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Investir dans les populations rurales

Népal

Programme d'options stratégiques pour le pays

2021-2026

Note à l'intention des représentants au Conseil d'administration

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Sigles et acronymes

COSOP	programme d'options stratégiques pour le pays
FIDA11	Onzième reconstitution des ressources du FIDA
FIDA12	Douzième reconstitution des ressources du FIDA
PDSA	Programme de développement du secteur agricole
PIB	produit intérieur brut
Programme VITA	Programme pour des filières au service d'une transformation agricole inclusive
TIC	technologies de l'information et des communications

Carte des zones d'intervention du FIDA dans le pays



Les appellations figurant sur cette carte et sa représentation graphique ne constituent en aucun cas une prise de position du FIDA quant au tracé des frontières ou limites, ou aux autorités de tutelle des territoires considérés.

Carte établie par le FIDA | 06/04/2020

Résumé

1. La Constitution népalaise de 2015 a introduit le fédéralisme, avec une administration à trois niveaux – fédéral, provincial et local. Avec les élections de 2017, ces changements ont apporté la croissance et la stabilité dont le pays avait tant besoin. En 2019, pour la troisième année consécutive, le Népal a enregistré un taux de croissance du produit intérieur brut (PIB) supérieur à 6%. D'après les estimations, en raison de la COVID-19, la croissance devrait ralentir pour s'établir à 1,8% pour l'exercice 2020 et à 2,1% pour l'exercice 2021.
2. Avant la pandémie de COVID-19, 8% de la population vivait avec moins de 1,90 USD par jour. Cependant, 31% des Népalais vivaient avec un revenu compris entre 1,90 USD et 3,20 USD par jour et risquent fortement de tomber dans l'extrême pauvreté à cause des effets de la pandémie.
3. Dans le cadre de son 15^e plan périodique (2020–2024), qui a été approuvé avant la COVID-19, le Népal s'est fixé comme objectifs de passer de la catégorie des pays les moins avancés à celle des pays en développement d'ici à 2022 et d'atteindre les objectifs de développement durable d'ici à 2030. Le plan d'action intègre la Stratégie de développement agricole et une feuille de route pour l'inclusion financière, et vise à promouvoir un secteur agricole stimulant la croissance économique et contribuant à améliorer les moyens d'existence et la sécurité alimentaire et nutritionnelle. Quatre objectifs principaux ont été définis: i) amélioration de la gouvernance; ii) augmentation de la productivité; iii) rentabilité commerciale; iv) renforcement de la compétitivité. Outre la réalisation de ces objectifs, le plan vise à promouvoir l'inclusion et la durabilité.
4. Dans le cadre de l'action menée en partenariat avec les pouvoirs publics, le FIDA possède un avantage comparatif en tant qu'agent du changement au service de la transformation rurale, et s'appuie sur un large éventail d'expériences réussies, notamment: l'accélération du développement économique rural des zones défavorisées grâce au développement de filières inclusives; le renforcement des institutions rurales et communautaires; l'intégration de l'adaptation aux changements climatiques dans les plans d'investissement des autorités locales et du secteur privé et le développement des financements agricoles et de l'inclusion financière des pauvres.
5. Le programme d'options stratégiques pour le pays (COSOP) couvre la période 2021-2026 et succède au COSOP 2013-2020. Il s'appuie sur le 15^e plan périodique du Népal, sur l'évaluation de la stratégie et du programme de pays de 2019 et sur l'accord conclusif.
6. Les principaux groupes cibles sont les petits producteurs et les travailleurs des communautés rurales. L'objectif du programme est de compter au moins 50% de femmes et 30% de jeunes parmi ses bénéficiaires. Le groupe cible secondaire comprendra les organisations de producteurs et les microentreprises et petites et moyennes entreprises intervenant dans les filières choisies.
7. L'objectif général du COSOP est d'accélérer le relèvement et d'améliorer durablement les revenus et la nutrition des petits producteurs et des populations rurales pauvres en favorisant leur intégration au marché et en renforçant leur résilience face aux changements climatiques dans le cadre d'une action menée par des institutions locales responsables.
8. **Les objectifs stratégiques sont les suivants:**
Objectif stratégique n° 1. Promouvoir une croissance économique rurale inclusive et durable et accélérer le relèvement en améliorant la participation au marché.

Objectif stratégique n° 2. Renforcer la résilience des communautés rurales face aux changements climatiques et aux chocs économiques ou autres.

Objectif stratégique n° 3. Consolider les institutions rurales et communautaires afin de répondre efficacement aux besoins en matière de développement dans le cadre du système fédéral décentralisé.

9. Dans le cadre du COSOP, le FIDA prévoit d'apporter un financement compris entre 138 millions et 177 millions d'USD, qui devrait être accordé à des conditions particulièrement concessionnelles. Le montant de 78,8 millions d'USD alloué au Népal dans le cadre du Système d'allocation fondé sur la performance pour la Onzième reconstitution des ressources du FIDA (FIDA11), sera entièrement absorbé par le Programme pour des filières au service d'une transformation agricole inclusive. Pour la Douzième reconstitution des ressources (FIDA12), les scénarios à hypothèse haute et à hypothèse basse prévoient une augmentation d'environ 25% par rapport aux allocations de FIDA11.
10. Afin d'appuyer les priorités dans les domaines de la gestion des savoirs, de la contribution à l'élaboration des politiques, du renforcement des capacités et de la coopération Sud-Sud et triangulaire, le FIDA s'efforcera de mobiliser des ressources hors prêts, notamment au moyen de son Programme d'initiatives catalytiques.

I. Contexte du pays et programme relatif au secteur rural – principales difficultés et perspectives

1. **Ralentissement des progrès récents en matière de stabilité et de croissance du fait de la COVID-19.** La Constitution népalaise de 2015 a introduit le fédéralisme, avec une administration à trois niveaux – fédéral, provincial et local. Avec les élections de 2017, ces changements ont apporté la croissance et la stabilité dont le pays avait tant besoin. En 2019, pour la troisième année consécutive et pour la première fois en 50 ans, le Népal a enregistré un taux de croissance du produit intérieur brut (PIB) supérieur à 6%. Toutefois, selon des estimations récentes, la croissance devrait ralentir pour s'établir à 1,8% pour l'exercice 2020 et à 2,1% pour l'exercice 2021, en raison de la COVID-19. L'inflation atteint en moyenne 4,4% depuis 2017 et le taux moyen prévu pour les deux prochaines années s'établit à 6,6%. Le déficit budgétaire et le déficit de la balance courante augmentent de façon significative.
2. Le taux de pauvreté a été divisé par deux depuis 2010 malgré de profonds changements politiques, un tremblement de terre de magnitude 7,8 et un blocus de six mois à la frontière avec l'Inde. Le pourcentage de personnes vivant avec moins de 1,90 USD par jour était de 8% en 2019, contre 15% en 2010. Cependant, 31% des Népalais vivent avec un revenu compris entre 1,90 et 3,20 USD par jour et risquent fortement de tomber dans l'extrême pauvreté en raison de la COVID-19. Le taux de pauvreté multidimensionnelle est environ quatre fois plus élevé en milieu rural qu'en milieu urbain. La plupart des personnes pauvres vivent dans les provinces n^{os} 2 et 5 et la province de Karnali est celle où l'on observe la plus forte incidence de la pauvreté.
3. L'éloignement et le manque de connectivité sont les principaux facteurs de pauvreté dans les zones collinaires et montagneuses. Plusieurs initiatives sont menées afin de remédier à ces difficultés, comme le développement des infrastructures routières et des réseaux de télécommunication pour relier les producteurs aux marchés et l'exploitation des avantages comparatifs tirés de l'élevage et de la culture de contre-saison (par exemple, fruits et légumes et plants de pommes de terre). Dans les basses terres de Terai, la pauvreté est alimentée par la privation de terres et l'absence de possibilités d'emploi en dehors de l'agriculture. Parmi les autres problèmes, on peut citer la fragmentation des exploitations, les moyens limités en matière d'irrigation et de mécanisation, ainsi que le manque de semences améliorées et d'engrais, qui ont pour effet de réduire la compétitivité des céréales, légumineuses et graines oléagineuses népalaises face à la production indienne subventionnée.
4. L'agriculture, qui est le secteur le plus important après les services, repose essentiellement sur les petits producteurs, de plus en plus tournés vers les marchés. En 2019, la part de la valeur ajoutée totale du pays ayant été générée par l'agriculture s'élevait à 28,9% (contre 38% en l'an 2000) et ce secteur est orienté à 97% sur le marché intérieur. La croissance du secteur agricole s'élevait en moyenne à 3,1% entre 2009 et 2019 (contre un taux de croissance du PIB de 4,6%) et devrait atteindre un taux moyen d'à peine 2,4% en 2021, contre 5,1% en 2019. Le secteur de l'alimentation et de l'agriculture connaît un déficit commercial important, qui se creuse. Malgré une faible productivité du travail, l'agriculture emploie 11,7 millions de personnes en âge de travailler (soit 56,5% de la population en âge de travailler). Les petits exploitants sont de plus en plus tournés vers les marchés: 52% d'entre eux écoulent leurs produits sur les marchés et les trois quarts d'entre eux vendent la majorité de leur production. La diversité des zones agroclimatiques crée des débouchés rentables en réponse à la demande du marché. Les forêts recouvrent 25% des terres et restent d'importantes sources de revenus. Les envois de fonds, qui sont vitaux pour de nombreux ménages ruraux, permettent de financer les achats et les investissements productifs et de faire des

économies. L'agriculture et les envois de fonds représentaient une part équivalente du PIB avant la COVID-19. Parmi les 28,6 millions d'habitants du Népal, 80% vivent dans des zones rurales.

5. **Terres.** Au Népal, la pauvreté est liée à la propriété foncière. Les réformes mises en œuvre par le passé n'ont pas permis de promouvoir l'égalité d'accès aux terres, de lutter contre la privation de terres et d'améliorer la sécurité foncière. On compte environ 1,3 million de ménages sans terre ou pauvres en terres. Les femmes possèdent des terres dans seulement un ménage sur cinq. Grâce à la loi foncière de 2020, les femmes et les jeunes bénéficient d'un meilleur accès à la sécurité foncière.
6. Les **prévisions climatiques** laissent prévoir une augmentation des variations saisonnières des températures et des précipitations, qui auront notamment les effets suivants: augmentation des maladies et des ravageurs, accroissement de la variabilité intra-annuelle des précipitations et hausse légère du nombre de journées chaudes. Il importe de plus en plus de mettre en place des systèmes de production et d'irrigation économes en eau. Les cultures pluviales à faible valeur, telles que les céréales, seront une source de revenus de plus en plus marginale pour les petits producteurs.
7. Les **jeunes** âgés de 15 à 29 ans représentent environ 33% de la population népalaise et 52% de la population en âge de travailler. Cependant, en raison des migrations, ils ne représentent que 25% de la population rurale. Les jeunes font face à des difficultés dans les domaines de l'éducation, de l'engagement citoyen et de l'emploi. Leurs perspectives économiques sont limitées par le manque de compétences commerciales, de connaissances financières et de capitaux. Les jeunes femmes doivent surmonter des difficultés encore plus grandes, notamment parce que 36% des Népalaises ont leur premier enfant avant l'âge de 18 ans.
8. **Genre et inclusion sociale.** Avec un indice d'inégalité de genre de 0,476 en 2019, le Népal se classe en 115^e position sur 162 pays. En dépit d'une réduction des disparités entre les femmes et les hommes, les discriminations persistent et les femmes n'ont qu'un accès limité à la terre, au capital et aux biens. Cependant, en raison de l'ampleur des migrations, l'agriculture s'est féminisée.
9. **Nutrition.** La prévalence des retards de croissance est tombée de 57% à 36% entre 2001 et 2016. La forte prévalence des grossesses précoces et de l'insuffisance pondérale chez les adolescents est une tendance préoccupante. Les grossesses chez les adolescentes sont associées à un risque accru de 50% de mortalité et de mortalité néonatale et à un risque plus élevé de faible poids de naissance et de mortalité maternelle. Le programme devrait cibler en priorité les jeunes femmes afin de remédier aux problèmes liés au genre, à la jeunesse et à la nutrition.

