hence, auditors should not be appointed as consultants hired for designing accounting and control systems because of conflict of interest as they require to comment on such work.
388. In making a proposal for appointment of a private auditor, the project should provide IFAD with relevant supporting documentation and should address the following questions:
- (a) Does the firm adhere to internationally accepted auditing standards or national standards on auditing? The firm's audit procedures and methods should ensure compliance with such standards.
  - (b) Is the firm independent of the project entity to be audited and of the people appointing the auditor?
  - (c) What is the legal status of the firm? This includes such aspects as sole proprietorship or partnership status.
  - (d) Are any of the assigned audit staff employed by or closely linked to the project entity to be audited, or to any government body or public agency?
  - (e) Can the auditor confirm that there is no conflict of interest or lack of independence implicit in accepting the appointment?
  - (f) Is the auditor committed to providing qualified and experienced staff that can ensure timely submission of audit reports? In particular:
    - (i) What is the staffing plan for the audit?
    - (ii) What are the qualifications of the assigned staff?
  - (g) Do the assigned staffs belong to professional audit or accounting body, the Institute of Chartered Accountants of Nepal?
389. The auditors shall conduct audit of the project accounts, designated bank account and statement of expenditures following the applicable Standards on Auditing as specified in the ToR acceptable to IFAD. In reviewing the project accounts and financial statements, the auditor will:
- (a) verify that acceptable accounting standards have been consistently applied and indicate any material deviation from these standards, and the effect of such deviation on the annual financial statements;
  - (b) assess the adequacy of accounting and internal control systems (procedures and responsibilities) for monitoring expenditures and other financial transactions (commitment, review, approval, payment and accounting) and ensuring safe custody of project-financed assets, and document any instances where controls are lacking or need strengthening;

- (c) determine whether the PMU, province and branch offices of ADBL have maintained adequate documentation for all transactions; e.g. procurement documents, contracts, suppliers. invoices, letters of credit and evidence of payment, and ascertain that expenditures were properly authorized and in compliance with legal requirements;
  - (d) review whether the amounts from designated account have been withdrawn for the intended purpose of the project;
  - (e) verify SOEs, accounting records and supporting documentation;
  - (f) establish that expenditures claimed for reimbursement under this procedure are eligible for financing in accordance with the provisions of the financing agreement;
  - (g) verify the numerical accuracy of financial statements and accounts;
  - (h) verify that disbursement requests for expenditures submitted to IFAD are eligible for financing under the loan agreement, and identify clearly any ineligible expenditures;
  - (i) verify the correctness of transactions;
  - (j) carry out a physical verification of any significant assets purchased and confirm their existence and use for project purposes;
  - (k) from the second year audit onwards, follow up and on the remedial actions taken by the PMU in response to previous audit findings and recommendations, and report on the status of implementation of recommendations issued in the previous years.
390. The auditor has to issue a management letter describing any weaknesses identified in the project accounting and internal control systems and non-compliance with financing and subsidiary loan agreement, memorandum of understanding, prevailing Laws, policies, directives and decisions of the management and the recommendation to resolve them or for improvement after discussion with the finance staff and the PMU Director and office chiefs of the concerned province and branch offices. The PMU has to submit the audit report and management letter to the PMU Director and the ADBL Board for review the audit report and audit observations reported in the management letter together with management response. The management responses shall be provided to the auditor and IFAD for clarification and corrective actions to be taken to avoid such audit observations within one month of receipt thereof. The auditors shall include the management responses in the final version of the management letter and submit along with the audit report.
391. The audited project financial statements including the designated account and management letter along with management response have to be submitted to the IFAD within six months of the end of each financial year during the project implementation period and by the financing closing date for the last year of the project to comply with the deadline for submission of the audit report. In accordance with the IFAD Handbook, the audited financial statements and audit report will be disclosed publicly. The Heifer will also submit the audit report of the project expenditures within six months of the end of each fiscal year
392. The PMU shall maintain a Log of Audit Observations reported in the management letter by the auditor and also a Table of Summary Status of Audit Observations of each year separately and get the settlement of audit observations validated by the auditor during the subsequent fiscal year at the time of audit of next fiscal year or earlier. The format of Table of Summary Status of Audit Observations and Log of Audit Observations is given in Appendix FM-17 to this chapter. Log of Audit Observations and a Table of Summary Status of Audit Observations will be made available to the IFAD missions.
393. **Internal Audit:** The Internal Audit Department of the ADBL will conduct internal audit of the financial transactions of the project in accordance with the Standards on Internal Audit (SIA) on quarterly basis under terms of reference (ToR) given in

Appendix FM-18 agreed with the IFAD. The internal auditor (IA) will include such tests and controls, as the auditor considers necessary under the circumstances. According to the SIA, internal audit is defined as "Internal audit is an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity's risk management and internal control system."

394. The IA will assess the effectiveness of operation of the project's financial management system and review of internal control mechanisms. The IA will check the maintenance of required records for the financial transactions of the project, eligibility of expenditure for intended purposes, supporting documents to substantiate the nature and amounts of expenditures, proper authorizations, reliability of financial reports and timely reporting to PMU and IFAD, in compliance with the prevailing Laws, financial rules and procedures, subsidiary loan and financing agreements, letter to the borrower, IFAD's general conditions, and procurement guidelines, and review the internal controls.
395. The draft internal audit reports covering deficiencies and validation of corrective actions taken by the management for audit deficiencies reported in the previous internal audit reports and status of outstanding audit observations are to be submitted to the respective cost centres copied to the PMU Director. The internal audit report will help the management to identify weaknesses in the financial management system and internal control system and take corrective actions in a timely manner. The management has to take immediate corrective measures to avoid reoccurrence of issues and strengthen the internal control system and revise the financial procedures. The final internal audit report after receipt of response on the draft internal audit report will be submitted to the Audit Committee of the ADBL. The Audit Committee will review the internal audit report and recommends for the remedial action to resolve the observations and avoid recurrence. The internal audit report along with the actions taken to resolve audit observations shall be submitted to the Board, Audit Committee and PMU Director. IFAD shall have access to all internal audit reports and actions taken to resolve audit observations of the project
396. **Ineligible Expenses.** The internal and external auditors are required to identify clearly any ineligible expenditures incurred against these agreements, AWPB, procurement plan and project design report and report them regardless of their materiality. If the ineligible expenditures already claimed in withdrawal applications and reimbursed are subsequently identified, the auditors will report these expenditures separately which will be either adjusted from the next claim or refunded to IFAD.
397. **Taxes:** Section 11.01 of the General Conditions stipulates that the Loan and all Loan Service Payments shall be exempt from all Taxes, and all loan service payments shall be made free and clear of taxes. Taxes on signature, delivery or registration shall also be exempted. It is the policy of the Fund that Loan proceeds are not to be used to pay Taxes, including (but not limited to) any taxes levied on the imports, procurement or supply of any good, civil work or services financed by the Loan but excluding income taxes on the overall income. If taxes are not exempted to the project, they shall be paid from the government fund. If taxes are exempted by the Government, they will be recorded under the government counterpart contributions maintaining a separate record.
398. **Materiality:** Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the nature or size of the item or nature of misstatement, or a combination of both which is judged in the light of surrounding circumstances and the auditor's perception of the financial information and needs of users of the financial statements. In the public sector, materiality includes compliance with policies, legislative concern or public interest. In the context of IFAD-financed

operation will include compliance with the Financing and Project Agreements and in particular the requirement that IFAD funds may only be used for the purpose stated therein.

399. **Preventing Fraud and Corruption:** The project will promote and comply with the highest standards of probity and accountability in the use of its funds and implementation of project activities as planned to achieve Project objectives. The project will take appropriate action to prevent, mitigate and combat Prohibited Practices through compliance with the IFAD Policy on Preventing Fraud and Corruption and prevailing Nepal Laws in its Activities and Operations. IFADs policy requires that the staff of IFAD and the project, beneficiaries of IFAD loans, as well as all bidders, suppliers, contractors and consultants under IFAD-financed contracts observe the highest standard of ethics and integrity during the procurement and execution of such contracts. Mechanisms for whistle-blowers to access IFAD systems are provided at the following link: <http://www.ifad.org/governance/anticorruption/how.htm>.
400. Particular attention will be paid to: including clauses in procurement documents and contracts that would establish an obligation for bidders and contractors to disclose information; encouraging the dissemination of government confidential reporting channels and whistle-blower protection measures; and procurement documents and contracts would inform implementing partners of IFAD's jurisdiction to conduct investigations and impose sanctions for prohibited practices.
401. **Investigative Authority:** Under IFAD's Policy on Preventing Fraud and Corruption<sup>44</sup>, the independent and competent authority responsible for receiving, reviewing and investigating allegations of fraud and corruption will be the Commission for the Investigation of Abuse of Authority, who will take action as per provisions of the Federal Law.

## 6.5 Appendices to this section

402. Financial management appendices are listed below:
- Appendix FM-1: Designated account reconciliation statement
  - Appendix FM-2: Checklist for a Withdrawal Application
  - Appendix FM-3: Recovery Plan
  - Appendix FM-4: Annual Work Plan and Budget
  - Appendix FM-5: Sample Monthly/Quarterly Budget Execution Report
  - Appendix FM-6: Financial reporting Table
  - Appendix FM-7: Grant Register
  - Appendix FM-8: Fund Utilization Certificate (Beneficiary)
  - Appendix FM-9: Statement of Loan
  - Appendix FM-10: Indicative chart of accounts
  - Appendix FM-11: Petty cash forms
  - Appendix FM-12: Fixed Asset Register
  - Appendix FM-13: Vehicle Record Forms
  - Appendix FM-14: Expenditure record forms
  - Appendix FM-15: Quarterly Interim Financial Reports
  - Appendix FM-16: Project Financial Statements
  - Appendix FM-17: Sample Terms of Reference for the Audit of Project
  - Appendix FM-18: Sample Terms of Reference of the Internal Auditor
  - Appendix FM-19: Draft Terms of Reference for Finance Staff

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<sup>44</sup><https://www.ifad.org/en/document-detail/asset/40189695>

## 7 Procurement

### 7.1 Summary

403. *Procurement.* Procurement of goods, works and services under VITA financed from resources provided or administered by IFAD would be undertaken in accordance with the provision of the ADBL's (as the Lead Programme Agency) Financial Administration Bylaws 2064 based on the Public Procurement Act (PPA) 2007 as amended from time to time to the extent they are consistent with the provisions of IFAD's Procurement Guidelines (December 2019) and Handbook (dated September 2010) and as amended from time to time.
404. *National Competitive Bidding (NCB), National Shopping (NS) and Direct Contracting (DC).* Goods and services (non- consulting) procured using NCB, NS and DC would follow the procedures and processes defined in the Programme Implementation Manual (PIM) approved by the PSC and IFAD. The PIM shall also include details of the selection method to be applied in the case of consultancy services, such as Quality and Cost Based Selection, Fixed Budget Selection, Least Cost Selection, Consultants Qualification Selection and Single Source Selection. The selection of individual consultants and individual service providers would also be defined in the PIM.
405. *National Competitive Bidding:* The procedures to be followed for national competitive bidding shall include the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the IFAD Procurement Guidelines.
- (a) *Anti-Corruption.* Definitions of corrupt, fraudulent, collusive, coercive and obstructive practices shall reflect the latest IFAD Board-approved Anti-Corruption Policy definitions of these terms and related additional provisions (such as conflict of interest, etc.); and IFAD's right to audit the contract and the accounts of the contracted parties.
  - (b) *Rejection of All Bids and Rebidding.* Bids shall not be rejected and new bids solicited without IFAD's prior concurrence;
  - (c) *Member Country Restrictions.* No restriction applicable to IFAD resources;
  - (d) *Qualification Requirements.* A successful bidder must be determined by an assessment process that shall include the application of qualification requirements to all bids;
  - (e) *Contract awards for goods and services (non-consulting)* shall be based on the lowest evaluated price of compliant bids from eligible and qualified bidders; and
  - (f) *A single-stage two-envelope procurement system* shall not be allowed for goods and services (non-consulting).
406. Procurement would be undertaken as per the consolidated procurement plan submitted by the PMU approved by the PSC and IFAD. The details of applicable post and prior review requirements and other risk mitigation measures is detailed under Appendix 8 of this Design Report.
407. As the responsibility of implementation of infrastructure works lies with the beneficiaries, the procurement design and supervision of infrastructures will be their responsibility. They may carry out these activities if they have technical capability or if not, they need to outsource it to consultants (individuals/firms). Monitoring of implementation will be done by ADBL.
408. *Training and capacity development.* The Program also aims to contribute towards building and strengthening ADBL/Municipality capacity building and has allocated resources as part of its institutional support to ADBL (Head Office and Provincial Offices)/Municipalities.

## **7.2 Procurement and contracting of goods, civil work and services**

### **7.2.1 Procurement context and framework**

409. The government reformed the legal and institutional setup of public procurement processes in 2007. These reforms included the adoption of a new Public Procurement Act (PPA) and associated regulations, the decentralization of procurement, and the creation of the Public Procurement Monitoring Office (PPMO) under the Prime Minister's Office. The PPA follows the UNCITRAL model. Prior to this, procurement was regulated under the Financial Administration Act and Regulations, with no designated central oversight apart from the general control role played by the Financial Comptroller General's Office (FCGO). There has been one amendment in the PPA and the recently the associated regulations have been amended (10<sup>th</sup> amendment). The PPA requires state owned enterprises (e.g., ADBL) to issue its own laws/by-laws in accordance with the PPA. ADBL has framed its own Financial Administration Bylaws 2064 for procurement related activities and is based on the PPA/PPR. However, some of the recent changes in the PPR has not been incorporated in the Bylaws of ADBL.
410. The introduction of electronic bid submissions for government contracts has started to improve the integrity and value for money of public procurement. Since the PPA was passed in 2007, there have been improvements in the openness and fairness of the competitive bidding process, most notably through the introduction of e-bidding and a concomitant reduction in intimidation and violence. Prior to the introduction of e-bidding, reports were common of rival contractors and political parties hiring people to prevent bidders from entering government buildings to submit their bids.
411. A centralized e-GP portal for e-submission was launched by the PPMO on a pilot basis in April 2016 in five major departments and rolled out to other departments from 1 January 2017. The current e-GP system requires the bidder to enter the unit rates online as opposed to the uploading of the filled-in Bill of Quantities. The e-GP system has a banking interface for verification of securities. ADBL uses the centralized e-GP system of the PPMO for its procurement.
412. Technical procurement challenges also hamper efforts to improve value for money. First, procurement planning and bidding processes are often delayed, exacerbating the bunching of expenditures towards the end of the fiscal year. Second, local private sector firms complain that the provisions of the PPA are too onerous. Third, there is reported to be insufficient capacity for the estimation of program (e.g. consulting costs).
413. Related to these technical factors, the law and regulations intentionally favour domestic companies. ADBL's Financial Administration Bylaws 2064 provides, "In procuring goods by selecting any method as referred to in these bylaws, ADBL shall have to procure Nepali goods even if the price of the goods produced in Nepal is higher by up to ten per cent than the foreign goods." Similarly, the PPR requires that any civil works contract between NPR 20 million and NPR 1 billion be only procured from domestic bidders. In an international bid for a civil works, between NPR 1 billion to NPR 5 billion, a foreign bidder can only bid as a joint venture with a domestic bidder, unless the agreement with the development partner indicates otherwise.
414. The PPA and associated regulations amendment, *inter alia*, requires the use of two envelop procedures for civil works for estimates over NPR 20 million. It also removed the requirement of qualification criteria such as experience, turnover and cash flows for a contract up to NPR 20 million. Previously the amount was NPR 6 million. The change in the provision means that any registered bidder will be eligible to get a contract, mainly based on the price it has offered, although it may not have the capacity to do the work.
415. User committees are utilized for the implementation of small capital projects at the municipal level, but weak controls and political influences have resulted in fund leakages and compromised project quality. To promote local resources, the PPR gave construction authority to user committees (UCs) for up to NPR 6 million which in

March 2017 has been increased to NPR 10 million. The increased figure is reportedly a high threshold. Many local officials reported that UCs were awarded a contract for the maximum threshold before subcontracting the project for a lower amount. Furthermore, several UCs can be involved in the construction of one road, with each managing the construction of the section of road that falls within its community. Although ADBL's Bylaws provides for use of UCs, it does not provide detailed procedures for awarding the contract.

416. Previously the regulation barred UC to use heavy machineries such as a loader, excavator, roller, dozer, grader, bitumen distributor and bitumen boiler in the construction work. The recent amendment allows the use of heavy machineries if its use was considered at the time of estimation. The UC are not allowed to subcontract the works and are to construct the work themselves, however, it has been found that these provisions have been violated. The recent increase in the UC threshold and allowing the use of machineries is being opposed by the Federation of Contractor's Association Nepal (FCAN).
417. The PPMO was established in 2007 in accordance with the adoption of a new procurement act and regulations. Its central oversight role is primarily facilitative. It is obliged to suggest further reforms in procurement policy and laws, issue technical guidelines and manuals and models for standard bidding documents, roll out training for officials at public entities involved in procurement and collect statistics on procurement. Recent amendment in the procurement act has entrusted the PPMO to prepare database qualification and experience of bidders and consultants, accreditation of procurement specialists, recommend the public entity to rectify the defects in the procurement and initiate action against officials involved in the procurement process, if the rules and regulation or the directives were not adhered to during procurement.
418. Recent amendment to the procurement rules has added the responsibility of establishing, operating and managing an electronic procurement through a single portal on PPMO. The amendment has also provided for two envelop bidding procedures. Although the PPMO has a central procurement portal, it has not been able to build capacity of the vast number of staff involved in the procurement unit and the bidder community on the use of the electronic (e-GP) system.
419. There are numerous challenges facing public procurement in Nepal, including low capacity of the PPMO and most procuring entities, and a weak private sector, aggravated by law enforcement issues. The function of public procurement at the local levels (e.g., the municipalities under the Federal system), where capacity to implement procurement is almost non-existent, needs more attention.
420. The Government of Nepal, supported by different development partners' active in the country, is implementing several initiatives to strengthen the capacity of the PPMO, procuring entities, and oversight bodies, and to modernize the system through the introduction of e-GP. It appears however, that the resources needed to successfully complete the ongoing and additional initiatives for improving different aspects of public procurement are limited. The Nepal Public Procurement Strategic Framework (NPPSF II) 2013-2016, prepared through wider consultation, has listed three key areas of intervention/actions to improve the performance of public procurement. They are: (i) Standardization of Public Procurement Process and Dissemination; (ii) Capacity Enhancement of Public Procurement System; and (iii) Operationalization and Mainstreaming of e-GP. The capacity constraints of procurement entities have been largely responsible for executing timely procurement and timely award of contract. The transition of traditional procurement to e-GP represents an important phase in the procurement reform process in Nepal. A review of the implementation progress reveals that the success of e-GP will greatly depend on: (i) the readiness and acceptability of the bidding communities, Procuring Entities (PEs) and oversight agencies; (ii) availability of support including logistics to switch over; and (iii) uninterrupted IT services including round the clock access to the central server of e-GP. These are the areas where the PPMO, in collaboration with

the key sector agencies, has to invest major efforts in terms of training, technical backstopping and infrastructure support. With these initiatives, it is imperative that the performance of the public procurement is measured and disseminated to the stakeholders with a set of key measurable performance indicators and increasing accessibility to the data on public procurement through e-GP.

421. The role of the PPMO is limited in two ways that serve to reduce its effectiveness. First, as noted above, it does not have a legal mandate to ensure information related to bidding processes is made public. Second, it does not have a role in handling procurement complaints. Under a two-stage review process, complaints are submitted first to the chief of the concerned public entity and then, if necessary, to a review committee formed by the government. The committee comprises a judge/ex-judge/ex-Secretary, an engineer, and a procurement specialist not currently employed by a public entity. One power assigned to the PPMO is blacklisting of contractors for a period of one to three years, based on misconduct in the bidding process or in project execution.

### **Key lessons on procurement in IFAD Country Portfolio**

422. Performance reviews of IFAD projects in Nepal identify weaknesses in project procurement performance, primarily associated with non-compliances and weaknesses in the preparation of bid documentation, technical specifications, evaluation of bids, contract management and performance assessments. These weaknesses are further aggravated due to the lack of adequately qualified and trained procurement staff in the programme coordination units and weakness in procurement record keeping. As the projects/programmes are mainly rural development in nature, being implemented in remote and inaccessible areas, the size of the procurement is generally small/medium.
423. It has been found that turnover of experts proposed by the Consultant have been extensive. Proper monitoring and implementation of the contract and replacement is to be approved only as provided in the contract.
424. Generally, design and supervision aspects in the projects have been found to be lacking due to insufficient personnel being deployed. Provision should therefore be made in the Terms of Reference for adequate personnel and needs to be monitored properly.

### **7.3 Procurement arrangements for VITA**

425. **Procurement.** Procurement of goods, works and services under VITA financed from resources provided or administered by IFAD would be undertaken in accordance with the provision of the PPA 2007 and ADBL's Financial Administration Bylaws 2064 as amended from time to time to the extent they are consistent with the provisions of IFAD's Procurement Guidelines (dated December 2019) and Handbook (dated September 2010) and as amended from time to time.
426. Although ADBL has its own setup for procurement (Procurement, Store Management, Maintenance & AMC Section under Corporate Banking & GS), they do not have recent experience working with donor funded project. To assist in mitigating the lack of experience with donor funded procurement, the PMU would have a Senior Engineer with good knowledge of donor funded Procurement who will also provide on the job training for the staff involved in procurement management, as well as to assist in finalizing the procurement plan.
427. There is inadequate technical expertise for the design and supervision of infrastructure works such as roads, small scale irrigation, market centres, etc with ADBL. Additional technical staff are required to design and supervise these works. As the responsibility of implementation of infrastructure works lies with the beneficiaries, the procurement design and supervision of infrastructures will be their responsibility. They may carry out these activities if they have technical capability or if not, they need to outsource it to consultants (individuals/firms). Monitoring of implementation will be done by ADBL.



428. National Competitive Bidding, National Shopping and Direct Contracting: Goods, Services (non-consulting) and civil works to be procured using NCB, Shopping and Direct Contracting would follow the procedures and processes defined in the PIM approved by PSC and IFAD. The PIM shall also include details of selection methods to be applied in case of consultancy services such as Quality and Cost Based Selection (QCBS), Fixed Budget Selection (FBS), Least Cost Selection (LCS), Consultants Qualification Selection (CQS) and Single Source Selection (SSS). The PIM would also outline the procedures for the selection of individual consultants and individual service providers.
429. **National Competitive Bidding:** The procedures to be followed for national competitive bidding shall include the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the IFAD Procurement Guidelines.
- (a) Anti-Corruption. Definitions of corrupt, fraudulent, collusive, coercive and obstructive practices shall reflect the latest IFAD Board-approved Anti-Corruption Policy definitions of these terms and related additional provisions (such as conflict of interest, etc.); and IFAD's right to audit the contract and the accounts of the contracted parties.
  - (b) Inform potential bidders and contractors of the present Policy and of IFAD's confidential anticorruption hotline.
  - (c) Sexual Harassment (SH), Sexual Exploitation and Abuse (SEA). IFAD requires Recipients of IFAD funding to include, in all contracts with project staff, contractors, suppliers and other third parties to be funded with IFAD funds provisions prohibiting acts of Sexual Harassment (SH), Sexual Exploitation and Abuse (SEA),
  - (d) Self-Certification. Include self-certification forms in procurement documents and contracts and ensure they are duly completed. Self-certification shall certify that the bidder, its Joint Venture partners, its sub-contractors, its sub-consultants and its key staff are not engaged in prohibited practices as defined by IFAD; not engaged in sexual harassment and/or sexual exploitation or abuse (SH/SEA) and not debarred by the World Bank.
  - (e) Rejection of All Bids and Rebidding. Bids shall not be rejected and new bids solicited without IFAD's prior concurrence;
  - (f) Member Country Restrictions. No restriction applicable to IFAD resources unless National Policies apply such restriction;
  - (g) Qualification Requirements. A successful bidder must be determined by an assessment process that shall include the application of qualification requirements to all bids;
  - (h) Contract awards works, goods and services (non-consulting) shall be based on the lowest evaluated price of compliant bids from eligible and qualified bidders; and
  - (i) A single-stage two-envelope procurement system shall not be allowed for goods and services (non-consulting).
430. The detailed procedures for procurement would be adapted and adopted in accordance with the provisions PPA 2007 and ADBL's Financial Administration Bylaws 2064, consistent with IFAD Procurement Guidelines and the Procurement Handbook with the following emphasis to mitigate risk ensuring compliance to the provisions of the Procurement Guidelines:
- (a) **Registration of Bidders:** Registration previous to bidding as a due diligence process for screening bidders legal and fiscal capacity. It is also usual to use registration as a means for prequalification, especially for civil works and in some cases service providers.
  - (b) **Open Bid National Competitive Bidding:** The Programme would impose through the PIM the use of well-formulated bidding documents which would

result in bid submissions that are free from qualifications. The PIM would expand and articulate the following rules and procedures for the implementation of VITA:

- (i) **Effective Advertisement.** Advertisement should be broad enough (using the appropriate media) and give enough time to bidders for preparing their bid. To the extent possible, bidding opportunities should also be advertised electronically. The minimum requirement should be: (i) mandatory publication in one local newspaper in addition to the official gazette (if existent); (ii) web-page: if the borrower (or the Country) has a web-page, all bidding opportunities should be advertised; (iii) advertisement in United Nations Development Business or other electronic means such as the e-Government Procurement portal ([www.bolpatra.gov.np](http://www.bolpatra.gov.np)).
- (ii) **Eligibility.** Eligibility criteria and procedures should not deny bidders access to a bidding process or an award for reasons which are not related to their qualification to carry out the contract. Consequently, the procedures should: (i) be based on the ability of bidders to carry out the contract and should not include additional restrictions (not related to such ability); (ii) no restrictions to foreign bidders; (iii) local blacklisting for fraud and corruption carried out with due process and with rights for accused firms to defend themselves.
- (iii) **Qualification of Bidders.** The procedures should define post qualification as the preferred rule. Prequalification should be restricted to civil works, especially for large or complex contracts or for special cases with due justification. The review of bidders' qualification should be conducted by examining whether the bidder does or does not meet qualification criteria and not by using a point system reflecting the bidders' qualification. Conducting a pre-selection instead of a pre-qualification should not be accepted, i.e., pre-qualification means that all candidates who have been determined to be qualified should be invited to bid whereas pre-selection means that the government agency is free to invite any of those candidates but does not have to invite all of them. No bidder should be disqualified due to bureaucratic or non-substantial reasons.
- (iv) **Standard Bidding Documents & Standard Contract:** Standard Bidding Documents are of paramount importance for transparency, speed of the process, increase competition and creation of capacity (standardization of procedures). The SBD to be used in all local open bidding processes would be described in the PIM and it should include: (i) time to submit bid: minimum 30 days; (ii) bids may be submitted by post or by hand or electronically; (iii) budget: could be disclosed (if local legislation so requires); (iv) clear instructions on how to buy bidding documents indicating address and price to buy the bidding documents, however, bidders who decide to submit a bid without having bought the bidding documents should not be disqualified, submitting their bids under their own risk; (v) clarifications to bidding documents should be in writing only; (vi) amendments to bidding documents should be advertised with the same procedure used for advertisement of bidding documents; (vii) number of Envelopes: Single stage one envelope would be the preferred option. Single stage two envelope method may be used with no objection from IFAD; (viii) evaluation Criteria: the bid evaluation criteria should be non-discriminatory. It should be disclosed and rigorously quantified in monetary terms to define the "lowest evaluated bidder". This allows to indisputably identify the lowest evaluated responsive bid. Quantifying bid evaluation criteria in monetary terms is the only method

that leads to transparent evaluation and that allows bidders to submit an effective protest to the awarding authority.

- (v) **Language (bidding documents and contract).** The language of commercial use in the country.
- (vi) **Bid Prices (and Payments):** The PIM should define in the bidding documents, the price (and payments) conditions: (i) the local (or any internationally used) currency could be used; (ii) for countries with high inflation all contracts should have price adjustment; (iii) for countries with stable currency, price adjustment should be included for contracts longer than 12 months; (iv) the method of payment should be defined in the bidding document; (v) the currency of payment should be the same of the bid prices; (vi) the employer should automatically pay interest for late payments; and (vii) price adjustment formulas should not be used in bid evaluation.
- (vii) **Bid & Performance security:** The PIM would prescribe the generally accepted practice used in the local market (securities issued by banks or by sureties). Alternative methods (like automatic penalty to bidders failing to honour a bid) in lieu of bid securities could be accepted. Retention of payment could also be used instead of performance security.
- (viii) **Liquidated damages.** Should be similar to the internationally accepted norms.
- (ix) **Complaints & Settlement of Disputes.** Losing bidders should be allowed, through an effective mechanism, to submit protests pertaining to contract award. More generally, the private partner in a government contract must be proactive in implementing competitive mechanisms and, in fact, should be a guardian of those mechanisms exactly in the same manner as government agencies. The goal in the protest handling system should be:
  - complaints should be accepted at any time. Those received before bids are submitted should be addressed before bid opening. All others should be taken into account, but the response should be announced only after award is recommended;
  - the PIM would outline an administrative process for dealing with complaints including an independent reviewer for the answers provided by the procuring entity;
  - the protests should be submitted to an independent entity and not simply to the supervisor of the contracting agency. Specifically, bid evaluation committees, which are the arm of the government, can only carry administrative reviews. Their membership does not allow for arbitration or quasi-arbitration of the dispute and therefore an independent protest mechanism should be provided to review award disputes before the contract award is final;
  - when protests are submitted before award they may lead to revisit the award of the contract; when protests are submitted after the award, their only consequence should be the bidder's entitlement to compensatory damages for the cost of bid preparation;
  - contracts should include a system for settlement of disputes. The use of a Dispute Resolution Board should be encouraged before disputes be submitted to arbitration or to courts.
- (x) **Bid Opening.** Public bid opening of all bids, and recording of the opening in minutes signed by all bidders in attendance is required. In addition:
  - late Bids should be rejected
  - procedures for bid opening should be the same as those used for ICB.

- minutes should follow the same procedure as for ICB
  - safeguard of price envelope (when two envelopes is used)
  - (xi) **Confidentiality.** After bid opening and until contract award, all information about bids and their evaluation should be confidential. For transparency reasons, the evaluation report and all non-proprietary information could be made available to the public after an award recommendation has been published.
  - (xii) **Evaluation of Bids.** Bids should be evaluated by an independent evaluation committee to the defined in the PIM at the level of the PMU with special consideration for:
    - clarification of bids: To assist in the examination, evaluation, and comparison of the bids, and qualification of the Bidders, the Employer may, at its discretion, ask any Bidder for a clarification of its Bid. Any clarification submitted by a Bidder that is not in response to a request by the Employer shall not be considered. The Employer's request for clarification and the response shall be in writing. No change in the prices or substance of the Bid shall be sought, offered, or permitted, except to confirm the correction of arithmetic errors discovered by the Employer in the evaluation of the Bids;
    - responsiveness: The evaluation committee's determination of a bid's responsiveness shall be based on the contents of the bid itself subject to any clarifications received;
    - qualification of the bidder should be conducted separately from the evaluation of its bid;
    - lowest evaluated cost criteria: The award should be made to the bidder having submitted the lowest evaluated responsive bid;
    - use of a point system to evaluate bids: scoring is an indirect way to express the outcome of post-qualification or of the technical analysis of the bid a point system should not be accepted.
    - rejection of all bids: borrower may reject all bids if: (i) all bids are not responsive; (ii) the price offered by the lowest bidder is substantially higher than the confirmed good estimate for the contract; (iii) the process was not competitive, i.e., only few bids (less than 3) were offered although several bidders could be interested in bidding.
  - (xiii) **Award Criteria.** The award should be made to the bidder having submitted the lowest evaluated responsive bid. Award of contract should be without negotiations, since negotiations would lead bidders not to submit their best bid at the time of bid submission and would affect the perception of transparency, one of the main benefits deriving from public bidding.
431. **National or Local Shopping.** Procurement procedures other than open competitive bidding must be restricted and contained within appropriate limits. Restricted bidding is appropriate for small value contracts, and situations in which there is only a very small number of potential candidates. Consequently, very specific thresholds should be defined below which this method of procurement could be applied. In addition, the following minimum requirements should apply:
- (a) Number of invitees & criteria for choosing:
    - (i) Minimum of 3 proposals received. However, the process should be open to whoever wants to bid, even if not invited;
    - (ii) Invited firms should not be repeated, if possible. Except if other firms do not exist.
  - (b) Standard request for bids. Simplified document asking proposals by letter, by fax or using electronic means;

- (i) Evaluation:
    - Minimum price; or
    - Combination of price and delivery time, in which case delivery time would be evaluated in monetary terms added to price. Minimum overall evaluated price would result in award.
432. **Consultants and Service Provider Selection Process:** The PIM shall elaborate the provision as prescribed in the Procurement Handbook in term of selection of consultants in line with the Provisions of IFAD Procurement Guidelines. In this case these minimum requirements should prevail:
- (a) **Registration:** The same conditions described for bidder for goods and works above should be complied with;
  - (b) **Advertising:** Borrowers should advertise the assignment for expression of interest by firms. The advertisement should include:
    - (i) mandatory publication in one local newspaper, in addition to the official gazette (if existent);
    - (ii) web-page: if the borrower (or the Country) has a web-page the bidding opportunities should be advertised including UN Development Business or other electronic means as the e-Government Procurement portal ([www.bolpatra.gov.np](http://www.bolpatra.gov.np)).
  - (c) **Short-List:** Borrowers should use a short-list of 3 to 6 firms to request proposals. This short-list may result from comparing qualifications and experience among firms that have expressed interest;
  - (d) **Standard RFP & Standard Contract:** The standard RFP would be described and included in the PIM similar to that used for Selection of consultants;
  - (e) **Selection Process:** Short-list; QCBS (other methods when justified) to be elaborated in the PIM;
  - (f) **Award criteria:** highest combined score (preferably using the following range between 70% to 90% for the technical score and 30% to 10% for the price);
433. All procurement for goods, works and services financed from resources funded or administered by IFAD require bidding documents and the contracts to include a provision requiring suppliers, contractors, consultants and other third parties ensure compliance with IFAD zero tolerance to anticorruption policy and prohibiting acts of Sexual Harassment (SH), Sexual Exploitation and Abuse (SEA) and to permit IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited by IFAD-appointed auditors,

#### **Procurement, Procurement Plan and Applicability**

434. Procurement would be as per the Consolidated Procurement Plan submitted by ADBL PMU and approved by the PSC and IFAD. The PMU would submit an 18 month Procurement Plan immediately after the Project enters into force and in the subsequent years submit an annual Procurement Plan.
435. As provided in para 46 of IFAD's Procurement Guidelines, IFAD review of and no objection to the consolidated procurement plan is compulsory and the 18 month procurement plans submitted by the Borrower/Recipient must include as a minimum:
- (a) a brief description of each procurement activity to be undertaken during that period;
  - (b) the estimate value of each activity;
  - (c) the method of procurement to be adopted for each procurement activity; and
  - (d) the method of review IFAD would undertake for each activity.
436. Any changes and amendments to the procurement plan shall be subject to IFAD's No Objection

### **Procurement Methods Thresholds for PMU/Municipalities**

437. Procurement of Goods, Works and Services (non-Consulting). Methods for procurement of goods/works as per thresholds is established as follows:

Works, Goods and Services (non-consulting)

- (i) National Competitive Bidding (NCB), for contract values greater than NPR 2,000,000
- (ii) National shopping (including Sealed Quotation as per PPR) for contracts equal to NPR 500,000 up to NPR 2,000,000
- (iii) Direct contracting for contracts below NPR 500,000

438. Consultancy and Services. Consulting service would include project management technical assistance, implementation support technical assistance for different components, conducting studies, mobilisation/establishment of community groups, technical training and strengthening of community groups, and monitoring and evaluation.

Each contract for the selection of consultancy services, shall be selected in accordance with any one of the selection methods listed below:

- (i) Quality and Cost Based Selection;
- (ii) Fixed Budget Selection;
- (iii) Least Cost Selection;
- (iv) Selection Based on Consultants Qualification.

439. **Selection of individual consultants.** Individual consultants are selected on the basis of their qualifications for the assignment of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the PMU or Implementing Agencies. Individuals employed by the PMU, and the Implementing Agencies/Partners shall meet all relevant qualifications and shall be fully capable of carrying out the assignment. Capability is judged on the basis of academic background, experience and, as appropriate, knowledge of the local conditions, such as local language, culture, administrative system, and government organization.

440. Individuals consultants or consultancy firm may be selected on a sole-source basis with due justification in exceptional cases such as: (i) tasks that are a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively; (ii) assignments lasting less than six months; (iii) emergency situations resulting from natural disasters; and (iv) when the individual consultant is the only consultant qualified for the assignment.

### **Review of Procurement Decisions by IFAD**

441. IFAD would undertake to review the provisions for the procurement of good, works and services to ensure that the procurement process is carried out in conformity with its Procurement Guidelines. For the purposes of IFAD's Procurement Guidelines, the following procurement decisions shall be subject to prior review by the Fund for the award of any contract for goods, equipment, materials, works, consultancy and services under VITA.

- (a) Procurement of goods, materials and works:
  - (i) Prequalification documents and shortlist when prequalification is undertaken;
  - (ii) Bid Documents for goods, materials and works;
  - (iii) Evaluation Report and Recommendation for Award; and
  - (iv) Contract and amendments.
- (b) Procurement of consultancy services and services:
  - (i) Prequalification documents and shortlist when prequalification is undertaken;
  - (ii) Request for Proposal;

- (iii) Technical evaluation report;
- (iv) Combined (technical and financial) evaluation report and the recommendation for award; and
- (v) Contract and amendments.

442. Before agreeing to any material modification or waiver of the terms and conditions of any contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order (except in cases of extreme urgency) that would increase the cost of the contract by more than 10% of the original price, the Borrower shall inform IFAD on the proposed modification.
443. Prior or Post Review. Except as IFAD may otherwise agree, the prior or post which applies to various procurement of good, works and consultant recruitments shall be defined as follows:

Procurement Method	Prior or Post	Comments
<b>Procurement of Goods and Services (non-consulting)</b>		
ICB	Prior	All Contracts
NCB	Prior	Except procurement valued below NPR 2,000,000
National Shopping (including Sealed Quotation as per PPR)	Post	All Contracts
Direct Works, Goods and Non-consulting	Post	All contract valued below NPR 500,000
<b>Recruitment of Consulting Firms</b>		
Quality and Cost-Based Selection (QCBS); Fixed Budget Selection (FBS); Least Cost Selection (LCS); Selection Based of Consultants Qualification (CQS)	Prior	Except procurement valued below NPR 2,000,000
Sole Source Selection (Single Source Selection)	Prior	All contract except as per provisions of the LTB
<b>Recruitment of Individual Consultants</b>		
Individual Consultants (Single Source Selection)	Prior	Except as per provisions of the LTB
Individual Consultants (Competitive Selection Process)	Prior	Except procurement valued below NPR 2,000,000

444. Co-financing proposals exceeding USD 50,000 should be referred to IFAD for prior review.
445. Any entrepreneur or User's Group requesting for co-financing from VITA shall agree to: (i) constitute a procurement committee for procuring materials, labours etc. as provided by the procurement rules and regulations; (ii) make public the information on expenses periodically; (iii) operate and maintain the facility completed under community participation; and (iv) allow to inspect their accounts and records and to have them audited by technical/financial auditors appointed by VITA.

#### **Works, Goods and Services to be procured**

446. The IFAD highly concessional loan would fund most goods, works and services under the VITA. Table 1 below breaks down procurement under the Programme by type of expenditure (procurement account) and procurement method.