II. Contexte institutionnel et cadre de l'action publique

10. Dans le cadre de son **15^e plan périodique** (2020–2024), qui a été approuvé avant la COVID-19, le Népal s'est fixé comme objectifs d'atteindre le statut de pays en développement d'ici à 2022 et de réaliser les objectifs de développement durable d'ici à 2030. Le plan fixe un objectif de 9,6% de croissance économique annuelle (dont 5,4% pour l'agriculture). En raison de la COVID-19, l'agriculture joue un rôle de plus en plus important pour assurer le relèvement rural, l'absorption des travailleurs de retour dans le pays, la sécurité alimentaire et la croissance économique.
11. La **Stratégie de développement agricole** a été approuvée en 2015 avec le large soutien des donateurs sous l'ancien système unitaire de gouvernement. Elle vise à promouvoir « un secteur agricole autosuffisant, durable, compétitif et inclusif qui stimule la croissance économique et la création d'emplois et contribue à améliorer

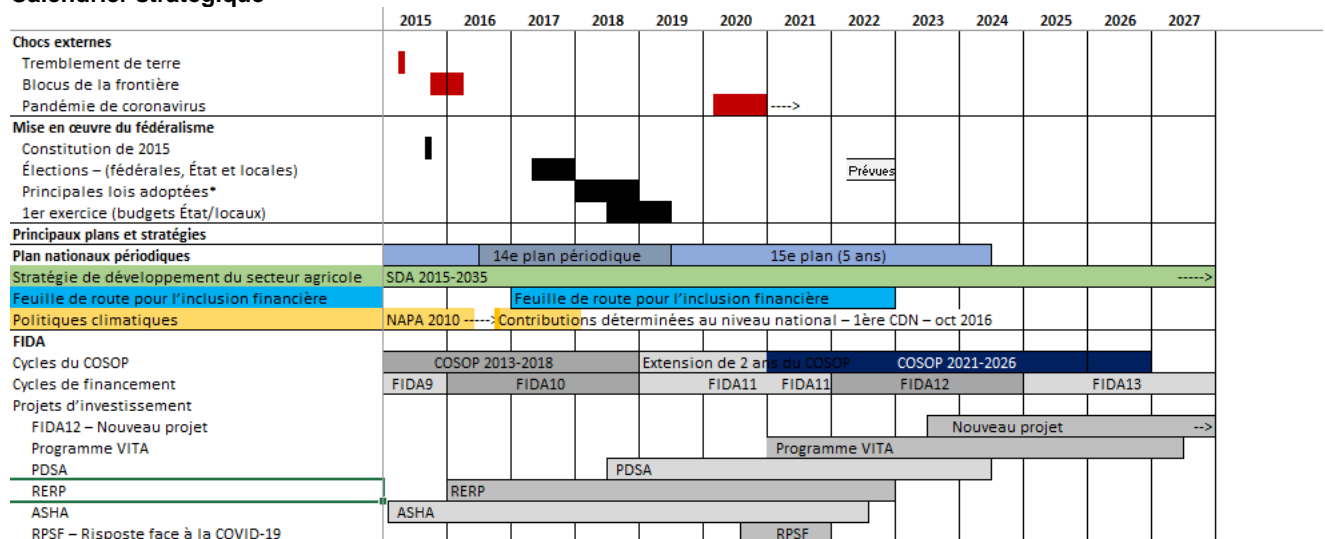
les moyens d'existence et la sécurité alimentaire et nutritionnelle ». Quatre objectifs ont été définis: a) amélioration de la gouvernance; b) augmentation de la productivité; c) rentabilité commerciale; d) renforcement de la compétitivité. La Stratégie de développement agricole a également pour but de promouvoir: i) l'inclusion (sociale et géographique); ii) la durabilité (ressources naturelles et économie). Son plan d'action prévoit l'élaboration d'une stratégie agricole favorisant l'égalité femmes-hommes et l'inclusion sociale. L'objectif est de renforcer les moyens dont disposent les groupes cibles pour participer véritablement à la prise de décisions.

12. **L'agriculture dans le cadre du système fédéral.** Dans la constitution, seules quelques fonctions relèvent exclusivement du gouvernement fédéral, notamment les grands projets d'irrigation, la politique relative aux terres et à l'utilisation des ressources en eau et les mesures de quarantaine. De nombreux pouvoirs sont répartis entre plusieurs échelons de l'administration, d'où un manque de clarté dans la définition des responsabilités. Pour départager ces pouvoirs concurrents, le principe de subsidiarité prévaut, ce qui signifie qu'une tâche devrait être accomplie par l'échelon capable de s'en acquitter le plus bas.
13. Les dépenses publiques consacrées à l'agriculture relèvent toujours principalement de l'échelon fédéral (82,5%), tandis que la part des provinces s'établit à 15,2% et celle des autorités locales à 2,1% (2019-2020). Le maintien de la prédominance des dépenses fédérales contredit le caractère fortement décentralisé du secteur aux termes de la constitution et le principe de subsidiarité. Il est largement admis que les nouvelles structures sont hiérarchisées et mal coordonnées, tandis que les services agricoles des collectivités locales manquent de personnel.
14. **La politique monétaire 2020-2021 vise à élargir l'accès au financement pour les secteurs de l'agriculture,** de l'énergie et du tourisme et les microentreprises et petites et moyennes entreprises afin de faciliter le relèvement après la COVID-19. À cet effet, les banques commerciales, qui représentent 87% de l'ensemble des actifs et des passifs du système financier formel, doivent octroyer au moins 15% du total des crédits au secteur agricole d'ici à juillet 2023 et 15% aux microentreprises et petites et moyennes entreprises. Le programme de prêts concessionnels de la Nepal Rastra Bank est en cours de simplification afin d'élargir la couverture et de promouvoir les activités productives. La Banque de développement agricole du Népal est mise en avant comme la principale banque octroyant des crédits agricoles. Elle sera autorisée à émettre des obligations agricoles afin de contribuer au financement à long terme du secteur.
15. **La feuille de route pour l'inclusion financière** vise à faire passer celle-ci de 61% à 75% au moyen de mesures telles que le déblocage de crédits limités et de l'épargne.
16. **La contribution déterminée au niveau national du Népal** (2016) porte sur les engagements suivants: élaborer le Plan national d'adaptation; renforcer l'application de dispositifs de gouvernance locale respectueux de l'environnement afin de soutenir l'adaptation aux changements climatiques; promouvoir les technologies d'exploitation des énergies renouvelables, la conservation des eaux et le développement végétal; mettre en œuvre des stratégies d'adaptation dans les secteurs touchés par les changements climatiques; faire en sorte que 80% du réseau électrique soit alimenté par des énergies renouvelables et maintenir un couvert forestier de 40%. Les plans locaux d'adaptation ont été soutenus dans le cadre de plusieurs projets, mais le dispositif doit encore être transposé à l'échelle nationale. Les capacités des autorités locales doivent être renforcées afin d'intégrer des activités d'atténuation et d'adaptation.

III. Engagement du FIDA: bilan de l'expérience

17. Le FIDA a actuellement trois projets en cours – et un projet récemment approuvé – qui sont pleinement alignés sur les stratégies de développement rural et agricole du Gouvernement népalais (Figure 1).

Figure 1
Calendrier stratégique



*Principales lois: i) Commission nationale des ressources naturelles et du budget; ii) dispositifs budgétaires intergouvernementaux; iii) fonctionnement des collectivités locales

NOTE:

ASHA=Projet en faveur de l'adaptation des petits paysans des zones collinaires

PDSA=Programme de développement du secteur agricole

Programme VITA=Programme pour des filières au service d'une transformation agricole inclusive

RERP=Projet de promotion des entreprises rurales et des envois de fonds – Samridhhi

RPSF=Mécanisme de relance en faveur des populations rurales pauvres

18. Le programme d'options stratégiques pour le pays (COSOP) s'appuie sur le 15^e plan périodique du Népal et sur l'évaluation de la stratégie et du programme de pays de 2019 (menée par le Bureau indépendant de l'évaluation du FIDA) et prend en compte les recommandations formulées dans l'accord conclusif. Le bilan de l'expérience est présenté ci-dessous.
19. **Appuyer le système fédéral.** Dans l'accord conclusif, il est recommandé d'aider les autorités locales à promouvoir le développement rural. Comme l'indique l'objectif stratégique n° 3, le COSOP visera à apporter un appui aux autorités provinciales et locales, faisant fond sur les expériences positives du Programme de développement du secteur agricole (PDSA) et du Projet de promotion des entreprises rurales et des envois de fonds – Samridhhi.
20. **Poursuivre l'appui au développement des filières agricoles, en mettant un accent particulier sur l'inclusion,** compte tenu des retombées positives du précédent COSOP¹. Le COSOP s'appuiera sur le Projet de promotion des entreprises rurales et des envois de fonds – Samridhhi, le PDSA et le Programme pour des filières au service d'une transformation agricole inclusive (Programme VITA) pour reproduire à plus grande échelle les approches réussies et se concentrera sur les priorités suivantes: i) mettre en œuvre des approches progressives afin de faire en sorte que les personnes pauvres et vulnérables puissent bénéficier du programme en collaborant avec des voisins dotés de moyens renforcés; ii) permettre aux petits producteurs d'accéder à des solutions d'investissement abordables pour développer leurs activités agricoles sans dépendre des dons; iii) généraliser la prestation de services financiers accessibles par des mesures d'inclusion financières axées sur l'offre.

¹ Projet d'appui à une agriculture de haute valeur dans les zones collinaires et montagneuses, rapport d'évaluation de l'impact (2018).