**Table 1 - Procurement under the VITA, including contingencies (USD 000)**

[To be updated based on the final cost tables]

447. The annual breakdown of the total amounts spent under the different procurement accounts are projected as follows.

**Table 2: Procurement for first 18 months**

Refer to the Annex of main PDR



## 7.4 Procurement Methods

### I. Procurement of Goods and Works

Method	Description	Applicability/Characteristics	Advertising	Remarks
International Competitive Bidding (ICB)	Procedure for procurement of goods and works on the international market with open competition	<ul style="list-style-type: none"> <li>• High value procurement</li> <li>• Interest for international business community</li> <li>• Equal opportunity to bid</li> </ul>	<ul style="list-style-type: none"> <li>• General Procurement Notices (GPN)</li> <li>• Open ITB or invitation to prequalify</li> <li>• UNDB/dgMarket</li> <li>• International press</li> </ul>	<ul style="list-style-type: none"> <li>• Margin of preference for domestic goods and works may be applied</li> </ul>
Limited International Bidding (LIB)	ICB by direct invitation (no open advertisement)	<ul style="list-style-type: none"> <li>• Smaller value</li> <li>• Limited number of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Restricted ITB</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic preference not applicable</li> </ul>
National Competitive Bidding (NCB)	Procedure for public procurement in Borrower Country	<ul style="list-style-type: none"> <li>• Small value contracts</li> <li>• Geographically scattered, labor-intensive or time spread works</li> <li>• Local prices below international market</li> <li>• No or limited interest from international business community</li> <li>• ICB advantages outweighed by financial and administrative costs</li> </ul>	<ul style="list-style-type: none"> <li>• Local press</li> <li>• Internet, GEPSON (Bolpatra.gov.np)</li> </ul>	<ul style="list-style-type: none"> <li>• IFAD to establish acceptability of national procedures</li> <li>• Foreign suppliers allowed to bid</li> <li>• Application of qualification requirement</li> </ul>
International Shopping	Comparison of price quotations from at least 3 suppliers in 2 different countries	<ul style="list-style-type: none"> <li>• Small value procurement</li> <li>• Off-the-shelf goods, standard specification</li> <li>• commodities, simple civil works</li> </ul>	<ul style="list-style-type: none"> <li>• Request for quotation (restricted)</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase order or brief contract</li> </ul>
National Shopping	Comparison of price quotations from at least 3 suppliers	<ul style="list-style-type: none"> <li>• Same as International Shopping</li> <li>• Goods available locally from several sources at competitive prices</li> </ul>	<ul style="list-style-type: none"> <li>• Request for quotation (restricted)</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase order or brief contract</li> </ul>
Direct Contracting	No competition Single or sole-source selection	<ul style="list-style-type: none"> <li>• Extension of existing contract</li> <li>• Standardization for vehicles, equipment</li> <li>• Proprietary equipment obtainable from one source only</li> <li>• Condition of performance guarantee</li> <li>• Emergency procurement</li> </ul>	<ul style="list-style-type: none"> <li>• No advertising</li> </ul>	
Procurement from Commodity Markets	Procurement of goods from commodity markets	<ul style="list-style-type: none"> <li>• Grains, animal feed, cooking oil, fuel, fertilizers, pesticides, metals</li> <li>• Multiple award for partial quantities to secure supply and prices</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-qualified bidders</li> <li>• Issuance of periodic invitations</li> </ul>	<ul style="list-style-type: none"> <li>• Short bid validity</li> <li>• Single (market) currency for bid and payment</li> </ul>
Work by Force Account	Use of the Borrower's own personnel and equipment to perform construction work	<ul style="list-style-type: none"> <li>• Difficulty in defining work quantities</li> <li>• Small, scattered works in remote locations</li> <li>• Risk of unavoidable work interruptions</li> </ul>	<ul style="list-style-type: none"> <li>• No advertising</li> <li>• No competition</li> </ul>	IFAD ensure that:

		<ul style="list-style-type: none"> <li>No disruption of on-going operations</li> <li>Emergency situations</li> </ul>		<ul style="list-style-type: none"> <li>force account units are properly staffed, equipped and organized</li> <li>costs are reasonable</li> </ul>
Procurement from UN Agencies	Procurement of specific goods from specialized UN agencies	Small quantities of off-the-shelf products	<ul style="list-style-type: none"> <li>No advertising</li> <li>No competition</li> </ul>	<ul style="list-style-type: none"> <li>Use of UN agency rules and procedures</li> <li>Indication in loan agreement</li> </ul>

Refer to the IFAD Procurement Guidelines for the following procurement methods:

- Procurement by agents and use of inspection agents
- Procurement by financial intermediaries or sub-loan beneficiaries
- Procurement with community participation

## II. Procurement of Consulting Services

Method	Description	Applicability/Characteristics	Advertising	Remarks
Quality and Cost Based Selection	Competitive selection from short-listed firms based on quality and cost of proposal	<ul style="list-style-type: none"> <li>Two-step evaluation: quality (technical proposal) and cost (financial proposal)</li> </ul>	<ul style="list-style-type: none"> <li>GPN (large contracts)</li> <li>Request for Proposal (RFP)</li> </ul>	<ul style="list-style-type: none"> <li>Preferred selection method for most consulting services</li> </ul>
Selection Under a Fixed Budget	Competitive selection from short-listed firms based on best technical proposal within budget	<ul style="list-style-type: none"> <li>Simple and precisely defined assignment</li> <li>Consulting firms requested to bid within a fixed budget</li> </ul>	<ul style="list-style-type: none"> <li>Request for proposal</li> </ul>	<ul style="list-style-type: none"> <li>Rejection of proposals above fixed budget</li> </ul>
Least-Cost Selection	Competitive selection from short-listed firms based on lowest cost provided minimum quality score is achieved	<ul style="list-style-type: none"> <li>Standard, routine assignments (e.g. audits or design of simple works)</li> <li>Well-established standards and practices</li> <li>Small contract value</li> </ul>	<ul style="list-style-type: none"> <li>Request for proposal</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of a minimum score for quality</li> <li>Rejection of proposals under minimum score</li> </ul>
Quality Based Selection	Competitive selection from short-listed firms based on quality only	<ul style="list-style-type: none"> <li>Complex/highly specialized assignments</li> <li>High downstream impact</li> <li>No comparability of proposals</li> </ul>	<ul style="list-style-type: none"> <li>GPN (large contracts)</li> <li>Request for Proposal</li> </ul>	<ul style="list-style-type: none"> <li>Only technical proposals may be invited</li> </ul>
Selection Based on Consultants' Qualifications	Selection from short-listed firms based on consultant's experience and competence	<ul style="list-style-type: none"> <li>Very small assignments</li> <li>Cost of RFP preparation and evaluation not justified</li> </ul>	<ul style="list-style-type: none"> <li>Request for expression of interest</li> </ul>	<ul style="list-style-type: none"> <li>Submission of combined technical-financial proposals</li> </ul>
Single Source Selection	Selection of a firm without any competition	<p>Must be exceptional:</p> <ul style="list-style-type: none"> <li>Continuation of previous work</li> <li>Emergency situation</li> </ul>	<ul style="list-style-type: none"> <li>No competition</li> </ul>	<ul style="list-style-type: none"> <li>Clear advantage over competition or impossibility to compete must be demonstrated</li> </ul>

		<ul style="list-style-type: none"> <li>• Very small assignments</li> <li>• Only one firm is qualified/experienced</li> </ul>		
Selection of Individual Consultants	Individuals selected based on qualifications, references and other relevant criteria, with limited or no competition	<ul style="list-style-type: none"> <li>• Teams of personnel not required</li> <li>• No additional professional support required</li> <li>• Main requirement is experience and qualification of individual consultant</li> </ul>	Request for expression of interest or Direct contact	<ul style="list-style-type: none"> <li>• Individuals may be selected on a single source basis</li> </ul>

Refer to the IFAD Procurement Guidelines for the following procurement methods:

- Procurement agents and inspection agents
- UN agencies, Civil Society Organizations, Auditors and Service Delivery Contractors

## 8 Annexes

### 8.1 Planning, M&E Annexes

#### 8.1.1 Annex 1 – VITA Detailed Logframe

Note: The detailed logframe is draft only. In the case of any variation in indicators or targets from the logframe in the Appendix 1 of the main PDR, the targets and definitions from the main PDR are to be used.

Additional/updated IFAD Core Indicators for reporting only, i.e. not in the main PDR logframe, will be reconfirmed at programme start-up, based on the feasibility of reporting on such indicators to meet the IFAD CI measurement guidelines.

Expected results	VITA LF Indicator #	Project and IFAD Indicators <sup>45</sup> (CI = IFAD Core Indicator #)	Corresponding Heifer Indicator	Targets		
				YR1	MTR	End
<b>Goal:</b> Improved livelihoods, climate resilience and nutrition of poor and vulnerable people	1.	Number of persons receiving services promoted or supported by the project, of whom:		15,000	90,000	120,000
	1.	Number of women		9,000	54,000	72,000
	1.	Number of youth		4,000	27,000	40,000
	1	Number of persons from disadvantaged groups (janajatis, Dalits)		TBM	TBM	TBM
	1.a.	Corresponding number of distinct households		13,800	82,800	110,400
	1.b	Estimated corresponding total number of households' members.		66,000	397,000	530,000
	2	Number of individual small-scale producers directly benefitting from programme services increasing their real net farm income (compared with baseline) by:	Change in farm profitability			
	2	(a) >60% if receiving full programme services		0	15,000	70,000
	2	(b) >40% if via partnership with SLVC2		0	10,000	20,000
	2	(c) >40% if receiving 'finance only'.		0	6,000	30,000
<b>Development Objective:</b> Farm enterprises of poor and vulnerable rural	3.	Percentage of small-scale producers adopting environmentally sustainable and climate resilient technologies and practices. (CI 3.2.2)	Number of households adopting CSA	0	40%	50%

<sup>45</sup> All data for indicators related to individual beneficiaries to be disaggregated by poverty status (using PPI), age (<25 yrs, 25-40 yrs, >40 yrs), gender, social/ethnic group. Household level data will be disaggregated by PPI status, ethnicity and gender of the household-head.

Expected results	VITA LF Indicator #	Project and IFAD Indicators <sup>45</sup> (CI = IFAD Core Indicator #)	Corresponding Heifer Indicator	Targets		
				YR1	MTR	End
people are more resilient to climate change, increasingly profitable, strengthen their market linkages and use appropriate financial services.	4	Number of beneficiaries' receiving full project services achieving return on labour of >125% of official minimum wage	Percentage of households that achieved living income benchmark	0	12,000	56,000
	5	Percentage of households reporting they can influence decision-making of local authorities and programme-supported service providers (CI SF.2.2)		TBC	TBC after baseline	TBC after baseline
<b>Outcome 1:</b> Improved small-scale producers' capacities to run profitable farm enterprises and establish linkages with suppliers and buyers.	6	Percentage of women small-scale producer demonstrating improvement in empowerment (IFAD empowerment indicator <sup>46</sup> - CI IE.2.1)		TBC	TBC after baseline	TBC after baseline
	7	Percentage of women reporting Minimum Dietary Diversity <sup>47</sup> (CI 1.2.8) <i>[targets to be re-confirmed after baseline]</i>	Household Dietary Diversity Score (HDDS) ...	TBC	75%	90%
	8	Percentage increase in the aggregate value of priority products sold by targeted small-scale producers in real terms	Value of commodities produced, marketed or processed (household and enterprise)	0	15%	40%
	9	Percentage of households satisfied with programme-supported services (CI SF.2.1)		70%	70%	80%
	10	Percentage of small-scale producers in supported groups who have paid for or received embedded technical services from commercial service providers, agribusinesses or producer organization in last 12 months. <i>[To be disaggregated by: a) crops, b) livestock &amp; fish - Targets confirmed at baseline]</i>	Percentage of beneficiaries acquiring business development services	TBC	TBC	TBC
	11	Number of small-scale producers regularly keeping farm enterprise records.		12,000	56,000	72,000
	12	Percentage of established multi-stakeholder platforms (MSPs) and B2B meetings that are functional and self-sustaining (CI. Policy Output)		0	70%	90%
	13	Households reporting improved access to land, forests, water or water bodies for production purposes (CI 1.2.1)		TBC	TBC after baseline	TBC after baseline
<b>A) Mentoring and mobilization fo producers' groups</b>						
Socio Economic Mobilizers are recruited and trained		Nb of Socio-Economic Mobilizers in place		30	140	0
		Nb of Socio-Economic Mobilizers /Coordinators trained		30	140	140
		Etc...				
		<b><i>(Additional indicators to be discussed with Heifer and added at start-up)</i></b>				
<b>B) Business skills and financial education to farmers</b>						

<sup>46</sup> IFAD's empowerment indicator is a simplified pro-WEAL with 10 of the 12 pro-WEAL dimensions

<sup>47</sup> Minimum Dietary Diversity – women. This is defined as percentage of women, 15-49 years of age, who consume at least 5 out of 10 food groups (MDD-W)

Expected results	VITA LF Indicator #	Project and IFAD Indicators <sup>45</sup> (CI = IFAD Core Indicator #)	Corresponding Heifer Indicator	Targets		
				YR1	MTR	End
Rural producers' groups are mobilized		Nb of farmers' groups mobilized/supported (CI 2.1.3, reporting only, no targets)				
	14	Number of small-scale producers who are members of a group which actively participates in an MSP and B2B meetings. (CI 2.1.4)		15,000	70,000	90,000
Financial education and business literacy training facilitators trained through ToT		Nb of TOT events organized		6	24	24
		Nb of Business Skills Facilitators trained (initial training)		?	?	?
		Nb of Business Skills Facilitators (refresher training)		?	?	?
Rural producers trained in business literacy and management (incl. GALS-lite, CC, youth and nutrition modules)		Nb of farmers' groups whose members have received financial literacy and business skills training (Reporting only – no targets)		TBM	TBM	TBM
		Nb of farmers provided with a farmers' diary		15,000	80,000	90,000
	15	Nb of farmers trained in business skills and management (CI 2.1.2)		15,000	80,000	90,000
Farmers trained in financial literacy	15	Nb of farmers trained in financial literacy (CI 1.1.7)		15,000	60,000	70,000
Nutrition training – as part of business skills course	16	Persons provided with targeted support to improve their nutrition (C 11.1.8)		15,000	60,000	70,000
Farmers provided with training materials		Nb of farmers receiving training materials		15,000	80,000	90,000
Review and sharing workshops for training facilitators organized		Nb of workshops organized		0	13	17
		Nb of training facilitators attending				
Agriculture Market Information systems established		Nb of AMI systems established		1	1	1
Policy-relevant knowledge products developed and disseminated		Nb of knowledge products developed		0	1	6
		Nb of policy-relevant knowledge products completed (CI Policy Output 3)		0	3	8
		Nb of internal sharing workshops organized		0	2	6
		Nb of external sharing workshop organized		0	1	3
		Nb of media trips organized		0	1	2
Additional IFAD Core Outcome Indicators (for reporting only – if can be done within planned M&E and data collection tools)		Nb of persons/households reporting adoption of new/improved inputs, technologies or practices (CI 1.2.2)		No target, reporting only	No target, reporting only	No target, reporting only
		Nb of persons/households reporting an increase in production (CI 1.2.4)		No target, reporting only	No target, reporting only	No target, reporting only
		Number of new jobs created in agricultural / farm enterprises (CI 2.2.1)		No target, reporting only	No target, reporting only	No target, reporting only
		Number of rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities (CI 2.2.3)		No target, reporting only	No target, reporting only	No target, reporting only

Expected results	VITA LF Indicator #	Project and IFAD Indicators <sup>45</sup> (CI = IFAD Core Indicator #)	Corresponding Heifer Indicator	Targets		
				YR1	MTR	End
		Nb of supported rural producers' organization members reporting new or improved services provided by their organization (CI 2.2.4.)				
<b>C) Brokering and cluster facilitation</b>						
Provincial level MSPs meetings organized and facilitated		Number of MSPs meetings organized		20	64	95
		Nb of farmers' groups actively participating in MSP meetings		To be monitored (TBM)	TBM	TBM
	14	Nb of farmers in groups actively participating in MSP meetings		15,000	54,000	70,000
		Nb of suppliers, traders and other actors participating in MSP meetings		TBM	TBM	TBM
Corridor-level MSOs meetings organized and facilitated		Number of MSPs meetings organized		45	303	340
		Nb of farmers' groups actively participating in MSP meetings		TBM	TBM	TBM
	14	Nb of farmers in groups actively participating in MSP meetings		TBM	TBM	TBM
		Nb of suppliers, traders and other actors participating in MSP meetings		TBM	TBM	TBM
B2B/B2S interactions/meetings take place at cluster level between a business partner (supplier/buyer) and a group of farmers		Nb of B2B/B2S interactions taking place		180	1212	1401
		Nb of groups participating in B2B/B2S interactions		TBM	TBM	TBM
		Nb of trading plans or agreements concluded	Business relationship with VCAs	TBM	TBM	TBM
		Nb of farmers groups with an agreed trading plan or agreement	No of groups participating in collective marketing	TBM	TBM	TBM
		Nb of farmers benefiting from an agreed trading plan or agreement	No. of beneficiaires engage in collective marketing	TBM	TBM	TBM
		Nb of suppliers, traders and other actors who have concluded a trading plan or agreement with one or more farmer groups		TBM	TBM	TBM
Rural producers trained in production and post-harvest handling		Nb of training events organized		90	606	680
		Nb of persons trained in production practices and/or technologies by programme supported service providers (CI1.1.4 )				
		Nb of groups whose members have received post-harvest handling		TBM	TBM	TBM
		Nb of farmers trained in post-harvest handling				
	Nb of groups whose members have received post-harvest handling		TBM	TBM	TBM	
Rural producers accessing inputs or technologies		Nb of rural producers accessing production inputs and/or technological packages from programme supported service providers and suppliers (CI 1.1.3)				
		Nb of exposure visits organized		0	27	41
		Nb of persons participating in exposure visits		TBM	TBM	TBM

Expected results	VITA LF Indicator #	Project and IFAD Indicators <sup>45</sup> (CI = IFAD Core Indicator #)	Corresponding Heifer Indicator	Targets		
				YR1	MTR	End
Producers, traders and processors benefit from exposure visits		Nb of clusters whose actors have participated in an exposure visits		TBM	TBM	TBM
Capacity development training events organized for project staff		Nb of training events organized		20	85	147
Bank staff trained on cluster-based supply chain development and climate smart agricultural financing		Nb of training events organized			4	20
Bank staff and stakeholders benefit from national or international exposure visits		Nb of exposure visits			4	8
A Sector Development Facility is established to finance soft or hard public goods investments		Amount of USD expended from the SDF (in million dollars)				
		Nb of funding proposals received, appraised and approved				
		Nb of and type of public goods financed and delivered				
		Nb. of technical service providers (people) supported via SDF to expand/upgrade their services to farmers		Targets to be set for each commodity x district based on need		
		Nb of farmers directly benefiting from SDF investments				
		Nb of traders, input suppliers or processors benefiting from SDF investments				
<b>Outcome 2: Transformational increase in investment in the smallholder agricultural sector in supported project states.</b>	17	Total private investment in priority clusters and supply chains by small-scale producers, MSMEs and other actors (in cumulative US\$), by commodity/location/source.		0	US\$ 70 million	US\$ 200 million
	18	Percentage of ADBL partner financial institutions (PFIs) with a portfolio-at-risk ≥30 days below 5% for the wholesale funds from the programme (CI 1.2.6)		100%	100%	100%
	19	Percentage of small-scale producers who own an active savings account with ADBL or any other PFI after completed business skills / financial literacy training		40%	50%	60%
	20	Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment (CI Policy Outcome)				
		Percentage of supported farmers newly using insurance schemes from ADBL or FI partner		TBM	TBM	TBM
		Percentage of supported people / households using rural financial services from ADBL and PFIs (CI 1.2.5.)		TBM	TBM	TBM



Expected results	VITA LF Indicator #	Project and IFAD Indicators <sup>45</sup> (CI = IFAD Core Indicator #)	Corresponding Heifer Indicator	Targets		
				YR1	MTR	End
Financial service providers supported delivering outreach strategies, financial products and services to rural producers, including smallholder farmers.		Number of financial service providers supported in delivering outreach strategies, financial products and services to rural producers, including smallholder farmers. (CI 1.1.6)		4	8	10
		Nb of partner FI developing, pilot testing and adopting a new financial product to smallholder farmers		4	8	10
		Nb of new financial products and services targeting smallholder farmers developed and adopted		TBM	TBM	TBM
Small-scale producers access a loan from ADBL or partner (from the project MTC and STC windows)	21	Number of people accessing financial services supported by the programme		8,000	40,000	100,000
		Percentage of women among farmers accessing financial services (50%)		4,000	20,000	50,000
		Percentage of youth among farmers accessing financial services (30%)		2,400	12,000	30,000
		(a) Nb of persons accessing a loan from the Medium Term Credit Window				
		(b) Nb of persons accessing a loan from the Short Term Credit Window				
	22	Amount of funds on-lent by ADBL from the programme window (in US\$), [Disaggregated by: women, youth, DAG and poor households]		8 USD mio	45 USD mio	120 USD mio
		a) Amount of funds lent to women				
		b) Amount of funds lent to youth				
		c) Amount of funds let to DAG individuals				
		d) Amount of funds lent to poor households				
A Capacity Enhancement and Policy Development Facility is established		Amount of funds expended from the CEPD Facility				
		Nb of persons benefiting from improved/new services or products of ADBL and PFIs as a result of supported capacity building				
		Nb of policy studies or initiatives financed				
Policy-relevant knowledge products developed and disseminated		Nb of knowledge products developed		0	4	12
		Nb of policy-relevant knowledge products completed (CI Policy Output 3)		0	3	8
		Nb of internal sharing workshops organized		TBM	TBM	TBM
		Nb of external sharing workshops organized		TBM	TBM	TBM
		Nb of media trips organized		TBM	TBM	TBM
<b>Outcome 3:</b> Improved access by smallholder farmers and clusters'	23	Number of farmers reporting improved physical access to markets, processing or storage facilities in locations where such infrastructure was delivered. (CI 2.2.6)		0	22,500	45,000

Expected results	VITA LF Indicator #	Project and IFAD Indicators <sup>45</sup> (CI = IFAD Core Indicator #)	Corresponding Heifer Indicator	Targets		
				YR1	MTR	End
actors to productive infrastructure.						
Integrated markets and satellite markets constructed	24	Nb of regional wholesale markets constructed (CI 2.1.6)		0	1	3
		Estimated nb of regional wholesale market users (farmers)				
		Estimated nb of regional wholesale market users (traders)				
	24	Nb of satellite markets constructed (CI 2.1.6)		0	10	33
		Estimated nb of satellite market users (farmers)				
		Estimated nb of satellite market users (traders)				
Irrigation schemes constructed		Nb of irrigation schemes constructed		0		
	2	Nb of ha of farmland under water-related infrastructure constructed or rehabilitated (CI 1.1.2)		0	300	900
		Nb of farmers benefiting from irrigation schemes constructed or rehabilitated				
Farm access feeder roads rehabilitated		Nb of km of roads upgraded / rehabilitated (CI 2.1.5)		0	30	75
		Nb of farmers benefiting from upgraded/rehabilitated roads				

### **8.1.2 Annex 2 - VITA Theory of Change**

Please refer to the main Programme Design Report

### **8.1.3 Annex 3 - Monitoring and Evaluation Matrix**

### 8.1.4 Annex 4 – AWPB Template - Narrative part (Part 1)

Country:	
Project Title:	
Project Number:	
Financial year:	
Planning period:	
Year of implementation	
Total project budget (in USD):	
Total expenditures to date (in USD):	
Date of loan effectiveness:	
Date of project start:	
Project duration:	
Date of project closing:	
Date of latest Logframe revision:	
Date of baseline survey:	
Date of mid-term survey:	
Date of completion survey:	
Date of Mid-Term Review	
Date of Completion Review	

#### A. Background

*[Introduce briefly overall project objectives and key results achieved to date, key objectives for the next fiscal year and highlight any contextual issues (government policies, local economic context, socio-political context) that may have a bearing on project implementation during the next 12 months. Any changes in the implementing arrangements or implementation approaches, if required, should be highlighted]*

#### B. Achievements to date and proposed implementation focus for upcoming year

*[While the detailed achievements of previous AWP&B period should be detailed in the Annual Progress Report, this Chapter provides a very rapid overview of the status of implementation of the various Logframe Components, as a basis to then justify the choice of objectives and implementation focus for the new AWP&B period. This is done by filling the table below and providing some further textual information]*

**Table 1 - Summary of main achievements to date**

Components	% of achievement to date (estimation)	Focus for new AWP&B period? (Yes/No)
Component 1.1		
Component 1.2		
Component 1.3		
Component 1.4		

**Key achievements to date:**

**Key focus areas for next fiscal year:**

**Key anticipated challenges and proposed mitigating measures:**

**C. Costs and financing**

- **Costs:** *[Present summary tables by components and cost category for proposed budget and provide explanations if required]*
- **Financing:** *[Present summary tables by Financing source for the proposed budget and provide explanations if required]*

**D. Annual Procurement**

- **Procurement Plan:** *[Provide rationale for the procurement plan proposed in annex in terms of key goods and services to be procured during the next fiscal year]*
- **Procurement process:** *[Provide rationale for the procurement methods proposed in the annexed procurement plan and highlight any potential procurement challenges and proposed mitigating measures]*

**E. Expected benefits and target group outreach**

**Table 3 – Estimated outreach by Target Group “category”**

Target Group “category”	Total nb of persons to be reached by project completion	Number of persons reached so far (cumulative)				Total nb of additional persons expected to be reached this year (annual)
		Total number	Of which, women	Of which, youth	Of which, janajatis	

**F. Implementation support needs**

*[This Chapter presents the principal capacity gaps currently identified among the PMU staff -or any other staff from other implementing agencies- and highlights proposed mitigating measures. For measures that are beyond PMU capacities to implement or finance, the Chapter also identifies the type of implementation support that will be required from IFAD throughout the AWP&B period, how badly is this support needed and the best period for this support to be provided.]*

Capacity gaps	Capacity gaps and proposed mitigating measures		Implementation support requirements		
	Staff/persons in need of capacity building	Proposed capacity building measure	Implementation support needed from?	In which specific area is it needed?	When is it needed?

**PART II – SUMMARY AND DETAILED AWPB TABLES**

**Annex: Procurement Plan**

**8.1.5 Annex 5 - AWPB Template – Part 2**

Expected results / Activities	Indicateurs and physical targets			Calendar of activities												Responsible Service Provider, Unit or staff	Budget					
	Indicators	Appraisal targets	Annual targets	Q1			Q2			Q3			Q4				Estimated CostTab (Appraisal) budget	Actual estimate d costs	Budget category	Financing source		
				J	F	MA	MJ	J	A	S	O	N	D	IFAD	Gov.					Beneficiaires		
<b>Component 1</b>																						
<b>Sub-Component 1.1</b>																						
<b>Output 1.1.1</b>																						
Activity																						
Activity																						
Activity																						
Activity																						
<b>Output 1.1.2</b>																						
Activity																						
Activity																						
Activity																						
Activity																						
Etc.																						

### 8.1.6 Annex 6– AWPB Implementation Monitoring Template

Expected results / Activities	Indicators	Annual targets			Cumulative targets			Annual expenditures			Cumulative expenditures			Observations
		Annual targets	Achieved targets	% of target met	Appraisal targets	Cumulative achievements	% of target met	Approved budget	Actual expenditures	% of budget spent	Total budget	Cumulative expendi.	% of budget spent	
<b>Component 1</b>														
<b>Sub-Component 1.1</b>														
<b>Output 1.1.1</b>														
Activity														
Activity														
Activity														
Activity														
<b>Output 1.1.2</b>														
Activity														
Activity														
Activity														
Activity														
Etc.														
<b>Sub-Component 1.2</b>														
Etc.														

**8.1.7 Annex 7 – Output Monitoring Tables**  
**Training Monitoring Table**

**Training monitoring**

Training date	Training location (Province)	Training localtion (Locality)	Training Subject	Module Toppic	Training location	Trainers' name	Duration (in days)	Nb of sessions	Number of groups trained	Nb of persons trained			
										Total	Women	Youth	Janajatis



**SDF and other Grant Windows – Monitoring Tables**

	Farmers						Service providers						Traders						Suppliers											
	Grant proposals		Approvals		Disbursements		Grant proposals		Approvals		Disbursements		Grant proposals		Approvals		Disbursements		Grant proposals		Approvals		Disbursements							
	Nb. received	Nb. reviewed	Nb. of grants	Total value	Nb. of grants	Total value	Nb. received	Nb. reviewed	Nb. of grants	Total value	Nb. of grants	Total value	Nb. received	Nb. reviewed	Nb. of grants	Total value	Nb. of grants	Total value	Nb. received	Nb. reviewed	Nb. of grants	Total value	Nb. of grants	Total value						
Window 1																														
Window 2																														
Window 3																														
Total																														

**Application process monitoring tables**

Applications received (Nb. of proposals received)					Review of proposals (Nb. of proposals reviewed)					Final approval (Nb. of proposals approved)									
Farmers		Service providers		Traders	Suppliers	Farmers		Service providers		Traders	Suppliers	Farmers		Service providers		Traders	Suppliers		
Date of public call : .....					Date of public call : .....					Date of public call : .....									
Window 1					Window 1					Window 1					Window 2				
Window 2					Window 2					Window 2					Window 3				
Window 3					Window 3					Window 3					Total				
Total					Total					Total									
Date of public call : .....					Date of public call : .....					Date of public call : .....									
Window 1					Window 1					Window 1					Window 2				
Window 2					Window 2					Window 2					Window 3				
Window 3					Window 3					Window 3					Total				
Total					Total					Total									
Date of public call : .....					Date of public call : .....					Date of public call : .....									
Window 1					Window 1					Window 1					Window 2				
Window 2					Window 2					Window 2					Window 3				
Window 3					Window 3					Window 3					Total				
Total					Total					Total									
Date of public call : .....					Date of public call : .....					Date of public call : .....									
Window 1					Window 1					Window 1					Window 2				
Window 2					Window 2					Window 2					Window 3				
Window 3					Window 3					Window 3					Total				
Total					Total					Total									
Date of public call : .....					Date of public call : .....					Date of public call : .....									
Window 1					Window 1					Window 1					Window 2				
Window 2					Window 2					Window 2					Window 3				
Window 3					Window 3					Window 3					Total				
Total					Total					Total									

## Infrastructure Construction Monitoring Tables

### Monitoring of small-scale infrastructure construction works

Infra. code	Infrastructure type	Type of intervention <i>(construction/rehabilitation/equipment)</i>	Province	District	Village/ Locality	GPS positioning		Name of construction compagny	Current works' status	Estimated works' execution rate	Date of construction start		
						Long.	Lat.				Planned	Actual	Difference <i>(in days)</i>

### Monitoring of small-scale infrastructure construction works

Infra. code	On-site supervision visits by SP				Date of construction completion			Date of initial hand-over / receipt by SP/PMU	Nb of major observations made	Nb of major observations corrected	Date of final hand-over/ receipt by SP/PMU	Total initial costs	Total final costs
	Date	Date	Date	Date	Planned	Actual	Difference <i>(in days)</i>						

## Outreach Monitoring Table

Outreach Monitoring														
	Targets			Year 1			Year 2			Year 3				
	Total nb of beneficiaries	Of whom:		Nb of actual beneficiaries	Of whom:		Nb of actual beneficiaries	Of whom:		Total nb of beneficiaries	Of whom:			
		Women	Youth		<i>Janajatis</i>	Women		Youth	<i>Janajatis</i>		Women	Youth	<i>Janajatis</i>	
Component 1														
Component 2														
Component 3														
Total														

## 8.1.8 Annex 8 – Quarterly Progress Report Outline

### 1) PROJECT RESULTS AND IMPACT

#### A. ACTIVITIES AND OUTPUTS

For each project Sub-component, present the following information:

- Main physical achievements: Describe key activities implemented in the past 3 months and main outputs delivered against quarterly AWPB targets. Discuss and explain variances between expected results and achievements; as well as prospects to catch up with potential delays.
- Detailed recommendations: Identify measures and actions required in order to address key implementation challenges.

#### B. TARGETING, OUTREACH AND GENDER ISSUES

Present a table showing, per beneficiary profile, the total number of beneficiary households reached during the past 3 months against quarterly targets.

### 2) IMPLEMENTATION PERFORMANCE

#### A. PROJECT IMPLEMENTATION PERFORMANCE

Discuss Service Providers' and PMU performance in implementing and supervising project implementation.

#### B. FINANCIAL MANAGEMENT AND DISBURSEMENTS

Present global and Component-wide quarterly expenditures. Identify issues or bottlenecks.

#### C. PROCUREMENT

Present procurement activities undertaken in current quarter against the activities planned in the procurement plan. Identify issues and bottlenecks, as well as mitigating measures.

### 3) RECOMMENDATIONS

Highlight key recommendations, changes that need to be introduced or further actions required in order to facilitate project implementation or enhance project results. Clearly identify responsibilities for main recommendations and timeline for follow-up.

#### ANNEXES:

- **Detailed, updated Implementation Monitoring Table** (*Showing: quarterly planned vs. achieved targets*)
- **Detailed financial expenditures table** (*Showing: annual allocations, annual expenditures, global allocations, cumulative expenditures to date*)
- **Detailed Output and Outreach monitoring tables** (CDC monitoring, small-scale infrastructure works, beneficiary groups' and institutions data, training data, dairy groups' data, vaccination campaigns, etc.)

## 8.1.9 Annex 9 – Annual Progress Report Outline

Title page

Map of project area

Table of contents

Table of figures and tables

Acronyms

### 1) INTRODUCTION

- Introduce basic facts about the project, the project area and key project implementation dates.
- Introduce the main project objectives and key project Components, as originally designed; and identify any changes that may have been brought to project original design or financing plan.
- Discuss overall implementation progress and present global AWPB execution rate. Highlight key implementation features and global Service Providers' performance and.
- Highlight the main changes in the policy, regulatory or institutional framework that may have affected the agricultural or rural development sectors, or the MAIL, during the year under review and that may bear relevance on project implementation.

### 2) PROJECT RESULTS AND IMPACT

#### A. ACTIVITIES AND OUTPUTS

- For each project Sub-component, present the following information:
  - Main physical achievements: Describe key activities implemented in the past 12-months and main outputs delivered against AWPB targets; and present cumulative achievements to date against appraisal targets. Discuss and explain variances between expected results and achievements, as well as prospects for meeting appraisal targets by the end of project completion.
  - Implementation context and challenges: Analyze the key external factors or circumstances that may have affected project implementation, positively or negatively, during the year. Identify key implementation problems and bottlenecks, their cause and possible solutions.
  - Detailed recommendations: Present the detailed actions that will be taken in order to address key implementation challenges.
- Key data shall be presented in tables and charts, while detailed data will be annexed. Issues such as quality and reliability of data collected, or data gaps, should also be presented if relevant. If no progress was achieved, this should be clearly stated and reasons for delays explained.

#### B. OUTCOMES AND IMPACT

- For each Sub-Components, present available outcome and impact data, or field observations, and analyze positive or negative trends and unintended effects. In particular, the report shall present key quantitative and qualitative findings and clear conclusions related to the following impact domains: (a) Beneficiaries' capacities; (b) Improved agricultural or livestock productivity for key main crops; (c) Improved beneficiaries' incomes and food security. Key data shall be summarized in tables and charts
- Present and analyze the external factors that may have contributed, negatively or positively, to observed changes and impact.

#### C. TARGETING, OUTREACH AND GENDER ISSUES:

- Present a table showing, per beneficiary profile, the total number of beneficiary households reached during the past 12 months against annual and appraisal targets.
- Present targeting approach followed in current year and potential challenges.
- Describe key gender-mainstreaming activities undertaken and key project achievements in terms of women outreach and empowerment.

#### **D. SUSTAINABILITY**

- Analyze current prospects of post-project sustainability, looking at issues such as beneficiary groups' self-sufficiency, capacities of local institutions, infrastructure operation and maintenance, etc.

### **3) IMPLEMENTATION PERFORMANCE**

#### **A. PROJECT IMPLEMENTATION PERFORMANCE**

- Discuss Service Providers' and PMU performance in implementing and supervising project implementation.

#### **B. PERFORMANCE OF M&E**

- Describe key M&E activities undertaken and discuss data quality, reliability and timeliness of reporting by Service Providers.

#### **C. FINANCIAL MANAGEMENT AND DISBURSEMENTS**

- Present global, as well as Component-wide, related to: (a) annual budget approved vs. annual expenditures; (b) cumulative expenditures to date vs. overall budget. Discuss financial management or flow of funds issues, as well as mitigating measures.

#### **D. PROCUREMENT**

- Present procurement activities undertaken in current year against the activities planned in the procurement plan. Identify issues and bottlenecks, as well as mitigating measures.

### **4) CONCLUSIONS, LESSONS LEARNED AND RECOMMENDATIONS**

#### **A. CONCLUSIONS**

- Summarize global project performance by comparing key annual targets and yearly achievements, and cumulative achievements to date with global targets. Reflect on the likelihood that all project objectives shall be met by project completion date.
- Present project's strengths and weaknesses.
- Analyze main implementation bottlenecks and/or facilitating factors.

#### **B. LESSONS LEARNED**

- Present main lessons learned from project implementation, based on the analysis of what learning from experience may be applicable to future, similar projects.
- Present best practices or practices worthwhile replicating.

#### **C. RECOMMENDATIONS**

- Highlight key recommendations, changes that need to be introduced or further actions required in order to facilitate project implementation or enhance project results.
- Clearly identify responsibilities for main recommendations and timeline for follow-up.

#### **ANNEXES:**

- **Detailed, updated Project Results' Framework** (*Showing: annual planned vs. achieved targets*)
- **Detailed financial expenditures table** (*Showing: annual allocations, annual expenditures, global allocations, cumulative expenditures to date*)
- **Detailed Output and Outreach monitoring tables** (CDC monitoring, small-scale infrastructure works, beneficiary groups' and institutions data, training data, dairy groups' data, vaccination campaigns, etc.)

### 8.1.10 Annex 10 – Guidelines for ORMS Indicators Reporting

The IFAD document<sup>48</sup> entitled “*Taking IFAD’s Results and Impact Management System (RIMS) to the Next Level*” provides the complete list of ORMS indicators and associated definitions. Not all these indicators, however, are relevant in the context of VITA. For each relevant indicator, annual targets will be identified (as defined in the AWPB) and related yearly achievements will be reported each year to IFAD using a standard Excel-based template.

The following table presents the ORMS indicators that are relevant for VITA and which will be reported on an annual basis (output indicators) or 2 or 3 years after start-up (outcome indicators).

Level	ORMS Indicator
Outreach	Number of persons receiving services promoted or supported by the project
	Corresponding number of households reached
	Estimated corresponding total number of households’ members
Outcomes	Land under irrigation schemes constructed or rehabilitated
	Percentage of persons/households reporting reduced water shortage vis-à-vis production needs
	Percentage of persons/households reporting adoption of new/improved inputs, technologies or practices
	Percentage of persons/households reporting an increase in production
Outputs	Number of hectares of farmland under water-related infrastructure constructed or rehabilitated
	Number of rural producers accessing production inputs and/or technological packages
	Number of persons trained in production practices and/or technologies
Outcomes	Percentage of persons/households reporting using rural financial services
	Percentage of partner financial service providers with portfolio-at-risk $\geq 30$ days below 5%
Outputs	Number of persons in rural areas accessing financial services (savings, credit, insurance, remittances, etc.)
	Number of financial service providers supported in delivering outreach strategies, financial products and services to rural producers
Outcomes	Percentage of women reporting improved quality of their diets
	Percentage of supported rural enterprises reporting an increase in profit
Outputs	Number of persons/households provided with targeted support to improve their nutrition
	Number of rural enterprises accessing business development services
	Number of persons trained in income-generating activities or business management
Outcomes	Percentage of rural producers’ organizations engaged in formal partnerships/agreements or contracts with public or private entities
	Percentage of supported rural producers’ organization members reporting new or improved services provided by their organization
	Percentage of rural producers’ organizations reporting an increase in sales
Outputs	Number of rural producers’ organizations supported
	Number of supported rural producers that are members of a rural producers’ organization (modified current RIMS 1.4.5)
Outcomes	Percentage of persons/households reporting improved physical access to markets, processing and storage facilities
Outputs	Number of kilometers of roads constructed, rehabilitated or upgraded
	Number of market, processing or storage facilities constructed or rehabilitated
Outcomes	Number of existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment
Outputs	Number of policy-relevant knowledge products completed

<sup>48</sup> The complete guidelines are available at: <https://webapps.ifad.org/members/ec/96/docs/EC-2017-96-W-P-7.pdf>





cumulative value will be 30 at the end of year 2). For other indicators - for example the total number of persons trained at least once – it will be important to avoid double-counting of beneficiaries<sup>49</sup>.

**Column 9 – Target achievement rate:** This last column is calculated by dividing the actual cumulative result by the target established during the design stage.

## **8.1.11 Annex 11 – Project Completion Review Guidelines and Report Outline**

### **A) Project Completion Review guidelines**

#### **1) Detailed objectives**

The overall objective of the completion review is to assess and document overall project implementation performance and the results achieved. This process calls for an informed reflection on the relevance, effectiveness, efficiency and sustainability of project interventions.

More precisely, the detailed objectives of the completion process include the following:

- To assess the effectiveness of project implementation, or the extent to which project objectives were met, and to document the immediate results and impacts of project interventions.
- To assess the relevance of project interventions at the time of project design and in today's context.
- To review the project costs and benefits and the efficiency of the overall project implementation process, including IFAD's and partners' performance
- To assess the prospects of sustainability of project benefits beyond project completion
- To generate and document useful lessons from implementation that will help improve IFAD's or Borrower's future programming and designs.
- To identify any potential for the replication or up-scaling of best project practices

#### **2) Methodology**

The report will use a mix of quantitative and qualitative tools in order to form an informed judgement on overall project performance and results. For transparency and accuracy purposes, it is important that the consultation with project stakeholders shall be as large and inclusive as possible and the list of persons to be met by the report will require careful consideration.

Primary sources of information will include project reports and documents (supervision reports, MTR report, progress reports, AWPB, etc.), M&E and MIS data (including RIMS data), any surveys or specific studies undertaken by the project (including the RIMS impact survey), PMU and service providers' records and the records of the groups supported by the project. These sources will be used extensively in order to generate quantitative information on project results or estimate project efficiency. In addition to primary sources of information, the report will collect relevant data from secondary sources, such as national and local statistics, other donors' statistics, the civil society, private sector entities (trade associations, universities, etc.). These will be used mainly to breach information gaps on certain issues or to cross-examine the data generated from other sources.

In case sufficient or reliable impact data is not available, the report should undertake a mini survey while in the field in order to collect basic information from a small sample of respondents (to be selected using the most appropriate sampling method). To this end, a questionnaire shall be developed before the field work starts. In addition, and in order to gather an in-depth understanding on certain issues, collect stakeholders' feedback and generate important insights, the report will use a variety of qualitative tools, such as key informants' interviews, focus group discussions and rapid case studies. Before starting the field work, it is important that the report dedicates sufficient time to prepare the necessary interview guides.

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<sup>49</sup> For example, it is wrong to report "300 households" as the cumulative results at the end of year 3 if the same 100 households were trained each year during 3 years; in this example, the cumulative value should be "100".

The method of direct observation will also be used by the report. A large sample of project sites, or locations where project activities took place, will thus be visited in order to collect impressions and feelings, verify that reported interventions took place, confirm that they met expected quality standards and beneficiaries' needs, or to take note of the external context of project intervention. Selection of project sites will require careful consideration in order to avoid biases. If found useful, the organization of a stakeholders' workshop either before the field work starts or towards the end of the report, can be envisaged in order to collect initial feedback on project performance or on initial report's findings. In order to strengthen the analysis and overcome the weaknesses, intrinsic biases and the problems that may be associated with a single method, the report will "triangulate" all findings, combining methods and data sources in order to cross-examine initial findings.

### **3) Main performance assessment questions**

The project completion review team will answer each of the following detailed questions, grouped according to the criteria to be used in the assessment.

#### **a. Project relevance**

Broadly speaking, the report will assess the extent to which project objectives were consistent, at project design and throughout implementation, with the priorities of the rural poor and their own perception of their needs and potential; with the priorities and poverty alleviation policies and strategies of the country; and with IFAD's mandate and policies. More precisely, the report will answer each of the following detailed questions:

- Did the project design focus on, and were objectives consistent with, the needs and priorities of the rural poor? Was the design process participatory and did it take into account the needs, potential, livelihoods, asset bases and development opportunities of the rural poor at the time of project design? Are these characteristics, constraints and opportunities still the same today?
- Were the approaches promoted consistent *vis à vis* the socio-politico-economic conditions at the time of project design and *vis à vis* prevailing environmental and climate conditions? Were project objectives, approaches and activities consistent with IFAD's objectives of increasing the assets and incomes of poor rural households, and improving their food security?
- Were project objectives realistic and consistent with national development plans, poverty reduction strategies, agriculture and rural development strategies and other sectoral priorities? In particular, was the project design aligned with the MAIL agricultural development policy? Are these documents still relevant today or were there important changes in the policy context?
- Were the project objectives consistent with IFAD's mandate, its *Strategic Results Framework* and with IFAD's country strategy as reflected in the COSOP? Were IFAD policy concerns (as reflected in policies and strategies on targeting, innovation, rural finance, private sector etc.) adequately incorporated into project design?
- Did the Project Design Document include a well-defined, clearly articulated Logframe or Results' Framework? Were all identified activities and outputs consistent, and commensurate, for the attainment of proposed goal and objectives? Were external risks (or assumptions) clearly identified? Were the proposed indicators relevant and adequate to monitor project implementation and results?
- Were the initial implementation arrangements well defined and adequate to ensure a smooth, cost-efficient project implementation? Were there any major changes in these arrangements, and if so, were these changes appropriate and timely?
- Were there major changes in the external project environment (e.g. policies, socio-economic conditions, political changes, crisis, etc.) since the project was designed and implementation started? Were project objectives adjusted to reflect changing circumstances during implementation? Are initial (or revised) project objectives still valid?
- What were the main factors that contributed to a positive, or less positive, assessment of project relevance?

#### **b. Project effectiveness**

The report will assess the extent to which all project's objectives were achieved in both quantitative and qualitative terms. This will involve the careful description of the main activities undertaken by the project since its start, as well as a thorough analysis of the results achieved at the output, outcome and impact levels. Variations between initial and actual targets will be highlighted and the external factors that had a bearing on project effectiveness will be explained. More precisely, the report will answer the following questions:

- Were all activities implemented as planned? If not, what were the reasons? Were all expected outputs achieved in quantitative and qualitative terms? Did they lead to the intended outcomes and were those properly measured and documented? Are there significant discrepancies between original targets and actual achievements, and if so, what are the reasons?
- Did the project achieve its broad and detailed objectives?
- Was project implementation well monitored? Are all results at all levels properly measured, quantified and documented? Is this information reliable?
- Did all results meet expected quality standards? If not, what were the problems?
- Were all results achieved within the original timeframe and budget?
- Did the project provide all expected benefits to all intended target groups? Do results and achievements adequately fulfil the needs of these intended target groups?
- What are the external factors that have facilitated, or constrained, output delivery and the achievement of project objectives?
- What factors in project design and implementation account the most for the estimated results in terms of effectiveness?

### **c. Project efficiency**

The report will assess how economically project inputs and resources (funds, expertise, time, etc.) were converted into results. This complex analysis will involve a review of the following aspects:

#### ***Resources' use:***

- What were the main expenditure patterns? Were original financial and budgetary resources spent as initially anticipated? Were there deviations from original cost estimates and, if so, what were the reasons? Was the budget significantly amended in the course of implementation?
- Were there timely and adequate financing contributions from all project financiers, including in-kind contributions from beneficiaries?
- For the resources spent, was the number (and quality) of outputs optimal? Could the project have produced more with the same resources, or the same results with less money? Could other approaches have produced results more efficiently in terms of costs, time and resources?

#### ***Quality of project management:***

- How well did the PMU and SPs coordinate and manage project activities? Were implementation timetables adequately met? Was project management and SPs responsive to changes in the environment or the recommendations made during supervision missions of by the Project Steering Committee? Were the PMU and SPs adequately staffed with motivated staff members? How useful were the various project management tools (AWPB, Procurement Plan, M&E Plan) and the Management Information System (MIS) developed during implementation? Were these tools properly used by the PMU?
- Were there appropriate arrangements in place for sound financial management, flow of funds, financial record keeping and the timely preparation of financial reports? Were there any issues?
- How efficient was the project M&E or MIS systems in providing reliable, timely information on output delivery, outcomes and impact? Was M&E information adequately analyzed and used by project management for planning and decision-making purposes?
- Was the Project Steering Committee useful and proactive to help resolve problems and guide project implementation?

#### ***Quality of IFAD supervision and implementation support:***

- To what extent did the services and support provided by IFAD ensure a sound project design and an efficient project implementation? Did IFAD mobilize the adequate technical expertise and resources in project design and implementation?
- Did IFAD provide an adequate support through direct supervision and/or country presence? Were supervision missions useful and timely? Did IFAD ensure pro-active problem identification, follow-up and resolution?
- How efficient was IFAD in handling loan administration, procurement reviews and AWPB reviews? Were there any delays in funds' transfers?

- Was IFAD proactively engaged in policy dialogue activities at different levels in order to ensure, inter alia, the replication and scaling-up of pro-poor innovations? Was IFAD active in creating effective partnerships?

**Cost-benefits analysis:**

- For each of the main project investments, what were: (a) the actual costs and value of inputs mobilized (*including capital costs, operation and maintenance costs, labor costs, taxes*); (b) the estimated economic benefits (*including revenues from sales, incomes, value of self-consumed production*); and (c) the estimated social benefits?
- What is the cost ratio of inputs to outputs and is it comparable to local, national or regional benchmarks? What are the loan costs per beneficiary? What are the report's conclusions with regard to this costs-benefits analysis? What are the main internal or external factors that may have had a negative or positive impact on costs or benefits?

**d. Project impacts**

The impact of project interventions will be carefully presented in quantitative and qualitative terms, using the standard IFAD's impact domain classification. The report will examine in particular the following questions:

- **Households' assets:** Did the project contribute to positive changes in households' assets? Did the composition of incomes change or was there a diversification in livelihoods' means? Did the project improve ownership, or security of access, to land, water or productive resources? Were there positive changes in households' assets, and if so, what were the main changes? Was there an increase in households' financial assets?
- **Food security:** Did the project improve food availability, whether self-produced or purchased, to ensure a minimum necessary intake for all households' members? Do project beneficiaries have an improved and more regular access to enough or more nutritious food? Is there a reduction in the occurrence, or duration, of lean periods? Did children's nutritional status change (stunting, wasting and underweight status)? To what extent did the rural poor improve their access to input and output markets that could help them enhance their productivity and access to food? To what extent were the rural poor able to overcome market volatility or climate changes to ensure year-round food security?
- **Agricultural productivity:** Did the project contribute to increase agricultural, livestock and fish productivity, as measured in terms of cropping intensity, yields and land productivity? Are there changes in the levels of local production? Are farmers applying improved or more sustainable farming practices? Did the project ensure that small-scale producers benefited from increased agricultural production and were enabled to manage market fluctuations and changes in climatic or natural resources conditions?
- **Access to markets:** Are there changes in farmers' physical access to markets (e.g. availability of roads and marketing outlets), in their access to market prices and information or in their bargaining power with traders? Did the project have an impact on the timely access to quality agricultural inputs (fertilizers, vaccines, seeds) and on the capacities of Producers/Marketing Groups?
- **Natural resources and the environment:** Were the approaches to environment preservation and natural resources management appropriate to local circumstances and were they effective in addressing local problems? Are there positive or negative changes in the natural resources base (forests, marine/fisheries resources, pastureland, water resources) that may be attributable to project interventions? Did the project have positive or negative changes – intended or unintended - on the environment? Did it contribute to the protection or rehabilitation of natural and common property resources (land, water, forests and pastures)? Has the degree of environmental vulnerability changed?
- **Adaptation to climate change:** Were the approaches for climate change adaptation promoted by the project appropriate to local circumstances and were they effective? Did the project manage to empower rural communities to cope with, mitigate or prevent the effects of climate change and natural disasters? Are farming communities more resilient to such disasters and are farming practices better adapted to climate change? Were the coping capacities of vulnerable natural systems restored?
- **Gender equity and women empowerment:** Did the project generate changes in gender roles or gender relations? Are there changes in women status at the community level (participation in local elections or decision-making processes, representation in rural producers' groups), at the household level (workload, nutrition status, women influence on decision-making) or the community level)? What is the impact of capacity-building activities on individual women or on Women Groups? Are there changes in the

institutional or legal framework that were made in favor of women as a result of project policy dialogue activities?

- **Institutions and policies:** Are there changes in the capacities of the various grassroots organizations supported during project implementation (such as Rural Producers' Groups, Interest Groups or Users' Associations)? Are there changes in the institutional capacities of the main institutions involved in project implementation? Are there changes in the quality or range of services delivered for the rural poor? Are there changes in local governance or in the behaviors of local institutions? Are there changes in the policy or institutional framework as a result of project-led policy dialogue activities (e.g. changes in the laws, statutes, rules, regulations, procedures, national quality standards or norms)?

#### e. Sustainability

The report will assess the likelihood that the benefits from project intervention will continue after project completion. It will also assess the likelihood that actual and anticipated results will be resilient to risks, including climate-related risks, beyond project life. The adequacy of the post-project strategy, as designed and/or implemented, will also be examined. More precisely, the report will examine the following questions:

- Was an appropriate post-project strategy developed and implemented since project start-up?
- **Social sustainability (Empowerment):** Do project beneficiaries have the necessary capacities and skills, individually or collectively, to continue the approaches or manage the investments promoted by the project? Are these socially acceptable? Is there sufficient local ownership for these approaches or investments? Was there adequate beneficiary participation during project implementation? Is there interest and willingness, among concerned communities, to continue with promoted approaches or investments after project completion?
- **Economic and financial sustainability:** Do project investments generate sufficient cash flow and income to offset future investment and O&M costs? Are project investments economically and financially viable? If not, what are the constraints?
- **Technical sustainability:** Are the approaches promoted by the project viable from a technical point of view? Are spare parts for acquired or promoted machineries and equipment locally available? Do beneficiaries have the necessary technical capacities to operate and maintain the investments promoted by the project? Do they have access to adequate funds for operation and maintenance?
- **Institutional sustainability:** Are the institutions supported by the project self-sufficient and viable? Have operating capacities been created and/or reinforced in national and local partners? Are the new approaches or practices promoted by the project mainstreamed within normal government operations? Is there a clear indication of government commitment after the loan closing date in terms of follow-up actions, provision of O&M funds, etc.?
- **Environmental sustainability:** Are the approaches and investments promoted by the project environmental-friendly? Are they helping reduce the pressure on the natural resource base? Are they having any negative impact on the environment or the natural resource base? Did promoted techniques and approaches take into account climate change issues? Are they promoting adaptations to climate change? Can recurrent natural hazards endanger prospects of sustainability?
- **Climate change:** Are the agricultural approaches promoted by the project suitable in a context of a rapidly changing climate? How may changes in climatic conditions affect the sustainability of interventions in the long run? Which precursors are critical to achieve long-term impact?

#### f. Targeting and outreach

The report will assess the extent to which project interventions have reached the intended target groups, that is the specific individuals or organizations for whose benefit specific interventions were initially designed and implemented. The report will also assess the effectiveness of the project targeting strategy. More precisely, the report will examine the following aspects:

- Did the project reach out to the expected number of beneficiaries in the manner intended? Did the project provide all anticipated benefits to the specific socio-economic groups identified in the Project Design Document? Were there deviations from initial outreach targets and if so, what were the reasons?
- Was outreach properly monitored in both quantitative (e.g. number of direct and indirect beneficiaries) and qualitative terms (e.g. beneficiaries' socio-economic profile)?

- Did the project implement a sound targeting strategy? Did the project regularly analyze the needs, potentials and priorities of intended target groups and the poverty dynamics in the project target area and developed specific outreach strategies accordingly?
- Were there measures taken to ensure that the poor and vulnerable groups would not be excluded from project implementation and would benefit from it; and that the non-poor would not capture project benefits?
- Did the project implement gender-sensitive implementation approaches? Did the project ensure equal participation of men and women in implementation? Were there specific measures undertaken in order to promote women participation in project activities? Did the project's M&E system track gender-disaggregated data?

#### **g. Innovation**

The report will assess the extent to which project interventions have introduced and tested innovative approaches to rural poverty reduction. These are any processes, tools or practices that add value or solve a problem in new ways. More precisely, the report will answer the following questions:

- Was the project designed specifically to test or lead to innovation, for example by piloting new concepts or technologies? Did the project test and introduce innovative ideas in the project target area? What are the characteristics of these innovations? Are these consistent with the IFAD definition of the concept? How did the innovation originate and was it adapted in any particular way during project design? Are these approaches truly innovative with regard to the local or national contexts?
- Were these innovative approaches carefully monitored and documented? Were these innovations discussed with the Government or other actors? Were these innovative approaches successful? Did these innovations address relevant needs of the rural poor and are these viable?
- Were these innovations adopted by the rural poor, local implementation partners, government entities or any other actors?

#### **h. Knowledge generation and sharing**

The report will assess the quality of the project knowledge management system established in the course of project implementation for the generation and sharing of knowledge that could be useful to others. Such knowledge may concern the results of project innovations or any implementation approaches that were successful – or unsuccessful - in addressing rural poverty issues. More precisely, the report will answer the following questions:

- Did the project design include an appropriate knowledge management strategy? Was it duly implemented during implementation? Did the project produce any knowledge products? Did it organize knowledge-sharing events and activities? If so, what were the quality, usefulness and outcomes of such events?
- Did the project implementation process generate any new and relevant knowledge regarding the implementation of pro-poor approaches or rural development issues? Can this knowledge be applied in other contexts?

#### **i. Potential for scaling-up**

The report will assess the extent to which some approaches, technologies or innovative features pilot-tested or successfully implemented by the project are likely to be up-scaled. It will also assess the likelihood that some project approaches may be replicated in other geographical areas. More precisely, the report will examine the following aspects:

- How likely is it that the project - or some of its activities, approaches or innovative technologies - may be replicated in other localities or at the national level by the Government or other donors? Has any component or activity of the project already been replicated beyond the target area or target group?
- How proactive was project management, or other stakeholders, in discussing future up-scaling with the Government or other development partners? What are the prospects or obstacles?

#### **j. Performance of implementation partners**

The report will assess the performance of each of the various partners involved in project implementation (*other than IFAD*). These are the organizations or entities directly responsible for project implementation, for providing

strategic guidance and oversight or for the provision of essential services. More precisely, and in addition to determining if all implementation partners have adequately fulfilled their respective roles and responsibilities, the report will examine the following points:

- Service Providers: What was the performance of the main service providers (*such as NGOs, training institutes, business development service providers, participating financing institutions private contractors or contracted government agencies*) involved in service delivery? Were services delivered in a timely manner? Did service providers provide value for money and did they adhere to agreed schedules and contracts?
- Grass-roots institutions: What was the performance of the grass-roots institutions (*Shuras, Producers' Groups, Women Groups, etc.*) involved in daily project activities, their capacities, motivations, strengths and weaknesses? Were they actively participating in project implementation? What was the performance of the local-level or deconcentrated government agencies involved in project implementation?
- Central Government agencies: Did the MAIL with the covenants of the loan agreement and the provisions of the Project Design Document? Were they proactive in supporting project implementation and identifying solutions to problems? Was the Project Steering Committee fulfilling its role adequately?
- Co-financiers: What was the performance of external project co-financiers? Was there a timely provision of funds in the level expected? Did co-financing partners adequately support project implementation, supervision or oversight? Were all co-financiers' procedures (for example for financial reporting, the preparation of progress reports, etc.) harmonized among themselves and with Government's procedures?

#### **k. Lessons learned**

The report will present the main lessons learned from project implementation, based on the analysis of what learning from experience may be applicable to a more generic situation. In so doing, the report will refrain from exposing platitudes, keeping in mind the following definition of a lesson learned: *“knowledge or understandings gained by experience which may be positive, as in a successful experiment, or negative, as in a mishap or failure”*.

All lessons learnt presented should be significant in that they have a real or assumed impact on operations; valid in that they are factually and technically correct; and applicable in that they identify a specific design, process, or decision that reduces or eliminates the potential for failures and mishaps, or reinforces a positive result.

In order to identify these lessons learned, the report may examine the following questions:

- What specific knowledge or lessons can we derive from project implementation that may be used in the future in similar, or different, contexts?
- What were the project strengths and its main weaknesses? What were the main opportunities, or threats, in the environment that have facilitated, or constrained, project implementation?
- With the benefits of hindsight, what are the things that should have been done differently? What are the specific dimensions of the project design that one should never repeat again in similar contexts or circumstances?
- What are the specific aspects of project implementation that will be worthwhile replicating in future interventions in the country, or elsewhere, because they were particularly interesting or successful? In the external context, what will be the important conditions required for similar interventions to lead to similar results elsewhere or in the future?

#### **l. Conclusions and recommendations**

The report will present its overall conclusions with regard to project implementation performance and project results, highlighting salient features and overall impact on poverty reduction.

The report will also make a number of recommendations to the Borrower and IFAD pertaining to the key elements for post-project sustainability or future programming or project design.

## **B) Annotated Outline for Project Completion Reports**

**Map of the project target area**

**Table of Contents**

**List of acronyms**

**Acknowledgements**

**Project at a Glance**

*A table including key quantitative information is presented at the beginning of the document. (Refer to Annex IV for the template).*

**Executive Summary**

*The Executive Summary highlights the key findings and conclusions of the completion review regarding project relevance, effectiveness, efficiency and sustainability. The most significant lessons learned from project implementation, main implementation challenges and main success factors are summarized. The Summary also highlights the prospects for post-project sustainability strategy.*

**A. Introduction**

*The introduction presents the objectives of the project completion review, the main process followed during the completion review, key dates of the in-country work – including date of the final wrap-up meeting - and the key persons met by the mission (the composition of which is provided in a footnote). It introduces the project rationale at the time of project design and any significant changes in the country context that may have occurred since the project appraisal — political, economic and climatic. Delays in project start-up or implementation and key project dates (start-up, Mid-Term Review, last supervision mission) are also presented.*

**B. Project description**

**B1. Project context**

*This section describes the context at the time of project design, that is the main socio-economic and political conditions that were prevailing in the country and the project area when project design was undertaken. It also describes the project target area (e.g. natural settings and natural resource base, livelihood means, socio-economic and demographic characteristics).*

**B2. Project objectives**

*This section presents the project's goal, purpose, outcomes and main outputs, with reference to the comprehensive project results' framework/updated Logframe provided in Annex VI. The main problems that the project designers intended to address are also described and discussed in this section. Any modifications to the original design (as per the Project Design Document) and rationale for these changes are presented and discussed. If the design includes any innovative features, these are also described.*

**B3. Implementation modalities**

*The section presents the project budget, project financiers, implementation partners, and implementation strategy and modalities as originally planned, and any modification that may have occurred in the course of implementation. If the design includes innovative implementation arrangements, these are also described.*

**B4. Target groups**

*The section presents the necessary details related to the project target groups – their characteristics, livelihoods sources, main problems faced, etc. – and describes the socio-economic setting of the project target area. The targeting strategy proposed by project designers is presented. If relevant, a description of the specific conditions of vulnerable groups and of gender roles or gender relations is also provided here.*



## **C. Assessment of project relevance**

### **C1. Relevance *vis à vis* the external context**

*This section provides an assessment of the relevance of project objectives and activities in terms of: (a) the national strategies and policies for agriculture and rural development and poverty eradication, (b) the key challenges and opportunities for poverty reduction prevailing at the time of project design, (c) the priorities and needs of the project target groups at the time of project design and at completion. The section also considers whether the major design features of the project were appropriate in the context of the socio-politico-economic conditions prevailing at the design stage.*

*The section also assesses the extent to which the initial project design has remained relevant or if any significant changes in the external environment or IFAD's or Government policies have had implications on its relevance in today's context.*

### **C2. Internal logic**

*This section examines the extent to which the design was based on an in-depth problem analysis and the soundness of the project's interventions logic or the "theory of change" that underlies project design. It also assesses the quality of the Project Logframe, its vertical and horizontal logics and the appropriateness of all elements in the Logframe, including assumptions made and indicators selected.*

*It also analyses whether proposed project activities were commensurate to achieve proposed objectives and realistic given project budgetary resources and implementation timeframe. It also assesses the extent to which the project implementation modalities were appropriate for an efficient, cost-effective project implementation and if the budget allocated was sufficient to produce expected results.*

### **C.3 Adequacy of design changes**

*The section presents the changes made in the course of project implementation in the initial project design or implementation modalities, and discusses the relevance and appropriateness of such changes. The section also discusses the reactivity of main stakeholders and the extent to which they took timely, adequate action with regard to changes in the environment.*

## **D. Assessment of project effectiveness**

*As an introduction, a table presents the project results' framework with achieved quantitative targets (the detailed results' framework is annexed to the PCR - see template provided in Annex V).*

### **D1. Physical targets and output delivery**

*With specific reference to the RIMS first-level indicators and other Logframe indicators, this section presents the physical outputs achieved during project implementation and assesses the extent to which all quantitative targets were met. The section also assesses the quality of the processes that were followed for achieving these outputs and the extent to which these outputs meet expected quality standards or norms and the needs of intended target groups. It also assesses compliance with schedules and timetables for output delivery and includes a comparison of the results achieved with the targets set out in the Project Design Document, Mid-Term Review report and Annual Work Plan and Budgets (AWPB). The main internal or external factors which may have affected output delivery are also highlighted, as well as the factors that have facilitated project implementation.*

### **D2. Project outcomes and impacts**

*With specific reference to the RIMS second and third-level indicators and to the other Logframe indicators, this section assesses the extent to which the immediate project objectives (or project purpose) were met, both in terms of quality and scope; and the contributions made by the project to the attainment of the overall project goal of rural poverty alleviation.*

*All findings and conclusions related to project impact are to be organized around the relevant impact domains presented in Section E.c) of the Project Completion Guidelines, namely: (a) Households' incomes and assets; (b) Food security; (c) Human and social capital and empowerment; (d) Agricultural*

productivity; (e) Access to markets; (f) Natural resources and the environment; (g) Climate change adaptation; (h) Gender equality and women empowerment; (h) Institutions and policies.

*Findings and conclusions related to outcomes are to be clearly anchored in a sound analysis of the project design “theory of change” (explaining how the achievement of outputs may have led to specific outcomes) and are to be evidence-based (through the use of quantitative and qualitative data and comparisons with pre-project situation or control groups). The main external circumstances that may have played a role in observed changes are also presented and analyzed, together with the main success factors or reasons of failure.*

*As a conclusion, the section presents the overall mission findings and conclusions regarding the overall project impact on rural poverty reduction and on project’s contribution to the IFAD’s corporate objective of reducing rural poverty worldwide.*

### **D3. Targeting and outreach**

*This section presents the number and typology of beneficiaries that were reached out during project implementation (in terms of social groups, gender, income status, net asset holdings, occupation, etc.) and identifies the specific benefits that they have derived from participation in project activities. A description of indirect project benefits and indirect project beneficiaries is also presented.*

*The section also assesses the extent to which the initial targeting strategy, as designed and implemented, was successful in reaching out to the intended target groups. The specific measures implemented to reach out to specific groups, such as vulnerable groups, are described together with the specific project activities that were targeted to them. The section also describes the specific measures taken to facilitate the participation of women in project activities and the adequacy of these measures. When relevant, an assessment of the risks of elite capture of project benefits is made and an analysis of how this could have been prevented is proposed.*

### **D4. Innovation, replication and scaling up**

*This section describes the characteristics of the innovation(s) promoted by the project, how these were pilot-tested and what were the results or benefits. It examines what were the key success factors for successfully-piloted innovations or the factors that led to failure.*

*The section also describes the steps that have been already taken by the Government or other partners in order to replicate, adopt or scale-up successful interventions, implementation approaches or innovative features implemented or tested during project implementation. Alternatively, the section examines the potential for wider replication and adoption of successful innovations and the necessary conditions for this to happen.*

## **E. Assessment of project efficiency**

### **E1. Project costs and financing**

*The section presents the annual project allocations and expenditures since project start, by Component, while detailed tables showing final expenditures by Cost Category are presented in annex. An assessment is made of the adequacy of the financial projections included in the original design, highlighting significant cost deviations from original estimates and the reasons for such deviations. The timeliness and adequacy of financing contributions from IFAD, the GEF, government, domestic and/or external co-financiers is also described. Significant revisions to the financing arrangements are noted. The section also highlights any evidence of cost savings made during implementation, or of expenditures that could have been avoided or minimized.*

### **E.2 Quality of project management**

*The section reviews the quality of project management, its responsiveness to changes in the environment or the recommendations made during supervision missions. The adequacy of staffing within the Project Coordination or Management Unit (PCU/PMU) and staff motivation are also examined, together with the*

quality of the various project management tools (AWPB, Procurement Plan, M&E Plan) and systems (MIS) that were put in place during project implementation. The ability of the Project Steering Committee to resolve problems and guide implementation is also considered.

The section also includes an assessment of the performance of the project monitoring and evaluation (M&E) system, highlighting if this system has produced adequate and reliable information to monitor project implementation performance and measure project outcomes and impact. The extent to which the M&E system was used for planning and decision-making purposes is also analyzed. The quality and reliability of the RIMS data is also discussed. The section also assesses the extent to which a sound knowledge management strategy was implemented.

### **E.3 Quality of financial management**

This section reviews the quality of financial management, as reported in annual supervision mission reports and as observed by the mission. Issues related to flow of funds, procurement, bookkeeping or the timely preparation of quality financial reports are highlighted and their consequences analyzed. The section also reviews the extent to which sufficient efforts were deployed during project implementation in order to solve any particular issue related to financial management.

### **E.4 Partners' performance**

The section examines the performance of the various implementing partners (other than the PMU and IFAD which are examined in E2 and E4 respectively). It examines in particular the performance of the grass-roots institutions involved in daily project activities, their capacities, motivations, strengths and weaknesses and the capacities of local-level or deconcentrated government agencies involved in project implementation. The capacities and performance of the main service providers (such as NGOs, training institutes, business development service providers, participating financing institutions private contractors or contracted government agencies) are examined; and the timeliness of service delivery, value for money, adherence to schedules and contracts are considered.

The section also examines the contributions of the Borrower to project design and implementation, its compliance with the covenants of the loan agreement and due follow-up of the recommendations of supervision and implementation support missions. Other areas to be explored are also the timely provision of adequate counterpart funding and adherence with decisions taken (e.g. changes in policies or the legal framework).

The section also assesses the performance of project co-financiers, including the timely provision of funds in the level expected. Their support to facilitate project implementation, supervision or oversight (e.g. harmonization of reporting requirements or financial management practices) is also considered.

### **E.5 Quality of supervision and implementation support**

This section critically reflects on the support provided by IFAD (or the Cooperating Institution) throughout project implementation, on the relevance and timeliness of guidance and solutions proposed to implementation bottlenecks and on the flexibility in dealing with changes in the project environment, including amendments to the loan agreement. Measures taken to adjust the project in response to inadequacies in the original design or to changes in the external environment (policy or institutional changes, natural disasters or external shocks) are also assessed.

The section also discusses IFAD's (or CI's) responsiveness and timeliness of response with regard to procurement reviews, AWPB reviews and loan administration. The quality and usefulness of IFAD-led supervision missions (frequency, team composition, relevance of recommendations) is also examined. The section also assesses the quality to any implementation support, or capacity-building, provided in the course of implementation by IFAD

### **E.6 Project internal rate of return**

*This section presents an analysis of the actual project internal rate of return and compares it with the IRR estimated at the time of project design and appraisal, based on actual costs, changes made during implementation and changes in economic prices and market conditions.*

*In case the IRR was not estimated at the time of project design and at a minimum, this section presents a costs-benefits analysis for all the investments realized by the project under each main component, showing actual costs and inputs (capital costs, operation and maintenance costs, labor costs, taxes), value of traded goods and non-traded goods, estimated economic benefits (revenues, value of self-consumed production) and estimated social benefits.*

*The section also presents conclusions regarding the “inputs to outputs” cost ratio using comparable local or national benchmarks, the “loan costs per beneficiary” and the “administrative costs per beneficiary”.*

#### **F. Assessment of sustainability**

*This section presents conclusions regarding the prospects for the continuation of project activities or benefit streams after project closure and the durability of changes and impacts brought about by the project. The analysis also examines if actual and anticipated results will be resilient to risks and all the factors influencing sustainability. The various dimensions of sustainability are taken into account: **political** (government commitment, stakeholders’ interests); **social** (social acceptability, social capital, community ownership); institutional (policy and institutional implications); **environmental** (positive/negative contributions, resilience to external environmental shocks, suitability of agricultural approaches in the context of climate change); **technical** (rural producers’ capacities, appropriate technologies, access to inputs) and **economic** (market conditions, prices).*

*The section also identifies a suitable hand-over strategy and the conditions necessary for post-project sustainability. The key actions and steps required in order to ensure post-project sustainability, and the various responsibilities, are also identified.*

#### **G. Lessons learned and knowledge**

*The section focuses on the main learning gained from project implementation or the specific lessons that have significance beyond the project and that the Borrower or IFAD should retain for future use or that can be relevant to other organizations. This new knowledge or understanding may be positive, as in a successful experiment, or negative, as in a mishap or failure.*

*All lessons learnt presented should be significant in that they have a real or assumed impact on operations; valid in that they are factually and technically correct; and applicable in that they identify a specific design, process, or decision that reduces or eliminates the potential for failures and mishaps, or reinforces a positive result.*

#### **H. Conclusions and recommendations**

*The section presents overall conclusions regarding overall project performance, highlighting key project’s achievements and shortfalls and key reasons for success or failure.*

*It also describes key recommendations related to post-project sustainability and future IFAD’s, or Borrower’s, programming.*

## **8.1.12 Annex 12– Draft TOR for the Baseline Survey**

### **1) Background**

- A) Project objectives and expected results
- B) Logframe indicators
- C) Target groups and target area

### **2) Purpose**

The proposed baseline survey aims at: (a) the collection of quantitative and qualitative information on the socio-economic conditions of project beneficiaries before the start of project interventions; and (b) the quantification of the initial baseline values for the project Logframe indicators (impact and outcome level). Data will be collected from a representative sample of project beneficiaries, once they have been selected.

Baseline data collected will be primarily used, at mid-term and project completion, as a reference for the measurement of project effectiveness and impacts. They may also be used to inform the planning of certain project interventions, or the process of beneficiaries' selection.

Among others and in relation with the specific project objectives and target groups, the baseline survey shall provide information on the following:

- General socio-economic situation in sample localities (school enrolment, literacy rate, access to healthcare, poverty rate, etc.).
- Households' characteristics (number of members, age, sex).
- Ownership of, and access to productive/arable land, irrigated land, forests (ha owned, rented, actually utilized).
- Agricultural production: Key crops grown by households (number of ha grown, average yield/ha) and income derived; Current level of production of key commodities.
- Livestock production: Types and number of animals owned by households; number of animals sold/year; Dairy production (type, quantities produced and sold); Annual income from livestock and dairy.
- Other sources of income; Total household annual income; Total farming income; Number of income contributors.
- Key assets owned.
- Access to quality inputs.
- Access to agricultural extension or livestock husbandry services.
- Access to domestic water, irrigation water and water for livestock.
- Access to financial capital and credit.
- Access to roads and status of existing roads.
- Access to markets, traders and buyers; Access to market information.
- Effects of climate change on livelihoods and household-level adaptation strategy.
- Key drivers of rural poverty.

### **3) Methods of data collection**

After a review of the Project Design Document, the Project Implementation Manual and other relevant documents (e.g. lists of beneficiaries, progress reports), the Consultant shall prepare a detailed methodological note highlighting the sampling strategy and framework, the process and tools for data collection, including survey questionnaires and interview guides.

The following methods shall be used:

Households' survey: A quantitative survey will be carried out among a representative sample of rural households living in the targeted municipalities. The purpose will be to collect quantitative data on rural households' livelihoods, income and socio-economic status, as well as on the extent of their access to essential production inputs, knowledge and markets.

One-on-one interviews with key informants: Semi-structured, open-ended interviews will be conducted with key informants (village or community leaders, municipal staff) in order to gain an in-depth understanding on specific aspects (e.g. drivers of poverty, production and marketing constraints, production levels) in the sample localities.

Focus group discussions: In order to better comprehend the complex issue of resilience to climate change, semi-structured interviews will be organized with groups of producers sharing common characteristics (E.g. groups of dairy producers, women, crop producers).

Use of secondary data: A thorough review of available secondary data for targeted municipalities will be carried out in order to provide background, macro-level information on targeted municipalities (access to education, health, agricultural production and sales).

#### **4) Sampling strategy and framework**

Using the list of selected beneficiaries, the Consultant will suggest an appropriate sampling strategy, frame and size. The sample shall be representative of the key characteristic or variables of project target groups and include an appropriate proportion of female beneficiaries, youth and marginalized groups from all targeted states, also representing the various commodities supported by the project.

Depending on the extent of homogeneity of target groups' socio-economic characteristics and other variables to be considered, the Consultant will consider the need to apply a purposeful, stratified cluster sampling method, or if other sampling methods appear more appropriate.

#### **5) Key tasks to be performed**

##### Before field work:

- Review of required documentation on project objectives and target groups.
- Preparation of a draft detailed methodological note: This document will describe, among others: (a) the proposed survey methodology, processes and tools; (b) the sampling framework (including specific on the design methodology and sample size calculation); (c) the field implementation plan with protocols for the enumerators and supervisors; (d) a calendar or activities; (e) Survey questionnaire and interview guide; and (f) survey report outline.
- Finalization of the methodological note based on feedback from the PMU and IFAD.
- Recruitment, training and coaching of enumerators and supervisors.
- Pre-testing and finalization of the questionnaire and interview guides.
- Database development.

##### In the field:

- Coordination with local partners and the PMU.
- Notification to partners and communities.
- Organization of survey logistics (material, transportation, lodging, etc.).
- Sample households' selection based on agreed sampling method and identification of key informants in sample villages/localities.
- Administration of the questionnaire using e-tablets and collection of qualitative data through KII and FGD.
- On-site, quality control of data by supervisors before uploading into database.

##### After field work:

- Data analysis and preparation of draft report
- Finalization of survey report based on PMU and IFAD comments
- Delivery final report and electronic files and raw data

- Presentation of final survey results to the PCU

## **6) Key deliverables**

At the end of the assignment, the following products will have been delivered by the Consultant:

- Detailed methodological note
- Research questionnaires and interview guides
- Draft survey report
- Final survey report
- Five printed and 2 electronic copies on CDs of the final report, including raw data and database.

The Survey Completion Report shall present the results of the quantitative survey using charts, tables and narratives according to the agreed outline, while findings from FGD, KII and secondary data will provide contextual information and help deepen or complement survey findings. It shall also include a detailed description of the procedures and processes used during the field work, the description of problems faced during the exercise (if any) and the solutions adopted to overcome these issues. The raw data collected shall be annexed to the report and will also be submitted electronically.

## **7) Consultant selection**

The selection of the consultant will be according to the agreed procurement plan. At the minimum, the consultant or team leader should have the following profile:

- A University Degree in a Social Science or a related field from an accredited university.
- At least seven (7) years of experience in the conduct of development research, socio-economic and impact surveys.
- At least seven (7) years of practical experience in conducting qualitative surveys, preferably with a background in rural development.
- Specific experience in data and information analysis and report writing.
- Prior experience in conducting baseline and impact surveys for UN agencies or the EU will be a plus.

## 8.1.13 Annex 13 – Conducting Key Informant Interviews

### 1) What is a key informant interview?

- The term “Key Informant” refers to a person who can provide detailed information and opinions on a particular subject based on his/her knowledge of this particular issue.

*Example: If you need information on how project activities have influenced the use of water resources in the community, key informants could be the leaders of a Water Users’ Groups.*

- Key informants can be young or old, and from a variety of socio-economic or ethnic groups.
- Key informant interviews are open-ended, semi-structured interviews. Every interview should have clear objectives in terms of **what kind of information is needed** and **how this information will be used**.
- The output of a key informant interview is a **textual description** of a situation, guided by standard questions.

### 2) When do I need to conduct key informants’ interviews?

- Key informant interviews are tools that will help you develop an **in-depth understanding on qualitative issues**.

- Often, key informant interviews are used to gather qualitative information that will be used to “triangulate”<sup>50</sup> the findings of other types of evaluation methods (e.g. quantitative surveys).

- While there are other qualitative evaluation tools (e.g. Focus Group Discussions<sup>51</sup>), key informant interviews are best used if you think that some type of information can only be obtained in a context of full confidentiality.

*Example: In order to understand why 80% of members of Farmers Groups are not satisfied with project services, as shown in a recent survey, interviewing key informants (e.g. reputable leaders of Farmer Groups; or individual farmers) may be better than organizing Focus Group Discussions with groups of farmers, as some farmers may be too shy to express their views in public or in front of their leaders.*

- Key informant interviews are also helpful to obtain **suggestions and recommendations** from key informants. They may hence provide a basis to explore new ideas that were never discussed before.

### 3) Limitations of key informant interviews

- While key informant interviews have a number of advantages – for example they provide the opportunity to explore new ideas and they are simple to conduct and inexpensive – they also have a number of limitations
- Information obtained **can be biased** if the key informant was not properly selected. Key informants are not necessary among village elites or leaders; a key informant can also be a simple farmer who is known to be smart, respected and outspoken.
- Results of key informant interviews will not necessary be representative of what the entire community thinks and they may **overlook the perspectives of community members who are less visible**. Again, this stresses the importance of careful selection of key informants.
- The information that you will get will provide very little basis for quantification. This is why such method should be used in conjunction with surveys.
- Open-ended information is more **difficult and time-consuming to synthesize** well enough to obtain clear results. Also, it can be difficult to keep interviews focused, making different interviews difficult to compare properly.
- Key informant interviews are also usually more difficult to conduct and require more skills from the interviewer. The latter will need to be well prepared and well informed in order to get the most out of the interview.
- Key informant interviews are also susceptible to interviewer’s biases, as the interviewer may only pick up information that confirms his/her preconceived ideas.

### 4) Before going to the field

- **Identify the discussion topics** for which you need answers. The number and kinds of topics to discuss with key informants will depend on the time and resources available.

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<sup>50</sup> In social sciences, **triangulation** means that more than two methods are used in a study with a view to double (or triple) checking results. This is also called “cross examination”.

<sup>51</sup> See Technical Guidelines N° 3.



- The questions should be such that interviewees can express opinions through a discussion/dialogue. A logical sequence of the questions should help the discussion flow. (See examples of questions in Appendix A).
- For each discussion topic, prepare an **interview guide**.

#### **Interview guide – Suggested content**

- Name of interviewer and key informant
- Location and date
- Brief description of the objectives of the interview
- Lists all questions (blank space for answers)
- Blank space for general comments by the interviewer(s)
- Blank space for recommendations by key informants

- For each discussion topic, determine how many interviews are required (usually 3-4 per discussion topic).
- **Identify the key informants.** This is usually done by:
  - (i) Identifying the relevant groups from which key informants may be drawn (e.g. Water Users Associations; Women Groups).
  - (ii) Consulting several knowledgeable persons (e.g. village leaders, field workers, project staff) who will help you select your key informants. For each discussion topic, be sure to interview a mix of people (of different ages, ethnicity, religious affiliation, educational level).
  - (iii) Prepare the final list of key informants; but be ready to add additional key informants once you have started the interviews (it often happens that during an interview with a key informant, a name of a new key informant may be suggested).

In most cases, 15 to 35 key informants are sufficient for most studies, or even less if key informant interviews are combined with other methods.
- **Train interviewers** to ensure that they **understand the purpose** and develop the proper skills (how to encourage discussion, taking accurate and useful notes, etc.). Training needs to address team preparation, interview context, selection of key informant, sensitive listening, sensitive questioning, judging responses, recording the interview and self-critical review.
- **Pre-test the interview guides** to make sure that the questions are appropriate and accurate enough, and that the answers permit useful analysis. Pre-testing provides an opportunity to determine whether wording of the questions is appropriate, whether questions elicit discussion, and to identify questions that are not easily understood. Pre-testing can be conducted during the training of enumerators.

### **5) Data collection: how to conduct a key informant's interview**

- At arrival in each village, **talk to the village leader** to present the work being conducted and ask for permission to interview village members.
- When you start the interview with the key informant, introduce yourself, the project objectives and **explain the purpose of the interview**. Be sure the informant understands the purpose of the interview and what you intend to do with the information you will receive from him/her.
- A good introduction will gain the interest and cooperation of the respondent without biasing the respondent's answers. Emphasize the fact that the interview results will remain confidential (in the sense that the name of the informant will not be associated with answers collected).
- As in focus group discussions, key informant interviews are best conducted by two people, one leading the discussion and the other taking note. **Accurate note taking is particularly important to make analysis and interpretation possible.**
- A good interviewer will have the following abilities:
  - A good listener who shows neutrality and does not share his/her own views on the subject
  - Familiarity with the issue discussed, so as to be able to ask additional, unanticipated questions if required.
  - A person who is able to seek clarifications and elaboration on initial responses provided while maintaining a conversational tone so as to avoid that the informant feels interrogated, judged or misunderstood.