21. **Rétablir un soutien financier pour le développement communautaire, les infrastructures de base et les services.** Le COSOP appuie: i) les infrastructures communautaires à petite échelle, notamment les routes desservant les exploitations, les petits systèmes d'irrigation et les infrastructures hydrauliques multiusages; ii) la diffusion généralisée des connaissances financières et les formations commerciales afin de donner de l'autonomie aux petits producteurs.
22. **Intégrer la gestion des ressources naturelles et l'adaptation aux changements climatiques à la conception de tous les projets.** Faisant fond sur l'expérience acquise dans le cadre du Projet en faveur de l'adaptation des petits paysans des zones collinaires, le COSOP vise à renforcer la résilience face aux changements climatiques, et prévoit notamment les activités suivantes: i) analyser les produits bénéficiant d'un appui pour détecter une éventuelle exposition à des risques liés aux changements climatiques et mettre en place des stratégies d'adaptation pour les petits producteurs; ii) réaliser des évaluations relatives à la capacité de charge dans les lieux potentiels de production animale avant les interventions et limiter l'expansion pour éviter d'atteindre des niveaux insoutenables; iii) intégrer des considérations liées aux changements climatiques dans les décisions d'investissement privé prises par les producteurs, les microentreprises et petites et moyennes entreprises et les banques.
23. **Renforcer les partenariats visant à obtenir un appui technique spécialisé et des cofinancements.** Dans le cadre du PDSA et du Projet de promotion des entreprises rurales et des envois de fonds – Samriddhi, des partenariats de ce type ont été mis en place avec l'organisation suisse de développement Helvetas. Le Programme VITA est exécuté avec l'aide d'un partenaire d'exécution technique, parallèlement au partenariat établi avec la Banque de développement agricole du Népal.
24. **Améliorer la gestion du portefeuille et l'état de préparation à l'exécution.** L'un des problèmes majeurs concernant le portefeuille a été la lenteur du démarrage des projets, qui a nui de façon générale à la crédibilité du programme, dont dépend la participation à l'élaboration des politiques. D'après l'examen à l'achèvement du précédent COSOP, les retards étaient dus à une mauvaise coordination de la conception des projets et à l'absence de continuité entre les phases d'élaboration et de démarrage, ces problèmes ayant été exacerbés en raison d'un contexte administratif difficile ces dernières années. Le COSOP visera à remédier à ces difficultés par les moyens suivants: i) associer, de manière étroite, les agents principaux des projets aux aspects techniques de la conception des projets; ii) assurer une meilleure continuité des équipes entre les phases de conception et les premières années d'exécution des projets exécutés par les pouvoirs publics et le FIDA; iii) intégrer les projets dans une approche programmatique au niveau des pays; iv) exécuter des projets moins nombreux, mais de plus grande envergure, afin d'améliorer le suivi et l'assistance dans les limites des ressources dont dispose le FIDA. Ces principes se reflètent dans le Programme VITA, qui complète les projets en cours (PDSA et Projet de promotion des entreprises rurales et des envois de fonds – Samriddhi), en octroyant des crédits à leurs bénéficiaires et en partageant leurs principales stratégies de base.
25. Comme le montre le Projet de promotion des entreprises rurales et des envois de fonds – Samriddhi, les dons visant à financer les investissements en faveur des petits producteurs ne sont pas essentiels pour assurer une croissance inclusive dans la conjoncture népalaise actuelle. Conformément à la politique gouvernementale, le COSOP privilégie les prêts accessibles aux dépens du recours généralisé aux dons et favorise la promotion de solutions d'investissement abordables et de stratégies progressives pour les producteurs pauvres. Le Programme VITA, dans le cadre duquel des prêts sont octroyés aux bénéficiaires du PDSA et du Projet de promotion des entreprises rurales et des envois de fonds – Samriddhi, permettra d'accélérer cette transition. On pourra accorder un petit

nombre de dons ciblés s'il n'existe pas d'autre solution crédible et si l'objectif est clairement défini (par exemple, pour permettre à des femmes extrêmement vulnérables de tirer profit de possibilités de développement).

26. Les activités relatives à la gestion stratégique des savoirs et à la participation à l'élaboration des politiques au niveau du pays ont été menées de manière ponctuelle, ce qui a limité la capacité de traduire les réussites des projets par des changements systémiques et des politiques d'envergure. Ces problèmes seront traités par les moyens suivants: i) maintenir un portefeuille de projets hautement performant et mettre en place des systèmes de suivi-évaluation; ii) établir un cadre pour la gestion stratégique des savoirs applicable à l'ensemble du programme de pays; iii) mettre en œuvre un plan sur la participation à l'élaboration des politiques au niveau du pays. Ces initiatives devraient s'appuyer sur la nouvelle stratégie de gestion des savoirs du FIDA.

IV. Stratégie de pays

A. Avantage comparatif

27. L'avantage comparatif du FIDA réside dans le savoir-faire qu'il a démontré dans plusieurs domaines, notamment pour ce qui est: d'accélérer le développement économique rural dans des zones défavorisées grâce à la mise en place de filières inclusives et au renforcement des capacités; de consolider les institutions rurales; d'intégrer l'adaptation aux changements climatiques dans les plans d'investissement des autorités locales et du secteur privé et de développer l'inclusion financière et les financements ruraux. Les bons résultats obtenus dans le cadre de la collaboration avec les nouvelles municipalités participant au PDSA et au Projet de promotion des entreprises rurales et des envois de fonds – Samriddhi sont d'autres points forts.

B. Groupe cible et stratégie de ciblage

28. Les groupes cibles sont les suivants:
- i) Les populations pauvres, les petits producteurs et les travailleurs des communautés rurales. L'objectif du programme est de compter au moins 50% de femmes et 30% de jeunes parmi ses bénéficiaires. Les Dalits, les Janajatis et d'autres groupes défavorisés seront ciblés de façon préventive.
 - ii) Les organisations de producteurs et les microentreprises et petites et moyennes entreprises des filières appuyées.
29. Deux groupes vulnérables bénéficieront de mesures d'appui supplémentaires, telles que l'application de méthodes axées sur les ménages:
- i) Les jeunes femmes, qui souffrent souvent d'un déficit nutritionnel, font face à des grossesses précoces, et sont privées de moyens économiques, car elles sont peu qualifiées et n'ont qu'un faible pouvoir de décision et un accès limité aux ressources leur permettant de bâtir leurs propres moyens d'existence.
 - ii) Les femmes mariées dont le mari travaille à l'étranger et qui vivent avec leur belle-famille. Ces femmes ont un contrôle limité sur les revenus et les envois de fonds de leur mari et ne bénéficient pas d'une grande considération dans leur belle-famille.
30. La stratégie de ciblage combinera une approche géographique et des mesures d'autociblage dans les provinces et les municipalités rurales où les taux de pauvreté sont les plus élevés et où vivent le plus grand nombre de personnes pauvres. Les mesures d'autociblage visent notamment à: i) soutenir des produits offrant de véritables perspectives commerciales et permettant aux petits agriculteurs pauvres d'allier compétitivité et rentabilité (par exemple, les fruits et légumes, les produits caprins et le poisson); ii) créer des solutions d'investissement abordables et des plans de financement accessibles pour les petits producteurs –

ce qui implique de commencer par de petits investissements puis d'augmenter leur volume sur plusieurs cycles de production, le but étant d'augmenter progressivement la taille et la rentabilité de leurs activités; iii) accorder des petits prêts. Pour veiller à ce que les personnes qui vivent loin des routes puissent bénéficier du programme, la stratégie portera également sur les produits qui peuvent être cultivés puis transportés à pied pendant plusieurs heures, tels que les produits caprins, le miel et les huiles essentielles. Les mesures de facilitation comprennent notamment la mise en œuvre de stratégies progressives ciblant les organisations de producteurs inclusives, l'exploitation des expériences positives du Projet de promotion des entreprises rurales et des envois de fonds – Samriddhi et du Projet d'appui à une agriculture de haute valeur dans les zones collinaires et montagneuses, ainsi que le développement local des marchés de services pluralistes qui permettent d'appuyer les agriculteurs. Les mesures d'autonomisation et de renforcement des capacités comprennent l'organisation de formations commerciales visant à aider les organisations de producteurs et les personnes à prospérer dans les domaines d'activité choisis et à participer à la planification et à la prise de décisions.

C. Finalité et objectifs stratégiques

31. Le COSOP appuie les objectifs de développement définis par le Gouvernement népalais dans le 15^e plan périodique, ainsi que la reprise après la pandémie de COVID-19. Il contribue à la réalisation des objectifs de développement durable n^{os} 1 (Pas de pauvreté), 2 (Faim zéro), 5 (Égalité entre les sexes), 8 (Travail décent et croissance économique), 10 (Inégalités réduites), 13 (Mesures relatives à la lutte contre les changements climatiques) et 15 (Vie terrestre). Il est aligné sur les piliers n^{os} 3 (Réponse et reprise économiques), 4 (Mesures macroéconomiques et collaboration multilatérale) et 5 (Cohésion sociale et résilience des populations) du Cadre des Nations Unies pour la réponse socioéconomique immédiate à la COVID-19.
32. L'objectif du COSOP est d'accélérer le relèvement et d'améliorer durablement les revenus et la nutrition des petits producteurs et des populations rurales pauvres en favorisant la participation au marché et en renforçant leur résilience face aux changements climatiques dans le cadre d'une action menée par des institutions locales responsables.
33. Les objectifs stratégiques sont les suivants:
 - Objectif stratégique n° 1. Promouvoir une croissance économique rurale inclusive et durable et accélérer le relèvement en améliorant la participation au marché.**
 - Objectif stratégique n° 2. Renforcer la résilience des communautés rurales face aux changements climatiques et aux chocs économiques ou autres.**
 - Objectif stratégique n° 3. Consolider les institutions rurales et communautaires afin de répondre efficacement aux besoins en matière de développement dans le cadre du système fédéral décentralisé.**
- Théorie du changement**
34. Les ménages pauvres et vulnérables vivant dans les zones collinaires et montagneuses pourraient bénéficier des bonnes perspectives offertes par de nombreux produits à forte valeur marchande, mais ils font face à des obstacles tels que l'absence de participation aux marchés et l'accès limité aux techniques de production adaptées et aux financements. Dans la région de Terai, densément peuplée, les moyens d'existence sont limités en raison du manque d'emplois non qualifiés en dehors du secteur agricole et de la faible compétitivité des cultures des basses terres. Pour lutter contre les effets attendus des changements climatiques, notamment l'accroissement de la variabilité intra-annuelle des précipitations, il

convient de réaliser des investissements pour l'adaptation au niveau des exploitations et de diversifier la production en se détournant des cultures pluviales. Les services et les investissements publics sont inefficaces et insuffisants pour répondre aux besoins des petits producteurs et des communautés.