## APPENDIX A - FRAMEWORK FOR DEVELOPING THE KEY INFORMANT QUESTIONNAIRE GUIDES

Topic and key informant	Objectives	Suggested questions
<p><b><u>1 – External factors affecting food security and agricultural production during the last 12 months</u></b></p> <p><i>Possible Key Informants:</i></p> <ul style="list-style-type: none"> <li>• Village leaders/elders</li> <li>• Representatives of Farmers' Groups</li> <li>• Representatives of Women Groups</li> <li>• Village doctors/nurses</li> <li>• Government extension staff who know the village well</li> </ul>	<p>Assess whether external shocks have had a significant impact of the food security of the population in the village</p>	<ul style="list-style-type: none"> <li>• What shocks have affected the population of the village during the past 12 months? (drought, floods, crop pests and disease, livestock diseases, sudden lack or loss of employment, unusually high level of human disease, fire, high costs of agricultural inputs, earthquake, thefts, conflict, etc.)</li> <li>• How have these shocks affected agricultural production and farmers' income?</li> <li>• Which categories of households were the most affected (e.g. farmers, pastoralist, female-headed household...)?</li> <li>• What are the other effects on food security at household and community level?</li> <li>• Were there any interventions by the government or NGOs to address the situation? Was it enough? Did all households benefit?</li> <li>• If such external shocks/events would occur again in the near future, what could the project do to help?</li> </ul>
<p><b><u>2 - Natural resources management</u></b></p> <p><i>Possible Key Informants:</i></p> <ul style="list-style-type: none"> <li>• Natural Resources Management (NRM) Groups members</li> <li>• Village leaders/elders</li> <li>• Farmers not part of the NRM group and known for their reluctance to be part of the NRM Group</li> <li>• Government extension staff who know the village well</li> <li>• Staff from environmental protection agency who know the village well</li> </ul>	<p>Assess whether NRM activities are having the intended impact on livelihoods of the community</p> <p>Identify problems and find solutions for improvement</p>	<ul style="list-style-type: none"> <li>• Since when is the group functional? What is the composition of the group? What is the purpose/mandate of the group?</li> <li>• What is the current status of the natural resource base? (e.g. is pasture land overgrazed? are forests over-exploited?) How important is this natural resources' base for the livelihoods of the community?</li> <li>• How many members are actively participating? What is the frequency of meeting?</li> <li>• What are the activities that have been implemented so far by the group? Are these activities already having a positive impact on the NR base?</li> <li>• Are group activities well accepted by the whole community/villages? What are the principle problems encountered? Is the group able to solve problems effectively?</li> <li>• How can NRM activities be further improved?</li> </ul>
<p><b><u>3 - Infrastructure management</u></b></p> <p><i>Possible Key Informants:</i></p> <ul style="list-style-type: none"> <li>• Representatives of Infrastructure Users' Groups (e.g. Water Users' Associations, Road Maintenance Groups)</li> <li>• Villagers who use the infrastructure</li> <li>• Representatives of women Groups</li> <li>• Village leaders/elders</li> <li>• District/Gov. civil engineers who know the village well</li> </ul>	<p>Understand whether infrastructure is effectively managed and responds to the needs of the community</p> <p>Identify ways for improvement</p>	<ul style="list-style-type: none"> <li>• What is the condition of existing village infrastructure (roads, schools, drinking water, transport, irrigation, communication, sanitation)?</li> <li>• What new infrastructure did the project finance? What infrastructure were renovated with project support? How was the infrastructure constructed/renovated? (e.g. by the villagers themselves; by a construction company)</li> <li>• What was the process for selecting the infrastructure to be constructed/renovated? Was it an inclusive process? Did women and the youth participate in this identification/selection process?</li> <li>• How many people are/will benefit from these new/renovated infrastructure? Are people satisfied with the infrastructure? How has the infrastructure changed the living conditions of the beneficiaries?</li> </ul>

Topic and key informant	Objectives	Suggested questions
		<ul style="list-style-type: none"> <li>• What are the systems in place for infrastructure operation and maintenance? Are these systems/mechanisms effective? Do people pay fees or taxes to use this infrastructure? How is O&amp;M financed?</li> <li>• What are the current problems? What could be done to solve these problems?</li> </ul>
<p><b>4 – Access to markets</b></p> <p><u>Possible Key Informants:</u></p> <ul style="list-style-type: none"> <li>• <i>Representatives from Farmers' Groups or Associations</i></li> <li>• <i>Local traders</i></li> <li>• <i>Staff from local auction yards</i></li> <li>• <i>Staff from local/central agricultural statistics bureaux</i></li> <li>• <i>Local transporters</i></li> </ul>	<p>Understand whether there is an enabling environment to improve farmers' access to markets</p> <p>Identify constraints and potentials</p>	<ul style="list-style-type: none"> <li>• What are the main crops grown in the area? Where, and how, are they sold? Are they sold at the farm gate through middlemen; through bulk transportation organized by the farmers? Do farmers tend to store their production to sell it at the best price? Do farmers have some bargaining power to obtain the best prices for their products? Are there contract farmers in the area?</li> <li>• Are there physical barriers to markets (e.g. poor road networks)? Are there trade or production restrictions (e.g. trade regulation, price controls, production bans)?</li> <li>• Is the right infrastructure in place: energy and water infrastructure (to lower production and marketing risks)? rural roads? transportation and market infrastructure? storing and processing infrastructure?</li> <li>• Do local farmers have access to information on: prices of products and the local level and at final consumer's level; quality requirements (e.g. export markets; supermarkets); about places and best periods for selling their products; about potential buyers? About niche markets?</li> <li>• Are local farmers organized in Farmer Organizations? If so, what type of services do FOs extend to their members?</li> <li>• For each of these main crops, what were the average prices given to farmers for their production at the farm gate, and how much were these products sold in the local markets? Is there a high price volatility for these crops? How do farmers access information on market prices?</li> <li>• What are the crops which could be grown in the project area and which would have a better marketing potential?</li> </ul>

## 8.1.14 Annex 14 – Conducting Focus Group Discussions

### 1) What is a focus group discussion?

- A focus group discussion is a facilitated discussion among **8 to 12 carefully selected participants**. The idea is that group members discuss the topic among themselves, with guidance from a facilitator.
- It is a method used to obtain in-depth qualitative information on perceptions and ideas from a group of people who have something in common (e.g. they have a shared interest in discussing the topic) or who are from similar backgrounds. Homogeneous groups are indeed preferred because mixing age and gender groups may inhibit some people, especially women or the youth, from expressing their views in front of others.
- Focus group discussions are structured around a set of **pre-determined questions** – usually no more than 10 – but the discussion should be free-flowing. Ideally, participants' comments will stimulate and influence the thinking and sharing of others.
- If facilitated well, focus group discussions can bring out rich and detailed information. It generally stimulates rich responses and also provides a valuable opportunity to gain insights into **behaviors, attitudes, and feelings**.
- It takes more than one focus group discussions on any one topic to produce valid results – **usually 3 or 4**. You will know you have conducted enough discussions (with the same set of questions) when you are not hearing anything new anymore, i.e. you have reached a point of saturation.
- Focus group discussions generate **qualitative information** and the output will be a textual description of a situation. As such, **findings will not be representative** of the views of the entire population. This is why focus group discussions are best used to complement the findings of RIMS surveys or annual outcome surveys, for example to understand better a specific finding emerging from these surveys.

### 2) Limitations of focus group discussions

- Facilitation of a focus group requires **considerable skills** – both in moderating the group and in adequately recording the responses.
- The flexible format makes it susceptible to **facilitator bias**, which can undermine the validity and reliability of findings.
- Discussions can be sidetracked or dominated by a few **vocal individuals**.
- The information can be **difficult to analyze**; comments should be interpreted in the context of the group setting.

### 3) Before going to the field

- When preparing for an annual outcome/RIMS survey exercise, choose the topics to be discussed in focus group discussions, and the **specific information needs** for each topic (e.g. the information you need in order to know whether a particular outcome was achieved and why/why not).
- The number of **discussion topics** to address in focus group discussions will mainly depend on: (i) the identified information gaps; and (ii) the time and resources available.
- For each discussion topic, prepare **interview guides** (e.g. list of open-ended questions). The Annex provides examples of questions that could be included in interview guides. Include a short narrative of the objective of the focus group in each interview guide, so that the facilitator always has in mind the objective of the discussion and can refocus if necessary.
- In the interview guide you can leave **blank space under each question** so that the assistant facilitator can easily take note. In this case you will need to print one copy of the interview guide for each focus group.
- Pre-testing is mandatory in all cases, as this provides an opportunity to determine whether wording of the questions is appropriate, whether questions elicit discussion, and to identify questions that are not easily understood. Pre-testing can be conducted during the training of enumerators.

### 4) Data collection: how to conduct a focus group discussion

- At arrival in each village, talk to the **village leader** to present the work being carried out and ask for permission to interview village members.
- You can conduct **one or more focus group discussions in each village**, but try not to discuss different topics with the same group.
- Select participants for each focus group discussion. The **selection** of participants is extremely important. Focus group participants should be able to provide relevant information on the particular topic, and the group should be heterogeneous enough so that various and diverse opinions can be shared. It may be a good idea to consult the village leader(s) and field workers for identification of adequate focus groups participants.
- Ideally, the focus group discussion should be led by **a moderator and an assistant** who takes notes.

- Before starting the discussion, **introduce the topic**, explaining the objectives of the focus group (e.g. “*this discussion should help us understand what impact project activities have had on women empowerment*”).
- Explain that **every participant is expected to contribute to the discussion**. Example: “*Before we start, I would like to remind you that there are no right or wrong answers in this discussion. We are interested in knowing what each of you think, so please feel free to be frank and to share your point of view, regardless of whether you agree or disagree with what you hear. It is very important that we hear all your opinions.*”
- The discussion should take **no more than one hour**. 45 minutes is ideal; if it is longer there is a risk of fatigue from the group participants.
- The focus group moderator has a responsibility to adequately **cover all prepared questions** within the time allotted. S/he also has a responsibility to get all participants to talk and fully explain their answers. Some helpful probes for this include:
  - “*Can you talk about that more?*”
  - “*Help me understand what you mean?*”
  - “*Can you give an example?*”
- Take **detailed notes** during the discussion. This will facilitate the subsequent analysis. Ideally, the note taker should pre-analyze the results during the discussion, so that only the most important points are recorded.

### General principles for conducting focus group discussions<sup>52</sup>

**Location:** Interviews should be conducted in a relatively private place, where participants feel comfortable speaking.

**Introduction:** Facilitator should open the session with a traditional greeting and other local meeting conventions (e.g. a prayer), explain who they are and whom they work for, the purpose of the data collection, what will be done with the information, and who will have access to it. Facilitators should then explain that they do not make decisions about project support or interventions.

**Flexibility:** Facilitators should begin the discussion in general and concrete terms. They should be flexible, while making sure that all topics get covered (following the interview guide). Granting participants space and time while guiding the conversation in the right direction is a difficult task. Although facilitators should not appear rushed, clear time limits should be set for each session; one hour is recommended.

**Participation:** Facilitators should be constantly aware of their own biases and the ways in which they may be perceived by participating communities. The tone of interviews should be informal, not interrogatory. Although care should be taken to ensure that all participants in a group context contribute to the discussion, the interviewer should respect sensitive issues and the right of participants not to respond. Interviewers should avoid implicit and explicit value judgments while conducting interviews.

**Timing:** Fieldwork should be sensitive to time issues: the schedule of the study (e.g. the need to have data before a certain date); the time of the day the team arrives in the community (e.g. key informants may be busy, women or men may be working in the field); and the season of the year (e.g. unavailability of a certain group of the population due to season migration or work in the fields). It is important that each team knows how to handle various problems that may be experienced during the fieldwork

<sup>52</sup> Source: WFP, CFSVA guidelines, 2009

**Facilitation skills: Take some time to reflect on what would you do if...**

- The Focus Group participants are very quiet, unresponsive and reluctant to answer your questions?
- Some of the selected Focus Group participants are late in arriving?
- A number of other local people (who were not selected as Focus Group participants) want to join the discussion?
- When your facilitation team arrives, the local authorities have set up the venue so that you have chairs and a table, but the participants have mats on the ground?
- The discussion on one topic goes on for much longer than expected?
- The village leader wants to sit in on the focus group?
- Some of the selected Focus Group participants do not come at all?
- One Focus Group participant is dominating the discussion?
- The venue for the Focus Group is noisy or uncomfortable so that participants are distracted during the discussion?
- Your facilitation team are unexpectedly invited to join the village chief / local authorities for lunch, but you have arranged to leave in order to get to another Focus Group in the afternoon?
- During the discussion some of the participants tell you about a serious problem (e.g. community conflict, child abuse, corruption, economic exploitation by others) which you feel it is important for the development programme to be aware of and/or take action on?

**Characteristics of good facilitators and note takers**

**Ideally, a good facilitator should have:**

- Previous experience in qualitative data collection
- Previous experience in collecting data related to rural development
- Strong interview skills
- An understanding of group dynamics
- Interest in the subject and in participants' views (curiosity)
- The ability to understand and elaborate on participants' opinions
- Familiarity with key concepts related to rural development
- Knowledge of the local language and an ability to accurately translate into the language of the study (e.g. English)

**A good note taker should have:**

- Familiarity with key concepts related to rural development
- Knowledge of the local language and an ability to accurately translate into the language of the study (e.g. English)
- The ability to understand what are the most important points being discussed and what are the details that do not necessarily need to be recorded

**Interesting Internet resources:**

- On-line training module on focus group discussion: [http://www.idrc.ca/en/ev-56615-201-1-DO\\_TOPIC.html](http://www.idrc.ca/en/ev-56615-201-1-DO_TOPIC.html)
- Tips for conducting focus groups interviews: [http://pdf.usaid.gov/pdf\\_docs/pnaby233.pdf](http://pdf.usaid.gov/pdf_docs/pnaby233.pdf)
- WFP technical guidance sheet on qualitative data analysis: <http://www.wfp.org/content/technical-guidance-sheet-no9-qualitative-data-collection-and-analysis-food-security-assessments>

**APPENDIX B - FRAMEWORK FOR DEVELOPING THE INTERVIEW GUIDES FOR FOCUS GROUPS-  
EXAMPLES**

Topic and participants	Objective	Examples of questions
<p><b><u>1- Gender and women empowerment</u></b></p> <p><i>Participants: Women beneficiaries</i></p>	<p>Assess the situation of women in the community and the influence project activities have had on gender dynamics in the community.</p> <p>The discussion should focus on the current role of women in the community, compared to the previous year or the situation before the project.</p> <p>It should also enable the project team to understand what makes the women more powerful and how the situation can be further improved.</p>	<ul style="list-style-type: none"> <li>• What are the decision-making capacities of women in the household? in community activities? Was there any change since the beginning of the project?</li> <li>• What major financial decisions are made by men and which by women at the household level? At the community level?</li> <li>• What different coping mechanisms are available to women and men to lessen the risk of food insecurity for their families?</li> <li>• How do gender roles (e.g. workload, time, mobility) influence the ability of women and men to participate in the project?</li> <li>• What does empowerment mean to you? How does this translate in everyday life?</li> <li>• Are women usually allowed to decide on the number of children in the family and whether the girls can go to school? Can women venture out of her home without the permission of her husband? Can women spent part of the money they earn on things they want without discussing with their husband?</li> <li>• Are there any women's groups formed in the village? Are they functioning? Why/why not?</li> <li>• Do women have same access to microcredit as men? Was there any change since the beginning of the project? Can women purchase productive assets or land in their own name? Can they open a bank account in their own name?</li> <li>• What is the level of participation of women in social gatherings, community meetings and in development activities? Was there any change since the beginning of the project?</li> <li>• Are there any women in the community that lead certain events, or groups? If so, do the men support them?</li> <li>• Do women have ownership or usufruct (right of using and enjoying all the advantages and profits of the property of another without altering or damaging the substance) rights?</li> <li>• Are there any inequalities in work load, wage rate, access to economic resources, between women and men? Was there any change since the beginning of the project?</li> </ul>
<p><b><u>2. Food security</u></b></p> <p><i>Participants: Project beneficiaries</i></p>	<p>Assess level of food security among beneficiaries</p>	<ul style="list-style-type: none"> <li>• For how many months/year can you meet your own consumption from your own production or from your own cash? Is your food security situation improving? If not, what are the problems?</li> <li>• Were there in the recent past any external, extraordinary events that may have affected positively or negatively your food security situations? What did the project do to help?</li> <li>• How do you manage getting access to food in times of scarcity? What could the project do to help? What do you think the food security situation will be in the next 6 months?</li> </ul>
<p><b><u>3 - Agricultural technologies and production</u></b></p> <p><i>Participants: Farmers/producers</i></p>	<p>Assess quality of training and extension services</p> <p>Assess impact of this training on agricultural/livestock production</p>	<ul style="list-style-type: none"> <li>• What types of training or extension services have you received recently? Who has organized this training? What were the topics? How often were you trained? What was your main motivation to attend?</li> <li>• Was training extended to both men and women? If so, were there female trainers or extension staff? What was the process to the selection</li> <li>• Where/how was the training organized? Was the training location convenient? Where the timing of the training convenient? Were the training facilitators/extension staff good?</li> </ul>

Topic and participants	Objective	Examples of questions
		<ul style="list-style-type: none"> <li>• Were the training/extension topics relevant to your needs? If not, what type of training/extension topics would be more relevant? Can you influence the training/extension services topics?</li> <li>• Have you been able to apply, on your own, the new technologies. If not, why? If yes, what was the outcome? Are these new technologies helping you increase your agricultural/livestock production?</li> <li>• Do you have sufficient access to the necessary production inputs? If not, what are the problems? How can the project help?</li> </ul>
<p><b>4- Natural resources</b></p> <p><i>Participants: village members who earn income from natural resources</i></p>	<p>Assess whether natural resources are declining and if project activities have a positive impact on NRM.</p> <p>If no impact, understand why and discuss how better effectiveness can be achieved.</p>	<ul style="list-style-type: none"> <li>• How do you consider the state of natural resources in your community? Has it been improving or declining in the recent years?</li> <li>• Has the project done anything to improve natural resources management? How? Did you observe any impact? Explain.</li> <li>• Patterns in access to land, water resources, pastures, and other community resources.</li> <li>• What is the land tenure system? Was it improved by project? Do you have more access to land now?</li> <li>• What are the main constraints and opportunities for getting access to natural resources? Do you observe a change since the beginning of project activities?</li> </ul>
<p><b>6- Project impact</b></p> <p><i>Participants: Beneficiaries men and women</i></p>	<p>Capture unintended and/or undesirable effects of the project at household and village/community level.</p> <p>Identify individuals for success stories or case studies</p>	<ul style="list-style-type: none"> <li>• What have been the most significant changes in your life since the beginning of project activities?</li> <li>• Are you satisfied about the project activities in your village? Why/why not?</li> <li>• Any success story on how project activities have impacted your life?</li> <li>• Any negative impact of the project on your life? On the village social structure?</li> </ul>
<p><b>7- Empowerment of grassroots institutions</b></p> <p><i>Participants: grassroots organizations members</i></p>	<p>Assess whether grassroots institutions are effective and respond to the needs of the community.</p> <p>Understand how they could be more powerful and have more impact.</p> <p>Identify problems and find solutions to make them more effective.</p>	<ul style="list-style-type: none"> <li>• Are there any farmers' groups in the village?</li> <li>• Do they participate in decision making at project/local level?</li> <li>• Are grassroots institutions available to self-monitor and evaluate their own progress?</li> <li>• Change in capacity to market own production?</li> <li>• Terms and conditions of marketing arrangements?</li> <li>• What are the different types of the organizations that work in the community? What are their activities? Who benefits? Any impact at village/household level?</li> <li>• What are the community-based groups currently operating? What are their activities? Who benefits?</li> </ul>



**8.1.15 Annex 15 – Data Collection Forms – Draft Templates**  
**Training Participants’ list**

DATE OF TRAINING : FROM \_\_\_\_\_ To \_\_\_\_\_

TRAINING TITLE :  
 \_\_\_\_\_

TRAINING MODULE:  
 \_\_\_\_\_  Business Skills  Financial literacy  Production  Post-production  Others

TRAINING SUBJECT:

NAME OF CONSULTING FIRM :  
 \_\_\_\_\_

NAME AND SIGNATURE OF TRAINER  
 \_\_\_\_\_

TRAINING LOCATION: STATE : \_\_\_\_\_  
 LOCALITY \_\_\_\_\_

#	VITA BENEFICIARY NUMBER	FAMILY NAME	FIRST NAME	SIGNATURE	SEX	AGE
<b>Sub-total :</b>						
<b>Total youth (below 35 years)</b>						

## B2B Meetings' Minutes

B2B Meeting Minutes			
Province: _____	Name of Minutes' taker: _____		
Commodity: _____	Date: _____		
Corridor: _____	_____		
Cluster ID Nb: _____	_____		
Participants:	Producers:	Traders / Buyers:	
	Name	Beneficiary Nb	Name
			Locality of provenance
Type of contract: Verbal <input type="checkbox"/> Written <input type="checkbox"/>			
Type of value chain: Milk <input type="checkbox"/> Cheese <input type="checkbox"/> Vegetables <input type="checkbox"/> Potato seeds <input type="checkbox"/> Other (Specify) <input type="checkbox"/> _____			
Meeting minutes (discussion points):			
Contract signed/agreement made?: Yes <input type="checkbox"/> No <input type="checkbox"/> (Quantity) (Unit)			
Subject of agreement: Sales at fixed price <input type="checkbox"/> Quantity agreed: <input type="text"/> (_____)			
Sales at market price <input type="checkbox"/> Quantity agreed: <input type="text"/> (_____)			
Sales with fixed volume <input type="checkbox"/> Quantity agreed: <input type="text"/> (_____)			
Input provision <input type="checkbox"/>			
Provision of technical advice <input type="checkbox"/>			
Other (Specify) <input type="checkbox"/> _____			
Date of next meeting: _____			
Meeting conclusions:			

### Multi-Stakeholders' Cluster Meeting - Minutes

#### Multi-stakeholder cluster meetings - Minutes

Province:	
Corridor(s):	
Cluster Id Nb.:	
Date of meeting:	
Meeting location:	
Subject of meeting:	
Name of Facilitator:	
Signature of Facilitator:	

**Minutes :**

--

**Key decisions:**

--

**Multi-stakeholder cluster meetings - List of participants**

**Farmers and rural producers**

Name	Signature	Beneficiary Nb.	Sex	Age

**Buyors and marketing companies**

Name	Signature	Locality of residence	Occupation	Sex	Age

**Service providers (input suppliers, processors, financial services)**

Name	Signature	Locality of residence	Occupation	Sex	Age

**Others**

Name	Signature	Locality of residence	Occupation	Gender	Age

**Cluster Profile Template**

<b>Cluster Profile Form</b>
-----------------------------

**General information:**

<b>"Name" of cluster:</b>	
<b>Cluster ID Nb.:</b>	
<b>Cluster location :</b>	
<b>Associated corridor:</b>	
<b>Commodities:</b>	
<b>Nb of associated Farmers' Groups:</b>	
<b>Date of cluster establishment:</b>	

**List of associated Farmers' Groups**

Group ID Nb	Locality	Nb of members		Commodity
		Men	Women	

Cluster meetings' participants								
	1st	2nd	3rd	4th	5th	6th	7th	8th
<b>Date:</b>								
<b>Nb de participants, par categorie:</b>								
(a) Farmers and rural producers								
(b) Representatives of formal Farmers' Groups/Cooperatives								
(c) Representatives of informal Farmers' Groups/Cooperatives								
(d) Interprofessional organizations								
(e) Traders and shopkeepers								
(f) Agricultural input suppliers								
(g) Public extension service providers								
(h) Private extension service providers								
(i) Processors								
(j) Municipality staff								
(k) Financial institutions								
(l) Others								
<b>Total:</b>								
	1st	2nd	3rd	4th	5th	6th	7th	8th
<b>Date:</b>								
<b>Nb de participants, by category</b>								
(a) Farmers and rural producers								
(b) Representatives of formal Farmers' Groups/Cooperatives								
(c) Representatives of informal Farmers' Groups/Cooperatives								
(d) Interprofessional organizations								
(e) Traders and shopkeepers								
(f) Agricultural input suppliers								
(g) Public extension service providers								
(h) Private extension service providers								
(i) Processors								
(j) Municipality staff								
(k) Financial institutions								
(l) Others								
<b>Total:</b>								

## Farmers' Group Profile Template

### Farmers' Group Profile Form

#### General information

Province:	
Locality:	
Address:	
"Name" of Farmers' Group:	
Farmers' Group VTA Number:	
Main commodity:	
Date of creation:	
Date of official registration:	
Main contact phone number:	
Date of last elections:	

#### List of Management Committee Members

Function	Name	Sex	Age	Contact or phone number	Date of election or nomination
President					
Treasurer					
Secretary					
(...)					

Elections of Management Committee Members								
	1st	2nd	3rd	4th	5th	6th	7th	8th
Date:								
Number of voters:								

General Assembly Meetings								
	1st	2nd	3rd	4th	5th	6th	7th	8th
Date:								
Number of participants:								

Other Meetings								
	1st	2nd	3rd	4th	5th	6th	7th	8th
Date:								
Number of participants:								

Membership Fees								
	2020	2021	2022	2023	2024	2025	2026	2027
Number of active members:								
Nb. of members having duly paid their fees:								
Total fees collected:								

Main Services Provided to Members <i>(record nb of members receiving services)</i>								
Type of services	2020	2021	2022	2023	2024	2025	2026	2027





# INDIVIDUAL FARMER PROFILE FORM

## Individual Farmer Profile Form

### General information

Province:				
Locality:				
Address:				
Family name:				
First name:				
Date of birth				
Sex:				
Single-headed family?:				
Number of children:				
Farmers' Group VTA Number:				
Phone number:				
<b>Land</b>	Baseline	2023	2026	
Area of agricultural land owned				
Area of agricultural land rented				
Areas of agricultural land cultivate				
Area of agricultural land irrigated				
	Baseline	2023	2026	
<b>Livestock</b>				
Nb of cows				
Nb of goats				
Nb of chicken				
	Baseline	2023	2026	
<b>PPI score</b>				

### Capacity Building Support

#### Business Skills Training

	1st	2nd	3rd	4th	5th	6th	7th	8th
Date:								

#### Literacy Training

	1st	2nd	3rd	4th	5th	6th	7th	8th
Date:								

#### Mentoring Support

	1st	2nd	3rd	4th	5th	6th	7th	8th
Date:								

#### Production Training

	1st	2nd	3rd	4th	5th	6th	7th	8th
Date:								
Source:								

#### Post-production Training

	1st	2nd	3rd	4th	5th	6th	7th	8th
Date:								
Source:								

#### Livestock Vaccination Services

	1st	2nd	3rd	4th	5th	6th	7th	8th
Date:								
Source:								

**Production, sales and profit data (vegetables, cereals, potato seeds)**

**Production data**

Commodity	Unit	2020		2021		2022		2023		2024		2025		2025	
		1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season

**Income from agricultural sales**

Commodity	Unit	2020		2021		2022		2023		2024		2025		2025	
		1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season

**Net profit from agricultural production**

Commodity	Unit	2020		2021		2022		2023		2024		2025		2025	
		1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season	1st season	2nd season

**Production, sales and profit data (dairy)**

**Production data**

Commodity	Unit	2020				2021				2022				2023				2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Milk																									
Dairy products																									
Live animals																									

**Income from agricultural sales**

Commodity	Unit	2020				2021				2022				2023				2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Milk																									
Dairy products																									
Live animals																									

**Net profit from agricultural production**

Commodity	Unit	2020				2021				2022				2023				2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Milk																									
Dairy products																									
Live animals																									

**Dairy Farmers Diaries – to be based on best practice examples, e.g. from RERP, Cambodia**

## **8.1.16 Annex 16– M&E Specialist and KM Expert (Draft)**

### **PMU M&E Specialist**

**Reporting line:** Project Director

#### **Main responsibilities:**

- Develop and maintain a simple but comprehensive M&E system and fine-tune the M&E Section of the draft PIM (including detailed methodologies and any required additional tools (standard data collection forms and analysis tables), processes and responsibilities for the monitoring of project implementation (activities, outputs) and the measurement of results (outcomes and impact).
- Assist in the development of a simple MIS (Excel or Access-based) for the recording of M&E data and the preparation of standard consolidates tables for the tracking of activities, outputs and outreach.
- Ensure that the MIS is regularly updated with required information by all intended M&E actors and MIS users.
- Provide inputs for the finetuning of the targeting strategy (in particular for the definition of adequate selection criteria) and ensure that the M&E system will help track targeting and outreach performance (e.g. number and profile of beneficiaries, types of benefits received).
- Prepare the TOR for the baseline, mid-term and completion surveys, including the description of the proposed survey methodology (sampling frame and sample size, draft questionnaire) and provide the appropriate guidance to the selected service providers in order to ensure timely and reliable survey reports.
- Provide the necessary initial training and continuous guidance and technical support to all PMU staff and grassroots implementers in charge of data collection in order to ensure data quality and reliability.
- Organize periodic field visits in order to verify the quality and validity of M&E data submitted by grassroots implementers and collect formal and informal feedback from project beneficiaries on their satisfaction with project activities.
- Prepare quarterly, half-yearly and annual progress reports, as well as more regular summary performance tables and other dashboards; and prepare and update digital maps showing all project sites and interventions.
- Supervise, or design and conduct, periodic surveys and other qualitative surveys in order to collect data and evidence of early outcomes or feedback from beneficiaries.
- Prepare consolidated ORMS tables and other data tables to be submitted annually to IFAD and ADBL Management.
- Identify implementation problems, bottlenecks or delays and inform Project Management about the need for corrective actions.

### **KM Expert**

**Reporting line:** Project Director

#### **Main responsibilities:**

- Prepare a KM Plan to identify the key topics worthwhile studying during implementation (e.g. women participation in agriculture, women access to legal land titles, applying climate smart agricultural techniques, etc.), the key tools and processes for the collection of required data, information and evidence, and the key tools and processes for the documentation and sharing of knowledge, lessons learned and best practices.
- Ensure that lessons learned and best practices are properly identified, captured and documented) and that they are regularly shared to the relevant audience (project partners, policy makers, development partners) through appropriate means (including the participation in relevant meetings and events).
- Prepare, produce and disseminate required knowledge material, using various means (studies, videos, case studies, print and web articles)
- Coordinate with ADBL Communication Department for the production and dissemination of various communication products.
- Organize and facilitate knowledge sharing workshops and events.

### 8.1.17 Annex 17 - ESMP Matrix

Environmental, social and climate Impacts	Means of Verification		
	Indicators	Frequency	Source of data
<b>1) Environmental</b>			
<b>Potential threat to forest and biodiversity resources including:</b>			
Encroachment or expansion of agriculture in forest area,	% reduction of fallow land in municipalities	Baseline/mid-term/completion and annual.	(A) Secondary sources: Registries from municipalities, local Forestry Groups and/or provincial Forestry Departments; (B) Primary source: VC Cluster surveys.
Excessive harvesting of forest products and open grazing	(a) % of farmers with herds in stall feeding system (b) % of municipalities with acceptable "current herd vs maximum carrying capacity" ratios (c) % of farmers using feed from sustainably managed fodder and forage sources	Annual	Farmers Diaries, Farm Diaries, VC Cluster surveys, Baseline/mid-term/final impact surveys,
Increasing water pollution	(a) % farmers using efficient water use technologies (b) Number of farmers trained in IPM	(a) Baseline/mid-term/final; (b) Annual	(a) Baseline/mid-term/final impact surveys; Farmers' diaries (b) Project training records
Improper waste management	(a) % of project-supported markets with a waste management plan and an efficient waste management system (b) Nb. of capacity building events organized for small-scale producers and micro entrepreneurs	Annual	Project "infrastructure" records; Training reports; Reports from field inspection visits by PMU staff
Land and soil degradation	(a) % of farmers using sound IPM practices (b) % of municipalities with an increase in the land area managed through IPM	(a) Annual; (b) Baseline/mid-term/completion.	(A) Secondary sources: Registries from municipalities, local Forestry Groups and/or provincial Forestry Departments; (B) Primary source: VC Cluster surveys
Threat from introduction of exotic varieties and breeds	<i>Ex ante: Component 1 activities to ensure that only certified/verified seeds suppliers are supported under the various Funds or capacity building activities.</i>	n/a	n/a
<b>Social</b>			
Potential increase on the workload on women (especially from road maintenance activities)	(a) % of women among meetings' participants (VC meetings, cluster meetings, municipalities meetings) and awareness raising events	(a) and (b): Annual; (c) baseline/mid-term/completion.	(a) Lists of participants in meetings or awareness raising events
	(b) % of women among project training, capacity building events and exchange visits		(b) Training records
	(c) % of women beneficiaries with increased time spent for leisure		(c) IFAD empowerment survey.
Within high risk communities, negative social dynamics from greater social and economic empowerment of women	% of highly vulnerable women among GALS beneficiaries	Upon beneficiaries' selection, mid-term and completion.	PPI survey; Qualitative survey on women empowerment
Investment failing: Depletion of HH assets and livelihoods' base to the point where they can no longer recover; Indebtness by loan beneficiaries unable to repay their loans.	(a) % of farmers repaying their loans according to agreed schedule (b) Nb of beneficiary farmers compelled to sell their collateral because they are unable to repay their loans.	Annual	ADBL and partner FI partners
<b>Climate change</b>			

Environmental, social and climate Impacts	Means of Verification		
	Indicators	Frequency	Source of data
Flood and landslide	% of beneficiary households with a crop or livestock insurance	Upon beneficiaries' selection, mid-term and completion.	Baseline/mid-term/completion surveys; Farmers' diaries and ADBL MIS.
Drought, water shortage	% of household using improved water management practices	(a) Baseline/mid-term/final; (b) Annual	Baseline/mid-term/final impact surveys; Farmers' diaries.
Change in disease timing and outbreaks	(a) % of farmers using sound IPM practices (b) % of beneficiary households with a crop or livestock insurance	(a) Annual and baseline, mid-term, final; (b) Baseline, mid-term, final	Baseline/mid-term/final impact surveys; Farmers' diaries.
Occurrence of windstorms			
Heat stress	% of beneficiary farmers reporting an improved access to processing infrastructure or improved storage capacity	Baseline, mid-term, final	Baseline/mid-term/final impact surveys

## 8.2 Financial Management Annexes

### 8.2.1 Appendix FM-1: Designated Account Reconciliation Statement

For the Year ended \_\_\_\_\_

IFAD Financing Agreement Number: \_\_\_\_\_

Designated Account Number: \_\_\_\_\_

Section 1		Amount in USD (Denomination currency)	Amount in NPR (if applicable)
1	Total advanced by IFAD		
2	Less Total amount recovered by IFAD		
3	Equal present outstanding amount advanced by IFAD		
Section 2			
4	Balance of Designated Account as per attached bank statement as of .....(date, Month & Year)		
5	Plus balance of operating accounts		
	Plus cash on hand		
	= Total bank balances as of .....(date, Month & Year)		
6	Plus amount claimed in this application		
	WA No.		
7	Plus amounts withdrawn from Designated Account and not yet claimed		
	WA No.		
	WA No.		
	Provide reasons for not yet claimed.		
8	Plus amounts claimed in previous applications and not yet credited at the bank statement date, or claimed after the bank statement date		
	W. A. No.	Date	US\$
			Amount
9	Less: interest earned (to be completed. If zero, please enter zero)		
10	Total advance accounted for (Line 5 through line 9)		
11	Explanation of any difference between total outstanding advance (line 3) and advance accounted for (line 10)		
	Insert explanations: e.g.		
	Non eligible amount to be refunded to the designated account		
	calculation errors in application of percentage financing		
	counterpart financial resources to be reimbursed		
	cheques not yet cleared/presented to Bank		

Date:

Signature:

Name in Full:

Title in Full:

#### Key Check:

Opening and closing balances of the designated and project account should match with corresponding figures reported in the Sources and Uses of funds report (report 1).





## 8.2.2 Appendix FM-2: Checklist for a Withdrawal Application

IFAD Financing No. \_\_\_\_\_ WA No. \_\_\_\_\_ Reporting period [ from date/to date]

<b>Form 100</b>	Yes or No
1. Sequential numbering of WA	
2. WA amount tallies with sequentially numbered summary sheets	
3. Categories/sub-categories charged as per Schedule 2 of Financing Agreement	
4. % of financing applicable for each category or sub-category	
5. Availability of funds in categories and the overall financing amount	
6. Currency of payment	
7. Completeness and accuracy of banking instructions	
8. Complete name and address of correspondent bank	
9. WA is signed by Authorized Representative	
<b>Statement of Expenditure</b>	
1. Eligibility of expenditures claimed	
a) Within SOE financial ceiling	
b) Expenditures under specific Category [ ____ ] eligibility	
2. Form 102 signed by designated Project Accountant, Project Director, Authorized Representative	
3. Form 102 supported by signed Form 101 (for items reported in 2. but above over the financial ceiling)	
<b>Designated account - Replenishment Requests</b>	
1. Amount within ceiling figure agreed as a reasonable limit ( ____ USD or ____ )	
2. Amount at least equal to 20% of the agreed reasonable limit	
3. Exchange rate used	
4. Completeness of designated account banking and account details	
5. Enclosed designated account Reconciliation and Bank Statements	
<b>Supporting Documentation (attached if required)</b>	
1. Copy of contract	
2. Copy of invoice, certified by Project Director	
3. Copy of bank guarantee and performance guarantee (for advance payment)	
4. Copy of delivery receipt	
5. Copy of evidence of payment	
6. Completed Form 101 (A or B)	
7. Completed Form 102 (A or B)	
<b>Procurement</b>	
1. Copy of "No objection/s" provided by IFAD	
2. Copy of Contract Monitoring Record/s Form/s	
<b>Compliance with Condition/s for Disbursement</b>	
1. In accordance with terms in Section E. para --- of the Financing Agreement	
2. In accordance with terms in Section ____ of the Letter to the Borrower	
<b>Expenditure incurred/committed before Project Completion Date (PCD)</b>	
1. Expenditure verified as eligible:	
a) contract signed before PCD	
b) goods delivered before PCD	
c) services completed and/or rendered before PCD	

Remarks:

\_\_\_\_\_  
Prepared by Finance Manager  
Dated: \_\_\_\_\_

\_\_\_\_\_  
Certified by Project Director  
Dated: \_\_\_\_\_

### 8.2.3 Appendix FM-3: Recovery Plan

(Only if advance is provided to designated account);

RECOVERY PLAN

Designated Account No. \_\_\_\_\_

IFAD Loan No.: \_\_\_\_\_

IFAD Loan Amount  
(Denominated Currency SDR  
or USD) 0.00

Borrower: \_\_\_\_\_

Loan Completion Date: \_\_\_\_\_

Loan Effective Date \_\_\_\_\_

Loan Closing Date \_\_\_\_\_

(Today) Date: \_\_\_\_\_

Remaining # of months to  
closing date \_\_\_\_\_

	WA No.	Date	INR	USD	SDR	Unjustified balance	
						USD	SDR
Authorized Initial Payment(s)							

JUSTIFICATION:								
Period covered by WA	WA No.	(Expected) Date of WA	Estimated value (INR)	Estimated value (USD)	Proposed Recovery %	Recovery Amount (USD)	Cumulative (USD)	Cumulative Unjustified Balance (USD)
Month, Year								
Month, Year								
Month, Year								
Month, Year								
Month, Year								
Month, Year								
TOTAL								
Note: Unjustified balance at the time of loan closing will be refunded to IFAD								
Prepared by:	(Project title)					Date		
Certified by:	(Project title)					Date		
Approved by:	(Project title)					Date		



## 2: Summary Annual Work Plan and Budget by component and by financier

Components	GoN	IFAD Loan	Heifer	Private sector	Beneficiaries	Banks	State & Local Government	Total
Component 1								
Sub Component								
Sub Component								
Sub Component								
Sub Component								
Sub-total								
Component 2								
Sub Component								
Sub Component								
Sub Component								
Sub Component								
Sub-total								
Component 3								
Sub Component								
Sub Component								
Sub-total								
<b>Total</b>								

## 3: Summary Annual Work Plan and Budget by category and by financier

Categories	GoN	IFAD Loan	Heifer	Private sector	Beneficiaries	Banks	State & Local Government	Total
Category I								
Category II								
Category III								
Category IV								
Category V								
Total								

## 4 : Summary Annual Work Plan and Budget by category and component

Category/Components	Comp 1	Comp 2	Comp 3	Total
Category I				
Category II				
Category III				
Category IV				
Category V				
<b>Total</b>				

### 8.2.5 Appendix FM-5: Sample Monthly/Quarterly Budget Execution Report

Project: \_\_\_\_\_

Fiscal year: \_\_\_\_\_

Month: \_\_\_\_\_

Description	Up to previous Month		Month		Year to Date			Commitments
	Budget	Actual	Budget	Actual	Budget	Actual	%	Yet to be paid
Component 1								
Sub-component 1.1								
Activity								
Activity								
Sub-component 1.2								
Activity								
Activity								
Sub-component 1.3								
Activity								
Activity								
Component 2								
Sub-component 2.1								
Activity								
Activity								
Sub-component 2.2								
Activity								
Activity								
Sub-component 2.3								
Activity								
Activity								
Component 3								
Sub-component 3.1								
Activity								
Activity								
Sub-component 3.2								
Activity								
Activity								
Total								

### 8.2.6 Appendix FM-6: Financial Reporting Tables

#### 1: Statement of expenditures by category (Amount in NPR)

Description	Upto Last Year	Upto Last Month	For the Month	Year to date	Cumulative to date	AWPB Allocation	Budget Balance
Category 1							
Category 2							
Category 3							
Category 4							
Category 5							
<b>Total</b>							

**2: Financial performance per expenditure category and financier (Amount in INR)**

Category	Description	IFAD Loan		GoN		Heifer		Private Sector		beneficiaries		Banks		State & Local Government		Total	
		For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative
I																	
II																	
III																	
IV																	
V																	
Total																	

**3: Financial performance per component and financier (Amount in INR)**

Component	Description	IFAD Loan		GoN		Heifer		Private Sector		beneficiaries		Banks		State & Local Government		Total	
		For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative	For the Period	Cumulative
Component 1																	
Sub com 1.1																	
Sub com 1.2																	
Sub com 1.3																	
Component 2																	
Sub com 2.1																	
Sub com 2.2																	
Sub com 2.3																	
Component 3																	
Sub com 3.1																	
Sub com 3.2																	
Total																	



**4: Projected fund flow forecast**

<b>Source of Fund</b>	<b>AWPB Allocation</b>	<b>Expenditures up to last quarter</b>	<b>AWPB Allocation Balance</b>	<b>Funds forecast for the quarter</b>
IFAD Loan				
GoN				
Heifer				
Private sector				
Beneficiaries				
Banks				
State & Local Government				
Total				

**5: SOE withdrawal application statement (Amount in INR)**

WA No:	Date	Categories in NPR					Total in INR	USD Equivalent	Rejected by IFAD		Net Reimbursed in USD
		1	2	3	4	5			in NPR	In USD	
Withdrawal Application submitted to IFAD											
W.A. No.											
W.A. No.											
W.A. No.											
Sub-total											
B. Direct Payment											
W.A. No.											
W.A. No.											
W.A. No.											
Sub-total											
Total											
WA Pending for Submission:											
A. Replenishment											
W.A. No.											
W.A. No.											
Sub-total											
B. Direct Payment											
W.A. No.											
W.A. No.											
Sub-total											
Total											
Grand Total											

**6: Register of Contracts**

Date: \_\_\_\_\_

IFAD Financing No.:

Page No. \_\_\_\_\_ of \_\_\_\_\_

Project: .....

Reporting Period: .....

Contract Serial No.	Financier	Contract No.	Percentage of Financing	Type of Procurement	Description of Works, Goods, Consulting /Other Services	Name and Address of Contractor / Supplier	Contract Coordinator	Date of Contract	Performance, Contract Duration and Delivery Period	Contract Amount (in the currency of the contract)	Category No. as per Schedule 2 of IFAD Financing Agreement	Reference to the Approved Procurement Plan/AWPB	Prior or Post Review	Remarks and Date of IFAD 'No Objection'

**7: Contract Payment Monitoring Form**

Project \_\_\_\_\_

Contract Number: as per contract register

Description of Contract:

Procurement File No. \_\_\_\_\_ Component \_\_\_\_\_ Contract Officer: \_\_\_\_\_

Date of "No Objection": \_\_\_\_\_

Name and Address of Supplier: \_\_\_\_\_

Bank Details:

Email:

Telephone

**Contract Summary**

(In INR/USD)

Document	Contract Reference	No.	Amount (IN USD)	Amount (IN NPR)	Dates (start/end)
Original Contract					
Amendment (AM-1)					
Amendment (AM-2)					
Total Amount					

**Bank Securities or Bonds (in NPR/USD)**

Document	Name of Financial Institution	Date	Amount	Expiry Date	Extension
Advance Payment					
Performance Bond					
Other					

**Monitoring of Payments (In NPR/USD)**

Payment Schedule		Progress Certificate		Payments Issued				Balance Due on Contract
Milestone	Expected Amount	No.	Date	Invoice No.	Payment Date	Amount Paid	Cheque or WA No.	
<b>Total</b>								

Finance Officer: \_\_\_\_\_ Project Director: \_\_\_\_\_

**8: Physical progress report**

Category	Project Activity by component/Sub-component	Original Plan			Physical Progress to date		Cost to date			Revised plan for completion	
		Physical	Cost	Completion date	Actual	Planned	Actual	Planned	% of Actual to plan	Total Cost	Completion date
	Component - 1										
	Sub-Comp 1.1										
	Activity 1										
	Activity 2										
	Sub-total										
	Component - 2										
	Sub-Comp 2.1										
	Activity 1										
	Activity 2										
	Sub-total										
	Component - 3										
	Sub-Comp 3.1										
	Activity 1										
	Activity 2										
	Sub-total										
	Total										

### 8.2.7 Appendix FM-7: Grant Register

Activity				
Grantee				
Grant Agreement Date		Grant completion date		
Grantee Contribution		Instalment	Milestone to be achieved	
Project Contribution		1st		
Total Amount		2nd		
		Final		
Instalments	As per Agreement		Paid	
	Date	Amount	Date	Amount
1st				
2nd				
Final				
Total				
Remarks				

## 8.2.8 Appendix FM-8: Fund Utilization Certificate (Beneficiary)

### Utilization Certificate

Utilization Certificate for the Year .....