35. La croissance rurale inclusive sera favorisée par l'accélération du développement de filières compétitives et inclusives dans l'agriculture et d'autres secteurs. Il s'agit notamment de développer l'agroforesterie et les produits forestiers non ligneux, qui permettent aux petits producteurs d'être compétitifs et créent des emplois décents. On pourra partager les fruits de la croissance en reproduisant à plus grande échelle les meilleures pratiques appliquées dans le programme de pays, notamment les approches fondées sur les groupes et axées en priorité sur le marché, associées à des stratégies progressives – avec des réseaux locaux d'acheteurs concurrents et de prestataires de services travaillant en collaboration avec plusieurs organisations de producteurs inclusives dans le cadre de relations commerciales officielles et ponctuelles. Ces mesures seront appuyées par le développement des financements agricoles et climatiques et par l'inclusion financière. Les envois de fonds jouent un rôle majeur pour ce qui est de favoriser l'inclusion financière et seront exploités par les moyens suivants: i) appui au développement de la numérisation des envois de fonds et d'autres services dans ce domaine; ii) amélioration des services liés aux envois de fonds fournis par les banques partenaires, les institutions de microfinance, les coopératives et les prestataires de services de technologie financière.
36. Les projets d'investissements mettront l'accent sur les priorités suivantes: l'autonomisation des femmes, l'esprit d'entreprise et la productivité du travail (y compris les questions concernant la charge de travail); la lutte contre les obstacles auxquels font face les jeunes, notamment les plus pauvres et les plus vulnérables, par la mise en œuvre de stratégies progressives et de méthodes axées sur les ménages; la sensibilisation aux droits fonciers, en particulier pour les femmes, et le traitement des questions relatives à la nutrition, notamment en ce qui concerne les jeunes femmes et les enfants. Des mesures viseront à offrir des solutions d'investissement accessibles aux petits producteurs et à leur permettre de bénéficier de financements abordables afin de transposer l'action menée à une plus grande échelle. Ces initiatives permettront d'accélérer la reprise face à la pandémie de COVID-19.
37. Le renforcement de la résilience face aux chocs et aux risques à long terme, notamment ceux liés aux changements climatiques, permettra de préserver les résultats obtenus par les moyens suivants:
 - i) améliorer la résilience des systèmes de production par l'accroissement substantiel des investissements privés en faveur de l'adaptation aux changements climatiques; remédier aux obstacles liés à l'offre et à la demande en matière d'investissement rencontrés par les producteurs et les microentreprises et petites et moyennes entreprises; promouvoir la réalisation d'investissements publics ciblés en faveur d'infrastructures et de services adaptés aux changements climatiques afin de renforcer la résilience face à leurs effets;
 - ii) diversifier les moyens d'existence de la population; favoriser la création d'emplois et le développement des compétences dans d'autres domaines que l'agriculture;
 - iii) encourager les communautés rurales à utiliser des produits d'épargne, d'assurance et d'investissement à long terme afin de renforcer leur capacité à se relever (par exemple, l'épargne liée aux envois de fonds et les retraites privées pour les travailleurs, sur le modèle de l'initiative Citizens' Investment Trust menée dans le cadre du Projet de promotion des entreprises rurales et des envois de fonds – Samridhi).

38. Le développement des réseaux d'institutions rurales au sein du système fédéral permettra de renforcer les bases de la transformation rurale et de réaliser une croissance inclusive durable. Il s'agira notamment de contribuer directement au renforcement des capacités des organisations de producteurs, des autorités locales et provinciales et des organismes du secteur privé. De bonnes pratiques et des mesures seront élaborées en concertation avec les autorités progressives aux niveaux local et provincial avant de promouvoir leur application généralisée. Les organisations de producteurs dont les capacités auront été renforcées joueront un rôle croissant dans l'élaboration des politiques, notamment dans le cadre de plateformes multipartites.
39. Les priorités en matière d'adaptation aux changements climatiques consistent à intégrer systématiquement les questions d'adaptation dans les projets d'investissement privé et les plans locaux d'adaptation et de résilience. Le programme améliorera considérablement l'approvisionnement local en aliments nutritifs et les ressources financières des familles de manière à leur permettre d'acheter des denrées supplémentaires. La population sera sensibilisée à la nutrition au moyen de formations commerciales dispensées aux producteurs, de la promotion des jardins potagers et de l'application de méthodes axées sur les ménages. Tous les projets mettent l'accent sur l'autonomisation des femmes, l'esprit d'entreprise, la productivité du travail et l'utilisation du temps. Les mesures d'appui à la jeunesse comprennent l'organisation de séances de formation et la prestation de services d'insertion professionnelle, la mise en avant de l'agriculture moderne en tant que choix de carrière intéressant et l'adoption de mesures visant à améliorer l'accès aux terres et aux financements.
40. Sur la base des avancées récentes, les technologies de l'information et des communications (TIC) au service du développement joueront un rôle moteur. Dans ce domaine, les priorités sont notamment les suivantes: i) applications proposant des conseils d'experts et des outils pour les prestataires de services techniques et les producteurs; ii) mise à disposition d'outils de cartographie et de planification géospatiales pour les autorités municipales et provinciales; iii) expansion de la couverture et de la portée des services financiers numériques; iv) développement de l'utilisation de carnets de bord sur l'activité agricole en format numérique et papier afin de faciliter les relations avec les banques et les institutions financières.
41. Conformément aux engagements en matière de transversalisation pris au titre des Onzième et Douzième reconstitutions des ressources du FIDA (FIDA11 et FIDA12), le programme comprend un financement climatique, sera transformateur sur le plan du genre et sera axé sur la nutrition et les jeunes. Les quatre engagements ont été validés tels qu'ils étaient définis dans le Programme VITA. Il s'agira du modèle pour la poursuite de la transversalisation.

D. Éventail des interventions du FIDA

42. **Prêts et dons.** Quatre projets d'investissement seront mis en œuvre pendant la première moitié de la période d'application du COSOP. Trois projets (PDSA, Projet de promotion des entreprises rurales et des envois de fonds – Samriddhi, Programme VITA) partagent un ensemble de bonnes pratiques concernant le développement économique local inclusif, la consolidation des institutions rurales, la résilience et l'inclusion financière. Leur rayon d'action concerne 180 des 460 communes rurales (40%). En complément de ces projets, le Projet en faveur de l'adaptation des petits paysans des zones collinaires porte sur la mise en œuvre de plans locaux d'adaptation et l'élaboration d'outils pour l'analyse climatique des investissements publics et privés et les processus de planification participative à l'échelle locale. Un projet de prêt additionnel est envisagé dans le cadre de FIDA12 et devrait être conçu à mi-parcours du COSOP.

43. En s'appuyant sur le récent Mécanisme de relance en faveur des populations rurales pauvres, les possibilités d'obtenir des dons seront explorées pour soutenir le relèvement après la COVID-19. On tentera d'établir des partenariats et d'obtenir des dons dans les domaines suivants:
- i) coopération Sud-Sud et triangulaire – notamment en ce qui concerne l'échelon municipal du gouvernement décentralisé et l'agriculture climatiquement rationnelle;
 - ii) gestion stratégique des savoirs stratégiques en vue de la participation à l'élaboration des politiques;
 - iii) renforcement des organisations agricoles au niveau provincial en ce qui concerne l'élaboration des politiques, en s'appuyant sur le succès du Programme de coopération à moyen terme avec les organisations paysannes.
44. On s'attachera en priorité à mobiliser des ressources auprès du Fonds vert pour le climat, avec les cofinancements de FIDA12 et du guichet secteur privé du FIDA. Les interventions menées dans le cadre des projets seront axées sur le renforcement de la résilience des agriculteurs et des écosystèmes face aux changements climatiques.
45. **La contribution à l'élaboration des politiques au niveau national**, la gestion des savoirs et le renforcement des capacités institutionnelles sont des processus intégrés visant à favoriser un changement systémique. Des cycles continus seront mis en place pour: i) établir des partenariats avec les autorités progressives au niveau local et provincial afin d'élaborer des modèles de pratiques optimales; ii) recueillir des justificatifs, notamment sur les coûts et les avantages et perfectionner les modèles; iii) engager un dialogue sur l'élaboration des politiques avec les autres autorités locales et les provinces à des fins de reproduction; iv) renforcer les capacités des institutions. Le point de départ est un ensemble intégré de politiques et de pratiques visant à favoriser un développement économique local résilient qui transpose à plus grande échelle les approches menées dans le cadre des projets actuels en ce qui concerne: i) les processus conjoints de planification public-privé-producteurs pour le développement économique local, tels que les plateformes multipartites (Projet de promotion des entreprises rurales et des envois de fonds – Samridhhi et PDSA); ii) la planification participative au service de l'adaptation locale (Projet en faveur de l'adaptation des petits paysans des zones collinaires); iii) le développement agricole géré par la communauté; iv) les migrations et l'emploi (Projet de promotion des entreprises rurales et des envois de fonds – Samridhhi); v) les nouvelles activités relatives à l'application de la loi foncière et à l'administration des terres au niveau local.
46. La participation à l'élaboration des politiques aura un fort ancrage local et provincial. Elle sera étroitement liée aux projets d'investissement étant donné que chaque commune et chaque province est un organe de décision à part entière. La consolidation des organisations de producteurs et l'établissement de plateformes multipartites durables permettront de prendre en compte les voix des bénéficiaires dans les processus décisionnels, comme dans le Programme de coopération à moyen terme avec les organisations paysannes.
47. Un accent supplémentaire sera mis sur l'inclusion financière et le développement des services financiers numériques en milieu rural. La participation à l'élaboration des politiques fera le lien entre le dialogue au niveau fédéral (réglementations sur les services bancaires en ligne, envois de fonds numériques et portefeuilles électroniques, etc.) et l'action locale (par exemple, supervision des coopératives d'épargne et programmes de connaissances financières et numériques).

48. **Le renforcement des capacités** concernera les autorités locales et provinciales, les organisations de producteurs, et les organismes privés et les prestataires de services locaux qui interviennent dans les sous-secteurs appuyés. Les autorités locales et provinciales se verront présenter des modèles pratiques pour la fourniture de services publics durables (par exemple, services de vulgarisation agricole et services aux migrants, aux rapatriés et services liés à l'emploi. Les capacités des pouvoirs publics, du secteur privé et des organisations de producteurs seront renforcées pour améliorer l'efficacité de la concertation politique.
49. **La gestion des savoirs** s'articulera autour d'axes de travail définis, afin de prendre en compte les questions suivantes:
- pour l'objectif stratégique n° 1: développement des services de vulgarisation agricole pluralistes; marchés et processus de développement économique local inclusifs; agrofinancement, inclusion financière du monde rural et envois de fonds;
 - pour l'objectif stratégique n° 2: prise en compte de la résilience face aux changements climatiques dans l'investissement privé; réalisation d'évaluations des capacités et d'analyse des aléas climatiques dans le cadre de la planification locale; intégration des plans locaux d'adaptation dans la planification locale;
 - pour l'objectif stratégique n° 3: partenariats public-privé-producteurs et processus de planification participatifs pour un développement économique local inclusif et résilient face aux changements climatiques; outils de cartographie et de planification géospatiales pour les autorités locales; modèles pérennes pour la prestation de services offerts par les municipalités; administration locale des terres.
50. **La coopération Sud-Sud et triangulaire** se fera à la fois en amont et en aval. Le programme a permis de définir de bonnes pratiques sur le développement inclusif des marchés et l'exploitation des TIC au service du développement, et de plus amples efforts seront faits pour les partager. Les priorités de la coopération en amont seront notamment les suivantes:
- i) administration locale et prestation de services dans les systèmes décentralisés;
 - ii) pratiques agricoles climatiquement rationnelles – notamment dans le cadre du don en faveur du Centre pour l'agriculture de l'Association sud-asiatique de coopération régionale pour le Consortium pour l'expansion de l'agriculture intelligente face aux changements climatiques en Asie du Sud;
 - iii) outils relatifs aux TIC au service du développement;
 - iv) services financiers ruraux numériques.
51. Les activités relatives à la **communication et à la visibilité** auront deux objectifs: partager avec les communautés rurales des témoignages d'expériences réussies les informant des perspectives économiques crédibles et des possibilités de résilience pour encourager la mobilisation; faire connaître aux autorités locales et provinciales les bonnes pratiques et les solutions politiques qui présentent un intérêt pour la réalisation de leurs objectifs. Ces activités et les initiatives menées au titre de l'axe de travail sur la gestion des savoirs permettront d'assurer une meilleure visibilité.

V. Innovations et reproduction à plus grande échelle pour des résultats durables

52. Le volet **innovation** comprend: i) la transition vers un financement fondé sur des prêts pour les investissements privés des petits producteurs et des microentreprises et petites et moyennes entreprises; ii) la mobilisation à grande échelle de cofinancements privés nationaux auprès des banques, des entreprises et des bénéficiaires; iii) les innovations en matière de produits et de services rendues possibles par les TIC au service du développement; iv) les arrangements institutionnels visant à favoriser l'adaptation au système fédéral.
53. **La reproduction à plus grande échelle**, qui est au centre du COSOP, repose sur une approche programmatique à l'appui des priorités gouvernementales. Elle permet de développer les bonnes pratiques tirées des expériences récentes des pays en ce qui concerne le développement inclusif des marchés et contribue fortement à l'adoption de bonnes pratiques dans des domaines nouveaux, tels que la finance agricole et climatique (remplacement des financements sous forme de dons) et la mise en place de modalités d'exécution institutionnelles dans le cadre du système fédéral, en s'inspirant du PDSA et du Projet de promotion des entreprises rurales et des envois de fonds – Samridhi. Ces pratiques seront mises en œuvre dans des projets d'investissement menés dans cinq des sept provinces et dans près de 40% des municipalités rurales, ce qui permettra d'apporter des changements systémiques d'envergure. Les objectifs en matière de reproduction à plus grande échelle bénéficient du partenariat avec la Banque de développement agricole du Népal, compte tenu de son rôle dans le financement agricole à l'échelle nationale. Il est prévu d'établir des partenariats avec d'autres banques et institutions financières afin de soutenir l'expansion des financements pour l'agriculture et l'adaptation.

VI. Exécution du COSOP

A. Enveloppe financière et cibles de cofinancement

54. Dans le cadre du COSOP, le FIDA prévoit d'apporter un financement compris entre 138 millions et 177 millions d'USD, qui devrait être accordé à des conditions particulièrement concessionnelles, le montant total de l'enveloppe de financement s'établissant entre 300 millions d'USD et 450 millions d'USD. Les ressources allouées au Népal au titre de FIDA11, d'un montant de 78,8 millions d'USD, seront absorbées par le Programme VITA. Les scénarios à hypothèse haute et à hypothèse basse de FIDA12 prévoient une augmentation d'environ 25% par rapport aux allocations de FIDA11.
55. Le ratio de cofinancement devrait s'établir autour de 1:1,15 (avec une fourchette comprise entre 1,0 et 1,3), dont 50% de cofinancement international et 50% de cofinancement national. Le cofinancement national sera assuré par les pouvoirs publics, les banques, le secteur privé et les contributions en nature des bénéficiaires. On étudiera les possibilités de mobiliser des cofinancements auprès de la Banque asiatique de développement, de la Banque européenne d'investissement et du Fonds vert pour le climat, y compris par l'intermédiaire du guichet de financement du secteur privé. Les possibilités d'avoir recours au guichet de financement du secteur privé du FIDA et au Programme élargi d'adaptation de l'agriculture paysanne seront examinées en vue de mobiliser d'éventuels cofinancements extérieurs pour financer l'action climatique.

Tableau 1

Projets en cours ou prévus: financements du FIDA et cofinancements

(en millions d'USD)

Projet	Financement du FIDA	Cofinancement		Ratio de cofinancement
		national	international	
En cours				
Projet de promotion des entreprises rurales et des envois de fonds – Samriddhi	20,1	14,0	-	0,7
Projet en faveur de l'adaptation des petits paysans des zones collinaires	25,0	12,7		0,5
PDSA	40,0	28,1		0,7
Mécanisme de relance en faveur des populations rurales pauvres	0,5	-	-	-
Programme VITA	97,7	93,2	6,0	1,0
Prévu				
Projet prévu au titre de FIDA12	80,0	54,0	54,0	1,35
Total				1:1,15

B. Ressources consacrées aux activités hors prêts

56. Le Mécanisme de financement pour l'envoi de fonds, dispositif multidonateur du FIDA, devrait continuer de promouvoir l'importance des envois de fonds dans l'inclusion financière et l'investissement. Chaque fois que possible, le FIDA exploitera son programme de dons à effet catalyseur pour appuyer la coopération Sud-Sud et triangulaire, la contribution à l'élaboration des politiques et la communication stratégique, comme indiqué ci-dessus.

C. Principaux partenariats stratégiques et coordination du développement

57. Des partenariats clés relatifs à chacun des objectifs stratégiques ont été mis en place avec environ 180 municipalités, cinq provinces et le Gouvernement fédéral, qui sera le partenaire des projets d'investissement. Le partenariat avec la Banque de développement agricole du Népal offre des possibilités de reproduction à plus grande échelle en ce qui concerne les cofinancements et la participation à l'élaboration des politiques.
58. Le programme permettra de collaborer plus étroitement avec l'agence allemande de développement GIZ, afin de favoriser un développement économique local résilient et de développer les institutions rurales et les assurances agricoles, ainsi qu'avec la Banque asiatique de développement, de manière à renforcer la participation à l'élaboration des politiques et de mobiliser d'éventuels cofinancements pour l'exécution d'un projet conjoint dans le cadre de FIDA12. On étudiera également les possibilités de mobiliser des cofinancements auprès de la Banque européenne d'investissement et de fonds pour l'action climatique tels que le Fonds vert pour le climat et le Fonds pour l'adaptation, afin de transposer à plus grande échelle les investissements privés dans le domaine de l'adaptation aux changements climatiques, entre autres.
59. Les partenariats techniques avec des organisations internationales de renom telles qu'Helvetas et Heifer International se poursuivront, notamment dans les domaines de la formation et de l'emploi, de la vulgarisation agricole et du développement inclusif des marchés.

60. Le programme appuie l'action menée dans le cadre du Cadre des Nations Unies pour la réponse socioéconomique immédiate à la COVID-19. Parmi les principaux partenariats, on peut citer: i) le Programme conjoint d'accélération des progrès en faveur de l'autonomisation économique des femmes rurales, mené avec l'Organisation des Nations Unies pour l'alimentation et l'agriculture, le Programme alimentaire mondial et ONU-Femmes, afin de transposer à plus grande échelle les stratégies du Système d'apprentissage interactif entre les sexes; ii) le projet de l'Organisation des Nations Unies pour l'alimentation et l'agriculture visant à bâtir une région de Churia résiliente au Népal, avec la contribution du Programme VITA, qui permet aux organisations de producteurs appuyées d'établir des liens avec les marchés et de financer des investissements; iii) le développement d'une série d'activités en collaboration avec le Programme alimentaire mondial, notamment afin d'exploiter l'expertise nutritionnelle de ce dernier lors de l'élaboration des interventions; iv) la collaboration avec l'Organisation internationale pour les migrations, afin de continuer à améliorer les services fournis aux travailleurs migrants et aux familles de migrants; v) le partenariat avec ONU-Habitat, afin de progresser sur les questions relatives aux terres rurales. Le FIDA continuera de participer au groupe sur la sécurité alimentaire des partenaires de développement.

D. Participation des bénéficiaires et transparence

61. **La participation des bénéficiaires** atteint déjà des niveaux élevés dans tous les projets (Projet de promotion des entreprises rurales et des envois de fonds – Samriddhi, Projet en faveur de l'adaptation des petits paysans des zones collinaires et PDSA). Grâce aux retours d'information réguliers de la part des bénéficiaires, par l'intermédiaire de plateformes multipartites qui définissent les priorités des projets, il s'agit d'un modèle pour le COSOP.
62. **Transparence.** Les équipes de tous les projets consigneront et diffuseront régulièrement des informations sur les performances, les activités de communication et les résultats, établiront des rapports financiers et utiliseront des mécanismes de remontée de l'information et traitement des plaintes transparents.

E. Modalités de gestion du programme

63. Le programme de pays est dirigé par le Directeur de pays, qui mène ses activités depuis l'Inde, avec l'assistance du Chargé d'appui au programme de pays basé à Katmandou, et par le pôle régional d'Asie du Sud.

F. Suivi-évaluation

64. Les résultats et indicateurs figurant dans le cadre de résultats du COSOP (appendice I) sont harmonisés avec les indicateurs de base du FIDA et du Système de gestion des résultats opérationnels. Le suivi des résultats est établi au moyen des systèmes de suivi des projets. Les contributions de chaque projet aux cibles du COSOP doivent être communiquées tous les ans. Les systèmes de suivi et de gestion de l'information seront conformes aux bonnes pratiques, notamment pour les projets qui adoptent la stratégie de base commune. Des systèmes de suivi relatifs aux services publics soutenus seront mis en place en concertation avec les agences concernées. L'utilisation généralisée des TIC et des tablettes pour le recueil et l'analyse des données, notamment par les bénéficiaires qui tiennent des carnets de bord sur l'activité agricole, permettra d'améliorer la qualité, l'actualité et la diversité des données disponibles.

VII. Gestion des risques

Tableau 2
Risques et mesures d'atténuation

<i>Risques</i>	<i>Niveau de risque (inhérent)</i>	<i>Mesures d'atténuation</i>
Politique/gouvernance	Modéré	Concertation avec les gouvernements élus aux trois niveaux de l'administration, afin d'assurer une large adhésion et de renforcer la cohérence Fourniture d'un appui pour assurer une mise en œuvre efficace du fédéralisme Sélection des organismes appropriés pour l'exécution des projets
Risques macroéconomiques	Élevé	Mobilisation de financements substantiels auprès du secteur privé, des banques et des institutions financières Réduction de la dépendance aux dons afin de diminuer le coût par bénéficiaire pour le secteur public Priorité accordée aux produits à haut rendement
Stratégies et politiques sectorielles	Faible	Contexte politique favorable
Capacités institutionnelles	Élevé	Sélection rigoureuse des organismes d'exécution des projets Renforcement substantiel des capacités des équipes de projets Suivi étroit de l'exécution, en particulier les premières années
Portefeuille	Modéré	Transposition des bonnes pratiques dans le cadre de l'approche programmatique afin de limiter les risques techniques Résolution des problèmes liés au démarrage lent des nouveaux projets
Risques fiduciaires – gestion financière ²	Substantiel	Formations aux méthodes d'audit et de communication de l'information du FIDA pour les institutions supérieures de contrôle des finances publiques Assistance permanente fournie aux fonctionnaires des services financiers par les consultants en gestion financière Examen de la possibilité d'utiliser les logiciels de comptabilité du Gouvernement pour l'établissement des rapports du FIDA afin d'améliorer la précision et la ponctualité des états financiers provisoires et annuels
Risques fiduciaires – passation des marchés	Modéré	Organisation de séances de formation pour les équipes de projets chargées de la passation des marchés Supervision régulière des pratiques relatives à la passation des marchés par le Gouvernement népalais et le FIDA
Environnement et climat	Élevé	Les risques inhérents aux changements climatiques sont élevés et ont été amplement démontrés. Une conception minutieuse des projets permet de limiter fortement ces risques. Les mesures mises en place visent notamment à : <ul style="list-style-type: none"> • soutenir la diversification dans l'agriculture et les autres secteurs; • faciliter la fourniture de conseils et l'accès aux technologies résilientes face aux changements climatiques; • octroyer des prêts pour réaliser des investissements en faveur de l'adaptation et assurer ces investissements; • investir dans des infrastructures hydrauliques multiusages et des petits systèmes d'irrigation afin de réduire les risques de pénurie d'eau;

² Voir l'appendice X.