Name of Beneficiary :  
 District :  
 Municipality :  
 Description of grant :

Start Date :  
 Completion :

#### SUMMARY OF RECEIPTS AND PAYMENTS

CONTRIBUTION	Project			Beneficiary			Total
	1st	2nd	Total	Up to Previous Period	Current Period	Cumulative to Date	
Installment							
<b>RECEIPTS:</b>							
Opening Balance							
Grant received							
Total							
<b>EXPENDITURES:</b>							
Materials							
Labour							
Other Costs							
<b>Total Expenditures</b>							
<b>Closing Balance:</b>							
Cash in Hand							
Cash at Bank							
<b>Total</b>							

#### Secretary / Chairperson

Name	
Signature	
Date	

#### Project Officer Counter signature

Name	
Signature	

Comment

Date	
------	--

**8.2.9 Appendix FM-9: Statement of loan**

Name of Bank/Financial Institution:

Period:

Borrower (Sub-project)	Authorized person of Borrower	Loan Approved		Loan Disbursed		Interest	Repayment		Outstanding			Remarks
		Date	Amount	Date	Amount		Principal	Interest	Principal	Interest	Total	



## 8.2.10 Appendix FM-10: Indicative chart of accounts

### 1. Number of code assigned to each group and sub-group

Group/Sub-group	Project	Implementing Offices	Assets/Liabilities/Income/Expenses	District	Source of Fund	Component	Sub-component	Activities	Category	Expenditure Heads
Number of Code	1	2	1	2	1	1	1	2	1	2

### 2. Example of code assigned to each group and sub-group

Group & Sub-group	Code Assigned for	Number of Code	Assigned code
Project	VITA	1	1
Implementing Offices	ADBL PMU/State/Branch Offices	2	0-99
<b>Assets/ Liabilities/Income/Expenses</b>	Assets	1	1
	Liabilities	1	2
	Income	1	3
	Expenses	1	5
District	Districts	2	1 to 77
Source of Fund		1	1 to 6
	GOV	1	1
	IFAD Loan	1	2
	State	1	3
	Municipal	1	4
	Banks	1	5
	Beneficiaries	1	6
Component		1	1 to 4
Sub-component		1	1 to 4
Activities		2	1 to 99
Categories		1	1 to 5
Account Heads	Income	2	1 to 99
	Expenses	2	1 to 99

### 3. Example of account code of account head for livestock staff training

Group/Sub-group	Project	Implementing Agencies	Assets/Liabilities/Income/Expenses	District	Source of Fund	Component	Sub-component	Activities	Category	Expenditure Heads
	VITA	PMU	Expenses	Dhanusha	IFAD Loan	Inclusive Supply Chain Development	Farm Business Capacity Development	Mentoring and Mobilization of Products	Training	Staff training
Account Code	1	01	1	14	2	1	1	01	2	01

The account code for conducting staff training from IFAD loan by PMU for first activity of sub-component 1 of component 1 and category 2 of training 10111421101201.

**8.2.11 Appendix FM-11: Petty cash form**

**1: Petty Cash Disbursement Voucher**

Petty Cash Voucher No.		Date:	
Payee: (Name)		Rs.	
Rupees in words: _____ only			
Account Head		Account Code	Activity Code
Particulars:			
_____ Received by Date	_____ Prepared by Designation Date	_____ Recommended by Designation Date	_____ Approved by Designation Date



### 3: Petty Cash reconciliation Form

Part 1 - Petty Cash Reconciliation

Date \_\_\_\_\_

Description	Amount (INR)
Opening balance of Petty cash	
Received during the period	
Total petty cash balance	
Payments during the period	
Petty cash closing balance	
Physical petty cash balance as per Cash count	
Difference	
Explanation for difference, if any:	

Part 2 - Cash Count

Denomination	Number	Amount (INR)

\_\_\_\_\_  
Counted & Reconciled by

\_\_\_\_\_  
Reviewed by



**8.2.13 Appendix FM-13: Vehicle Record Forms**

**1: Vehicle Log**

Vehicle No. \_\_\_\_\_ Assigned Driver \_\_\_\_\_

Date	Time		Place of Visit		Purpose of Visit	KM/Mileage		Mileage Driven	Fuel Purchase		Lubrication	User Name	User Signature
	Departure	Arrival	From	To		From	To		Mileage	Qty.			

## 2: Vehicle History Record

Vehicle No. \_\_\_\_\_ Assigned Driver \_\_\_\_\_

Date	Repairs			Service & Maintenance			Insurance			Fitness Test	
	Description	Garage	Cost	Description	Garage	Cost	Type	Period	Cost	Date	Cost



## 8.2.14 Appendix 14: Expenditure record forms

### 1: Cumulative expenditure by component as on ....

Component	IFD Loan	Government	Heifer	Private Sector	Beneficiaries	Banks	State & local Government	Total
Component 1								
Component 2								
Component 3								
<b>Total</b>								

### 2: Budgeted expenditure and performance against AWPB

Component	AWPB (NPR)	Actual (NPR)	Per cent of Actual to AWPB
<b>Total</b>			

### 3: Budgeted expenditure and performance against AWPB

Financier	AWPB (NPR)	Actual (NPR)	Per cent of Actual to AWPB
IFAD Loan			
Government			
Heifer			
Convergence			
Private Sector			
Beneficiaries			
Banks			
State & Local Government			
<b>Total</b>			

**4: Financial performance by financier (Amount in USD)**

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD Loan			
Government			
Heifer			
Convergence			
Private Sector			
Beneficiaries			
Banks			
State & Local Government			
Total			

**5: Financial performance by financier by component as on .....(Amount in USD)**

Component	IFAD Loan			Government			Heifer			Private Sector			Beneficiaries			Banks			State & Local Government			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Component 1																								
Component 2																								
Component 3																								
<b>Total</b>																								

**6: IFAD loan disbursement as at .....(Amount in USD)**

Category Code	Category Description	Original Allocation	Revised allocation	Disbursed	WA Pending	Available Balance	Percent Disbursed
1							
2							
3							
4							
5							
	<b>Total</b>						

## 8.2.15 Appendix FM-15: Quarterly Interim Financial Reports

### 1. Quarterly financial reports

	Type of Report	The Focus/Scope of the report	Remarks
	Quarterly Financial Reports	These reports are a formal requirement by IFAD and they are to be sent to IFAD and to be used by the management to monitor the project's medium term financial performance. The report must be submitted to IFAD within 45 after the end of the respective reporting period, The exact content and format is agreed between IFAD and the Borrower/ Recipient.	
1	Sources and Uses of Funds (all financiers)	This report discloses how much funds the project has received from different financiers how these funds have been spent by expenditure category during the reporting period as well as cumulative. This report also discloses the projects cash balances.	
2	Summary of Expenditures by Loan Categories and By Financiers (USD)	This report discloses how much funds the project has spent by expenditure category and by financier.	Variation of this report already part of the Project financial statements (sources and uses of funds)
3	Financial performance by financier by component	This report discloses how much funds the has project received from each financier and how these sources have been spent by project component during the reporting period and cumulatively. The report also compares these figures with the targets set in the Annual Workplan and Budget and the Project design report (PDR).	
4	Cash forecast by financier	This report discloses the breakdown of the project's cash forecast for the following two quarters by financier. The breakdown includes opening and closing balances of the different accounts as well as estimated income and from different financiers and estimated expenditures by category.	Required by IFAD only on adhoc basis. Should be part of the project's monthly internal reporting (for management use)
5	Progress report on Audit recommendations	This report summarises all the recommendations made by the external auditors of the project, the project management's action plan to address these recommendations and the current status of these planned actions.	

## 2: Sources and Use of Funds by Category (all financiers)

Project Name : \_\_\_\_\_

Lead Project Implementing Agency: \_\_\_\_\_

Reporting Period: \_\_\_\_\_

Description	Reporting Period (Quarterly)	Cumulative annual	Cumulative project life
	Amounts in INR		
Sources of Funds (income)			
IFAD Loan			
Government Funds			
Heifer			
Banks			
Beneficiary			
Exchange rate differences (gain/loss)			
Total			
Use of Funds (expenditures) by Project Category			
Category 1			
Category 2			
Category 3			
Category 4			
Category 5			
Category 6			
Category 7			
Total expenditures			
Income less Expenditures			
Other			
Payables/commitments			
Receivables (including advances)			
Total			
Opening Cash Balance (Comprising of):			
Designated Bank Account			
IFAD project Account			
Other Project Accounts			
Beneficiary Project Accounts			
Cash book			
etc.			
Closing Cash Balances (comprising of):			
Designated Bank Account			
IFAD project Account			
Other Project Accounts			
Beneficiary Project Accounts			
Cash book			
etc.			

### Key checks:

- Opening cash balances the report should match with the closing balances of the same report for the previous reporting period.
- Sources of funds from the IFAD loan and grant for the reporting period should match with the totals of the WA-SOE schedule (report no. 5)
- The total uses of funds (expenditures) for the reporting period and cumulatively (from the start of the project until the end of the reporting period) should equal total the expenditures in report 2 and 3. and the report to the Government

- The total expenditures for the "cumulative" and "reporting period" should equal the corresponding figures reported to the national government.

**Explanatory Notes:**

- The projects should prepare the Interim financial progress reports (IFPR) using the same accounting basis/standard that they use when they prepare the annual financial statements.
- The currency of the IFR should be the same currency as the project annual financial statements.
- The financial information presented in the IFPR should always be generated by proper accounting software. Excel is not an acceptable accounting software and it should only be used to edit and combine data to fit the agreed format
- "Reporting period" refers to transactions occurred in the quarterly/semi-annual reporting period as agreed with IFAD, "cumulative annual" refers to the occurred transactions from the beginning of the fiscal year until the end of the reporting period and "cumulatively" refers to the occurred transactions from the beginning of the project life until the end of the reporting period.
- The sources of funds for each individual financier should include all income and all disbursement methods (replenishments, direct payments and reimbursements).
- Note that an exchange gain / loss is not an eligible expenditure by itself, and should not be reported as a separate expenditure item. Instead, if there are realized gains / losses these should be booked to specific approved expenditures/expenditure categories.
- Only cash Beneficiary contribution should be reported. Not in-kind
- The rows for "receivables and payables" are designed to fit the report to modified cash and accrual basis of accounting.
- "Opening cash balances" reflect the opening balances of each bank account opened and maintained by the project including the (petty) cashbook.
- "Closing cash balances" reflect the closing balances of each bank account opened and maintained by the project including the (petty) cashbook.

### 3: Summary of Expenditures by Loan Categories and By Financiers

Project Name : \_\_\_\_\_

Lead Project Implementing Agency: \_\_\_\_\_

Reporting Period: \_\_\_\_\_

Category	Description of category	Financing Source (in currency of the financial statements)																		
		IFAD Loan				Government			Heifer			Banks			Beneficiaries			Total		
		Category allocation as per financing agreement	Cumulative	Reporting period	Cash forecast for Next reporting period	Cumulative	Reporting period	Cash forecast for Next reporting period	Cumulative	Reporting period	Cash forecast for Next reporting period	Cumulative	Reporting period	Cash forecast for Next reporting period	Cumulative	Reporting period	Cash forecast for Next reporting period	Cumulative	Reporting period	Cash forecast for Next reporting period
I																				
II																				
III																				
IV																				
V																				
VI																				
VII																				
	Unallocated																			
Total																				

#### Key checks:

- The total expenditures for the "cumulative" and "reporting period" should equal the corresponding figures disclosed in the sources and uses of funds report.
- The total expenditures for the "cumulative" and "reporting period" by financier should equal the corresponding figures disclosed in the "Financial performance by financier by component" report.

#### Explanatory notes:

- The financial information of the report should be based on the same accounting basis/standard as the project annual financial statements.
- The currency of the report, should be the same currency as the project annual financial statements.
- The financial information presented in the report should always have been generated by proper accounting software. Excel is not an acceptable accounting software and it should only be used to edit and combine data to fit the agreed format
- The categories of expenditure should mirror the categories of the Financing Agreement
- "Reporting period" refers to transactions occurred in the quarter/semi-annual reporting period as agreed with IFAD period and "cumulative" refers to the occurred transactions from the beginning of the project until the end of the reporting period
- An exchange loss should not be reported as a separate expenditure item. Instead, it should be linked to specific expenditures/expenditure categories
- Only cash Beneficiary contribution should be reported. Not in-kind.
- "Cash forecasts" refers to the estimated expenditures for the following reporting period.

#### 4: Financial performance by financier by component

Project Name : \_\_\_\_\_

Lead Project Implementing Agency: \_\_\_\_\_

Reporting Period: \_\_\_\_\_

Component	IFAD Loan						Government (Budget & tax)						Heifer						Banks						Beneficiaries						Total												
	Reporting period			Cumulative			Reporting period			Cumulative			Reporting period			Cumulative			Reporting period			Cumulative			Reporting period			Cumulative			Reporting period			Cumulative									
	Planned (AWPB)	Actual	%	Planned (Design report)	Actual	%	Planned (AWPB)	Actual	%	Planned (Design report)	Actual	%	Planned (AWPB)	Actual	%	Planned (Design report)	Actual	%	Planned (AWPB)	Actual	%	Planned (Design report)	Actual	%	Planned (AWPB)	Actual	%	Planned (Design report)	Actual	%	Planned (AWPB)	Actual	%	Planned (Design report)	Actual	%							
Component-1																																											
Sub Component 1.1																																											
Sub Component 1.2																																											
Sub Component 1.3																																											
Sub-Total																																											
Component-2																																											
Sub Component 2.1																																											
Sub Component 2.2																																											
Sub-Total																																											
Component-3																																											
Sub Component 3.1																																											
Sub Component 3.2																																											
Sub-Total																																											
Total																																											

**Key checks:**

- The total expenditures for the "cumulative" and "reporting period" should equal the corresponding figures disclosed in the sources and uses of funds report
- The total expenditures for the "cumulative" and "reporting period" by financier should equal the corresponding figures disclosed in the "Summary of Expenditures by Loan Categories and By Financiers" report
- The Planned AWPB figures should match with the figures from the most recent approved AWPB
- The Planned AWPB figures should match with the figures from the most recent approved cost tables/ Project Design Report (PDR)
- The total expenditures for the "cumulative" and "reporting period" should equal the corresponding figures reported to the national government.

**Explanatory notes:**

- The projects should prepare the report using the same accounting basis/standard that they use when they prepare the annual financial statements
- The currency of the report, should be the same currency as the project annual financial statements.
- The financial information presented in the report should always be generated by proper accounting software. Excel is not an acceptable accounting software and it should only be used to edit and combine data to fit the agreed format
- "Reporting period" refers to transactions occurred in the quarter/semi-annual reporting period as agreed with IFAD period and "cumulatively" refers to the occurred transactions from the beginning of the project until the end of the reporting period
- Similar to the project annual statements, only cash Beneficiary contribution should be reported, not in-kind contributions
- Planned (AWPB) refers to the total annual planned expenditures as expressed in the relevant annual workplan and budget (AWPB). The planned (AWPB) expenditures should be expressed in the same currency as the actual expenditures expenditure to enable comparison of budgeted expenditures against actual expenditures.
- "Planned (design report)" refers to the total project expenditures as expressed in the project design report. The planned (design report) expenditures should be expressed in the same currency as the expenditures to enable comparison of expenditures at design against actual expenditures.
- "Actual" refers to the actual expenditures already incurred in the specified time period.
- % this column compares the planned (AWPB or design report) expenditures with the actual expenditures - actual expenditures are divided by the planned (AWPB or design report) expenditures.



## 5: Semi-annual cash flow forecast by financier (in currency of the DA)

Project Name : \_\_\_\_\_

Lead Project Implementing Agency: \_\_\_\_\_

Reporting Period: \_\_\_\_\_

Time period	Quarter 1					Quarter 2				
	IFAD Loan	Govt	Heifer	Banks	Total (all financiers)	IFAD Loan	Govt	Heifer	Banks	Total (all financiers)
Financier										
Opening balances consisting of:										
Designated Bank Account										
Project Account										
Government funding account										
Heifer										
Cash at hand										
Total										
Cash Inflow from										
IFAD Loan										
Government										
Heifer										
Other Sources										
Total Cash Inflow										
Cash Outflow (expenditures)										
1- Civil works										
2- Goods, Equipment & vehicles										
3-Training and Studies										
4-Credit Line										
5-PMU Salaries and operating costs										
Total Cash Outflow										
Net Cash flow										
Closing balance										
Designated Bank Account										
Project Account										
Government funding account										
Heifer										
Cash at hand										
Total										
Total Funds Available										

### Key Checks:

- The opening balances should match with the closing balances of the sources and uses of funds report
- The cash outflows in the different categories should match with the cash forecast outlined in the "Summary of Expenditures by Loan Categories and By Financiers" report.
- Explanatory notes:
- The currency of the report should be the currency of the Designated Account, usually in USD. When converting expenditures in to the Currency of the DA one should apply the prevailing exchange of the last day of the reporting period.
- When reporting the opening and closing balance for accounts with pooled funds from different financiers such as the operating account, these funds should be attributed to the original financing source in the respective column.

## 6: Progress report on Audit recommendations

Project Name: \_\_\_\_\_

Lead Project Implementing Agency: \_\_\_\_\_

Reporting Period: \_\_\_\_\_

<b>Recommendation</b>	<b>Date of the recommendation</b>	<b>Planned action to address the recommendation</b>	<b>Current Status of the planned action</b>

## 7: Statement of Expenditures/ Withdrawal Application Statement by financing source and Disbursement Method

Project Name : \_\_\_\_\_

Lead Project Implementing Agency: \_\_\_\_\_

Reporting Period: \_\_\_\_\_

<b>WA submitted to IFAD during the reporting period - IFAD Loan</b>										
	<b>WA no 1 (currency of the DA)</b>	<b>WA no. 1 (Currency of the PFS)</b>	<b>WA no 2 (currency of the DA)</b>	<b>WA no 2 (Currency of the PFS)</b>	<b>WA no 3 (currency of the DA)</b>	<b>WA no 3 (Currency of the PFS)</b>	<b>WA no 4 (currency of the DA)</b>	<b>WA no 4 (Currency of the PFS)</b>	<b>Total (currency of the DA)</b>	<b>Total (currency of the PFS)</b>
Disbursement Method:										
DA replenishments										
Direct payment										
Reimbursements										
Total										
Rejected from IFAD										
Net Reimbursed										
<b>WA submitted to IFAD during the reporting period - IFAD grant</b>										
	<b>WA no 1 (currency of the DA)</b>	<b>WA no. 1 (Currency of the PFS)</b>	<b>WA no 2 (currency of the DA)</b>	<b>WA no 2 (Currency of the PFS)</b>	<b>WA no 3 (currency of the DA)</b>	<b>WA no 3 (Currency of the PFS)</b>	<b>WA no 4 (currency of the DA)</b>	<b>WA no 4 (Currency of the PFS)</b>	<b>Total (currency of the DA)</b>	<b>Total (currency of the PFS)</b>
Disbursement Method:										
DA replenishments										
Direct payment										
Reimbursements										
Total										
Rejected from IFAD										
Net Reimbursed										

<b>WA pending submission to IFAD - IFAD Loan</b>										
	<b>WA no 1 (currency of the DA)</b>	<b>WA no. 1 (Currency of the PFS)</b>	<b>WA no 2 (currency of the DA)</b>	<b>WA no 2 (Currency of the PFS)</b>	<b>WA no 3 (currency of the DA)</b>	<b>WA no 3 (Currency of the PFS)</b>	<b>WA no 4 (currency of the DA)</b>	<b>WA no 4 (Currency of the PFS)</b>	<b>Total (currency of the DA)</b>	<b>Total (currency of the PFS)</b>
Disbursement Method:										
DA replenishments										
Direct payment										
Reimbursements										
Total										
<b>WA pending submission to IFAD - IFAD Grant</b>										
	<b>WA no 1 (currency of the DA)</b>	<b>WA no. 1 (Currency of the PFS)</b>	<b>WA no 2 (currency of the DA)</b>	<b>WA no 2 (Currency of the PFS)</b>	<b>WA no 3 (currency of the DA)</b>	<b>WA no 3 (Currency of the PFS)</b>	<b>WA no 4 (currency of the DA)</b>	<b>WA no 4 (Currency of the PFS)</b>	<b>Total (currency of the DA)</b>	<b>Total (currency of the PFS)</b>
Disbursement Method:										
DA replenishments										
Direct payment										
Reimbursements										
Total										

**Key checks:**

- The figures disclosed in the "WAs submitted to IFAD" - section should match with the corresponding figures of the historic transaction report of the IFAD Loans System (LS).
- The figures disclosed in the "WAs pending submission" - section should match with the corresponding figures in the "cash inflow"- section of the Cash forecast report (report no. 6).

**Explanatory notes:**

- The "Currency of the DA" refers to the currency in which the Designated Account is maintained and the Withdrawal applications are submitted. In cases of direct payments, or reimbursements the currency of the WA might differ from the currency of the Designated Account. In these cases the sums should be converted to the currency of the Designated Account for the purpose of the report.
- The "Currency of the PFS" refers to the currency in which the project financial statements (PSF) are prepared.

**8.2.16 Appendix FM-16: Project Financial Statements**

**Sample of Project Audited Financial Statements**

**Accruals Based Accounts**

Project Name.....

Implementing Agency.....

IFAD Loan/ Grant Number (s).....

PROJECT FINANCIAL STATEMENTS

FOR THE YEAR ENDED July 15 or 16 , 202X

**PROJECT NAME AND NUMBER  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED July 15 or 16, 202X**

<b>CONTENTS</b>	<b>PAGE</b>
Project Information and performance	
Statement of project management responsibilities	
Report of the independent auditor	
Statement of Financial Position	
Statement of Operating Performance (by category)	
Statement of Operating Performance (by component)	
Statement of Cash flows	
Statement of Comparison of Budget and Actual by Category	
Statement of Comparison of Budget and Actual by Component	
Designated Account Statement	
Designated Account Reconciliation Statement	
SOEs -Withdrawal Application Statement	
Notes to the Financial Statements (A summary of significant accounting policies and other explanatory notes)	

## **PROJECT NAME AND NUMBER**

### **PROJECT INFORMATION AND PERFORMANCE**

- **Institutional Details/Information:** Implementing agency, status, location, names, account numbers and address of bankers (Designated and Project accounts) name and address of independent auditors
- **Members of the Project Implementing Unit:** Names and roles
- **Background Information on the Project:** Source of financing: size of Loan/Grant(s), effective and closing date(s)
- **Project Objectives:** As per Design Completion/Appraisal Report
- **Project Costs:** By component and category of expenditures as per Financing Agreement and Design Completion/Appraisal Report
- **Summary of Performance:** Physical progresses as per Progress/Supervision Reports

**PROJECT NAME AND NUMBER**

Statement of Project Coordinator's/Management Responsibilities



**(INDEPENDENT AUDITOR'S LETTERHEAD)**

**REPORT OF THE INDEPENDENT AUDITORS**

(Auditor's report on the Project Financial Statements ad Designated Accounts)

**PROJECT NAME AND NUMBER**  
**STATEMENT OF FINANCIAL POSITION**  
**AS ON JULY 15 or 16, 202X**

Particulars	Notes	202X/2X	202X/2X
		(Current Year)	(Previous Year)
		In NPR	In NPR
<b>ASSETS</b>			
<b><u>Current Assets</u></b>			
Cash and Cash equivalents	4	XXX	XXX
Receivables		XXX	XXX
Prepayments		XXX	XXX
<b>Total Current Assets</b>		<b>XXX</b>	<b>XXX</b>
<b><u>Non-Current Assets</u></b>			
Infrastructure, plant and equipment	9	XXX	XXX
Motor Vehicles	9	XXX	XXX
Building	9	XXX	XXX
<b>Total Assets</b>		<b>XXX</b>	<b>XXX</b>
<b>LIABILITIES</b>			
<b><u>Current Liabilities</u></b>			
Payables		XXX	XXX
Other		XXX	XXX
Deferred Income (Designated Account balance)		XXX	XXX
<b>Total Current Liabilities</b>		<b>XXX</b>	<b>XXX</b>
<b><u>Non-Current Liabilities</u></b>			
Payables		XXX	XXX
Net Assets		XXX	XXX
<b>NET ASSETS/FUNDS</b>		<b>XXX</b>	<b>XXX</b>
<b>Accumulated Surplus/Deficit</b>			
<b>Total Net assets/Funds</b>		<b>XXX</b>	<b>XXX</b>

**PROJECT NAME AND NUMBER**  
**STATEMENT OF OPERATING PERFORMANCE (BY CATEGORY OF EXPENDITURES)**  
**FOR THE YEAR ENDED JULY 15 or 16, 202X**

Category	Particulars	Notes	202X/2X (Current Year)	202X/2X (Previous Year)	Cumulative to date
			In NPR	In NPR	In NPR
	<b>Sources of Funds</b>				
	<b>IFAD Financing:</b>				
	Replenishments to DA of IFAD Loan		XXX	XXX	XXX
	IFAD Loan Direct Payments		XXX	XXX	XXX
	Government Funds		XXX	XXX	XXX
	Heifer		XXX	XXX	XXX
	ADBL Funds		XXX	XXX	XXX
	State & Local Government		XXX	XXX	XXX
	Beneficiaries		XXX	XXX	XXX
	Other Receipts		XXX	XXX	XXX
	<b>TOTAL FINANCING</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Application of Funds</b>				
	Project Expenditures (By Categories):				
	<b>IFAD Credit</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
4	DDD		XXX	XXX	XXX
5	EEE		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Government Funds</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
4	DDD		XXX	XXX	XXX
5	EEE		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Heifer</b>				
2	BBB		XXX	XXX	XXX
4	DDD		XXX	XXX	XXX
5	EEE		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>ADBL Funds</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
4	DDD		XXX	XXX	XXX
5	EEE		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>State and Local Government</b>				
1	AAA		XXX	XXX	XXX
	<b>Beneficiaries</b>				
1	AAA		XXX	XXX	XXX
2	<b>TOTAL PROJECT EXPENDITURES</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>SURPLUS/DEFICIT</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

**PROJECT NAME AND NUMBER**  
**STATEMENT OF OPERATING PERFORMANCE (BY COMPONENT)**  
**FOR THE YEAR ENDED JULY 15 or 16, 202X**

Component	Particulars	Notes	202X/2X	202X/2X	Cumulative
			(Current Year)	(Previous Year)	to date
			In NPR	In NPR	In NPR
	<b>Sources of Funds</b>				
	<b>IFAD Financing:</b>				
	Replenishments to DA of IFAD Loan		XXX	XXX	XXX
	IFAD Loan Direct Payments		XXX	XXX	XXX
	Government Funds		XXX	XXX	XXX
	Heifer		XXX	XXX	XXX
	ADBL Funds		XXX	XXX	XXX
	State & Local Government		XXX	XXX	XXX
	Beneficiaries		XXX	XXX	XXX
	Other Receipts		XXX	XXX	XXX
	<b>TOTAL FINANCING</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	Application of Funds				
	Project Expenditures (By Component) :				
	<b>IFAD Credit</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Government Funds</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Heifer</b>				
1	AAA		XXX	XXX	XXX
	<b>ADBL Funds</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>State &amp; local Government</b>				
3	CCC		XXX	XXX	XXX
	<b>Beneficiaries</b>				
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>TOTAL PROJECT EXPENDITURES</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>SURPLUS/DEFICIT</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

**PROJECT NAME AND NUMBER**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JULY 15 or 16, 202X**

<b>Particulars</b>	<b>Notes</b>	<b>202X/2X (Current Year)</b>	<b>202X/2X (Previous Year)</b>
		In NPR	In NPR
<b>Cash Flow from Operating Activities</b>			
<b>Adjustments to reconcile net income to net cash Provided by operating activities:</b>			
Depreciation and amortization		<b>XXX</b>	<b>XXX</b>
<b>Changes in other accounts affecting operations:</b>			
Increase/decrease in payables		XXX	XXX
Increase/decrease in receivables		XXX	XXX
Increase/decrease in prepaid expenses		XXX	XXX
Increase in Other current assets		XXX	XXX
<b>Net cash flows from Operating activities</b>		<b>XXX</b>	<b>XXX</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of project property and equipment		(XXX)	(XXX)
Sales of project property and equipment		XXXX	XXXX
Other		(XXX)	(XXX)
<b>Net Cash Flows from Investing Activities</b>		<b>(XXX)</b>	<b>(XXX)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Grant/Loan not recognised as Income/Deferred		XXX	XXX
Proceeds from Counterpart financing not recognised as income		XXX	XXX
Other		XXX	XXX
<b>Net Cash used in Financing Activities</b>			
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>XXX</b>	<b>XXX</b>
<b>Cash and Cash Equivalents at beginning of Period</b>		<b>XXX</b>	<b>XXX</b>
<b>Cash and Cash Equivalent at the end of Period</b>		<b>XXX</b>	<b>XXX</b>

**PROJECT NAME AND NUMBER**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS BY**  
**CATEGORY**  
**FOR THE YEAR ENDED JULY 15 or 16, 202X**

Category	Description	Notes	202X/2X Budget	202X/2X Actual	Variance
			In INR	In INR	In INR
	<b>FINANCING</b>				
	<b>IFAD Financing:</b>				
	Replenishments to DA of IFAD Loan		XXX	XXX	XXX
	IFAD Loan Direct Payments		XXX	XXX	XXX
	Government Funds		XXX	XXX	XXX
	Heifer		XXX	XXX	XXX
	ADBL Funds		XXX	XXX	XXX
	State & Local Government		XXX	XXX	XXX
	Beneficiaries		XXX	XXX	XXX
	Other Receipts		XXX	XXX	XXX
	<b>TOTAL FINANCING</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Project Expenditures:</b>				
	(By Category Of Expenditures)				
	<b>IFAD CREDIT</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
4	DDD		XXX	XXX	XXX
5	EEE		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Government Funds</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
4	DDD		XXX	XXX	XXX
5	EEE		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Heifer</b>				
2	BBB		XXX	XXX	XXX
4	DDD		XXX	XXX	XXX
5	EEE		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>ADBL Funds</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
4	DDD		XXX	XXX	XXX
5	EEE		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>State and Local Government</b>				
1	AAA		XXX	XXX	XXX
	<b>Beneficiaries</b>				
1	AAA		XXX	XXX	XXX
	<b>TOTAL PROJECT EXPENDITURES</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Surplus/Deficit for the period</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
The excess/deficit of actual expenditures over the Budget of X% was due to....					

**PROJECT NAME AND NUMBER**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS BY**  
**COMPONENT**  
**FOR THE YEAR ENDED JULY 15 or16, 202X**

Comp.	Description	Notes	202X/2X Budget	202X/2X Actual	Variance
			In INR	In INR	In INR
	<b>FINANCING</b>				
	Replenishments to DA of IFAD Loan		XXX	XXX	XXX
	IFAD Loan Direct Payments		XXX	XXX	XXX
	Government Funds		XXX	XXX	XXX
	Heifer		XXX	XXX	XXX
	ADBL Funds		XXX	XXX	XXX
	State & Local Government		XXX	XXX	XXX
	Beneficiaries		XXX	XXX	XXX
	Other Receipts		XXX	XXX	XXX
	<b>TOTAL FINANCING</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Project Expenditures:</b>				
	(By Component Of Expenditures)				
	<b>IFAD CREDIT</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Government Funds</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Heifer</b>				
1	AAA		XXX	XXX	XXX
	<b>ADBL Funds</b>				
1	AAA		XXX	XXX	XXX
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>State &amp; local Government</b>				
3	CCC		XXX	XXX	XXX
	<b>Beneficiaries</b>				
2	BBB		XXX	XXX	XXX
3	CCC		XXX	XXX	XXX
	<b>TOTAL</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>TOTAL PROJECT EXPENDITURES</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
	<b>Surplus/Deficit for the period</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
The excess/deficit of actual expenditures over the Budget of X% was due to....					

**PROJECT NAME AND NUMBER  
DESIGNATED ACCOUNT STATEMENT  
FOR THE YEAR ENDED JULY 15 or 16, 202X**

Account No: \_\_\_\_\_

Bank: \_\_\_\_\_

Address: \_\_\_\_\_

Particulars	Notes	Amount in USD	Equivalent Amount in NPR
1 Opening Balance		XXX	XXX
Add:			
2 IFAD Replenishments:			
Date	WA No	XXX	
Date	WA No	XXX	
		XXX	
3 Bank Interest (If any)		XXX	XXX
Total		XXX	XXX
Deduct:			
4 Transfers to Operating Accounts/Government Treasury:			
Date		XXX	
Date		XXX	
		XXX	XXX
5 Bank Charges		XXX	XXX
6 Exchange Rate Difference			XXX
<b>7 Closing Balance as at July 15 or 16, 202X (as per Bank Statement) (1+2+3-4-5-6)</b>		<b>XXX</b>	<b>XXX</b>



## Designated Account Reconciliation Statement

For the year ended July 15 or 16, 202X

Project Title:

IFAD Loan/Grant No.:

Designated Account No.:

Bank:

DA)

Amount in USD (Currency of

S.N.	Description	Currency	Amount
1.	TOTAL ADVANCED BY IFAD	XXX	0.00
2.	LESS: TOTAL AMOUNT RECOVERED BY IFAD	-XXX	0.00
3.	EQUALS PRESENT OUSTANDING AMOUNT ADVANCED TO THE DESIGNATED ACCOUNT (NUMBER 1 LESS NUMBER 2)	XXX	0.00
4.	BALANCE OF DESIGNATED ACCOUNT PER ATTACHED BANK STATEMENT AS OF DATE: DATE, MONTH, YEAR	XXX	0.00
5.	PLUS BALANCE OF THE PROGRAMME ACCOUNT(S)	+XXX	0.00
	PLUS BALANCE OF SUB-ACCOUNTS	+XXX	0.00
	PLUS CASH IN HAND	+XXX	0.00
	Sub-total of 5:		0.00
	TOTAL OF BANK BALANCES, PA, SUB-ACCOUNTS & CASH IN HAND BALANCE (4+5):	=XXX	0.00
6.	PLUS: TOTAL AMOUNT CLAIMED IN THIS APPLICATION. No. XXX	+XXX	0.00
7.	PLUS: TOTAL AMOUNT WITHDRAWN FROM THE SPECIAL ACCOUNT/PA AND NOT YET CLAIMED (=3-4-5-8-11)	+XXX	0.00
	REASON: Eligible amount for which Withdrawal Application (WA) has not yet been prepared.		0.00
8.	PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS NOT YET CREDITED AT DATE OF BANK STATEMENT AND CLAIMED AFTER DATE OF BANK STATEMENT		
	APPLICATION No.      Date              USD              AMOUNT		
		USD	0.00
		USD	0.00
		USD	0.00
	SUBTOTAL OF PREVIOUS APPLICATIONS NOT YET CREDITED	+XXX	0.00
9.	MINUS: INTEREST EARNED	-XXX	0.00
10.	TOTAL ADVANCE ACCOUNTED FOR (NO.4 THROUGH NO.9)	=XXX	0.00
11.	EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10	+XXX	0.00
	Non-eligible amount to be refunded to PA XXX		0.00
	Non-eligible amount to be refunded to PA XXX		0.00
12.	DATE: _____	SIGNATURE: _____	
		Name in Full: XXX	
		Title in Full: XXX	

**PROJECT NAME AND NUMBER**  
**SOEs-WITHDRAWAL APPLICATION STATEMENT**  
**FOR THE YEAR ENDED JULY 15 or 16, 202X**  
**By Category of Expenditures in Local Currency**

Withdrawal Application Number	Date	Cat 1 In NPR	Cat 2 in NPR	Total in NPR	USD Equivalent	Rejected by IFAD		Net Reimbursed in USD
						In NPR	In USD	
<b>A. Replenishment</b>								
XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
<b>Sub-total</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>B. Direct Payment</b>								
XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
<b>Sub-total</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Total</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>WA Pending for Submission:</b>								
<b>A. Replenishment</b>								
XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
<b>Sub-total</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>B. Direct Payment</b>								
XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
<b>Sub-total</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Total</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>
<b>Grand Total</b>		<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

**Explanatory notes:**

- Withdrawal Applications are submitted for reimbursement to IFAD using the historical exchange rate of the transfer to the Operating (Project) Bank Account
- Expenditures partially or totally rejected by IFAD (if any) should be detailed here.
- The subtotal of amounts of withdrawal applications disbursed by IFAD should reconcile with the Sources and Uses of Funds Statement.

## **PROJECT NAME AND NUMBER**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 15 or 16, 202X**

#### **1 FINANCIAL REPORTING UNDER INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS) /Nepal Financial reporting Standards (NFRSs)**

In accordance with International Public Sector Accounting Standards (IPSAS)/ International Financial Reporting Standards (IFRS), notes to the financial statements of an entity should:

- Present any information about the basis of preparation of the financial statements and the specific accounting policies selected and applied for significant transactions and other events, and
- Provide additional information which is not presented on the face of the financial statements but is necessary for a fair presentation of the entity's cash receipts, cash payments, cash balances and other statements as statement of financial position.

#### **2 SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

##### **A Basis of Preparation**

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) based on the Accrual Basis of Accounting / Nepal Financial Reporting Standards (NFRSs).

##### **B Basis of Accounting**

The accrual basis of accounting recognizes transactions and events when they occur rather than when cash is received or paid by the entity. Expenses are therefore recognised when incurred and income when earned.

##### **C Foreign Currency Transactions**

Foreign currency translation for the income and expenditure account items are converted using the actual historic exchange rate at the conversion from designated account to project bank or government bank account. Where part of the expenditures has to be met from the proceeds of subsequent draw downs from designated account to project bank or government bank account, this is done on First in First out (FIFO) basis. All local expenditures paid from the project bank accounts/currency are translated back to the USD at the actual rate used for the transfer from designated bank to project bank account. Cash balances held in foreign currency are reported using the closing buying exchange rate. Gains/Losses on foreign currency transactions/balances are dealt within the Designated Account Statement.

#### **3 BUDGET**

The budget is developed on a cash basis, and with the same classification and for the same period as the financial statements, while the financial statements are prepared on an accrual basis. The approved budget covers the period from July 16 or 17, 202 to July 15 or 16, 202x. Material variances (above XXX) have been explained as notes to the financial statements.

#### 4 CASH/FUND BALANCES

Reconciliation

Bank Accounts	202X/2X (Current Year)	202X/2X (Previous Year)
	In NPR	In NPR
A/c No _____ Project Account	XXX	XXX
A/c No _____ Other Project Account	XXX	XXX
A/c No _____ IFAD Designated Account	XXX	XXX
<b>Total</b>	<b>XXX</b>	<b>XXX</b>

#### 5 GOVERNMENT COUNTERPART FUNDS

Cumulative contributions, yearly contributions (compared to budget). For information only include details of tax treatment and counterpart contributions as tax exemption.

#### 6 OTHER DONOR FUNDS

List of Donors	202X/2X (Current Year)	202X/2X (Previous Year)
	In NPR	In NPR
1	XXX	XXX
2	XXX	XXX
3	XXX	XXX
<b>Total</b>	<b>XXX</b>	<b>XXX</b>

Add details of cumulative and expected contributions

#### 7 OTHER RECEIPTS

Description	202X/2X (Current Year)	202X/2X (Previous Year)
	In NPR	In NPR
Interest Income	XXX	XXX
other income (specify)	XXX	XXX
<b>Total</b>	<b>XXX</b>	<b>XXX</b>

#### 8 NON-CURRENT ASSETS (For disclosure purpose only)

Amount in NPR

Description	Cat 1 -Infrastructure		Cat 2 Vehicles		Cat 3-Equipment	
	202X/2X (Current Year)	202X/2X (Previous Year)	202X/2X (Current Year)	202X/2X (Previous Year)	202X/2X (Current Year)	202X/2X (Previous Year)
Costs						
Opening Balance	XXX	XXX	XXX	XXX	XXX	XXX

Additions (Statement of Receipts and Payments)	XXX	XXX	XXX	XXX	XXX	XXX
Disposals	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
<b>Closing Balance</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

Description	Cat 1 -Infrastructure		Cat 2 Vehicles		Cat 3-Equipment	
	202X/2X (Current Year)	202X/2X (Previous Year)	202X/2X (Current Year)	202X/2X (Previous Year)	202X/2X (Current Year)	202X/2X (Previous Year)
Accumulated Depreciation						
Opening Balance	XXX	XXX	XXX	XXX	XXX	XXX
Additions (Statement of Receipts and Payments)	XXX	XXX	XXX	XXX	XXX	XXX
Disposals	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
<b>Closing Balance</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

Description	Cat 1 -Infrastructure		Cat 2 Vehicles		Cat 3-Equipment	
	202X/2X (Current Year)	202X/2X (Previous Year)	202X/2X (Current Year)	202X/2X (Previous Year)	202X/2X (Current Year)	202X/2X (Previous Year)
Net Book Values						
Opening Balance	XXX	XXX	XXX	XXX	XXX	XXX
Additions	XXX	XXX	XXX	XXX	XXX	XXX
Disposals	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
<b>Closing Balance</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

This schedule includes all assets acquired from the commencement of the Project. These assets are stated at cost. Existence and beneficial ownership have been verified by the auditors. Apart from the summary schedule, detailed schedules for annual changes to be included.

## 9 YEARLY PROCUREMENTS

Include here a list of the yearly procurements including procurement methods.

## 10 ALLOCATION AND USE OF THE FUNDS OF THE LOAN

Category	Allocated		Disbursed		Available Balance	
	Amount SDR	Equivalent USD	Amount SDR	Equivalent USD	Amount SDR	Equivalent USD
AAA	XXX	XXX	XXX	XXX	XXX	XXX

BBB	XXX	XXX	XXX	XXX	XXX	XXX
CCC	XXX	XXX	XXX	XXX	XXX	XXX
DDD	XXX	XXX	XXX	XXX	XXX	XXX
EEE	XXX	XXX	XXX	XXX	XXX	XXX
<b>Total</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

**11 RECONCILIATION OF FUNDS DISBURSED BY IFAD AND FUNDS RECEIVED BY THE PROGRAMME**

Category	Disbursed by IFAD			Received by Project			Difference		
	Amount NPR	Amount SDR	Equivalent USD	Amount INR	Amount SDR	Equivalent USD	NPR	SDR	USD
AAA	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
BBB	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
CCC	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
DDD	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
EEE	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
<b>Total</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>	<b>XXX</b>

## **8.2.17 Appendix FM-17: Sample Terms of Reference for the Audit of Project**

### **1: Terms of Reference for the Audit of the Project**

The template terms of reference (ToR) can be found in Annex 7 of the Handbook.

### **2 : Letter of Engagement of Auditor**

To the Project Management (or appropriate Project Director):

You have requested that we audit the project financial statements of the..... Project [insert name of the project], which comprises the statement of financial position as at July 15 or 16, 202X, statement of operating performance, statement of cash flows, and statement of comparison of budget and actual for the year then ended, and notes to the financial statements, including summary of significant accounting policies. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance as a high level of assurance, but is not as guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI) or national Standards on Auditing (NSAs) will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

Our audit will be carried out in accordance with International Standards of Supreme Audit Institutions (ISSAI) or national Standards on Auditing (NSA) promulgated by the ICAN. Those standards require that we comply with ethical requirements. As part of an audit in accordance with NSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identifies during the audit.
- Evaluate the appropriateness of an accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

In forming our opinion on the financial statements, we will perform sufficient tests and reviews to obtain reasonable assurance as to whether the information contained in the

underlying accounting records and other source data are reliable and sufficient as the basis for the preparation of the financial statements. We will also determine whether the information is properly communicated in the financial statements.

Because of the nature of the tests and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with NSAs. However, we expect to provide you with a separate management letter concerning any material weaknesses in internal control that come to our notice.

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- (a) For the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS)/Nepal Financial Reporting Standards (NFRS) based on the Accrual Basis of Accounting;
- (b) For such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error; and
- (c) To provide us with:
  - (i) Access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, all legal documents, documentation and other matters;
  - (ii) Additional information that we may request from management for the purpose of the audit; and
  - (iii) Unrestricted access to persons within the project from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management written confirmation of representations made to us in connection with the audit.

We look forward to receiving the full cooperation of your staff during our audit. We trust that they will make available to us whatever records, documentation and other information we may request in connection with our audit.

Our fees will be as mutually agreed based on our proposal, plus direct out-of-pocket expenses.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Name of firm or company, (Chartered accountants)

NOTE: Additional items may be included in the engagement.



### 3: Audit log

#### (a) Summary Status of Audit Observations

Project Name: _____		Loan Financing No. _____				
Financial Year	Audit Observations according to Audit Report		Audit Observations Settled		Audit Observations Outstanding	
	Numbers	Value (INR)	Numbers	Value (INR)	Numbers	Value (INR)
Total:						

#### (b) Detailed Log of Audit Observations

Audit Observations								
Project Name: _____								
Loan/Grant/Financing No. _____								
S. No.	Financial year	Class: Serious/general	Audit Ref.	Audit observations	Amount per Observation (INR)	Action taken by the project (Reply of Para wise)	Auditor's Validation Results Implemented/Settled Partially Settled	Total amount not Implemented/Pending (INR)
		Total:						

### **8.2.18 Appendix FM-18: Sample Terms of Reference of the Internal Auditor**

The internal auditor will conduct internal audit on half yearly basis in accordance with Auditing & Assurance Standards prescribed by the Institute of Chartered Accountants of Nepal, include such tests and controls as the auditor considers necessary under the circumstances and shall be responsible for the following:

- Check eligibility of expenditure with supporting documents to substantiate the nature and amounts of expenditures for intended purpose and compliance with the prevailing Laws, financial rules and procedures, financing agreement, project agreement, and letter to the borrower, general conditions of IFAD, and procurement guidelines, and memorandum of understanding.
- Ensure that all project funds received under the project have been used with due attention to economy, efficiency and effectiveness and only for the purposes for which the financing was provided.
- Ensure that all required books of accounts for the financial transactions of the project are being maintained and updated, bank accounts are being reconciled and financial reports are being prepared correctly.
- Ensure that the accounting and financial management systems remain reliable and effective in design and assess the extent to which they are being followed.
- Review the efficacy, adequacy and application of accounting, financial and operating controls and thereby ensure the accuracy of the books of accounts.
- Verify that the system of internal check is effective in design and operation in order to ensure the prevention of and early detection of defalcations, frauds, misappropriations and misapplications.
- Assess the effectiveness of operation of the project's financial management system, review effectiveness of internal control mechanism in project implementation.
- Identify areas of significant inefficiencies in existing systems and suggest necessary remedial measures for improvements if required.
- Review that allocation of the expenditure between IFAD and counterpart funding is in accordance with the IFAD financing agreement, Memorandum of Understanding, subsidiary loan agreement and cost table.
- Review statutory compliances as may be applicable such as proper deduction and filing of TDS, Income tax, PF returns and other applicable.
- Review the efficiency and timeliness of the funds flow mechanism at the PMU of the Lead Programme Agency and the concerned implementing agencies and whether there are delays impacting the timely implementation of project. The auditor should also identify and report the reasons for such delays and possible remedial measures.
- Ensure that the records of all procurement, agreement, work / purchase orders, invoices, receipts, stock registers, contract register, contract payment monitoring form etc. are properly maintained and retained for the required period.
- Review the contract management and ensure compliance with the terms and conditions of the contract.
- Check that the Statements of Expenditure (SOE) submitted by PMU to IFAD are reconciled with the expenditures reported in the financial reports.
- Ensure that the SOEs are submitted in timely manner to PMU by the implementing partner/ agencies and partner groups/organizations.
- Check whether adequate records are maintained regarding the assets created and assets acquired by the project, including description, details of cost, identification and location of assets.
- Carry out physical verification of a sample of assets created out of the project and comment on its utilization and whether they are adequately safeguarded.

- Ensure whether the physical verification of assets is being carried out with due diligence by the PMU and implementing agencies at least once in a year.
- Check the accounting for the advances to project implementing agencies, project staff, suppliers and service providers and monitoring of settlement of advances.
- Ensure that all necessary supporting documents and records have been separately maintained in respect of all project activities and that clear nexus exist between supporting documents, accounting books and records and the periodic financial reports of the implementing agencies and the PMU.
- Confirm that the agreed procurement procedures and arrangements have been followed for works, goods and services and basic principles of economy, efficiency and social equity have been followed.
- Check that the monthly/quarterly expenditure statements showing approved budget, expenditure during the month, and cumulative expenditure against the activity / sub activity during the period in accordance with the books of accounts, statement of outstanding advance and fund balance, statement of expenditures and fund utilization statement submitted by the implementing agencies and ensure that they are being submitted on time to PMU.
- Check that project accounts have been prepared in accordance with International Public Sector Accounting Standards (IPSAS)/ Nepal Financial Reporting Standard (NFRSs) based on Accrual Basis of Accounting.
- Check corrective actions taken by the management for audit deficiencies reported in the previous external and internal audit report and status of outstanding audit observations.

The Internal Auditor shall conduct internal audit at PMU and other cost centres if required based on nature and volume and transactions and risk assessment and submit half yearly reports to the Project Director along with the actions taken to resolve audit observations.

## **8.3 Terms of Reference for key posts**

### **ToR for key posts under the programme**

1.ToR for Programme Director (ADBL CEO)	244
2.ToR for Programme Coordinator (ADBL PMU Director)	246
3.ToR for Focal Person Coordinator	248
4.ToR for Focal Person Officer	250
5.ToR for Supply Chain Coordinator	252
6.ToR for Supply Chain Officer	254
7.ToR for Social Economic Mobilization Expert	256
8.ToR for Social Economic Mobilization Coordinator	258
9.ToR for Social Economic Mobilization Officer (Technical Officer)	260
10. ToR for Agricultural Value Chain Financing Expert	261
11. ToR of Climate Smart Agriculture Finance Specialist	263
12. ToR for Infrastructure Expert	267
13. ToR for Infrastructure Procurement Specialist	267
14. ToR for Sub-engineers/Overseers (Provincial offices)	269
15. Programme Chief Finance Officer	270
16. Accounts Officer – Provincial and Branch Offices	272
17. Account Assistants – PMU, Provincial and Branch Offices	274
18. ToR for Targeting, Gender and Inclusion Specialist	276
19. ToR for Monitoring and Evaluation Specialist	280

## 1. ToR for Programme Director (ADBL CEO)

<b>Position:</b>	VITA Programme Director
<b>Reports to:</b>	Steering Committee
<b>Supervises:</b>	All programme activities.
<b>Duty station:</b>	ADBL HO
<b>Summary of role:</b>	The <b>Programme Director (PD)</b> will lead the overall delivery of all aspects of the programme, ensure close coordination between component teams and among implementing partners within scope, budget and timeline along the commitments specified in the programme financing agreement, under the guidance of the programme Steering Committee to achieve high quality and timely agreed results and deliverables of the programme. The PD will be fully supported by the PMU in this role.
<b>Mode of contract:</b>	ADBL CEO serves as the VITA Programme Director
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Overall management, facilitation and supervision of programme implementation, under the guidance of the Programme Steering Committee (PSC)</li> <li>• Ensure full integration of Component 1, 2 and 3 activities and teams to deliver whole programme results.</li> <li>• Coordinate and manage the relationship[ between ADBL and key implementing partners and stakeholder for the programmes</li> <li>• Provide guidance and leadership to establish and setting up the PMU and programme teams, putting in place the management, financial and operations procedures for programme implementation.</li> <li>• Supervise the appointment/hiring of competent key programme personnel.</li> <li>• Overall guidance and support to PMOU in preparing relevant aspects of the Programme Implementation Manual, strategies and guidelines covering all component operations and systems including fund necessary for programme implementation</li> <li>• Overall guidance and support to PMU in establishing accounts and accounting procedures, financial arrangements and ensuring effective management of procurement, disbursement and funds replenishment operations in accordance with prescribed procedures</li> <li>• Coordination of IFAD Supervision and Implementation missions regarding Programme progress and ensure timely submission of annual work plan and budget for approval and withdrawal application for disbursement</li> <li>• Supervision and monitoring all programme activities and timely reporting on programme performance and impact to MOF, IFAD and the Steering Committee as required by government and IFAD</li> <li>• Attend programme Steering Committee (SC) and ensure smooth coordination and cooperation with MOF, MOALD, NRB, IFAD and other concerned stakeholders in implementing programme activities.</li> </ul> <p><u>Inclusions aspects</u></p>

	<ul style="list-style-type: none"> <li>• Take overall responsibility of programme performance on raising smallholder incomes, including for poor and near poor farmers.</li> <li>• Develop a corporate programme approach in which both the inclusion and market aspects of the Programme are equally important.</li> <li>• Represent programme approach and progress to social and economic inclusion in the policy and development arena.</li> <li>• Ensure that evidence-based analysis from Programme interventions inform IFAD policy and support and extend the agenda for inclusive market development in Nepal.</li> </ul>
<b>Experience &amp; qualifications</b>	ADBL CEO

## 2. ToR for Programme Coordinator (ADBL PMU Director)

<b>Position:</b>	<b>Programme Coordinator (ADBL PMU Director)</b>
<b>Reports to:</b>	Programme Director (PD)
<b>Supervises:</b>	All PMU staff. Senior programme staff in provincial/branch offices – in coordination with relevant line management structures.
<b>Duty station:</b>	ADBL HO
<b>Summary of role:</b>	The <b>Programme Coordinator</b> will assist the PD to lead the overall delivery of all aspects of the programme and ensure close coordination between all components and activities within scope, budget and timeline along the commitments specified in the contract signed with IFAD, under the guidance of the Programme Director and the programme Steering Committee to achieve high quality and timely agreed results and deliverables of the programme.. The PC will lead the PMU.
<b>Mode of contract:</b>	Deputed by ADBL
<b>Main responsibilities</b>	<p>To assist the PD in carrying out the following responsibilities:</p> <ul style="list-style-type: none"> <li>• Overall management, facilitation and supervision of programme implementation, under the guidance of the Programme Steering Committee (PSC)</li> <li>• Ensure full integration of al, component activities and teams to deliver whole programme results.</li> <li>• Provide day-to-day management of relationship with key implementing partners and programme stakeholder</li> <li>• Provide guidance and leadership to establish and setting up the PMU and programme teams, putting in place the management, financial and operations procedures for programme implementation.</li> <li>• Supervise the assignment /hiring of competent key programme personnel.</li> <li>• Overall guidance and support to PMU in preparing relevant aspects of the Programme Implementation Manual, strategies and guidelines covering all component operations and systems including fund necessary for programme implementation</li> <li>• Overall guidance and support to PMU in establishing accounts and accounting procedures, financial arrangements and ensuring effective management of procurement, disbursement and funds replenishment operations in accordance with prescribed procedures</li> <li>• Coordination of IFAD Supervision and Implementation missions regarding Programme progress and ensure timely submission of annual work plan and budget for approval and withdrawal application for disbursement</li> <li>• Supervision and monitoring all programme activities and timely reporting on programme performance and impact to MOF, IFAD and the Steering Committee as required by government and IFAD</li> <li>• Attend the Programme Steering Committee as the Member Secretary</li> </ul> <p><b><u>Inclusions aspects</u></b></p>

	<ul style="list-style-type: none"> <li>• Take overall responsibility of programme performance on raising smallholder incomes, including for poor and near poor farmers..</li> <li>• Develop a corporate programme approach in which both the inclusion and market aspects of the Programme are equally important.</li> <li>• Represent programme approach and progress to social and economic inclusion in the policy and development arena.</li> <li>• Ensure that evidence-based analysis from Programme interventions inform IFAD policy and support and extend the agenda for inclusive market development in Nepal.</li> </ul>
<b>Experience &amp; qualifications</b>	ADBL PMU Director



### 3. ToR for Focal Person Coordinator

<b>Position:</b>	<b>Focal Person Coordinator</b>
<b>Reports to:</b>	Programme Coordinator and Head, SME Department
<b>Supervises:</b>	Component 1 team in coordination with PD
<b>Duty station:</b>	ADBL SME Department
<b>Summary of role:</b>	Under the direct supervision of Programme Coordinator and guidance of Head, SME Department, the Focal person will facilitate and support the delivery of all aspects of Component 1 in tandem with component 2 activities and ensure close coordination between Programme Implementation Unit and SME department of ADBL. S/he will guide and coach Provincial/Hub staff for implementation and support ADBL SME Department for identify critical areas of investment, business planning, investment analysis and other areas that lead to improved performance of the SMEs financing and overall supply chain system.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable up to the Programme period based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Responsible for overall management, facilitation, and supervision of Component 1 implementation under the guidance of Programme Coordinator and Head, SME Department;</li> <li>• Ensure full integration of Component 1 and Component 2 activities and ensure smooth coordination and cooperation among Programme teams and Bank staff to deliver whole Programme results;</li> <li>• Facilitate and support ADBL SME Department to identify critical interventions for investment, business planning, investment analysis and other areas that lead to improved performance of the SMEs financing and overall supply chain system in close coordination with PIU;</li> <li>• Facilitate and Support ADBL SME Department in undertaking comprehensive analysis of all interventions recommended through the MSPs which are subsequently supported by loans under the Programme;</li> <li>• Facilitate and support market intelligence on investment made by other like-minded banks and FIs;</li> <li>• Provide strategic support to SME Department team for enhancing credit support in developing respective supply chains investment proposals;</li> <li>• Ensure that evidence-based analysis from Programme interventions inform ADBL policy and support inclusive financing development in Banks</li> <li>• Coordinate, Coach and Mentor Supply chain team and other Programme staff on supply chain development practices and processes: through focused and actor driven Programme facilitation for specific supply chains in continuous multi-stakeholder consultation process (MSP);</li> </ul>

	<ul style="list-style-type: none"> <li>• Develop training modules /manuals on SCD and MSP and conduct training and capacity building activities on supply chain development and market system facilitation to Programme staff at various level;</li> <li>• Support staff for Brokering “win-win” and trust-based business or service relationships among Supply chain actors including improvement in business enabling environment;</li> <li>• Support Programme Monitoring and Evaluation (M&amp;E) team to establish supply chain specific baselines for the M&amp;E system and result measurements,</li> <li>• Contribute to the knowledge development in the relevant supply chains by undertaking case studies and document and promote learning in activities/investment following the knowledge agenda;</li> <li>• Document the lessons learn around agricultural finance, the effectiveness and efficiency and other support mechanisms, in collaboration with other relevant staff and make suggestions for their improvement;</li> <li>• Facilitate and support for Preparing Annual Work Plan and Budget and progress report related to Component 1;..</li> <li>• Undertake any other duties as requested by the Provincial Director.</li> </ul>
<p><b>Experience &amp; qualifications</b></p>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>• Master’s degree in business administration, Agribusiness Development, Marketing or equivalent with at least 7 years of professional experience in supply chain promotion and private sector development with demonstrable evidence of the results achieved</li> <li>• Knowledge and experience in building capacity of stakeholders through advisory skills and multi-stakeholder consultation processes, value chain upgrading workshops and training.</li> <li>• Experiences with business ideation, proposal/plan development, appraisal, monitoring and evaluation, and feasibility analysis.</li> <li>• Possess high quality attributes on leadership, facilitations, and coaching.</li> <li>• Excellent spoken and written English.</li> <li>• Proven skills in staff and budget management, networking and external communication.</li> <li>• Good interpersonal skills and capacity to work effectively as part of a team.</li> </ul> <p><b><u>Preferences given to:</u></b></p> <ul style="list-style-type: none"> <li>• Experience in agriculture Supply chains, public private partnership, and service market development</li> </ul>

#### 4. ToR for Focal Person Officer

<b>Position:</b>	<b>Focal Person Officer</b>
<b>Reports to:</b>	Head, SME Department
<b>Supervises:</b>	Component 1 team
<b>Duty station:</b>	ADBL SME Department
<b>Summary of role:</b>	Under the direct supervision of Head, SME Department and technical guidance of Focal person Coordinator, the Focal person officer will support the delivery of all aspects of Component 1 in tandem with component 2 activities. S/he will assist the Coordinator for identify critical areas of investment, business planning, undertaking comprehensive analysis of all interventions and other areas that lead to improved performance of the SMEs financing and overall supply chain system.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable up to the Programme period based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Work with Focal Person Coordinator for overall management, facilitation, and supervision of Component 1 implementation with full integration Component 2 activities;</li> <li>• Assist FPC to identify critical interventions for investment, business planning, investment analysis and other areas that lead to improved performance of the SMEs financing and overall supply chain system in close coordination with PIU;</li> <li>• Assist and support Coordinator in undertaking comprehensive analysis of all interventions recommended through the MSPs which are subsequently supported by loans under the Programme;</li> <li>• Conduct market study and collect information related to specific supply chain on market dynamics to derive strategies for investment;</li> <li>• Assist in conducting training and capacity building activities on supply chain development and market system facilitation to Programme staff at various level;</li> <li>• Contribute to the knowledge development in the relevant supply chains by undertaking case studies and document and promote learning in activities/investment following the knowledge agenda;</li> <li>• Document the lessons learn around agricultural finance, the effectiveness and efficiency and other support mechanisms, in collaboration with provincial Programme team;</li> <li>• Facilitate and support Coordinator for Preparing Annual Work Plan and Budget and progress report related to Component 1;.</li> <li>• Undertake any other duties as requested by the Focal Person Coordinator which fall into the domains and areas of responsibility.</li> </ul>

<p><b>Experience &amp; qualifications</b></p>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>• Master’s degree in business administration, Agribusiness Development, Economic or relevant with at least 3 years relevant experience or Bachelor’s degree with 5 years’ experience on Supply chain development in particular agriculture Supply chains, preferably working experience with private sector</li> <li>• Sound experience in business plan development, appraisal, and feasibility and market analysis,. service provision and supply chain development.</li> <li>• Ability to work in a multi-disciplinary team and facilitate the working of other team members;</li> <li>• Experiences that demonstrate creativeness, innovativeness and entrepreneurial skills.</li> <li>• Excellent spoken and written English.</li> <li>• Good interpersonal skills and capacity to work effectively as part of a team.</li> </ul> <p><b><u>Preferences given to</u></b></p> <ul style="list-style-type: none"> <li>• Candidate having experience in agriculture Supply Chains development, Investment analysis, public private partnership, and service market development.</li> </ul>
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## 5. ToR for Supply Chain Coordinator

<b>Position:</b>	<b>Supply Chain Coordinator (SCC)</b>
<b>Reports to:</b>	Provincial Director Technical report to Focal Person Component 1 Coordinator in PIU
<b>Supervises:</b>	Technical supervision and coaching of Supply Chain Officers
<b>Duty station:</b>	Respective Provincial Offices as designated by the Programme
<b>Summary of role:</b>	Under the direct supervision and guidance of Provincial Director and and Focal Person Coordinator, the SCC will be responsible for implementation of the supply chain development interventions in tandem with other component in the respective Hub/Corridor and to guide and coach Hub Staff to facilitate and support supply chain actors in strengthening linkages, business planning, investment analysis and other areas that lead to improved performance of the supply chain system
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable up to the Programme period based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Responsible for field implementation and supervision of identified critical interventions for investments, enhancement of relationships, development of enabling institutions and services stimulating actor driven multi-stakeholder consultation process (MSP) for the specific Supply chains within the districts/clusters.</li> <li>• Coordinate, Coach and Mentor Supply Chain Officers and other staff for facilitation of supply chain development interventions including supply chain planning, implementation, monitoring and reporting in specific supply chains;</li> <li>• Facilitate and Support farmers, producer organisation, agribusiness, service provider in developing concept notes and investment/business plans for assessing credit /loans from Banks within specific supply chains;</li> <li>• Facilitate and support Producer organisation, cooperatives and agri-business to meet market requirements and strengthening technical, financial and business services providers/provision for specific supply chains;</li> <li>• Strengthen capacities of Programme staff in enhancing service capacities of agribusiness/traders, producer group and service providers and their relationships, within informal and formal contracting arrangements,</li> <li>• Brokering “win-win” and trust-based business and/or service relationships among supply chain actors to work towards reliable, fair and long-term relationships and or buyer or service contracts including improvement in business enabling environment;</li> <li>• Provide strategic support to field team for inclusion of poorer households in developing respective supply chains investment proposals.</li> </ul>

	<ul style="list-style-type: none"> <li>• Contribute to the knowledge development in the relevant supply chains by undertaking case studies and document and promote learning in activities/investment following the knowledge agenda;</li> <li>• Undertake any other duties as requested by the Provincial Director.</li> </ul>
<b>Experience &amp; qualifications</b>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>• Master’s degree in business administration, Agribusiness Development, Economic, Marketing or equivalent with at least 7 years of experience in supply chain development in particular agriculture supply chains, and private sector development.</li> <li>• Knowledge and experience in building capacity of stakeholders through advisory skills and facilitation of multi-stakeholder consultation workshops.</li> <li>• Sound experience in business development, service provision and supply chain development;</li> <li>• Experiences that demonstrate high quality attributes on leadership, facilitations and coaching and innovativeness.</li> <li>• Excellent spoken and written English.</li> <li>• Good interpersonal skills and capacity to work effectively as part of a team.</li> </ul> <p><b><u>Preferences given to</u></b></p> <p>Candidate having experience in Supply chains /supply chain upgrading and up-scaling approaches, multi-stakeholder consultation processes, service market development</p>

## 6. ToR for Supply Chain Officer

<b>Position:</b>	<b>Supply Chain Officer (SCO)</b>
<b>Reports to:</b>	Supply Chain Coordinator /Lead Technical report to Focal Person Coordinator in PIU
<b>Supervises:</b>	Technical supervision and coaching of Supply Chain Officers
<b>Duty station:</b>	Respective Provincial Offices as designated by the Programme
<b>Summary of role:</b>	Under the direct supervision and guidance of <b>Supply Chain Coordinator</b> , will be responsible for implementation of the Supply Chain development interventions in the respective Corridor and to guide and coach NGO Staff to facilitate and support Supply Chain actors in strengthening linkages, business planning, investment analysis and other areas that lead to improved performance of overall Supply Chain.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable up to the Programme period based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Responsible for field implementation and supervision of identified critical interventions for investments, stimulating actual scaling as part of focussed and actor driven multi-stakeholder consultation process (MSP) for the specific supply chains within the districts/clusters.</li> <li>• Coordinate, coach and mentor field staff within the district for facilitation of supply chain development initiatives including supply chain planning, implementation, monitoring and reporting in specific supply chains in partnership with private sector to meet the market requirements with support of SEM officers;</li> <li>• Coordinate and facilitate all business-related training /workshop including B2B, B2S linkages, contract arrangement and MSPs at cluster/district/corridor as per need in close coordination with concerned stakeholders;</li> <li>• Facilitate and Support farmers, producer organisation, cooperatives, agribusiness, service provider in developing investment/business plans for assessing loans within specific supply chains;</li> <li>• Facilitate and support NGO staff &amp; Social Mobiliser for timely collection and assessment of business proposals / plans from technical, business, management, financial and inclusion perspective in the specific supply chains and micro enterprises;</li> <li>• Facilitate and support producer’s organisation and agri-business to meet market requirements including contractual arrangements and strengthening technical, financial and business services providers/provision for specific supply chains in coordination with Bank staff and SEM officer;</li> <li>• Brokering “win-win” and trust-based business and/or service relationships among supply chain actors and work towards reliable, fair and long-term</li> </ul>

	<p>relationships and or buyer or service contracts including improvement in business enabling environment;</p> <ul style="list-style-type: none"> <li>• Facilitate and support group/cooperatives for collective marketing and operation /strengthening of collection Centre within production clusters &amp; districts involving private sector/Agribusiness;</li> <li>• Coordinate with private sector to ensure the supply of improved agricultural inputs to meet the production targets as per market demand through the beneficiaries;</li> <li>• Coordinate and support Corridor team to maintain Programme’s external relations and visibility, including coordination with like-minded organizations &amp; Programmes perusing similar objectives in the target corridor and sharing of best practices for wider dissemination;</li> <li>• Contribute to the knowledge development in the relevant supply chains by undertaking case studies and document and promote learning in activities/investment following the knowledge agenda;</li> <li>• Timely and regular reporting to Supply chain Coordinator as per prescribed format, hard or electronic, or both;</li> <li>• Undertake any other duties as requested as directed by Corridor Manager and Supply Chain Coordinator.</li> </ul>
<p><b>Experience &amp; qualifications</b></p>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>• Master’s degree in business administration, Agribusiness Development, Economic or relevant with at least 3 years relevant experience or Bachelor’s degree with 5 years’ experience on Supply chain development in particular agriculture Supply chains, preferably working experience with private sector</li> <li>• Sound experience in business development, service provision and supply chain development.</li> <li>• Experiences with management and market analysis, proposal/plan development, appraisal, monitoring and evaluation, and feasibility analysis.</li> <li>• Knowledge and experience in building capacity of stakeholders and facilitation of multi-stakeholder consultation workshops and training.</li> <li>• Experiences that demonstrate creativeness, innovativeness and entrepreneurial skills.</li> <li>• Excellent spoken and written English.</li> <li>• Good interpersonal skills and capacity to work effectively as part of a team.</li> </ul> <p><b><u>Preferences given to</u></b></p> <p>Candidate with experience of Enterprises promotion, business facilitation, supply chain /Supply Chain development and market-oriented Programmes</p>



## 7. ToR for Social Economic Mobilization Expert

<b>Position:</b>	<b>Social Economic Mobilization Expert (SEM)</b>
<b>Reports to:</b>	Programme Coordinator, VITA and Heifer
<b>Supervises:</b>	Social Economic Mobilization Team
<b>Duty station:</b>	Programme Implementation Unit (PIU)
<b>Summary of role:</b>	Under the direct supervision of VITA PD and technical guidance and supervision of Heifer PD, the SEM Expert will lead the performance of all Social mobilization activities of the Programme in close coordination with various thematic team.S/he is also responsible for providing technical guidance and support to hub/corridor Social Mobilization team and NGOs for capacity assessment, developing capacity building plan and ensure its implementation for producer organisation strengthening as per the programme objectives.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable up to the Programme period based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Coordinate, Supervise and Manage the implementation of Programme field activities by taking overall responsibility for the mobilization of households to participate in Programme supply chain activities along agreed management lines.</li> <li>• Support Supply Chain team in guiding, monitoring and backstopping supply chain activities and the Finance team for strengthening group/cooperatives to meet the buyer demand &amp; financial institutions requirements;</li> <li>• Develop Institutional Development Strategy for strengthening the capacities /capabilities of group/cooperatives, NGOs, and Municipal Authorities for effective implementation of the strategy and action plans;</li> <li>• Develop ToR, and selection criteria for contracting NGOs for their involvement in VITA, ensuring quality of their work and providing technical support and onsite coaching and mentoring as required;</li> <li>• Responsible for the management, capacity building and backstopping NGOs in formation, development and strengthening of producers' groups, particularly in strengthening supply chain development;</li> <li>• Ensure that lessons from social mobilization and field activities are continually collected so as to inform strategic direction for Programme implementation to ensure Programme deliverables are met in an intended manner and disseminate evidence for influencing policy and practice;</li> <li>• Be responsible for monitoring progress on inclusion objectives on a regular basis so that these can inform Programme management and enable them to refine operations.</li> <li>• Contribute to the knowledge development and sharing strategy related to organisational development approach towards all actors and other stakeholders in the relevant sectors;</li> <li>• Continually assess, update and improve Programme economic models of financial interventions to ensure they are relevant to Programme objectives.</li> <li>• Provide managerial support for the identification of Business Skills Facilitators (BLF) and the optimal phasing of training and capacity building.</li> <li>• Communicate with the BSF training service providers to ensure that BSF capacity building fully serves Programme objectives.</li> <li>• Timely and regular reporting to Programme Coordinator as per prescribed format, hard or electronic, or both.</li> <li>• Undertake any other duties as directed by Programme Coordinator</li> </ul>

<p><b>Experience &amp; qualifications</b></p>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>• Master’s degree in Social Science, social work, rural development or related subject with at least 5 years’ or Bachelor’s degree with at least 7 years’ experience in social mobilization, social inclusion and economic empowerment.</li> <li>• Proven skills in enterprises promotion, supply chain &amp; economic development and solid understanding of the theory and practice of inclusive development.</li> <li>• Excellent interpersonal skills, proven networking, team building, decision making, organizational and communication skills</li> <li>• Demonstrated knowledge and sound Understanding of issues relating to gender and social inclusion including economic development.</li> <li>• Ability to work in a multi-disciplinary team and facilitate the working of other team members;</li> <li>• Excellent communications skills - spoken and written, both in English and Nepali and possess good report writing skills;</li> <li>• Good inter-personal skills and capacity to work effectively with a range of institutions.</li> </ul> <p><b><u>Preferences given to</u></b></p> <ul style="list-style-type: none"> <li>• Candidate with experience of Enterprises promotion, business facilitation, supply chain /Supply Chain development and market-oriented Programmes</li> </ul>
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## 8. ToR for Social Economic Mobilization Coordinator

<b>Position:</b>	<b>Social Economic Mobilization Coordinator (SEM)</b>
<b>Reports to:</b>	Provincial Director Technical report to SEM expert
<b>Supervises:</b>	Social Economic Mobilization Team including NGOs
<b>Duty station:</b>	Respective Provincial Offices as designated by the Programme
<b>Summary of role:</b>	Under the direct supervision of Provincial Director and technical guidance of SEM Expert, The SEM coordinator will lead the Social mobilization activities within the state/Hub in close coordination respective supply chain team. S/he is also responsible for providing technical guidance and support to District /Cluster based Social Mobilization team and NGOs for capacity assessment, developing capacity building plan and ensure its implementation for producer organisation strengthening as per the programme objectives.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable up to the Programme period based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Coordinate, Supervise and Manage the implementation of Programme field activities in respective Hub/Corridor by taking overall responsibility for the mobilization of households to participate in Programme supply chain activities along agreed management lines.</li> <li>• Support Supply Chain team in guiding, monitoring and backstopping supply chain activities and the Finance team for strengthening group/cooperatives to meet the buyer demand &amp; financial institutions requirements;</li> <li>• Facilitate and support Producer organization mobilization and strengthening so as meet the traders demand in coordination with supply chain teams.</li> <li>• Providing support to NGO/service providers to implement the Programme gender and social inclusion and social mobilization strategies and policies in the state.</li> <li>• Facilitate and support in strengthening the capacities /capabilities of group/cooperatives, NGOs, and Municipal Authorities for effective implementation of the Programme activities;</li> <li>• Ensure that lessons from social mobilization and field activities are continually collected so as to inform strategic Supply chain development.</li> <li>• Be responsible for monitoring progress on inclusion objectives on a regular basis so that these can inform Programme management and enable them to refine operations.</li> <li>• Contribute to the knowledge development and sharing strategy related to organizational development approach towards all actors and other stakeholders in the relevant sectors;</li> <li>• Provide managerial support for the identification of Business Skills Facilitators (BLF) and the optimal phasing of training and capacity building.</li> <li>• Communicate with the BSF training service providers to ensure that BSF capacity building fully serves Programme objectives.</li> <li>• Facilitate and support documentation of experiences, lessons learned, good practices, and case studies as part of knowledge development and facilitate exchange of information;</li> <li>• Timely and regular reporting to Programme Coordinator as per prescribed format, hard or electronic, or both.</li> <li>• Undertake any other duties as directed by Provincial Director and SEM Expert.</li> </ul>

<p><b>Experience &amp; qualifications</b></p>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>• Masters’ degree in Social Science, Rural Development, Sociology, Development Studies or equivalent with more than 7 years of professional working experience in formation and strengthening grassroots-level rural institution including promotion of cooperatives and development;</li> <li>• Proven skills in strategic supply chain planning and solid understanding of the theory and practice of inclusive development.</li> <li>• Proven track record in developing training manuals and facilitation trainings at various levels.</li> <li>• Experiences that demonstrate high quality attributes on leadership, facilitations and coaching and innovativeness;</li> <li>• Ability to work in a multi-disciplinary team and facilitate the working of other team members;</li> <li>• Excellent communications skills - spoken and written, both in English and Nepali and possess good report writing skills;</li> <li>• Good inter-personal skills and capacity to work effectively with a range of institutions.</li> </ul> <p><b><u>Preferences given to</u></b></p> <ul style="list-style-type: none"> <li>• Candidate having experience in capacity assessments and strengthening of group/cooperatives and private sector and proven track record in business facilitation, agriculture supply chain /Supply Chain development.</li> </ul>
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## 9. ToR for Social Economic Mobilization Officer (Technical Officer)

<b>Position:</b>	<b>Social Economic Mobilization Officer (SEM) /Technical Officer</b>
<b>Reports to:</b>	Provincial Director Technical report to SEM Coordinator
<b>Supervises:</b>	Social Economic Mobilization Field Team including NGOs and Private Service Provider
<b>Duty station:</b>	Respective Districts/Clusters as designated by the Programme
<b>Summary of role:</b>	Under the direct supervision of Provincial Director and technical guidance of SEM Coordinator, the SEM officer will be responsible implementation of Programme field activities in respective district through Partner NGOs for the mobilization of households to participate in Programme supply chain activities along agreed management lines. S/he will coordinate and support public & private service providers (LRPs, VAW, and extension worker) to deliver technical support for improved & sustainable production, post-harvest technologies and marketing activities in the designated agricultural supply chains of the Programme.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable up to the Programme period based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Coordinate, Supervise and Manage the implementation of Programme field activities in respective district through Partner NGOs for the mobilization of households to participate in Programme supply chain activities along agreed management lines.</li> <li>• Facilitate, support and mobilize NGOs/Social Mobilizer in providing support to producers group for market led crop plan development in clusters to achieve the perceived volume and quality as demanded by the private sectors /traders;</li> <li>• Provide technical and advisory support to NGOs and Social Mobiliser in the assessment and development of household investment proposals to access credit from Bank;</li> <li>• Facilitate and provide technical support in conducting extension services to farmers, farmers groups, cooperatives and agribusiness and support on those aspects concerned with the production/postharvest handling of agricultural commodities involving public and private service providers;</li> <li>• Liaise and coordinate with municipalities' level agriculture, livestock and forestry technical staff in delivering quality technical services to producer groups as and when required in timely manner in coordination with Partner NGOs;</li> <li>• Coordinate with Supply chain officers to facilitate producer's group linkages with agribusiness &amp; service providers and work towards reliable, fair and long-term relationships including contractual arrangements supporting overall agricultural commodities supply chain development;</li> <li>• Coordinate and facilitate all the training related to Agriculture production and post-harvest management at corridor/district level and support in the delivery of those training with concerned stakeholders;</li> <li>• Provide strategic support to NGOs/Social Mobilizer on social mobilization methods that support &amp; ensure the inclusion of poorer households in Programme supply chain opportunities;</li> </ul>

	<ul style="list-style-type: none"> <li>• Provide technical backstopping to NGOs/SM if required, to enable the timely collection of data for the MIS and liaise with M&amp;E team to ensure optimal operation of MIS towards Programme objectives;</li> <li>• Mentor NGOs/Social Mobilizer in the identification of Business Financial Literacy Facilitators (BFLF), monitor the effectiveness of training and provide feedback to enable capacity building to be optimized;</li> <li>• Conduct and facilitate district level training to farmers, entrepreneurs, service providers as per training module prescribed from the Programme;</li> <li>• Facilitate Municipality level stakeholders &amp; partners/NGOs meeting and also ensure quality implementation of activities planned, regular monitoring and reporting in timely manner;</li> <li>• Coordinate with local bodies, local agencies and like-minded organizations and seek contribution in maximizing Programme benefits;</li> <li>• Timely and regular field data collection from NGOs, analysis, and reporting to SEM coordinator as per prescribed format, hard or electronic, or both;</li> <li>• Facilitate and support documentation of experiences, lessons learned, good practices, case studies as part of knowledge development and facilitate exchange of information among concerned stakeholder;</li> <li>• Other activities as directed by the SEM coordinator and Provincial Office personnel.</li> </ul>
<b>Experience &amp; qualifications</b>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>• Bachelor degree in Agriculture or Livestock/Veterinary science with at least 5 years' experience or Master's degree in above mentioned subject with at least 3 years of experience in relevant field.</li> <li>• Proven skills in enterprises promotion, supply chain development, agricultural marketing, and business linkages, delivery of field level extension activities and organizing trainings.</li> <li>• Excellent interpersonal skills, proven networking, team-building, decision making, organizational and communication skills</li> <li>• Good spoken and written skill in both English and Nepali and possess good skills in report writing</li> <li>• Good inter-personal skills and capacity to work effectively with a range of institutions.</li> <li>• Good computer skills</li> </ul> <p><b><u>Preferences given to</u></b></p> <ul style="list-style-type: none"> <li>• Candidate having experience in capacity assessments, strengthening of group/cooperatives and business facilitation, agriculture supply chain /Supply Chain development.</li> </ul>

## 10. ToR for Agricultural Value Chain Financing Expert

<b>Position:</b>	Agricultural Value Chain Financing Expert
<b>Reports to:</b>	Programme Coordinator
<b>Supervises:</b>	Climate Smart Agricultural Finance Specialist Digital Banking Experts (short term)
<b>Duty station:</b>	PMU

<b>Summary of role:</b>	Under the supervision of the PMU Coordinator, the Agricultural Value Chain Financing Expert (AVCFE) will provide overall technical leadership in strategizing, planning, implementation co-ordination, and monitoring of private investment financing through medium and short-term credit and equity financing by beneficiary farmer-borrowers and entrepreneurs and expansion of financial inclusion under the programme. In doing so, the AVCFE will contribute actively in cost-effective delivery of financial services and in building the capacity of VITA Programme staff for effective planning and timely implementation of activities. The AVCFE is also responsible for the professional development and coaching of ADBL staff and on demand staff of the wholesale borrower institutions.
<b>Mode of contract:</b>	Rolling annual contract with a probation period for first six months. The annual contract will be extendable up to end of Programme based on satisfactory performance against the preceding contract.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Working closely with the PMU Coordinator and relevant units of ADBL including corporate planning/micro- and small enterprise/credit departments, relevant provincial directors, VITA Programme staff, and branch managers, prepare annual plans for activities related to private financing, staff capacity building and policy support and integrate them fully with the similar plans of ADBL;</li> <li>• Using Programme Implementation Manual (PIM) as basis, assist ADBL to: (i) further specify areas for adapting ADB'L policies, procedures, and loan and other financial product papers in supporting private financing activities under VITA and; (ii) incorporate relevant revisions in such policies, procedures and product papers while paying due attention to issues related to targeting and social inclusion and environmental, climate variability and sustainability considerations;</li> <li>• Working in close collaboration with Digital Finance Department of ADBL, anchor short-term digital banking experts in developing and refining digital financing products of ADBL and when demanded by participating financial institutions (PFIs) that helps in enhancing efficiency and outreach of the concerned financial institutions and thereby achieve increased financial deepening and inclusivity;</li> <li>• Work collaboratively with all relevant units of ADBL assist them reduce the portfolio risks originating from inefficient agricultural markets, imbalanced value chains with bottlenecks and excess capacity and where risks become unavoidable offering appropriate risk transfer mechanisms such as group-based crop and livestock insurance scheme being implemented by ADBL;</li> <li>• Assist ADBL to enhance the capacity of ADBL and PFIs in building the capacity of the staff in efficiently and effectively providing value chain financing services to the targeted clientele and to that end help identifying training and other capacity building needs, developing on-line and in-person training modules focused on value chain analyses, client selection, loan appraisal and</li> </ul>

	<p>on selective basis conduct training and capacity building activities to project staff at various level;</p> <ul style="list-style-type: none"> <li>• Working closely with relevant departments of ADBL prepare request for proposal for wholesale lending, short-list potential PFIs, and negotiate the terms and conditions including spread, grace and repayment periods, area coverage, outreach etc.</li> <li>• Support M&amp;E officials to strengthen monitoring system for private investment through expansion of agricultural value chain financing, staff capacity building and policy support activities;</li> <li>• Provide technical support on agricultural financing activities during Joint Supervision Support and Design Missions, and participate on missions when required; and</li> <li>• Working collaboratively with field network and ADBL and PFIs, and KM officer, identify innovative agricultural value chain financing practices and disseminate these widely within VITA network including that of PFIs, wider ADBL and other Nepalese financial institutions involved in agricultural value chain financing.</li> </ul>
<b>Experience &amp; qualifications</b>	<ul style="list-style-type: none"> <li>• At least 15 years work experience in agricultural financing with proven track record of leading successful agricultural value chain financing programmes;</li> <li>• Good interpersonal skills and capacity to work effectively in a team environment;</li> <li>• Knowledge and experience in building capacity of stakeholders and track record of facilitating multi-stakeholder consultation processes;</li> <li>• Excellent skills in speaking and writing Nepali and English languages, preference will be given to those who can communicate verbally in one or more major regional languages prevalent in Nepal; and</li> <li>• Master’s degree or equivalent in commerce, business administration, accounting, agricultural economics, economics, agriculture, or related subject.</li> </ul>