		<ul style="list-style-type: none"> remettre les routes en état pour qu'elles soient accessibles toute l'année.
Risques sociaux	Faible	<p>De façon générale, les risques sociaux liés au programme sont faibles comme on a pu le constater dans le dernier COSOP.</p> <p>Travail des enfants: les enfants népalais participent aux activités agricoles.</p> <ul style="list-style-type: none"> Dans le cadre des projets financés par le FIDA, les normes internationales du travail seront respectées et les éventuels risques liés au travail des enfants dans le secteur agricole seront évalués et traités. L'augmentation des revenus des ménages et du rendement du travail des adultes permet de réduire les pressions financières qui incitent les familles à faire appel au travail des enfants dans l'agriculture.
COVID-19	Élevé	<p>Les effets de la pandémie sont très incertains mais importants et peuvent être partiellement atténués par les moyens suivants:</p> <ul style="list-style-type: none"> élargissement de la couverture financière en milieu rural afin d'appuyer les investissements pour l'adaptation, notamment par l'obtention de dons auprès du Mécanisme de relance en faveur des populations rurales pauvres; appui aux services de réintégration pour les migrants de retour au pays; priorité accordée aux produits à haut rendement et à l'emploi, surtout sur le marché intérieur, afin de réduire les risques liés à la perturbation des filières; stratégies progressives et solutions d'investissement abordables pour élargir la couverture et toucher un public plus large; examens périodiques et mise en place de mesures d'ajustement.
Risque global	Modéré	

COSOP results management framework

Country strategy alignment	Related SDG and UNSERF /UNDAF outcomes	Key COSOP results			
		Strategic objectives	Lending and non-lending activities for the COSOP period	Outcome indicators ³	Milestone indicators
	Goal: Accelerated recovery and sustainable improvement of the incomes and nutrition of small-scale producers and the rural poor through market participation and increased climate resilience facilitated by accountable local institutions.				
<p>Federalism</p> <ul style="list-style-type: none"> 2015 constitution National Natural Resources and Fiscal Commission; Intergovernmental Fiscal Arrangements Act Local Government Operations Act <p>15th Periodic Plan Key Targets by 2023</p> <ul style="list-style-type: none"> GDP growth +10% Poverty reduced to 9.4% <p>Agriculture:</p> <ul style="list-style-type: none"> Agriculture growth 5.4% p.a Sustainable, competitive and prosperous agriculture <p>Financial inclusion</p> <ul style="list-style-type: none"> increasing the outreach and bank and financial institutions, enhance resource availability to priority sectors <p>Agriculture Development Strategy 2015-2035 Pillars:</p> <ul style="list-style-type: none"> Improved governance of agriculture Competitiveness and Commercialization Inclusive growth 	<p>SDG1 Poverty SDG2 Hunger SDG8 Economic growth SDG5 Gender SDG10 Inequality SDG15 NRM – land degradation</p> <p>UNSERF Pillar 3: Economic response and recovery</p> <p>Pillar 5: Macro-economic and multilateral collaboration support measures (especially private sector collaboration)</p> <p>UNDAF Pillar 1: Sustainable and Inclusive Economic Growth</p> <p>UNDAF 2022 targets contributed to:</p>	<p>SO1: Accelerated inclusive and sustainable rural economic growth and recovery through greater market participation</p>	<p><u>Lending/investment activities</u></p> <ul style="list-style-type: none"> Ongoing <ul style="list-style-type: none"> ASDP RERP VITA IFAD12 New project <p><u>Non-lending/non-project activities</u></p> <ul style="list-style-type: none"> CLPE <ul style="list-style-type: none"> Focus as local/province level Combining institutional strengthening, ICT4D -enabled tools and demonstration of participatory policy development processes to coordinate public and private investment e.g. informed by MSPs Engagement related to rural economic transformation including diversification within and beyond agriculture Partnerships: <ul style="list-style-type: none"> Government: Federal, province and local Municipalities and Province Co-financing: ADBL, Heifer International Technical: Helvetas, Heifer International, FAO (incl. Building a Resilient Churia Region in Nepal Project), GIZ on policy/ Local and Provincial Economic Development 	<p>Number of individual small-scale producers increasing their real net farm income by at least 60%: ASDP: 26 000 RERP: 8 000 VITA: 70 000 Total: 104 000</p> <p>No. of individuals achieving a return on labour of at least 125% of official minimum wage in supported farm and non-farm enterprises within 4 years of project support VITA: 56 000 ASDP: 28,000 RERP: 10 000 Total: 66 000</p> <p>Percentage of women in genuine leadership roles of producer organizations > 50% whole programme</p> <p>IE.2.1 Individuals demonstrating an improvement in empowerment: ASDP: tbd% RERP: tbd% VITA: tbd% {Target to be determined after baseline in VITA with new indicator}</p>	<p><u>a) Inclusion & nutrition</u> Women's participation rate and share of programme benefits >50% whole programme</p> <p>Youth participation rate and share of programme benefits >30% whole programme</p> <p>2.1.4 Supported rural producers that are members of a rural producers' organization regularly represented in MSPs, business-to-business events and similar processes: ASDP: 35 000 RERP: 10 000 VITA: 90 000 Total: 135 000</p> <p>1.1.8: Households provided with targeted support to improve their nutrition. ASDP: 24,000 RERP: 10 000 VITA: 70 000 Total: 104 000</p> <p><u>b) Economic growth & private investment</u> Increase in total revenue from product and services sold by supported small-scale producers (in real terms) ASDP: 50% RERP: 40% VITA: 40%</p> <p>Private investment in priority supply chains by small-scale producers, POs and businesses facilitated by programme (US\$). ASDP: US\$ 10 million RERP: US\$ 4 million</p>

³ All people-indicators will be disaggregated by gender, age and socio-ethnic group

Country strategy alignment	Related SDG and UNSERF /UNDAF outcomes	Key COSOP results			
		Strategic objectives	Lending and non-lending activities for the COSOP period	Outcome indicators ³	Milestone indicators
<ul style="list-style-type: none"> Flagship programme on value chains <p>Financial inclusion road map</p> <ul style="list-style-type: none"> increasing financial inclusion from 61% to 75% unlocking constrained credit and savings market, improving payment systems, bolstering risk-mitigation capabilities, enhancing and leveraging locally based financial service providers, leveraging remittances to promote financial services, promoting digital financial services, including remittances, at the last mile, enhancing financial inclusion support in the national governance, and strengthening consumer empowerment, protection and education. <p>Climate change adaptation</p> <ul style="list-style-type: none"> Nationally Determined Contribution National Adaptation Plan of Action / Local Adaptation Plans of Action National Climate change policy (2019) <p>Job creation</p>	<ul style="list-style-type: none"> Proportion of population living below the national poverty line <i>Baseline: 21.6% (2017)</i> <i>Target: 13.8%</i> Employed people living below USD 1.25 per day in total employment <i>Baseline: 22%</i> <i>Target: 12.2%</i> Average hours spent in domestic work by women <i>Baseline: 14 hours per day</i> <i>Target: 10.27 hours per day</i> Share of bottom 40% in total income <i>Baseline: 11.90%</i> <i>Target: 15%</i> Households with inadequate food consumption <i>Baseline: 15.50%</i> <i>Target: 10.50%</i> 		<ul style="list-style-type: none"> UN –inclusion: with FAO, WFP, UN Women – building on Joint Project for Rural Women’s Economic Empowerment (JP-RWEE) UN – migration: IOM Banks/FIs: ADBL, SKBBL, Citizens Investment Trust SSTC <ul style="list-style-type: none"> Nepal as generator of good practice on inclusive market development and some ICT4D-> share knowledge and support to other countries with similar projects (Cambodia, Eswatini, Uganda etc) ICT4D tools Knowledge management, workstreams to include:: <ul style="list-style-type: none"> expanding pluralistic agricultural extension / CAESC services, inclusive markets and local economic development processes and tools agri-finance and rural financial inclusion, including digital rural financial services 	<p>1.2.8 Percentage of women reporting minimum dietary diversity (MDDW) ASDP: 70% RERP: 70% VITA: 90%</p> <p>80% of the small-scale producers effectively accessing agricultural advisory services at <u>ward level</u> of rural municipalities. (ASDP)</p> <p>Direct contribution is made to achieve ADS’s objective of developing a pluralistic community-owned & managed Agricultural Extension Service Centres (CAESCs) for scaling-up in the rest of the country.</p>	<p>VITA: US\$ 200 million Total: US\$ 214 million</p> <p>Small-scale producer trained in business skills, including climate considerations. ASDP: 35,000 RERP: 10,000 VITA: 90,000 Total: 135,000</p> <p><u>c) Technical & financial service markets:</u></p> <p>Small-scale producers in supported PO who have in last 12 months: a) paid for or received embedded satisfactory technical services from commercial service providers, agribusinesses or POs. RERP: 50% VITA: 50%</p> <p>b) received satisfactory technical services facilitated or delivered via pluralistic public extension agencies ASDP: 80%</p> <p>1.1.6 Financial service providers (FSP) supported in delivering outreach strategies, financial products and services to rural areas ASDP: 20 FSPs RERP: 150 FSPs VITA: 20 FSPs Total: 190 FSPs</p>
	<p>SDG13 CC SDG6 Water SDG9 Infra. SDG15 NRM – land degradation</p> <p>UNSERF Pillar 4: Social cohesion and community resilience</p>	<p>SO2: Improved resilience of rural communities to the impacts of climate change and to economic and other shocks</p>	<p><u>Lending/investment activities</u></p> <ul style="list-style-type: none"> Ongoing <ul style="list-style-type: none"> ASDP ASHA RERP VITA IFAD12 New project <p>IFAD Private Sector Window to be explored, potentially as co-financing with climate finance</p>	<p><u>More resilient farms and infrastructure</u></p> <p>3.2.2 No. of small-scale producers adopting environmentally sustainable and climate-resilient technologies and practices ASDP: 20 000 ASHA: 40 000 RERP: 10 000</p>	<p><u>a) Resilient farms and infrastructure:</u></p> <p>At least 30 municipalities incorporate Local Adaptation Plans of Action (LAPA) into their local development plans (ASHA)</p> <p>1.1.4 People trained or accessing advice on environmentally sustainable and climate-resilient technologies and practices ASDP: 35 000 ASHA: 75 000 RERP: 10 000</p>

Country strategy alignment	Related SDG and UNSERF /UNDAF outcomes	Key COSOP results			
		Strategic objectives	Lending and non-lending activities for the COSOP period	Outcome indicators ³	Milestone indicators
<ul style="list-style-type: none"> National Employment Policy 2016 	<p>UNDAF Pillar 3: Resilience, Disaster Risk Reduction and Climate Change</p> <p>UNDAF 2022 targets contributed to:</p> <ul style="list-style-type: none"> No. of local climate adaptation plans adopted by new urban and rural municipalities <i>Baseline: 0</i> <i>Target: 52</i> 		<p>to expand private sector investment in adaptation.</p> <p><u>Non-lending/non-project activities</u></p> <ul style="list-style-type: none"> CLPE <ul style="list-style-type: none"> Focus as local/province level Combining institutional strengthening, ICT4D -enabled tools and demonstration of participatory policy development processes Engagement related to rural economic transformation /diversification beyond agriculture Partnerships: <ul style="list-style-type: none"> Government: Federal, province and local Co-financing: Heifer International, ADBL Technical: Helvetas ,Heifer International, FAO (incl. Building a Resilient Churia Region in Nepal Project) Banks/FIs: ADBL, SKBBL, Citizens Investment Trust DPs on insurance (e.g. GIZ via ADBL) SSTC <ul style="list-style-type: none"> Climate smart agricultural practices (via regional/ SSTC grants from IFAD – including via C-SUCSES grant to SAARC Agriculture Centre) ICT4D tools, e.g. expert systems for technical service providers Knowledge management workstream to include: <ul style="list-style-type: none"> Mainstreaming climate resilience in private investment, Carrying capacity/climate proofing assessments for use in local planning and policy processes 	<p>VITA: 45 000 Total: 115 000</p> <p>1.2.3 Percentage of households reporting reduced water shortage vis-à-vis production needs ASDP: 20% RERP: 20% VITA: 15%</p> <p><u>Increased diversification of incomes and capacity to recover from shocks</u></p> <p>People supported with skills training in gainful non-farm employment (earning >NPR10 000 per month over at least 6 months @ 2020 prices) RERP: 21 000 Total: 21 000</p> <p>1.2.5 No of individuals using financial services, including savings, insurance, pension and loans: ASDP: 25,000 RERP: 48,000 VITA: 100,000 Total: 173,000</p> <p>Percentage of small-scale producers who own an active savings account with a registered FSP, pension or long-term investment product: VITA: 60%</p>	<p>VITA: 90 000 Total: 210 000</p> <p>3.1.4: Number of hectares of land brought under climate-resilient management (ha.) ASDP: 2 000 ASHA: 15 000 RERP: 1 000 VITA: 2 000 Total: 18 000</p> <p>1.1.2 Farmland under water-related infrastructure constructed/ rehabilitated: ASDP: 1 000 ha ASHA: 1,000 ha RERP: 500 ha VITA: 900 ha Total: 3 400 ha</p> <p>2.1.5 Kilometres of roads constructed or upgraded using climate resilient design and construction ASDP: 70 km VITA: 75 km Total: 145 km</p> <p>Increase in small-scale producers using insurance (compared to baseline) >50% whole programme</p> <p><u>b) Income diversification and capacity to recover from shocks</u></p> <p>1.1.7 People trained in financial literacy ASDP: 35 000 RERP: 60 000 VITA: 90 000 Total: 185 000</p> <p>2.1.2 People trained in non-agriculture income generating activities and business management ASDP: 2,000 RERP: 30,000 Total: 32,000</p>

Country strategy alignment	Related SDG and UNSERF /UNDAF outcomes	Key COSOP results																																							
		Strategic objectives	Lending and non-lending activities for the COSOP period	Outcome indicators ³	Milestone indicators																																				
			<ul style="list-style-type: none"> ○ Mainstreaming LAPA in local planning 																																						
	<p>SDG16 Institutions</p> <p>UNDAF Pillar 4: Governance, Rule of Law, and Human Rights</p> <p>UNDAF 2022 targets contributed to:</p> <ul style="list-style-type: none"> • Quality of public administration (score out of 6) Baseline: 3.10 Target: 4.10 	<p>SO3: Strengthened rural and community institutions to effectively meet development needs under the decentralized federal system</p>	<p><u>Lending/investment activities</u></p> <ul style="list-style-type: none"> • Ongoing <ul style="list-style-type: none"> ○ ASDP ○ ASHA ○ RERP ○ VITA • IFAD12 New project <p><u>Non-lending/non-project activities</u></p> <ul style="list-style-type: none"> • CLPE <ul style="list-style-type: none"> ○ Focus at local/province government level. ○ Providing practical models for sustainable public services delivery ○ Engage in LED policy dialogues and demonstrate practical policy process for 4P engagement (producer, private, public partnerships). ○ Building capacity of staff and institutions of government, CCI and POs to enable effective 4P policy dialogues • Partnerships <ul style="list-style-type: none"> ○ GIZ: Policy and practice – Local & Provincial Ec. Dev. (initially Provinces 5+6) ○ Other partnerships to be explored (e.g. Asia Foundation) • SSTC 	<p>SF.2.2 Households reporting they can influence decision-making of municipalities and project-supported service providers >70% whole programme</p> <p>SF.2.1 Households satisfied with services supported by the programme in partnership with permanent institutions >80% whole programme</p> <p>Policy 3: Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>ASDP:</td><td style="text-align: right;">2</td></tr> <tr><td>RERP:</td><td style="text-align: right;">8</td></tr> <tr><td><u>VITA:</u></td><td style="text-align: right;"><u>2</u></td></tr> <tr><td>Total:</td><td style="text-align: right;">12</td></tr> </table>	ASDP:	2	RERP:	8	<u>VITA:</u>	<u>2</u>	Total:	12	<p>No. of municipalities covered by supported Multi-stakeholder platforms (MSPs) in the economic sector that are functional and self-sustaining:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>ASDP:</td><td style="text-align: right;">60</td></tr> <tr><td>RERP:</td><td style="text-align: right;">30</td></tr> <tr><td><u>VITA:</u></td><td style="text-align: right;"><u>90</u></td></tr> <tr><td>Total:</td><td style="text-align: right;">180</td></tr> </table> <p>Evidence-based participatory planning processes demonstrated and promoted to >40% of all 460 rural municipalities</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>ASDP:</td><td style="text-align: right;">60</td></tr> <tr><td>ASHA:</td><td style="text-align: right;">30</td></tr> <tr><td>RERP:</td><td style="text-align: right;">60</td></tr> <tr><td><u>VITA:</u></td><td style="text-align: right;"><u>90</u></td></tr> <tr><td>Total:</td><td style="text-align: right;">180 net of overlap</td></tr> </table> <p>Improved local public service delivery piloted in partnership with municipalities:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>ASDP:</td><td style="text-align: right;">60</td></tr> <tr><td>RERP:</td><td style="text-align: right;">10</td></tr> <tr><td><u>VITA:</u></td><td style="text-align: right;"><u>30</u></td></tr> <tr><td>Total:</td><td style="text-align: right;">100</td></tr> </table> <p>No. of municipalities reporting effective community-owned & managed agricultural extension services at ward level.</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>ASDP:</td><td style="text-align: right;">60</td></tr> </table>	ASDP:	60	RERP:	30	<u>VITA:</u>	<u>90</u>	Total:	180	ASDP:	60	ASHA:	30	RERP:	60	<u>VITA:</u>	<u>90</u>	Total:	180 net of overlap	ASDP:	60	RERP:	10	<u>VITA:</u>	<u>30</u>	Total:	100	ASDP:	60
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ASDP:	60																																								

Country strategy alignment	Related SDG and UNSERF /UNDAF outcomes	Key COSOP results			
		Strategic objectives	Lending and non-lending activities for the COSOP period	Outcome indicators ³	Milestone indicators
			<ul style="list-style-type: none"> ○ Local government administration, LED policies and service delivery in federal/devolved systems ● Knowledge management – key KM workstreams including: <ul style="list-style-type: none"> ○ “4P” and participatory planning processes for climate resilient inclusive local economic development; ○ geospatial mapping and planning tools for use by local and provincial authorities; ○ sustainable models for public service delivery by municipalities (e.g. migration/employment, pluralistic extension service) 		

Transition scenarios

1. Over the last decade Nepal achieved an economic growth of 4.6% - 3.2% for agriculture and 5% for non-agricultural sector. The average growth rate had increased further and reached to 7.3% in 3-years ending FY2018/19. With differential rate of growth, the share of agriculture is on decline and reported at 27.6% in fiscal year 2019/20. Of the remaining, bulk is from the service sector (50.6%). Nepal's GDP per capita reached to US\$ 1,126 in July 2020.
2. Overall, Nepal's growth rate over the past has not been transformational or job-intensive and economic transformation from agriculture to non-agriculture has been slow. As a result of jobless growth, lack of change in employment structures, casualisation and informalisation of jobs and a skills mismatch have acted as a push factor for youth to look for work overseas as distress employment. It is estimated that 3.5–4 million people are working abroad, generating remittances of more than 27% of gross domestic product.
3. As a result of the impact of mainly COVID-19, Nepal's economy has experienced substantial headwinds in the agriculture, manufacturing, and the service sectors in the first half of FY2019/20. Other factors that have contributed include a delayed monsoon, outbreak of armyworms, tightening domestic credit conditions, continued low execution rates of public investment projects, deceleration in remittances growth and slowdown in tourism receipts. In this backdrop, GDP growth in Nepal is estimated from 0.02% (IMF) to 1.8 percent (World Bank) in FY 2020. Moreover, services exports, goods exports, and remittances contracted by 57.4 percent, 62.1 percent, and 43.4 percent, respectively, between March and May 2020 compared to the same period in the previous year. The resulting pressure on foreign reserves was moderated by a substantial decline in goods and services imports, which decreased by 59.6 percent and 59.5 percent. Since government revenue is heavily dependent upon the customs collection through imports, public revenue collection between March and May 2020 was 51 percent lower than in the same period a year before.
4. Remittances have recovered strongly in the quarter to October 2020 since, with 12.6% growth compared to a 5.1% decrease for the same period the previous year. Having suffered substantial declines during the first half of 2020, the recovery has defied earlier expectations of prolonged severe disruption to remittance flows. Estimates for 2020 overall remittances vary, with the World Bank projecting a 12% drop vs 2019 but NRB considering this too pessimistic.
5. Even with the recent rise, Nepal's public debt remains low compared to other low-income countries. This, in part, reflects the assumed limited scaling up of capital spending due to weak implementation capacity as well as the assumption that the government would finance part of the higher spending by drawing on deposits at the central bank (about 5 percent of GDP in mid-2016). The debt service-to-revenue ratio is assessed to be stable over the projection period, and to remain within 10 percent of GDP in 2028/29.
6. The country's population is estimated 28.6 million in 2019, with growth rate of 1.35 percent per annum. 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. Nepal is therefore facing a relatively short window of favourable demographics. 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.
7. 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 16.7 % of the country's population remain below the national poverty line. This compares favourably with poverty incidence rate of 41.8% in 1996, 30.6% in 2004, and 25.2% in 2011. Multi-dimensional poverty has also seen significant reductions. The national-level multi-dimensional poverty index fell from 59.4% in 2006, to 39.1% in 2011, and 28.6% in 2014, and within this 33.2% in rural area

and 7% in urban area. 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 Gandaki Province. The COVID-19 induced lockdown has adversely affected the livelihoods of workers in the informal sectors who are most vulnerable to falling into extreme poverty. Loss of income source is more common for certain types of livelihoods, such as daily wage laborers, migrant workers, and households with a disabled person.