## 11. ToR of Climate Smart Agriculture Finance Specialist

<b>Position:</b>	Climate Smart Agriculture Finance Specialist (CSAFS)
<b>Reports to:</b>	Programme Coordinator
<b>Supervises:</b>	Technical supervision / backstopping of Credit Officer, Supply chain coordinators/officers
<b>Duty station:</b>	PMO
<b>Summary of role:</b>	Under the supervision of the Programme Coordinator (ADBL PMU Director), the Climate Smart Agriculture Finance Specialist will provide overall technical



	<p>leadership in planning, implementation, monitoring and reporting of climate smart agriculture finance. Moreover she/he will be fully responsible for implementation &amp; reporting of climate resilient and environment safeguard related activities and ensure effective coordination, management and capacity building of programme staff related bank staffs, supply chain actors for effective planning and timely implementation of activities within the programme. The CSAFS is also responsible for the professional development and coaching of the programme team such that they can run all programme activities without external support.</p>
<b>Mode of contract:</b>	<ul style="list-style-type: none"> <li>• Rolling annual contract with a probation period of six months. The annual contract will be extendable based on satisfactory performance against the preceding contract assessed by the programme and need.</li> </ul>
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Ensure coordination and collaborative ownership of stakeholders on climate smart activities and environment safeguard initiatives at all levels</li> <li>• Assist ADBL to identify gaps in climate smart agriculture financing guideline, loan request form, loan appraisal system and implementation of ADBL and its PFIs.</li> <li>• Assist ADBL to: (i) additionally codify its Credit Manual to: (a) fill the gaps identified in the VITA PDR and (b) elaborate on existing provisions related to environmental and climate variability aspects, along with extensive cross referencing to ADBL's own policies and procedures scattered over a variety of documents and relevant regulatory guidelines issued by NRB; and (iii) monitoring closely how well the requirements specified are being implemented by also effectively using Bank's compliance systems;</li> <li>• Co-ordinate closely and provide evidence-based feedback on the policies and regulations of Nepal Rashtra Bank with respect to environmental issues related to banking practices in general and agricultural finance in particular;</li> <li>• Assist and advice financial institutions that borrow from ADBL on wholesale basis under VITA on environmental issue related to the agricultural operations under (i) VITA in particular and agricultural lending in general;</li> <li>• Advise ADBL and wholesale borrowers in understanding and devising strategies that reduce the portfolio risks originating from events and processes such as climate change and unsustainable agricultural practices;</li> <li>• Support ADBL in developing suitable crop and livestock insurance products in line with ADBL existing agri-insurance program.</li> <li>• Assist ADBL to develop climate smart agricultural insurance products that could be bundled with climate smart agricultural loan products.</li> <li>• Assist ADBL to maintain climate smart agricultural database and agricultural market information system (AMIS).</li> <li>• Provide technical advice for ensuring effective implementation of strategies for climate smart agriculture, and alignment with national activities and policies on climate change and environmental safeguard;</li> </ul>

	<ul style="list-style-type: none"> <li>• Work in close coordination with programme staff to ensure activities are climate resilient/proof and environmentally sustainable, paying close attention to preventing maladaptation;</li> <li>• Coordinate the development of training modules / manuals on climate change, sustainable/resilient farming, environment safeguard, climate smart planning / proofing and financing and on selective basis conduct training and capacity building activities to programme staff at various level;</li> <li>• Provide technical advice and explore opportunities on the adoption of climate and environment smart planning under VITA and ADBL's operation in general;</li> <li>• Support M&amp;E officials to establish environment and climate change related baseline, and to develop and implement result measurement tools to trace the progress</li> <li>• Provide technical support on environment and climate change issues during Joint Supervision Support and Design Missions, and participate on missions when required;</li> <li>• Work closely in collaboration with IFAD Country Programme technical experts to identify climate-smart innovations, and with KM Officers to disseminate related knowledge.</li> <li>• Support programme staff to integrate climate and environment risk assessment in loan appraisal, technically support to implement and update aligning with the central bank and national policies</li> <li>• Build coordination among the climate change related stakeholders and disseminate programme progress, exchange new learnings, apply new tested practices to the programme</li> <li>• Assist planning team to adequately include activities and budget as suggested by the SECAP</li> </ul>
<p><b>Experience &amp; qualifications</b></p>	<p><u>Required</u></p> <ul style="list-style-type: none"> <li>• Master Degree or equivalent in, agro-ecology, agri-economics, sustainable agriculture or MBA with at least 10 years experience in agricultural/green financing with demonstrable evidence of the results achieved.</li> <li>• Knowledge and experience in building capacity of stakeholders through advisory skills and facilitate multi-stakeholder consultation processes, value chain upgrading workshops and training.</li> <li>• Experiences that demonstrate creativeness, innovativeness and entrepreneurial skills;</li> <li>• Possesses high quality attributes on leadership, facilitations and coaching.</li> <li>• Excellent spoken and written English.</li> <li>• Proven skills in staff and budget management, networking and external communication.</li> <li>• Good interpersonal skills and capacity to work effectively as part of a team.</li> </ul>

	<p><u>Preferences given to:</u></p> <ul style="list-style-type: none"><li>• prior experience on working with issues related to environment, climate-change and sustainable agriculture in the context of a financial institution.</li><li>• experience in climate smart agriculture and green financing</li></ul>
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## 12. ToR for Infrastructure Expert

<b>Position:</b>	Infrastructure Expert
<b>Reports to:</b>	Programme Coordinator
<b>Supervises:</b>	Infrastructure Procurement Specialist (PMU) Sub-engineer/overseers (Provincial offices)
<b>Duty station:</b>	PMU
<b>Summary of role:</b>	Manage all aspects of the implementation of Component 3 and ensure close coordination of the Component with other aspects of the programme.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Manage the overall process for identification, selection, approval and contracting of all sub-projects under Component 3, with support of the Infrastructure procurement Specialist</li> <li>• Ensure all sub-project designs and implement reflect appropriate climate smart design principles.</li> <li>• Ensure sustainable operation and maintenance plans are in place prior to final approval of sub-projects, including institutional, technical and financial aspects</li> <li>• Review and recommend for approval the agreements for each sub-project, including verifiable payment milestones</li> <li>• Supervise and verify completion of the approved works by the sub-project implementers, including via the Sub-Engineers/Overseer</li> <li>• Verify progress of each sub-project against payment milestones and recommend release of payments as contracted where such payment milestones have been met</li> <li>• Provide technical assistance and capacity building as required to the sub-project implementers.</li> </ul>
<b>Experience &amp; qualifications</b>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>• at least a bachelor degree in civil engineering or equivalent and shall have minimum ten (10) years' of experience in rural infrastructure works, including at least two of: irrigation/multi-use rural water systems; roads or buildings/market structures.</li> <li>• Extensive experience of GON infrastructure and procurement systems</li> </ul> <p><b><u>Preferences given to</u></b></p> <ul style="list-style-type: none"> <li>• Experience of multi-lateral donor funded programmes.</li> </ul>

(ii) Inspector of Work

The Inspector of Works shall have diploma or equivalent in civil engineering and must have five (5) years' experience in road and infrastructure works.

(iii) Surveyor

## 13. ToR for Infrastructure Procurement Specialist

<b>Position:</b>	Infrastructure Procurement Specialist
<b>Reports to:</b>	Infrastructure Expert

<b>Supervises:</b>	n/a
<b>Duty station:</b>	PMU
<b>Summary of role:</b>	To manage all aspects of the process for the selection of all sub-project infrastructure works and supervision of their construction of under Component 3.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• administer the process for identification, selection, approval and contracting of all sub-projects under Component 3</li> <li>• prepare template agreements for the financing of each type of sub-project and sub-project implementer</li> <li>• define the procurement practices to be used by the sub-project implementers and ensure these are reflected in the terms of the agreement to ensure compliance with the requirements of the overall GON-IFAD VITA financing agreement</li> <li>• supervise and verify the procurement practices of the contracted sub-project implementers for the concerned works</li> <li>• provide technical assistance and capacity building on appropriate procurement and contract management practices to the sub-project implementers.</li> </ul>
<b>Experience &amp; qualifications</b>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>• At least bachelor degree in civil engineering, procurement or equivalent and shall have minimum seven (7) years' of experience in infrastructure-related procurement.</li> <li>• Experience of GON procurement systems</li> </ul> <p><b><u>Preferences given to</u></b></p> <ul style="list-style-type: none"> <li>• Experience of rural engineer, including irrigation, roads or buildings/market structures</li> <li>• Experience of procurement systems under multi-lateral donor funded programmes.</li> </ul>

#### 14. ToR for Sub-engineers/Overseers (Provincial offices)

<b>Position:</b>	Sub-engineers/Overseers (Provincial offices)
<b>Reports to:</b>	Infrastructure Expert
<b>Supervises:</b>	n/a
<b>Duty station:</b>	Provincial offices
<b>Summary of role:</b>	Provide on-site supervision of all infrastructure sub-projects approved under the program.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• On-site inspection and verification of works completed under approved sub-projects ensure works completed as approved.</li> <li>• Verification of completion of partial works in relation to payment milestones</li> <li>• Verification of any agreed in-kind contributions from the sub-prject implementers</li> <li>• Provision of technical advice and input to sub-project implementers to address any issues identified</li> <li>• Verification that agreed arrangements for operation and maintenance are in place as agreed and as per the agreed time schedule</li> <li>• Support the Infrastructure Procurement Specialist (PMU) to conduct spot check verification of procurement practices used and compliance with required procedures</li> <li>• Very that the agreed climate smart elements of the design are implemented as agreed</li> </ul>
<b>Experience qualifications</b>	<p><b>&amp; Required</b></p> <ul style="list-style-type: none"> <li>• Diploma or equivalent in civil engineering or similar and must have five (5) years' experience in rural infrastructure works.</li> </ul> <p><b>Preferences given to</b></p> <ul style="list-style-type: none"> <li>• Prior experience as an Inspector of Works or similar.</li> <li>• Experience of climate smart design in rural infrastructure</li> </ul>

## 15. Programme Chief Finance Officer

<b>Position:</b>	<b>Programme Chief Finance Officer</b>
<b>Reports to:</b>	Programme Coordinator
<b>Supervises:</b>	Accounts Officers Accounts Assistants
<b>Duty station:</b>	PMU
<b>Summary of role:</b>	Ensuring overall fiduciary and financial management, administration and reporting of the programme in line with the programme financing agreement.
<b>Mode of contract:</b>	To be deputed by the ADBL
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Preparation of the budget of the Programme following budgeting procedures of the ADBL within specified period for submission to the Programme Coordinator, Programme e Committee Budgeting and IFAD.</li> <li>• Expediting the release of funds for timely implementation of different activities by the provincial and branch offices of the ADBL, partner financial institutions, local government implementing agencies and beneficiaries.</li> <li>• Ensuring timely payment to the contractors, suppliers, service providers, Programme consultants, beneficiaries and other implementation.</li> <li>• Reviewing the supporting documents of the expenditures and recommending for approval.</li> <li>• Ensuring maintenance of accounts of the Programme properly, correctly and timely for preparation of financial statements.</li> <li>• Monitoring fund utilization by the partner financial institutions, local government, implementing agencies and beneficiaries.</li> <li>• Preparing periodical financial statements and submission of quarterly, half yearly and annual financial statements to the Programme Coordinator and IFAD.</li> <li>• Preparation and submission of withdrawal application and related documents to IFAD on a frequent basis.</li> <li>• Reviewing, supervising and monitoring provincial and branch offices and provide the required guidance to them.</li> <li>• Ensuring that the expenditure is within approved budgets and seek amendments to the AWPB and prepare supplementary budgets, if needed.</li> <li>• Ensuring timely settlement of advances.</li> <li>• Ensuring adherence of procurement policy of the ADBL and guidelines of IFAD.</li> <li>• Ensuring maintenance of proper procurements records, fixed assets, loan and grant register, designated and Programme bank accounts.</li> <li>• Ensuring compliance with legal covenants of the IFAD and prevailing Laws.</li> <li>• Providing training to the Programme finance and accounts staff on accounting and reporting requirement of the Programme.</li> <li>• Ensuring completion of internal and statutory audit within deadline.</li> </ul>

	<ul style="list-style-type: none"> <li>• Providing response on the internal audit report and external auditor's management letter.</li> <li>• Implementation of recommendations of the internal, external auditors and supervision of the IFAD missions.</li> <li>• Providing financial data required for preparation of a Programme Completion Report.</li> <li>• Any other task assigned by the Programme Coordinator.</li> </ul>
<p><b>Experience &amp; qualifications</b></p>	<p><b>Qualification:</b></p> <ul style="list-style-type: none"> <li>• Chartered Accountant (Member of the ICAN)/post-graduate in commerce and accountancy/ business management</li> </ul> <p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• Minimum 5-10 years of experience in financial accounting of Programme/company with post-graduation in commerce and accountancy and minimum 3-5 years experience for Chartered Accountants.</li> <li>• Computer literacy and proficiency in accounting software and use of spread sheets.</li> <li>• Good knowledge of accounting.</li> <li>• Working knowledge of audit requirements for financial compliances.</li> </ul>



## 16. Accounts Officer – Provincial and Branch Offices

<b>Position:</b>	<b>Accounts Officer – Provincial and Branch Offices</b>
<b>Reports to:</b>	Programme Chief Finance Officer
<b>Supervises:</b>	Accounts Assistants
<b>Duty station:</b>	PMU
<b>Summary of role:</b>	Ensuring overall financial management, administration and reporting of the programme in line with the financing agreement.
<b>Mode of contract:</b>	To be deputed by the ADBL
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Preparing the budget of the Programme as per guidelines and budgeting procedures of the ADBL within specified period.</li> <li>• Reviewing the supporting documents of the expenditures and recommending for approval.</li> <li>• Ensuring timely payment to the contractors, suppliers, service providers, Programme consultants, beneficiaries and other implementation.</li> <li>• Ensuring maintenance of accounts of the Programme properly, correctly and timely for preparation of financial statements.</li> <li>• Monitoring fund utilization by the partner financial institutions, local government, implementing agencies and beneficiaries.</li> <li>• Preparing periodical financial statements and submission of quarterly, half yearly and annual financial statements to the PMU.</li> <li>• Ensuring the expenditure incurred for the Programme within the approved budget.</li> <li>• Ensuring timely settlement of advances.</li> <li>• Ensuring adherence of procurement policy of the ADBL and guidelines of IFAD.</li> <li>• Ensuring maintenance of proper procurements records, fixed assets and Programme bank accounts.</li> <li>• Submission of the financial statements in the format required for preparation of the withdrawal application to PMU.</li> <li>• Ensuring compliance with legal covenants of the IFAD and prevailing Laws.</li> <li>• Ensuring completion of internal and statutory audit as per program within deadline.</li> <li>• Providing response on the internal audit report and external auditor's management letter to the PMU</li> <li>• Implementation of recommendations of the internal, external auditors and supervision of the IFAD missions as directed by the PMU.</li> <li>• Perform physical verification of Programme fixed assets each year.</li> <li>• Providing financial data required for preparation of a Programme Completion Report.</li> </ul>

	<ul style="list-style-type: none"> <li>• Any other task assigned by the Chief Finance Officer and Programme Coordinator.</li> </ul>
<b>Experience &amp; qualifications</b>	<p><b>Qualification:</b></p> <ul style="list-style-type: none"> <li>• Graduate degree in commerce and accountancy/business management</li> </ul> <p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• 3-5 years of experience in financial accounting of Programme/company.</li> <li>• Computer literacy and proficiency in accounting software and use of spread sheets.</li> <li>• Good knowledge of accounting.</li> <li>• Working knowledge of audit requirements for financial compliances.</li> </ul>

## 17. Account Assistants – PMU, Provincial and Branch Offices

<b>Position:</b>	<b>Account Assistants – PMU, Provincial and Branch Offices</b>
<b>Reports to:</b>	Accounts Officer
<b>Supervises:</b>	n/a
<b>Duty station:</b>	PMU
<b>Summary of role:</b>	Ensuring overall financial management, administration and reporting of the programme in line with the financing agreement.
<b>Mode of contract:</b>	At Provincial and Branch officers - to be deputed by the ADBL At PMU – to be recruited for programme duration
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Checking supporting documents of the Programme expenditures and advance.</li> <li>• Preparing payment and adjustment vouchers.</li> <li>• Maintaining the Programme accounts as per requirement of the Programme.</li> <li>• Preparing monthly bank reconciliation statements of the designated and Programme bank accounts.</li> <li>• Preparing monthly financial report with the actual and budgeted figures for each activity and the variance thereof.</li> <li>• Making timely payment of expenditures incurred for Programme activities and advances.</li> <li>• Following up with the implementation partners and Programme staff to ensure that they submit their monthly statements within the stipulated time.</li> <li>• Preparing the financial statements in the format required for preparation of the withdrawal application for submission to PMU.</li> <li>• Providing accounts, statements and other documents as may be required by the Statutory/ Internal Auditor to ensure the timely completion of their assignment.</li> <li>• Maintaining the record of fixed assets, contract register and contract monitoring forms.</li> <li>• Conduct physical verification of fixed assets.</li> <li>• Performing such functions as may be delegated by the Account Officers.</li> </ul>
<b>Experience &amp; qualifications</b>	<p><b>Qualification:</b></p> <ul style="list-style-type: none"> <li>• Post-graduate degree in Commerce and Accounting/business management</li> </ul> <p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• 1-2 years of experience in financial accounting of Programme/company.</li> </ul>

	<ul style="list-style-type: none"><li>• Computer literacy and proficiency in accounting software and use of spread sheets.</li><li>• Good knowledge of accounting.</li></ul>
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## 18. ToR for Targeting, Gender and Inclusion Specialist

<b>Position:</b>	Targeting, Gender and Inclusion Specialist (TGIS)
<b>Reports to:</b>	Programme Coordinator
<b>Supervises:</b>	Technical supervision/backstopping of Soci-Economic Mobilizers,
<b>Duty station:</b>	PIU
<b>Summary of role:</b>	The Targeting, Gender and Inclusion Specialist will be responsible for mainstreaming, operationalising and budgeting nutrition, gender, youth, social inclusion and targeting across the programme components and activities.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable up to end of Programme based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<ul style="list-style-type: none"> <li>• Coordinate and lead the targeting process with appropriate guidance and process to reach the vulnerable, poor, women, youth and other priority disadvantage groups in the Programme area and ensure their meaningful participation and share of benefits from Programme interventions.</li> <li>• Monitor progress in such areas and ensure evidence on progress is regularly reported to the Programme Director and Steering Committee.</li> <li>• Integrate Nutrition, Gender, Youth, Targeting in the M&amp;E system, in the AWP/Bs and Progress reports and in the social inclusion/gender strategy of VITA</li> <li>• Implement the targeting strategy of VITA by identifying implementation arrangements, risks and mitigation measures and analyse data to ensure that there are no adverse impacts on target groups as a result of programme</li> <li>• In close collaboration of the PMU staff, Develop a gender and social inclusion strategy, including implementation mechanisms, to ensure opportunities to support gender equality and women’s empowerment and facilitates women’s participation in subsequent interventions; for promoting youth engagement in project activities and ensuring the benefits reaches the target groups.</li> <li>• Undertake regular capacity assessment and provide capacity-building for staff at the field level, PMU, implementing partners and service providers on gender, youth and nutrition</li> <li>• Lead the designing and development of comprehensive package of business skills training incorporating a) aspects of the Gender action learning system (GALS ‘Lite’), b) Financial knowledge- household financing, group financing and business financing, c) Business Skills, d) Climate Resilient Agriculture, e) Nutrition, f) Farm Diary, and d) Use of calculator, numeracy along with simple calculation like multiplication, division, calculation with pictorial and reading text considering pedagogy in coordination with other thematic specialists.</li> </ul>

	<ul style="list-style-type: none"> <li>• Coordinate with Socio-Economic mobilization managers to develop training modules /manuals to strengthen capacities of Socio- Economic mobilizers along with other sectoral specialists in enhancing knowledge, understanding and implementation skill for targeting, gender equality, women empowerment and inclusion of poor, youth and marginalized section of the production clusters.</li> <li>• Work with ADBL SME and Agribusiness Department, Credit Department and others to identify and remove obstacles to increased financial inclusion, including ability of women, youth, poor and other disadvantaged groups to access loans for productive investments as small-scale producers.</li> <li>• Coordinate and contribute in design and conduction of Poverty Propensity Index (PPI) and simplified Programme- Women Empowerment in Agriculture Index (Pro- WEAI) survey in the Programme.</li> <li>• Facilitate in implementation of the business skills and GALS lite package and facilitate to enhance financial access, production of marketable produce and market linkages of the participated small holder farmers.</li> <li>• Support Programme Monitoring and Evaluation (M&amp;E) team to establish gender, youth and inclusion baselines for the M&amp;E system, design of farm/enterprise diary and result measurements, and reporting of the supported supply chains.</li> <li>• Provide strategic support to Programme team for inclusion of poorer and vulnerable households' participation in respective Supply chains investment proposals and producer organisations</li> <li>• Contribute to the knowledge development by generating lessons/cases studies in respective Supply chains and facilitate knowledge exchanges on targeting, gender and inclusion and others.</li> <li>• Responsible for the overall content and the links with other external knowledge on targeting, gender and inclusion.</li> <li>• Maintain close coordination with other Supply chain leads and other specialists and Programme partner to ensure for effective mobilization and the services are reached to the poorer, vulnerable and marginalized farmers.</li> <li>• Provide technical backstopping support to the socio-economic mobilizers and Programme team regarding mobilization, gender, youth, nutrition and targeting.</li> <li>• Together with M&amp;E and knowledge management staff, establish an M&amp;E system that captures data and analyses disaggregated data on gender, youth, socio-ethnicity, poverty status, indigenous people etc</li> <li>• Provide technical assistance and guidance to field level staff in the implementation of gender, youth and nutrition sensitive interventions and nutritional challenges in programme areas</li> <li>• Document lessons learnt and achievements in mainstreaming nutrition, youth and gender in the programme</li> </ul>
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	<ul style="list-style-type: none"> <li>• Serve as a focal point for communication between the programme and others working on issues of targeting and social inclusion in government, implementing agencies, other development projects and IFAD.</li> <li>• Participate in the development of detailed TORs and tender documents of national and local service providers to various project components to ensure that target groups will be able to participate effectively in all components and meet the programme’s targets</li> <li>• Analyse opportunities to work with key partners, including in policy engagement on nutrition, gender, youth, indigenous people and related domains and periodically attend MSPs to progress such policy engagement.</li> <li>• Develop localised training materials on the relevance of improved nutrition and gender to climate resilient productivity, sustainable value chains and livelihoods diversification. On nutrition, this should include a specific measures and actions on early childhood nutrition and steps to improve the nutritional status of teenage girls.</li> <li>• Analyse aspects of administration, security of tenure and delineation of ancestral domains; regulatory processes that can improve indigenous peoples' capacity to leverage their cultural and biodiversity resources across and participation of indigenous peoples' communities in local development, local governance and land-use planning and how through project interventions these aspects could be enhanced.</li> </ul>
<p><b>Experience &amp; qualifications</b></p>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>• At least 10 years work experience in the development sectors and with demonstrated results on socio-economic mobilization, gender, youth, nutrition and social inclusion issues in agriculture Supply chains.</li> <li>• Knowledge and experience in building capacity of stakeholders through designing training manuals considering pedagogy, delivering training advisory skills and facilitate effective socio-economic mobilization.</li> <li>• Experiences in capacity building on gender, youth, mobilization, business skills and financial access, market linkages.</li> <li>• Experiences that demonstrate creativeness, innovativeness and entrepreneurial skills;</li> <li>• Experience in projects integrating targeting and social inclusion considerations across components/activities and M&amp;E;</li> <li>• Possesses high quality attributes on leadership, facilitations and coaching.</li> <li>• Good spoken and written English.</li> <li>• Proven skills in staff and budget management, networking and external communication.</li> <li>• Good interpersonal skills and capacity to work effectively as part of a team.</li> <li>• Highly motivated and committed to poverty alleviation and gender and social inclusion</li> </ul> <p><b><u>Preferences given to</u></b></p>

	<ul style="list-style-type: none"><li>• Experience in working with projects dealing with agriculture supply chains, public private partnership and service market development.</li></ul>
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## 19. ToR for Monitoring and Evaluation Specialist

<b>Position:</b>	Monitoring and Evaluation Specialist
<b>Reports to:</b>	Programme Coordinator
<b>Supervises:</b>	n/a
<b>Duty station:</b>	PMU
<b>Summary of role:</b>	Under the direct supervision of Programme Coordinator, M&E Specialist is responsible for guiding the overall M&E strategy and implementation of related activities within the Programme including providing timely and relevant information to PIU and Programme stakeholders. S/he is also responsible for setting up the M&E systems based on the log-frame and M&E plan and ensuring its implementation efficiently and effectively. The PMU M&E specialist will work closely with the Heifer M&E team.
<b>Mode of contract:</b>	Rolling annual contract with a probation period of six months. The annual contract will be extendable up to end of Programme based on satisfactory performance in the preceding contract assessed by the Programme.
<b>Main responsibilities</b>	<p><b>M&amp;E:</b></p> <ul style="list-style-type: none"> <li>• Develop and maintain a comprehensive M&amp;E system to be fully described in a comprehensive M&amp;E Manual (as part of the PIM), including detailed methodologies, tools (standard data collection forms and analysis tables), processes and responsibilities for the monitoring of Programme implementation (activities, outputs) and the measurement of results (outcomes and impact).</li> <li>• Help develop and maintain a Management Information System (MIS) for the recording of M&amp;E data and the preparation of standard consolidates tables for the tracking of activities, outputs and outreach.</li> <li>• Organize periodic field visits in order to verify the quality and validity of M&amp;E data submitted by grassroots implementers and partners; and collect formal and informal feedback from Programme beneficiaries on their satisfaction with Programme activities.</li> <li>• Prepare regular analysis on AWPB implementation, Programme performance and outcomes and impact.</li> <li>• Prepare the TOR for the baseline, mid-term and completion surveys, including the description of the proposed survey methodology (sampling frame and sample size, draft questionnaire) and provide the appropriate guidance to the selected service providers in order to ensure timely and reliable survey reports.</li> <li>• Design and conduct periodic qualitative outcome surveys, including Annual Cluster Tracking Surveys (in close consultation with PMU technical staff) in order to collect data and evidence of early outcomes or feedback from beneficiaries.</li> </ul>

	<ul style="list-style-type: none"> <li>• Provide the necessary initial training and continuous guidance and technical support to all PMU staff and grassroots implementers in charge of data collection in order to ensure data quality and reliability.</li> <li>• Prepare quarterly, half-yearly and annual progress reports, as well as more regular summary performance tables and other dashboards; and prepare and update digital maps showing all Programme sites and interventions.</li> <li>• Provide inputs for the fine-tuning of the targeting strategy (in particular for the definition of adequate selection criteria) and ensure that the M&amp;E system will help track targeting and outreach performance (in particular sex-disaggregated data on the number of beneficiaries, number of youth, number of beneficiaries from marginalized groups, types of benefits received).</li> <li>• Prepare consolidated ORMS tables and other data tables, and regular update of Logframe indicators to be submitted annually to IFAD.</li> <li>• Identify implementation problems, bottlenecks or delays and inform Programme Management about the need for corrective actions.</li> </ul> <p><b><u>Knowledge management:</u></b> Support the KM Specialist (under Heifer) to:</p> <ul style="list-style-type: none"> <li>▪ Prepare a KM Plan to identify the key topics worthwhile studying during implementation (e.g. women and marginalized groups’ participation in agriculture, women access to legal land titles, applying climate smart agricultural techniques, pro-poor Supply chain, etc.), the key tools and processes for the collection of required data, information and evidence, and the key tools and processes for the documentation and sharing of knowledge, lessons learned and best practices.</li> <li>▪ Ensure that lessons learned and best practices are properly identified and documented through various means (studies, videos, case studies, print and web articles) and that they are regularly shared to the relevant audience (Programme partners, policy makers, development partners) through appropriate means (including the participation in relevant meetings and events).</li> <li>▪ Organize and facilitate knowledge sharing workshops and events.</li> </ul>
<p><b>Experience &amp; qualifications</b></p>	<p><b><u>Required</u></b></p> <ul style="list-style-type: none"> <li>▪ University degree (economics, humanities, rural development, or equivalent)</li> <li>▪ At least 7 years of experience in the operation of M&amp;E systems of development Programmes</li> <li>▪ Computer literacy, with proficiency in Word, Excel, PowerPoint and data management software (Access, SPMS)</li> <li>▪ Rigor, intellectual honesty and sense of organization</li> <li>▪ Ability to work under pressure and within a multidisciplinary team.</li> <li>▪ Strong managerial and communication skills (including conflict resolution).</li> <li>▪ Perfect command of English.</li> </ul>

	<p><u>Preferences given to:</u></p> <ul style="list-style-type: none"><li>• Experience in working with agriculture Supply chains Programme and data management through MIS operations.</li></ul>
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## 8.4 Annex 13: ESMP Matrix

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
<b>1) Environmental</b>									
<b>Potential threat to forest and biodiversity resources including:</b>									
Encroachment or expansion of agriculture in forest area	Vegetable, Banana, Potato	Moderate	Value chain activities will be confined only in agriculture lands. To address the shortage of agricultural land, project will encourage leasing of fallow/private cultivable lands.	I) Meeting with farmers to identify and explore use of abandoned land; Explore with municipalities, forest user groups, and forest officials on encroachment management	PMU, Municipalities/FUG/DFO	% reduction of fallow land in municipalities (ha)	Baseline/mid term/completion and annual.	(A) Secondary sources: Registries from municipalities, local Forestry Groups and/or provincial Forestry Departments ; (B) Primary source: VC Cluster surveys.	Mainstream activity in Comp 1. No incremental cost

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Excessive harvesting of forest products and open grazing	Goats	Low to Medium	<p>Project will encourage stall feeding and provision will made to plant enough number/area of forage and fodder species;</p> <p>Carrying capacity assessment for Goat value chain prior to cluster engagement</p>	II) Evidence based consultation with interested communities to establish credible and sustainable development plans for Goat	VITA PMU with municipalities and MoITFE	<p>(a) % of farmers with herds in stall feeding system</p> <p>(b) % of municipalities with acceptable "current herd vs maximum carrying capacity" ratios</p> <p>(d) % of farmers using feed from sustainably managed fodder and forage sources</p>	Annual	<p>Farmers Diaries, Farm Diaries, VC Cluster surveys, Baseline/mid term/final impact surveys,</p>	<p>\$50,000 for GIS-based carrying capacity assessment for all targeted Goat/dairy municipalities</p> <p>Via Supply chain development facility (SDF)</p>

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Increased water pollution from agriculture runoff due to the use of fertilizers and pesticides	Vegetable, Banana, Potato, Cereal, Fish	Medium	(i) Mulching, right balance of organic and inorganic fertilizer; (ii) Training and advice on proper use of pesticide and fertilizers, regular soil testing; (iii) Improved fish pond management to keep water healthy: restricting use of antibiotics and medicines, proper aeration keeps the water healthy; (iv) Introducing waste water management system; (v) Enhanced testing and enforcement regime for pesticides especially at wholesale market and strategic location	Awareness, capacity building and easy access to new practices and technologies	HEIFER , local private technical service provers	(a) % farmers using efficient water use technologies (b) Number of farmers trained in IPM  (c) Include Water Quality parameters to be measured  (d) Include soil quality parameters to be measured	(a) Baseline/mid term/final ; (b) Annual	(a) Baseline/mid term/final impact surveys; Farmers' diaries (b) Project training records	(i)-(iv) via Supply chain development facility e.g. training of service provider to promote practice.  Minimal incremental costs.  Covered under 'Supply chain development facility ' budget line (Comp 1)  (v) \$30,000, financed between SDF and state/municipal government partners who have mandate for market management/food safety
Improper solid waste management	Livestock, Fish, Wholesale market	Moderate	(i) Solid Waste management plan mandatory for project supported wholesale and satellite market; (ii) Work with market management board and local authorities ; (iii) Recycling and reuse of waste generated during production to processing including use to make bio-compost ; (iv) Capacitate smallholders and micro entrepreneurs on sustainable waste management by easy and effective technologies and better hygiene	Awareness, capacity building and easy access to new practices and technologies	Province/district project units	(a) % of project-supported markets with a waste management plan and an efficient waste management system (b) No of capacity building events organized for smallholders and micro entrepreneurs	Annual	Project "infrastructure" records; Training reports; Reports from field inspection visits by PIU staff	(i)-(ii) Mainstreamed within Comp 3.  Est. \$5,000 additional capacity building on good practice waste mgt in markets  (iii)-(iv) via Supply chain development facility e.g. training of service provider to promote practice.  Minimal incremental costs.

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Land and soil degradation	Crops	Medium	(i) Tillage operation and grazing will be controlled in land with moderate to steep slopes (5°-30°). Conservation terraces will be promoted in such lands.; (ii) Cultivation will be discouraged in land with slope more than 30 degree (iii) Integrated Pest Management approach will be promoted to discourage use of chemical fertilizers and pesticides ; (iv) Crop varieties which demands excessive use of fertilizer and water will be discouraged; (v) Landslide prone areas will not be selected for any kind of value chain. If value chain activities are planned proximity to such areas, adequate land cover practices such as plantation will be encouraged.	Awareness	Province/district project units	(a) % of farmers using sound IPM practices (b)% of municipalities with an increase in the land area managed through IPM  (c) hectares of land under sustainable agricultural land management	(a) Annual; (b) Baseline/mid term/completion.	(A) Secondary sources: Registries from municipalities, local Forestry Groups and/or provincial Forestry Departments ; (B) Primary source: VC Cluster surveys	Mainstreamed in Comp 1 via  i) Business skills training  ii) Supply chain development facility for delivery of appropriate technical advice to farmers.  No incremental costs.
Threat (such as chances of particular pathogen or pest arriving, population declines of native species, altering key ecosystem process like hydrology, nitrogen fixation etc) from introduction of exotic varieties and breeds	Crops, Livestock	Moderate	Introduction of only certified/verified varieties		PMU	<i>Ex ante: Component 1 activities to ensure that only certified/verified seeds suppliers are supported under the various Funds or capacity building activities.</i>	n/a	n/a	No incremental cost
<b>Social</b>									
Potential increase on the workload on women (especially from road maintenance activities)			(i) Ensure women's participation from the activities planning phase; (ii) Promote awareness of smallholders and entrepreneurs on work division ; (iii) Ensure that women are not over-represented	Capacity building	Province/District Project Unit	(a) % of women among meetings' participants (VC meetings, cluster meetings, municipalities	(a) and (b): Annual ; (c) baseline/mid term/completion.	(a) Lists of participants in meetings or awareness raising events	Mainstreamed in the following activities a) group mentoring/capacity development b) Business skill training

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
			in the maintenance work for the newly rehabilitated roads; (iv) Ensure women's participation in capacity building events ; (v) Develop and implement GESI guidelines			meetings) and awareness raising events			covering such issues, c) the Heifer Corner Stone approach.
						(b) % of women among project training, capacity building events and exchange visits		(b) Training records	No incremental costs
						(c) % of women beneficiaries with increased time spent for leisure		(c) IFAD empowerment survey as included in the COI survey.	
Within high risk communities negative social dynamics from greater social and economic empowerment of women	All	Medium to High	(i) Implementation of the Heifer Corner Stone approach.  for highly vulnerable women; (ii) Inclusion of a "light GALS" module in Business Skills curriculum.			% of highly vulnerable women among the Heifer Corner Stone approach/  GALS-lite beneficiaries	Upon beneficiaries' selection, mid term and completion.	PPI survey; Qualitative survey on women empowerment	Via  GALS – budget = \$550,000  GALS-lite aspects of Business Skills training.  No incremental costs



Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Investment failing: Depletion of HH assets and livelihoods' base to the point where they can no longer recover; Indebtedness by loan beneficiaries unable to repay their loans.	All	Medium	(i) Affordable investment pathways ; (ii) Pre-screening suitability of selected commodities for poor and vulnerable households  (iii) Critical risk insurance among new products and services developed by ADBL or partner FIs; (iv) Group or municipality or supply chain guarantee and collateral free loan; (v) Working with in groups to improve market linkages which reduces selling risk; (vi) Link with technical service providers; (vii) Business skill training; (viii) Encourage saving and wealth generation practice ; (ix) Better use of remittances			(a) % of farmers repaying their loans according to agreed schedule (b) No of beneficiary farmers compelled to sell their collateral because they are unable to repay their loans.	Annual		i-ii: Mainstreamed in design. No incremental cost.  iii: NRB promoted insurance products – no incremental cost.  New insurance products development: via concurrent GIZ project with ADBL.  No incremental cost to VITA.  iv: Mainstreamed under Comp 2.2 and municipality engagement under Comp 1.  v-ix: Mainstream Comp 1 activities.  No incremental cost
Limited or less than optimal investment on land owned by women	All	Moderate	Heifer's Corner Stones based approach, sensitization via events business and skill development training	Sensitization, Capacity building, group works	HEIFER International, PMU	% of women sensitized or capacitated via trainings	Annual	APR	No incremental cost

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Limited participation of women due to limited access to titled land	All	Moderate	Knowledge share via group events and trainings like business and skill development training	Group work	HEIFER International, PMU	% of women beneficiary	upon beneficiaries' selection, mid term and completion.	Baseline/mid term/completion surveys ; Farmers' diaries ; and ADBL MIS.	No incremental cost
Lack of nutrition improvement	All	Moderate	Gender and nutrition sensitive value chains, awareness of optimal nutrition practices		HEIFER International, PMU	% of household and women reporting minimum dietary diversity (MDDW)	Baseline, Midline and Endline	Baseline/mid term/completion surveys ; Farmers' diaries ; and ADBL MIS.	No incremental cost
Climate change									

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Flood and landslide	Vegetable, Milk, Fish, Cereals	Medium	(i) Project will develop the value chain location/site selection criteria which will exclude activities in flood and landslide prone areas and encourage to use land where farmers are traditionally doing farming ; (ii) Banks of fish ponds raised to prevent flood, farmers will be encouraged to use fish-net, store tanks; (iii) Provisions of crop, livestock and other value chain based enterprises insurance ; (iv) Development of sound site selection criteria and regular field inspection visits by PIU Engineer.	Awareness	PMU and district units	% of beneficiary households with a crop or livestock insurance  Include indicators for mitigation measure (ii), (iii) and (iv)	Upon beneficiaries' selection, mid term and completion.	Baseline/mid term/completion surveys ; Farmers' diaries ; and ADBL MIS.	i: mainstreamed in cluster screening process  ii: Promoted through technical advice in Business Skills and local service provider development. Actual costs of work paid for by beneficiaries as part of farm upgrading investments  iii: beneficiaries pay insurance premiums, some of which is subsidized by NRB.  iv) for infrastructure, site verification is mainstream part of Comp 3 monitoring. No incremental costs.
Drought, water shortage	Vegetable, Banana, Cereals	Low to Medium	(i) Improve management practices: Small irrigation, water efficient technologies, infield water harvesting, water catchment pond ; (ii) Selection of drought tolerant species will be encouraged; (iii) Mandatory provisions of crop, livestock and other value chain based enterprises insurance	Awareness	PMU and district units	% of household using improved water management practices	(a) Baseline/mid term/final ; (b) Annual	Baseline/mid term/final impact surveys ; Farmers' diaries.	promoted via Business Skill classes plus local service provider (through Supply chain development facility)  Investment in associated equipment/ insurance is by beneficiaries via private investment.

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
Change in disease timing and outbreaks	Vegetable, Banana, Cereals	Low to Medium	(i) Promotion of IPM; (ii) Capacity building and awareness events to maximize use of bio chemicals and fertilizers (iii) Promotion of crop, livestock and other value chain based enterprises insurance	Awareness	Province project units	(a) % of farmers using sound IPM practices (b) % of beneficiary households with a crop or livestock insurance	(a) Baseline, mid-term, final ; (b) Baseline, mid-term, final ;	Baseline/mid term/final impact surveys ; Farmers' diaries.	Promoted via Business Skill classes plus local service provider (through Supply chain development facility). Specific demo activities via SDF  \$30,000
Occurrence of wind storms	Banana, Vegetable, Cereal	Low	(i) Wind break plantation ; (ii) Improve solid mound to strengthen plan; (iii) Additional pole for Banana	Capacity building	PMU and district units		(a) Annual and baseline, mid term, final ; final ;	Baseline/mid term/final impact surveys	Promoted via Business Skill classes plus local service providers (through Supply chain development facility.)  Investment in equipment/ materials is by beneficiaries via private investment.
Heat stress	Milk	Low	(i) Decrease of milk production in heat stress period is natural phenomenon. It has been reported that the production decrease by 30-40% during heat stress time. Project will encourage increasing investment on processing (milk powder, UHT) that allows storage to milk supply from flush to lean season; (ii) Improve fodder and feeder production and feeding practices; (iii) Good monitoring; (iv) Promotion of improved husbandry practices; (v) Promotion of effective animal		PMU and district units	% of beneficiary farmers reporting an improved access to processing infrastructure or improved storage capacity	Baseline, mid term, final	Baseline/mid term/final impact surveys	Promoted via Business Skill classes plus local service provider (through Supply chain development facility).  No incremental cost to VITA

Environmental, social and climate Impacts	Commodities as main driver of risks	Risk rating	Recommended Mitigation/Enhancement measures	Public Consultation Activities	Responsible Institution	Means of Verification			Cost Estimate & Source
						Indicators	Frequency	Source of data	
			health services and livestock insurance						

## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture Project Design Report**

#### **Annex 9: Integrated Project Risk Matrix (IPRM)**

Mission Dates: 25 November - 17 December 2019  
Document Date: 19/07/2020  
Project No. 2000002697  
Report No. 5455-NP

Asia and the Pacific Division  
Programme Management Department



## Overall Summary

<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
<b>Country Context</b>	<b>Moderate</b>	<b>Moderate</b>
<i>Political Commitment</i>	<i>Moderate</i>	<i>Low</i>
<i>Governance</i>	<i>Moderate</i>	<i>Low</i>
<i>Macroeconomic</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Fragility and Security</i>		<i>No risk envisaged</i>
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Low</b>
<i>Policy alignment</i>	<i>Low</i>	<i>Low</i>
<i>Policy Development and Implementation</i>	<i>Moderate</i>	<i>Low</i>
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Project vulnerability to environmental conditions</i>	<i>Moderate</i>	<i>Low</i>
<i>Project vulnerability to climate change impacts</i>	<i>High</i>	<i>Moderate</i>
<b>Project Scope</b>	<b>Moderate</b>	<b>Low</b>
<i>Project Relevance</i>	<i>Low</i>	<i>Low</i>
<i>Technical Soundness</i>	<i>Moderate</i>	<i>Low</i>
<b>Institutional Capacity for Implementation and Sustainability</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Implementation Arrangements</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Moderate</i>	<i>Low</i>
<b>Financial Management</b>	<b>Substantial</b>	<b>Moderate</b>
<i>Organization and Staffing</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Budgeting</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Funds Flow/Disbursement Arrangements</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Internal Controls</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Accounting and financial reporting</i>	<i>Substantial</i>	<i>Moderate</i>
<i>External Audit</i>	<i>High</i>	<i>Substantial</i>
<b>Project Procurement</b>	<b>Moderate</b>	<b>Low</b>
<i>Legal and Regulatory Framework</i>	<i>Moderate</i>	<i>Low</i>
<i>Accountability and Transparency</i>	<i>Low</i>	<i>Low</i>
<i>Capability in Public Procurement</i>	<i>Moderate</i>	<i>Low</i>
<i>Public Procurement Processes</i>	<i>Substantial</i>	<i>Moderate</i>
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Low</b>
<i>Biodiversity Conservation</i>	<i>Moderate</i>	<i>Low</i>
<i>Resource Efficiency and Pollution Prevention</i>		<i>No risk envisaged</i>
<i>Cultural Heritage</i>		<i>No risk envisaged</i>
<i>Indigenous People</i>		<i>No risk envisaged</i>



<b>Risk Category / Subcategory</b>	<b>Inherent risk</b>	<b>Residual risk</b>
<i>Labour and Working Conditions</i>		<i>No risk envisaged</i>
<i>Community Health and Safety</i>	<i>Low</i>	<i>Low</i>
<i>Physical and Economic Resettlement</i>		<i>No risk envisaged</i>
<i>Greenhouse Gas Emissions</i>	<i>Low</i>	<i>Low</i>
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>	<i>Moderate</i>	<i>Low</i>
<b>Stakeholders</b>	<b>Moderate</b>	<b>Low</b>
<i>Stakeholder Engagement/Coordination</i>	<i>Low</i>	<i>Low</i>
<i>Stakeholder Grievances</i>	<i>Moderate</i>	<i>Low</i>
<b>Overall</b>	<b>Moderate</b>	<b>Low</b>

<b>Country Context</b>	<b>Moderate</b>	<b>Moderate</b>
<b>Political Commitment</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Risks stem from the fact that Nepal is a young democracy with a new federal constitution and new three tier system of government with elected leaders at each level. The first elections were held in 2017 and the next elections are due in 2022 (2nd year of the programme). The inherent level of risk is moderate due to the 2017 elections having been completed without major incident and resulted in a governments with substantial majorities which have been functioning for over almost 3 years at the federal as well as in 7 states. This has provided much needed political stability. However, the effectiveness of the constitutional arrangements, including the newly introduced system of federalism, is to be tested over time and required adjustments made. In addition, there are still a small number of political groups which are unwilling to join the mainstream.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Mitigation is by having ADBL as the LPA, which is an independent regulated bank and so less susceptible to disruption within mainstream government ministries alongside internal financing mechanisms that reduce expose to changes in finance from MoF.</p>		
<b>Governance</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>The inherent governance risks to the programme are moderate overall stemming from the effectiveness of the new constitutional arrangements, including the newly introduced system of federalism and assignment of powers across three tiers of government and that these systems, checks and balances need to be tested over time and required adjustments made.</p>	Moderate	Low

<p><b>Mitigations:</b></p> <p>Mitigation is via the choice of Lead Programme Agency and Co-implementing partner. ADBL as the LPA is regulated and supervised by the Central Bank and therefore less prone to such external governance risks. Similarly, Heifer Nepal is a part of a well-respected INGO. Further, the programme works closely with the new state and local government but is not reliant on them for implementation and delivery – other than for specific infrastructure sub-project under Comp 3, where TA will be provided and works supervised.</p>		
<p><b>Risk:</b></p> <p>There is a risk of political pressure (especially at sub-national level) in the selection/location of wholesale market infrastructure works under Component 3. Potential impacts on the programme are likely to be low and can be mitigated against, given this is only a minor part of the programme results chain.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>have clear and transparent processes for selection and prioritization of infrastructure works to be financed, including that they are endorsed by a majority of participants at the relevant MSPs.</p> <ul style="list-style-type: none"> <li>• for Windows 1 and 2, i.e. wholesale market infrastructure, to only happen in Year 3 onwards to allow time for both the current high political pressures to normalize as well as to have the MSPs more established and able to drive the infrastructure priorities.</li> <li>• for Window 3 on small-scale community-level infrastructure, the programme will support the municipal authorities to develop productive infrastructure master plans for the sector to increase alignment with overall strategic priorities in the municipality.</li> </ul>		
<p><b>Macroeconomic</b></p>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <p>COVID19 pandemic is likely to have a significant negative impact on the economy for at least the first 2 years of the programme. In FY 2019, Nepal achieved its third consecutive year of +6% growth for the first time in more than 50 years. Prior to the COVID-19 outbreak, GDP growth was projected to average 6.5% over the medium term. Most recent World Bank projections (April 2020) are for growth to slow to 2.8% in FY2020 and remain subdued in FY2021 reflecting lower remittances, trade and tourism, and broader disruptions caused by the COVID-19 outbreak. Consequently, the fiscal and current account deficits are likely to increase significantly. Risks to the outlook stem primarily from a large-scale domestic transmission of COVID-19 and limited capacity of government to implement emergency relief and recovery measures.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>Potential negative impacts on the programme are reduced by:</p> <ol style="list-style-type: none"> <li>a) the programme is primarily focussed on higher return food crops/livestock for local and national market where demand growth is relatively inelastic with short supply chains, and</li> <li>b) central role of private investment which is not primarily reliant on the fiscal position of the government.</li> </ol>		

<p><b>Risk:</b></p> <p>There is a specific risk to the programmes potential for scaling-up of improved agricultural lending in the wider financial sector from the persistent periodic liquidity constraints, especially for term finance, which may discourage PFIs from expanding agricultural lending regardless of the market opportunity. The term liquidity issues is closely related to the structure of sources of funds in the sector and prudent term matching requirements.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>Specific mitigation measures on the term liquidity risks are:</p> <ul style="list-style-type: none"> <li>• Wholesale term loans to be made available to partner FIs via the VITA subsidiary loan under Component 2</li> <li>• Continued policy engagement with Nepal Rastra Bank and others on agriculture finance promotion policies – potentially also including support to launch innovative wholesale financing instruments including agriculture bonds and mechanisms to reallocate funds to the sector from commercial banks not meeting their minimum lending obligations under the national deprived and priority sector lending policies.</li> </ul>		
<b>Fragility and Security</b>		<b>No risk envisaged</b>
the project is not in a fragile state.		
<b>Sector Strategies and Policies</b>	<b>Moderate</b>	<b>Low</b>
<b>Policy alignment</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Overall risks are low as sector strategies and policy framework in both agricultural and financial sector are highly favourable to the programme, as seen in the ADS, the deprived/priority sector lending policies and financial inclusion road map and action plans. The transfer of substantial powers concerning the agriculture sector to state and municipal level are also expected to create increasingly accountable policy frameworks to the needs of rural people..</p>	Low	Low
<p><b>Mitigations:</b></p> <p>No specific mitigation measures are required.</p>		
<b>Policy Development and Implementation</b>	<b>Moderate</b>	<b>Low</b>

<p><b>Risk:</b></p> <p>Technical service provision to farmers – There is a risk that municipalities will develop free services that will undermine the development of more sustainable market-based services. However, the risk is small as the municipalities do not have sufficient budget or human resources to establish or sustain such services – which were already overstretched under the previous government system and many are already seeking better alternatives than purely public services. Municipal authorities are now under increasing pressure from their resident farmers to provide better services but lack the human resource and budgets to do so. Experience from HVAP also suggests that there is a low risk from free public services if properly managed by the programme. Under HVAP, the programme supported 108 private service providers to serve farmers. This included collaborations with the predecessors to the current Agriculture Knowledge Centres and Veterinary Hospitals and Livestock Service Centres. Ongoing experience from RERP, show that a majority of rural municipal authorities are actively seeking better alternatives to invest at this level.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Based on HVAP and RERP experience, VITA will partner with the municipal authorities, with technical backstopping from AKCs and VHLSSC, to develop a pool of local private technical service providers offering affordable good quality advice and services to local farmers. The programme will partner with municipal authorities to identify, training and mentor suitable technical service providers in their municipality, on a cost sharing basis. Similarly, VITA will partner with state Ministries of Land Management, Agriculture and Cooperatives (MoLMACs) to ensure that the AKCs and VHLSSCs, who have more higher qualified staff, are provide technical backstopping to the municipalities and local service providers supported by the municipalities and the programme as per their mandate.</p>		
<p><b>Risk:</b></p> <p>Grants &amp; subsidies – There is a risk that generous or poorly targeted grants and subsidies from other major programmes may hold back genuine market-driven investment by smallholders instead hoping to receive grants, be captured by elites, distort markets as well as crowding out mainstream finance as credit is replaced by unsustainable grants. Reforms are already being introduced by GON to move away from grants and to reform input subsidies – including developing a Kishan Card to enable direct financial transfers to farmers (mandated to ADBL).</p>	Moderate	Low

<p><b>Mitigations:</b></p> <p>Given VITA is well aligned with GON/MOFs reform agenda in this area, the mitigation strategy within the programme includes the following:</p> <p>1) Intensive business skills capacity development of producers and producer groups to empower them to approach their farming as a business. This provides them with the know-how and confidence for them to understand and be able to make their own investments in their farming without relying on grants and subsidies.</p> <p>2) ADBL to pro-actively engage with ASDP and LSIP to offer to provide loan financing to their supported farmers but subject to a reduced grant contribution from their project, of a target level of not more than 30%, to reduce market distortion and reduce reliance and expectations of grants and subsidies. In such circumstance, such loans could be booked against the term financing provided through VITA to ADBL.</p> <p>3) Pro-active policy engagement (evidence-based) with MOF and MOALD, as well as at state and municipality level, on the viability of using affordable loan financing as a credible and inclusive alternative to matching grants to promote investment in agriculture – both for working capital and fixed capital investment.</p> <p>4) Accelerating development and deployment of the Kishan Card by ADBL to enable a faster move to direct transfers instead of general input subsidies (this is the focus of the Nepal RPSF grant proposal)</p> <p>5) For PMAMP, active engagement with MOALD to look beyond grants - for example initially to pilot the use of term loans to finance a majority of the investments instead of grant. Similarly, working with MOLMACs to pilot loan financing instead of grants. The emphasis will be on building the confidence and understanding of MOALD/MOLMACs that loan financing is a credible, affordable and more effective alternative to grants. This is also likely to involve working with municipal and state authorities to pilot the use of organizational guarantees, e.g. provided by the municipality, for loans to farmers in their community. ADBL already has provision for such types of guarantee.</p>		
<b>Environment and Climate Context</b>	<b>Substantial</b>	<b>Moderate</b>
<b>Project vulnerability to environmental conditions</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Rural populations in Nepal have inherent vulnerability to weather-related environmental conditions such as draughts, floods, landslide, rainfall and temperature risks.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Mitigation is by: appropriate screening and site selection for potential production clusters to avoid production on high risk sites – informed by local knowledge; pre-engagement carrying capacity assessments – especially for livestock and MAPs clusters; promotion of water-efficient production practices as well as investment in small scale irrigation and multi-use water systems.</p>		
<b>Project vulnerability to climate change impacts</b>	<b>High</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>Inherent climate change risks in Nepal are high and well documented, being among the most vulnerable countries to climate change. Climate trends and future projections for Nepal indicate that seasonal variations in temperature and precipitation will increase, resulting into more frequent and intensified extreme weather events and likely impacts such as i) increased incidences of new and existing diseases, pest and insects, especially in higher altitudes; ii) greater variability in rainfall patterns within the year with increased water demand leading to higher risks of temporary water shortages for rainfed agricultural production; iii) increased heat stress to livestock from a small increase in the number of warm days, especially in the lean season, leads to reduced milk production and reduced growth in poultry during these periods. Careful design of the programme can largely mitigate these risks to the programme.</p>	High	Moderate
<p><b>Mitigations:</b></p> <p>Mitigation is by: selection of climate resilient commodities to be promoted in different locations and agro-climatic condition,; promote and train small-scale producers and MSMEs on tools to help them factor in climate change considerations into their investment and production plans; promotion of climate smart agriculture technologies and services through strengthening of local support markets and with partner financial institutions to screening of climate risks in their loan appraisal and strengthening the capacity of staff in the area of climate change. VITA will help to reduce climate related risks and impacts by: improving farmers' understanding of climate risks to their farm business (Sub-component 1.1); increase availability and access to climate resilient technologies and advice to implement climate adaptation measures (through Support Market Development under Sub-component 1.2); providing loans to finance climate adaptation investments (Component 2.1); investing in multi-use water system and small scale irrigation to reduce the risks from temporary water shortages, and upgrade farm access roads for year round access to farms particularly during periods of heavy rain (Component 3). The programme areas are moderately vulnerable to the effects of climate change.</p>		
<p><b>Project Scope</b></p>	Moderate	Low
<p><b>Project Relevance</b></p>	Low	Low
<p><b>Risk:</b></p> <p>The programme is highly relevant to both the government agenda and priorities of its target groups. It is a scaling-up of best practice from within the country that achieved strong impacts.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>No specific mitigation required.</p>		
<p><b>Technical Soundness</b></p>	Moderate	Low
<p><b>Risk:</b></p> <p>Technical design risks are generally low as VITA is principally a scaling-up programme of proven best practice from within Nepal</p>	Low	Low

<p><b>Mitigations:</b></p> <p>No specific mitigation required.</p>		
<p><b>Risk:</b></p> <p>A specific technical risk to Component 2 stems from the financial sector's heavy reliance on collateral-based lending, potentially limiting ability for otherwise credit worthy clients to access investment loans.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Mitigation relating to the wider use of loans by smallholder includes: Promotion by ADBL and partner FIs of non-collateral lending for small loans up to NRP200,000, as per NRB regulations, especially linked to livestock and crops guarantees e.g. from the Deposit and Credit Guarantee Fund; A focus on commodities where production can be started with small initial investments as a first step on affordable investment pathways below this level of NRP200,000 for collateral free loans; Piloting and promotion of institutional guarantees from municipal authorities and producer groups for their farmers, especially for youth; Promotion of value chains financing instruments, where appropriate to the specific supply chain, with ADBL and other PFI as the financing partner within these arrangements. This also includes working with NRB, as necessary, on appropriate regulations, guidance and policies for the expansion of such financing instruments.</p>		
<p><b>Institutional Capacity for Implementation and Sustainability</b></p>	Substantial	Moderate
<p><b>Implementation Arrangements</b></p>	Substantial	Moderate
<p><b>Risk:</b></p> <p>Inherent institutional capacity risks are high in Nepal, as evident in the recent country programme performance. If not addressed both in design and implementation, these create significant risks of substantial delays in programme delivery.</p>	High	Moderate

<p><b>Mitigations:</b></p> <p>Substantial measures have been incorporated into the design to mitigate these, but the effectiveness of these measure must be continuously monitored by GON and IFAD, especially in the early years of implementation, with close implementation support. Mitigation is via the planned programme implementation arrangements and choice of partners by involving ADBL and Heifer as lead partners, as well as by creating State Programme Coordination Forums and Municipal Coordination Forum in each state and municipality to coordinate among stakeholders.</p> <p>The programme adopts a simple implementation structure, with one LPA overseeing all components. The choice of ADBL as the LPA reduces institutional capacity risks due to its large and capable agri-business staff, with almost 500 staff with both an agricultural and finance background and a focus on agriculture as a business. In addition, in Nepal, the existence of substantial experience and domestic cadres familiar with the specific approaches should further reduce the start-up and operational risks if ADBL can draw on this practical experience and capacity. The implementation partnership with Heifer will bring valuable additional capacity, especially on market-oriented socio-economic mobilization and producer group development.</p> <p>Internally, ADBL currently have a strong senior management team under a recently appointed CEO which should provide stability during the critical first 3 years as will mainstreaming VITA in ADBL structures. This senior management team has been closely involved in all aspects of VITA design.</p> <p>In addition, there are around USD 2 million of institutional capacity building programmes planned for ADBL and programme partners across the three Components.</p>		
<p><b>Risk:</b></p> <p>Specific capacity risks within ADBL are into two areas:</p> <ul style="list-style-type: none"> <li>• Component 2: The programme requires the upgrading of systems and processes required for ADBL's operational capacity to cost-effectively extend its coverage and outreach to larger numbers of small-scale producer in more remote areas. The risks here could be substantial if there are large delays in upgrading the required systems and processes, as without these systems it will be difficult for the ADBL branches to adequately serve the required numbers of programme beneficiaries.</li> <li>• Component 3, ADBL itself does not have in-house experience of administering an infrastructure finance facility, though there is available capacity in the market in Nepal.</li> </ul>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>Component 2: Mitigation for delays in the upgrading of ADBL systems and processes is through the early commencement of such upgrading plans, prior to programme effectiveness – as they also form part of ADBL's own strategic development plans. VITA includes a substantial capacity building programme of around \$1.5 million in Sub-component 2.2 to address these and other risks. In addition, IFAD is expected to approve an Rural Poor Stimulus Facility in Q3 2020 to accelerate this upgrading activity – both for automatic loan processing and the development and deployment of a Kishan Card and App.</p> <p>Component 3 management risk mitigation will be by the PMU contracting a small team of infrastructure professionals to manage this facility and close supervision by IFAD of procurement and technical aspects of the Component implementation.</p>		



<p><b>Risk:</b></p> <p>Coordination within and between the three tiers of government has emerged as a critical issue across multiple sectors. The risk is that this may create disjointed policies and public investment programmes between the three tiers – with potential gaps, duplications or contradictions.</p> <p>While VITA implementation is not within these three tiers of government, it may be impacted by a lack of coordination within the government itself.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>The choice of ADBL as the LPA substantially reduces the programmes direct exposure to these risks – as it is a parastatal institution with a mandate to work equally with all branches of government. ADBL regional and branch managers have good working relationship with government officials in their area, not least as ADBL has long been an important partner for agriculture development. Heifer also brings strong networks in many locations, especially with municipal governments.</p> <p>Additional mitigation measure for coordination risks include: establishing a State Programme Coordination Forum in each state to coordinate among programme stakeholders within the state and similar Municipality coordination forum in each municipality; signing MoUs between ADBL and each State and municipal government for collaboration on the programme, setting out expected contributions and roles; routine participation of relevant government staff in the MSPs at corridor and hub level for each commodity, and; providing capacity building training to state and municipality staff on key programme approaches for inclusive supply chain development to raise understanding.</p>		
<p><b>Monitoring and Evaluation Arrangements</b></p>	Moderate	Low
<p><b>Risk:</b></p> <p>M&amp;E risks are moderate as the LPA is a regulated nationwide commercial bank with sound data collection, management and reporting systems and a strong IT department. Additional programme specific data and MIS tools will build on best practice from HVAP and RERP already available in the country programme.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>No specific mitigation measures are required.</p>		
<p><b>Financial Management</b></p>	Substantial	Moderate
<p><b>Organization and Staffing</b></p>	Substantial	Moderate

<p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>• The bank has not implemented the IFAD funded project.</li> <li>• The bank has qualified professional accountants in the Finance and Account Department in the Head Office. Other bank staff in the Head Office, provincial and branch offices have adequate academic qualification and experienced in the maintaining accounts.</li> <li>• The existing staff of the bank will be deputed for the project and one finance assistant will be recruited for the PMU.</li> <li>• The existing staff do not have experience on IFAD funded projects but they can be trained for accounting and reporting requirement of the IFAD.</li> <li>• There are written job description of each accounts staff.</li> </ul>	Substantial	Moderate
<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• One finance assistant with required qualification for the PMU will be recruited.</li> <li>• The accounts staff required for the project will be deputed and they will be made accountable for the project with clear written job description and accountability lines.</li> <li>• Training will be provided to the finance staff to maintain accounts and prepare AWPB, withdrawal application and financial statements as per requirement of IFAD.</li> <li>• Project implementation manual (PIM) will be developed for effective financial management with clear procedures and controls, responsibilities of the project finance staff.</li> </ul>		
<p><b>Budgeting</b></p>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>• Budget is prepared by the respective cost centers and draft budget of each province is finalized in the workshop with consultation of province chief, branch managers and representatives of the head office. The consolidated budget of the ADBL is finalized in the head office under coordinator of Chief Executive Officer among the Deputy General Managers and Department Chiefs.</li> <li>• Staff are not aware about the IFAD format of AWPB.</li> <li>• Budget is being finalized by end of June but the AWPB is to be submitted to IFAD and entered in the Line Ministry Budget Information System (LMBIS) by 15 May.</li> <li>• There is no periodic review of the budget performance.</li> </ul>	Substantial	Moderate
<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• Separate budget heads for the loan and grant to the ADBL will be in the federal budget. The loan budget will be in the financing budget of the MoF.</li> <li>• The budgeting process of the ADBL and government will be followed while the AWPB will be prepared in the format specified by the IFAD.</li> <li>• The arrangement will be made to prepare and submit the AWPB 60 days before start of the fiscal year.</li> <li>• Preparation of periodic statement of budget with actual.</li> </ul>		
<p><b>Funds Flow/Disbursement Arrangements</b></p>	<b>Substantial</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>• ADBL has implemented one ADB funded project having imprest fund but does not have experience in preparing withdrawal application.</li> <li>• Foreign currency exchange risk is borne by the government.</li> <li>• The ADBL does not value and account counterpart funds.</li> <li>• The ADBL did not have experience in implementing such projects as it provides loan to the borrower for their projects.</li> </ul>	Substantial	Moderate
<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• The designated bank account will be opened for the grant in USD. Two separate project accounts for loan and grant will be opened in the ADBL in Nepalese currency. The advance of USD 10 million will be provided for loan to the loan project account and amount as specified will be transferred from designated account to the grant project account.</li> <li>• The designated bank account and projects bank accounts will be maintained on imprest system.</li> <li>• The counterpart funds received in cash or kind valued at the prevailing market price will be accounted separately to monitor counterpart funds and project expenditures.</li> <li>• IFAD loan disbursement handbook and PIM developed for the project specify disbursement procedure, requirement and interval of submission of WA.</li> <li>• Training will be imparted to finance on disbursement procedures.</li> </ul>		
<p><b>Internal Controls</b></p>	<b>Substantial</b>	<b>Moderate</b>
<p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>• There are no segregation of duties in D class branch office.</li> <li>• The same person prepares the bank reconciliation in the branch offices due to only two staff.</li> <li>• Internal audit of the proposed project will have to be conducted.</li> </ul>	Substantial	Moderate
<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• Project Implementation Manual (PIM) will be prepared explaining the financial management system and segregating of duties.</li> <li>• Segregation of duties as far as possible.</li> <li>• Detailed control activities will be explained in the PIM which includes good transaction trail, competent project staff, segregation of duties, physical protection of assets, and timely progress and performance reporting</li> <li>• Internal audit department will conduct internal audit of the project expenditures and compliance with the financial policies and legal covenants on quarterly basis.</li> <li>• PMU should take actions on internal audit findings and recommendations as instructed by the Audit Committee..</li> </ul>		
<p><b>Accounting and financial reporting</b></p>	<b>Substantial</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>Accounting Systems, Policies &amp; Procedures</p> <ul style="list-style-type: none"> <li>• There are no accounting field in the chart of accounts for components, disbursement categories, and sources of funds.</li> <li>• There is no accounting manual there are Payment Procedures and Financial Administration Bylaws for financial management.</li> <li>• All invoices and supporting documents are not defaced with PAID stamp in few offices.</li> <li>• There is no separate fixed assets accounting system. The fixed assets register is maintained in excel spreadsheet up to date and tallied with the fixed assets register on annual basis.</li> <li>• Beneficiaries contribution are not accounted.</li> </ul> <p>Reporting and monitoring</p> <ul style="list-style-type: none"> <li>• ADBL does not have practice of reporting expenses based on categories, components and funding sources.</li> <li>• The financial statements are not generated in the required format by the software.</li> </ul>	Substantial	Moderate
<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• The existing chart of accounts will be customized to record components, disbursement categories, and sources of funds.</li> <li>• The policy of accounting counterpart funds received in cash and kind will be developed to report total cost of each project activity and total project expenses.</li> <li>• Training will be provided to the project staff in project accounting policies and procedures.</li> <li>• PIM will specify detail reporting and monitoring requirements and templates for preparing financial statements in the format consistent with IFAD reporting requirements.</li> <li>• Accounting fields will be incorporated in the existing chart of account to report expenses based on components, disbursement categories, and sources of funds.</li> <li>• PMU staff are to be trained for financial monitoring and oversight on implementing agencies.</li> </ul>		
<p><b>External Audit</b></p>	<b>High</b>	<b>Substantial</b>
<p><b>Risk:</b></p> <p>External Audit</p> <ul style="list-style-type: none"> <li>• Independent Chartered Accountant firms recommended by the Office of the Auditor General (OAG) and appointed by the annual general meeting (AGM) conduct audit of the ADBL.</li> <li>• Audit of the ADL is being conducted within 6 months but the AGM used to be held after 6 months.</li> <li>• The audit reports were qualified for unreconciled amounts in inter-branch account.</li> <li>• The auditors have issued disclaimer of opinion due to non-compliance with all provision of the Nepal financial reporting Standards in FY 2015/16 and 2016/17.</li> </ul>	High	Substantial
<p><b>Mitigations:</b></p> <ul style="list-style-type: none"> <li>• A Chartered Accountant firms appointed for the ADBL will be hired for the project to conduct external audit.</li> <li>• Specific requirement of IFAD will be communicated to external auditors to deliver adequate audit report.</li> <li>• Conduct audit for submission of audit report to IFAD within 6 months after the end of each fiscal year.</li> <li>• Implementation of auditor's recommendations.</li> </ul>		

<b>Project Procurement</b>	<b>Moderate</b>	<b>Low</b>
<b>Legal and Regulatory Framework</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> The risk that the Borrower's regulatory and institutional capacity and practices (including compliance with the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity.	Moderate	Low
<b>Mitigations:</b> 1). Review of procurement plans and ensure the use of competitive procurement method. 2). Project to prepare General Procurement Notice - on start of project and disclose GPN in public websites. 3). Procurement information and monitoring information to be publically available in project website.		
<b>Accountability and Transparency</b>	<b>Low</b>	<b>Low</b>
<b>Risk:</b> The risk that accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds, misprocurement, SH/SEA, and/or execution of project procurements outside of the required time, cost and quality requirements.	Low	Low
<b>Mitigations:</b> 1). Established IFAD prior review and post review requirement relative to risk in LTB. 2). TA to support the review of technical deliverable and contract management and administration. 3). Maintain records and promote reporting of allegation to IFAD 4). Gather occasional feedback on project procurement staff (risk that specific skill enables the individuals to "rent seek" to manipulate results of evaluation service provider and consultancy contracts)		
<b>Capability in Public Procurement</b>	<b>Moderate</b>	<b>Low</b>
<b>Risk:</b> The risk that the implementing agency does not have sound processes, procedures, systems and personnel in place for the administration, supervision and management of contracts resulting in adverse impacts to the development outcomes of the project.	Moderate	Low
<b>Mitigations:</b> 1). Manage the recruitment and selection of a procurement officer 2). Support specialist through Technical Assistance (intermittent) - external consultant		
<b>Public Procurement Processes</b>	<b>Substantial</b>	<b>Moderate</b>

<p><b>Risk:</b></p> <p>The risk that procurement processes and market structures (methods, planning, bidding, contract award and contract management) are inefficient and/or anti-competitive, resulting in the misuse of project funds or sub-optimal implementation of the project and achievement of its objectives.</p>	Substantial	Moderate
<p><b>Mitigations:</b></p> <p>1). Issue Letter to the Borrower to mitigate risk  2). Review and approve PP Plans based on IFAD new format  3). Monitor performance indicators through NOTUS and ICP Contract Monitoring  4). Monitor performance and risk through periodic project supervision and independent audit report  5). Review and update PIM to address controls weakness based on mitigation measure identified in the PRM</p>		
<b>Environment, Social and Climate Impact</b>	<b>Moderate</b>	<b>Low</b>
<b>Biodiversity Conservation</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>There is a risk that excessive production of livestock and collection of MAPS, especially in the hills, may expand to unsustainable levels damaging local biodiversity.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Mitigation will include pre-screening of all potential clusters/locations for these commodities including a carry capacity assessment at the municipality or ward level to confirm sustainable capacity and not promote production beyond this level.  Secondly, improved production systems will be widely promoted –</p> <ul style="list-style-type: none"> <li>• for livestock this includes an exclusive focus on stall-based production systems with planting of additional fodder and forage crops (and ceasing open-grazing) and promotion of more productive herd (by improvement in genetics) to help increase production without corresponding increases in herd size</li> <li>• for MAPS via the domestication of production of previously wild gathered species (e.g. as with timur under HVAP).</li> </ul>		
<b>Resource Efficiency and Pollution Prevention</b>		<b>No risk envisaged</b>
no risk		
<b>Cultural Heritage</b>		<b>No risk envisaged</b>
no risk envisaged		
<b>Indigenous People</b>		<b>No risk envisaged</b>
no risk envisaged		
<b>Labour and Working Conditions</b>		<b>No risk envisaged</b>

no risk envisaged.		
<b>Community Health and Safety</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>There are no envisaged risks of significant negative impacts on community health and safety. In fact, the programme expects to have several positive impacts – through the promotion of IPM and reduced use of pesticides as well as through greater availability of high nutrition value foods in households and communities, which are a key driver of health.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>No specific mitigation measures are required.</p>		
<b>Physical and Economic Resettlement</b>		<b>No risk envisaged</b>
no risk envisaged.		
<b>Greenhouse Gas Emissions</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>There is a low risk of the programme significantly increasing greenhouse gas production. In the case of cattle, the programme focus is to improve the productivity of the dairy cattle and specifically not to increase herd size. In fact, gains in productivity are expected to contribute to an overall reduction in herd – as less productive animal are removed from the herd. Furthermore, reduction in open grazing and damage to forest land through the promotion of stall-based production for goats, should reduce pressure on forests leading to some recovery.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>No specific mitigation measures are required</p>		
<b>Vulnerability of target populations and ecosystems to climate variability and hazards</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Rural populations in Nepal face inherent climate variability from the monsoon-based climate and geography of the country. As a result, they have developed a high adaptive capacity. Compared to this inherent variability, expected climate change impacts of the 25 year programme impact horizon are modest.</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>To reduce exposure to the inherent risks, the programme will apply appropriate production site selection alongside promotion of production technologies that reduce exposure to increased variability in rainfall – including poly-tunnels, mulching, water-efficient production practice as well as investment in multi-use and small scale irrigation.</p>		
<b>Stakeholders</b>	<b>Moderate</b>	<b>Low</b>

<b>Stakeholder Engagement/Coordination</b>	<b>Low</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>Engagement and coordination risks are low as the programme widely uses the open multi-stakeholder platform processes proven to be highly effective at stakeholder engage in HVAP and other projects.</p>	Low	Low
<p><b>Mitigations:</b></p> <p>No additional mitigation measures are required.</p>		
<b>Stakeholder Grievances</b>	<b>Moderate</b>	<b>Low</b>
<p><b>Risk:</b></p> <p>There is a risk that complaints and grievances, both legitimate and vexatious, if not appropriately handled could delay programme delivery – especially through delays to recruitment and key procurements – for example if cases are referred to the Commission for Investigation of Abuse of Authority (CIAA) .</p>	Moderate	Low
<p><b>Mitigations:</b></p> <p>Consistent with prevailing laws and regulations, the programme will establish a grievance process for programme beneficiaries and stakeholders to be monitored by the Programme Steering Committee. The programme will also maintain a high degree of transparency in all aspects of its operation, regularly publishing information on its activities.</p> <p>Finally, by minimizing the use of direct grants and subsidies to individuals, POs and businesses, the programme reduces the incentives for vexatious complaints and other disputes related to the allocation of resources.</p>		



## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture**

#### **Project Design Report**

#### **Annex 10: Exit Strategy**

Mission Dates: 25 November - 17 December 2019

Document Date: 19/07/2020

Project No. 2000002697

Report No. 5455-NP

Asia and the Pacific Division  
Programme Management Department



## **Annex 10: Exit Strategy**

1. **Sustainability of benefits within the supported supply chains** can be approached at three different levels: the individual farm, the producer group/cooperative and the supply chain. The exit strategy and its success is closely linked to results achieved at each of these levels. In total, the combination of the programme impact on farmers, producer organizations and the whole supply chain, as well as the private sector focus of the programme, is expected to ensure favourable results on sustainability of the programme benefits.

2. Farm level. At the small-scale farmer level, the programme will support a portfolio of crops and livestock that both have market demand and are suitable to local agro-ecological zones and climatic conditions. Environmental management, resource use efficiency and climatic adaptation will be enhanced in the messages and investment support to farmers. At the same time the long-term approach to mentoring and training in business and technical skills is expected to significantly improve small-scale producers' potential to sustain the benefits from programme interventions even when programme support ends.

3. Producer organization level. A key focus, and significant resources of the programme, is on building the capacity of producer organization to become successful and reliable actors in their local supply chains. The PO will receive focused capacity building and training as well as sustained mentoring over a 3-4 year period. The objective is that all producer groups in supported clusters should graduate to being fully independent, financially robust and self-managing within four years of programme engagement. Success in this area will be a decisive factor for the whole sustainability of programme results and benefits. Heifer have a proven track record in this area and will be leading these activities.

4. Supply chain level (including support markets). Where the supply chains have achieved genuine competitiveness, they are highly likely to continue – as the producers and businesses will be making money. In addition, where the producers and businesses have established regular processes of mutually beneficial dialogue and networking, including via the MSPs, then such process are likely to be continued by their members in some form. Key service providers that also profit from these processes, such as the banks and FIs, are also expected to have an interest in supporting the continuation of the MSP-type functions in the supply chain to help sustain competitiveness and continued investment and growth. As such, VITA will seek to have the primary actors, particular the leaders of producer groups, their agribusiness partners as well as leading agricultural financial service providers, take-over the routine organization and management of the MSP from the third year of MSP operation onwards. There will then be a period with the primary actors leading and some backstopping by the VITA team, that be gradually be phased out before the end of the programme. In established clusters and supply chains such functions may have minimal costs and be readily taken on by the supply chain actors themselves.

5. Similarly, VITA is expected to result in a better balancing of public and private sector led delivery of agricultural services to increase their sustainability and relevance to producers.

6. The programme will invest in a range of public and productive infrastructure. Arrangements for management, operation and maintenance of these will be a mandatory requirement prior to approval of each sub-project. These will follow established best practice in the country – including the market management committee arrangements seen in Bulbule wholesale market in Surkhet (supported by HVAP) recently recognized as one of the two best run markets in the country. For community-level irrigation this will follow best practices, for example those of ADB's Community Irrigation Project.

7. **Scaling-up strategy** after programme completion focuses on three dimensions:

- (a) Expansion and deepening of supply chain corridors directly supported during the project. There is expected to be further growth in volume and coverage

among suppliers, service provider and businesses as other move to join growth sector and the overall competitiveness of the local industry continues to increase. This expansion is primarily expected to be driven by the private sector and producer organizations themselves – drawing in new producers, MSME and producer groups into the clusters to respond to market demand. A key element to this is sustaining the function of the MSP- which acts as a key mechanism for maintaining the dynamism and competitiveness in the local supply chain - mechanism for this are highlighted above.

- (b) Extending the same approaches to new priority sub-sectors (agricultural and non-agricultural) within the same municipalities and states. The approaches in VITA are very effective and highly transferable to other sectors, such as light manufacturing or tourism. During the programme, within any given state or municipality, there will be multiple different MSPs process running concurrently over the six years. Government staff, private sector bodies (e.g. Chambers of commerce and Industry) as well as local business and producer leaders will be deeply familiar in working together through such processes and have a clear understanding of the value they can bring. It is therefore highly likely that various stakeholder will seek to replicate these into other priority sub-sectors in the local area – as has already started to be seen in RERP and by Heifer with request from local government to work in their locality on various sub-sectors.
- (c) Replication of the VITA approaches into new geographical areas. HVAP was already widely regarded as one of the government’s flagship value chain projects and garnered much attention for scaling-up. VITA is part of that scaling-up in the IFAD programme, alongside ASDP and RERP. Together there will then be 5 of 7 states in which these approaches are a central element of one of the biggest agriculture projects in each state. Such practice are likely to become increasingly mainstreamed by state and local authorities once large numbers of local leaders, government teams and other stakeholder become familiar with them. The national wide scaling-up is also reinforced by working with ADBL that has a nationwide presence and branches in every district. If VITA achieves its target results as well as delivering a substantial increased in profitable smallholder clients to ADBL, then it is highly likely that the bank will want to replicate elements of the approach across the country – variously working with local and state authorities to do so. The partnership between Heifer and ADBL could also prove a role model for expanding this cooperation into new locations, with each partner bringing a complementary skills and resources.

8. In terms of systemic improvements in access to financial services for agriculture, three elements are central to the exit strategy:

- (a) Term liquidity: ADBL is already largest lend to agriculture. One key constraint to further agricultural lending for ADBL and the other partner FIs is the term mismatch between sources of funds and borrower requirements. The subsidiary term loan under VITA is specifically design to address this and will be for a period of 30 years. It will immediately increase the term lending capital base of ADBL by around 50%. Such funds will continue to be reflowed into similar clients for the duration of the loan, during which period the capital base of the banks is expected to be substantially strengthened and diversified.
- (b) Commercial appetite and operational capacity to deliver improved financial services to larger numbers of smaller rural clients will be essential for continued expansion of services to this client segment. During the first half of the programme, the substantial investments in capacity building and upgrading the system, including digital banks for rural areas, processes and products of ASBL and partner banks to better serve this client segment will create a permanent increased capacity to profitably serve these clients. As a

profitable part of a diversified lending portfolio, a number of banks and FSP are expected to continue to further expand their presence in this segment.

Improvement in the *quality* of loan demand, from the side of small-scale producers and SME, through the widespread business skill training, is to be done a sufficient scale within the three focus states such that it start to become the norm, with a large pool of producers and business skills trainers in their communities to share experience and knowledge with others to replicate these practices. It is also anticipated the municipal authorities are highly likely to want to hire the trained business skill facilitators to provide similar training to others people living in the municipality – especially youth and other priority groups.

## **Nepal**

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### **Value chains for Inclusive Transformation of Agriculture**

#### **Project Design Report**

#### **Annex 11: Mainstreaming themes – Eligibility criteria checklist**

Mission Dates: 25 November - 17 December 2019

Document Date: 19/07/2020

Project No. 2000002697

Report No. 5455-NP

Asia and the Pacific Division  
Programme Management Department



**Mainstreaming themes – Eligibility criteria checklist**

	<input checked="" type="checkbox"/> <b>Gender transformational</b>	<input checked="" type="checkbox"/> <b>Youth sensitive</b>	<input checked="" type="checkbox"/> <b>Nutrition sensitive</b>	<input checked="" type="checkbox"/> <b>Climate finance</b>
<b>Situation analysis</b>	<input checked="" type="checkbox"/> National gender policies, strategies and actors <input checked="" type="checkbox"/> Gender roles and exclusion/discrimination <input checked="" type="checkbox"/> Key livelihood problems and opportunities, by gender <input checked="" type="checkbox"/> Use (pro-WEAI) assessment for M&E baseline	<input checked="" type="checkbox"/> National youth policies, strategies and actors <input checked="" type="checkbox"/> Main youth groups <input checked="" type="checkbox"/> Challenges and opportunities by youth group	<input checked="" type="checkbox"/> National nutrition policies, strategies and actors <input checked="" type="checkbox"/> Key nutrition problems and underlying causes, by group <input checked="" type="checkbox"/> Nutritionally vulnerable beneficiaries, by group	
<b>Theory of change</b>	<input checked="" type="checkbox"/> Gender policy objectives (empowerment, voice, workload) <input checked="" type="checkbox"/> Gender transformative pathways <input checked="" type="checkbox"/> Policy engagement on GEWE	<input checked="" type="checkbox"/> Pathways to youth socioeconomic empowerment <input checked="" type="checkbox"/> Youth employment included in project objectives/activities	<input checked="" type="checkbox"/> Nutrition pathways <input checked="" type="checkbox"/> Causal linkage between problems, outcomes and impacts	
<b>Logframe indicators</b>	<input checked="" type="checkbox"/> Outreach disaggregated by gender <input checked="" type="checkbox"/> Women are > 40% of outreach beneficiaries <ul style="list-style-type: none"> <li>• Pro-WEAI indicator</li> </ul>	<input checked="" type="checkbox"/> Outreach disaggregated by age	<input checked="" type="checkbox"/> Outreach disaggregated by gender <ul style="list-style-type: none"> <li>• Further details to be confirmed</li> </ul>	
<b>Human and financial resources</b>	<input checked="" type="checkbox"/> Staff with gender TORs <input checked="" type="checkbox"/> Funds for gender activities <input checked="" type="checkbox"/> Funds for Pro-WEAI surveys in M&E budget	<input checked="" type="checkbox"/> Staff with youth TORs <input checked="" type="checkbox"/> Funds for youth activities	<input checked="" type="checkbox"/> Staff or partner with nutrition TORs <input checked="" type="checkbox"/> Funds for nutrition activities	IFAD Adaptation Finance      \$74,265,000  IFAD Mitigation Finance      N/A  Total IFAD Climate-focused Finance      \$74,265,000



<p><b>ECG Remarks</b></p>	<p><b>Gender</b></p> <p>The VITA programme will produce gender transformative outcomes as it strengthens women’s agency and economic empowerment by supporting them to take leading roles in their supply chains and facilitating a combination of efficient production technology and methods (such as labor saving technologies including drip irrigation, mulching, stall feeding), easy access to credit and other financial services, market access, a comprehensive package of financial and business skills (covers business skills, financial knowledge, aspects of the Gender Action Learning Systems (GALS) – ‘GALS’-lite; nutrition and balanced diet, climate change).</p> <p><b>Nutrition</b></p> <p>Nutrition promotion will be mainstreamed through a comprehensive packages such as promoting availability and utilization of knowledge on nutritious food through GALS “lite” as well as increased access to high nutrient value foods through a focus on the supply chains for such items.</p> <p><b>Youth</b></p> <p>VITA is youth sensitive and will work with older adults and community leaders to take action towards providing better opportunities for their young adult children – especially those under 25 years - for example, local arrangements to increase opportunities to rent land for production and the provision of institutional guarantees from the municipality to facilitate access to finance for investment. VITA is attracting youth to agriculture through many measures such as identification and promotion of successful young producers as role models for modern farming, especially young women, use of social media and other channels to specifically market opportunities to youth, support mechanisms to address youth’s limited access to land and finance for production.</p> <p><input type="checkbox"/> No social inclusion themes</p>
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