Table 1: Projections for key macroeconomic and demographic variables^a

<i>Case</i>	<i>Base</i>	<i>High</i>	<i>Low</i>
Average GDP growth (2021 - 2025)	4.75%	7%	1.2%
GDP per capita (2025) \$1,126 current	\$1,527	\$2,014	\$1,515
Public debt (% of GDP) (2021-2025)	46.1%	55%	50%
Debt service ratio (2021-25)			
Inflation rate (%) (2021-25)	5.6%	8%	2%
Rural population	Current: 28.6 million (End of COSOP period, 2025): 30.7 million Annual growth rate; 1.3%		
Investment climate for rural business ^b	The RSPA rating for Nepal's investment climate for rural business is 3.1, which is moderately unsatisfactory. Rural entrepreneurship has received increasing attention by GoN, and projects aimed at supporting rural entrepreneurship have been developed with the support of development partners. The IFAD-funded Rural Enterprise and Remittances Project, in particular, provides access to rural finance services via financial and business education and by strengthening cooperatives that in turn provide financial services to their members. Rural infrastructure remains a major constraint to a fully conducive climate for business. According to the World Bank's Enabling the Business of Agribusiness (2019), Nepal presents significant bottlenecks in the following areas: seed supply, securing water; machine registration, protecting plant health, and food trading. Accessing finance and sustaining livestock are instead moderately satisfactory and satisfactory, respectively.		
Vulnerability to shocks	<p>Political/governance. Nepal adopted federalism relatively recently as a framework for governance, away from a unitary and highly centralised governance structure. While it has introduced a lot of administrative instructions and legislations, roles, and responsibilities among various units with the hierarchy and horizontally across various ministries/ departments are still not fully clear.</p> <p>Macro-economic: Nepalese economy has been badly affected by COVID-'19. Its high dependence on remittance for livelihoods security of a large segment of population, foreign exchange earnings and for GDP makes it highly vulnerable to the contraction in the global economy.</p> <p>Weather/ climate change risk. Nepal heavily dependent on monsoon with high concentration of rainfall withing about 2 months. Also, the onset date and intensity of monsoon varies greatly, making agriculture highly vulnerable and natural disasters such as flooding common. Climate change risks in Nepal are high and well documented. While adaptation measures are being undertaken are far from adequate.</p>		

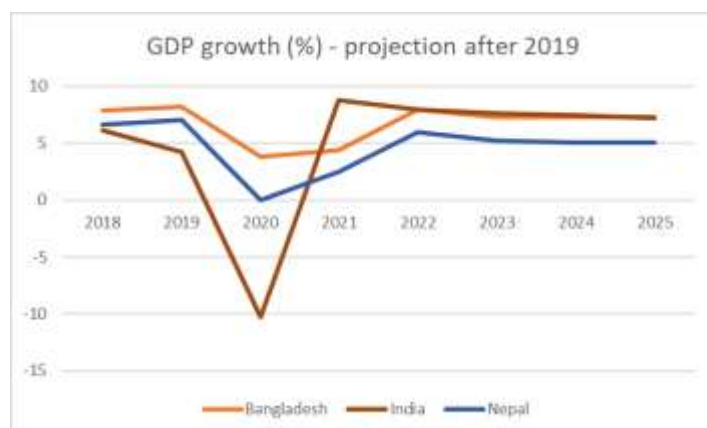
Scenarios:

8. The principal uncertainty driving the three scenarios is the trajectory and impact of the COVID-19 pandemic. The base scenario follows closely the most recent IMF projections. The high and low scenarios present credible scenarios for the trajectory of the pandemic both in Nepal and in the global economy – which has an outsized impact on Nepal through remittances and tourism among other areas. Given the substantial level of uncertainty around the pandemic and in order to test the credibility of the COSOP under different credible futures, there is a high variance between the high, base and low scenarios – all of which are considered feasible.

The Base case scenario:

9. The base case scenario assumes a modest turnaround in 2021 with the adverse impact of COVID-19 of global economy as well as on the Indian economy easing. Under this scenario, Nepal will achieve a growth rate of 2.5% in FY2021/22, followed by an increase to 6% in FY 2022/23 and stabilised at about 5% thereafter till 2025. This scenario follows closely the most recent GDP projections from the IMF from the October 2020 World Economic Outlook for Nepal. A relatively subdued growth prospect compared to the achievements of past 3 years is likely due to the challenging outlook on tourism and remittances and lower industrial and agricultural production due to lasting supply chain disruptions. Under this scenario inflation is expected to remain generally stable at 5.6%. This would in part depend on the inflation rate in India - Nepal's most important trading partner. With COVID-19 ceasing to be a major factor, Nepal's import bill is likely to increase significantly. This is expected to be partly offset by increased remittance flow and receipt from tourism, over the reduced base caused by the COVID-19. With the increase in imports, government revenue from custom duties – a major source - will also increase and the fiscal deficits is likely to remain largely under control. Under this scenario debt-service ratio is likely to remain below the 70 -80% percent of benchmark or at about 30 to 35 percent of GDP over the COSOP period, due mainly to the assumed continued concessional nature of external borrowing.

Figure 1: GDP growth projections (Source: IMF World Economic Outlook, October 2020)



High case Scenario:

10. In a high case scenario, a fast retreat from the COVID-19 caused situation accompanied by the relatively high economic growth globally and more so among India, GCC countries and export-oriented economies such as Malaysia and South Korea creating buoyant demand for Nepalese labourers, favourable weather condition for agriculture, and enhanced ability to implement publicly-funded projects with concomitant increase in the level of public expenditure on capital goods is assumed. This will take Nepal's growth to that achieved during last 3 years prior to the onset of COVID-19 pandemic. In addition, it will fuel consumption - both public and private, help increase government revenue, and put pressure on inflation to rise. With significant increase in public expenditure, government

borrowings is likely to increase and consequently the public debt. Illustratively, in 2019 an IMF-World Bank Mission estimated that growth shock (1 standard deviation from the baseline) in 2018/19–2019/20 would lead to a rise of the net present value of debt-to-GDP ratio to 38 percent of GDP in 2028/29. The debt service-to-revenue ratio would also be affected most by a growth shock, which is calculated to be 14.1 percent in 2028/29. With the factoring of adverse impact of COVID-19, this ratio is likely to increase further.

Low case Scenario:

11. With over 10 million infections, 400,000 deaths, and a global GDP contraction of 5.2 percent, the global impact of COVID-19 is unprecedented. The impact of the crisis is not temporary but is likely to induce lasting changes in the way that economies operate. If the situation continues to remain substantially the same as it is now and should cases in Nepal continue to rise and should a rebound in economic activity in the country's major trading partners and remittance-sending countries be delayed, growth in FY2021 is likely to turn negative. So, a contraction of about 2.8 percent possible. Due to the large share of the informal economy, an economic contraction will exacerbate poverty, inequality, and food insecurity. Furthermore, while the budget for FY2021 has proposed measures to manage an anticipated shortfall in revenue, a prolonged economic downturn risks reducing revenues further. Even worse, it will require an increase in spending to manage the socioeconomic fallout of the crisis. Such a situation could elevate the fiscal deficit to 11.5 percent of GDP.

12. In addition, substantial reduction in remittances due to COVID-19 in 2020 is likely to reach 14% (World Bank), given the severe economic contraction already experienced in India and economic contraction and stagnation being experienced in the countries hosting Nepalese labourers. It will lead to substantial, immediate and widespread negative impacts on the livelihoods of many households. There are also risks that this could also potentially continue 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. The scale and widespread distribution of remittances makes them an important source of livelihoods for many households across the country with over 70% of remittances spent on consumption. The remaining 30% that is saved and invested represented US\$2.4 billion in 2019 – fully 20% more than the total combined ODA (US\$1.8 billion) and FDI inflows (US\$185 million).

13. The likelihood of occurrence of each scenario, the likely impact that on IFAD portfolio and how these potential risks associated with each scenario will be mitigated has been summarised below.

Table 1: Risks and mitigation measures under each scenario

Scenario	Likelihood of occurrence	Likely impact on IFAD's country programme	Mitigation measures
Base case	50%	a) The risks associated with this scenario match directly with the macroeconomic and COVID-19 related risks enumerated in the main text (Section VII).	The risks identified will be tackled by: a) Reducing the disruptions in the agricultural value chains promoted under ASDP, RERP, ASHA and VITA through targeted interventions both on input supply and marketing ends. b) Expanding rural finance coverage to: (i) support adaptive investments, and (ii) generally expand economic activities to counteract against contractionary effect of the pandemic. c) Focus on commodities whose VC is shorter that cater to local/ regional markets, the adverse impact of movement restriction will be reduced.
High case	30%	a) Under this scenario, IFAD-supported projects may suffer from inadequate	a) IFAD-projects in Nepal (ASDP, ASHA, RERP) are mostly in locales that suffer from a generally high level of

		<p>counterpart funds due to rising public debt. With a buoyant growth GoN may be prompted to accord less priority to agricultural and rural development (ARD).</p> <p>b) Interest rates will increase substantially reducing viability of small farms and MSMEs. This will reduce demand in the services offered by IFAD projects.</p>	<p>poverty and deprivation. So even if ARD receives less priority, these projects would still be in high priority.</p> <p>b) A more innovative KM approach will be adopted which will also help advocating continuation of GoN's support to IFAD-assisted projects.</p> <p>c) Counterpart funding arrangement under VITA – the largest project in the portfolio – is built around the lending terms and thus is essentially immune from annual government budgetary allocation. So, country portfolio management will focus heavily on keeping this insulation in-tact and providing adequate implementation support that will ensure smooth implementation of VITA.</p> <p>d) IFAD resources provided to VITA generally provides a more stable interest rate regime. This will help to dampen the effect of rising interest rate.</p> <p>e) Significant targeted resources for made available under VITA will try dampening the tightened liquidity of the banks.</p>
Low case	20% (keeping in view of the increasing probability of COVID-19 vaccine becoming widely available by mid-2021.	<p>a) Reduced government revenue and increased cost for public health management together will reduce the GoN's ability to provide adequate counterpart funds to IFAD-supported projects.</p> <p>b) Economic contraction increases morbidity/ mortality of farms and rural enterprises, increases non-performing loans of financial institutions, and reduces their ability to lend affecting the projects.</p> <p>c) Persistent contraction in the global, GCC and Indian economy will induce further increase in the migrant returnees and with limited employment opportunities may be socially and politically disruptive and create chaos and unrest which will also affect projects.</p>	<p>a) The effect and mitigation measures for reduced counterpart funds will be as described above in High case' scenario.</p> <p>b) Overall, Nepal's debt sustainability situation remains comfortable. So GoN can borrow from the IMF and ADB to compensate short-term shortfalls in revenue.</p> <p>c) Under VITA GON provides IFAD resources to ADBL with repayment period extending up to 35 years. This will allow ADBL to withstand current or future crisis lasting for short, medium and long term.</p> <p>d) With their operation concentrated mostly in deprived areas, ASDP, ASHA, RERP and VITA will contribute significantly in creating employment opportunities locally and maintain social/political stability. Admittedly, a widespread nation-wide social unrest, if it happens, will be beyond the scope of these projects.</p> <p>e) Use graduation approach and affordable investment pathways to expand coverage/reach of opportunities and increase no of households reached by IFAD portfolio.</p> <p>f) With emphasis on profitable and sustainable VCs, IFAD projects will try limiting the mortality/ morbidity among small farms/MSMEs as well as financial institutions.</p> <p>g) For FY 2021 the central bank has adopted an aggressively expansionary monetary policy. ADBL, using VITA platform, can keep on advocating for maintaining such policy till normalcy is restored. Its recognition by the Central Bank as a 'lead bank' for agriculture will be helpful.</p>

Agricultural and rural sector issues

A. Agricultural and rural sector setting in Nepal

1. Of Nepal's population of 28.6 million people, 80% live in rural areas in around 4.75 million rural households.
2. The agricultural sector remains important as the second biggest sector in the economy (after services) contributing 28.9% to Gross Value Added in 2019 (2000, 38%). It is dominated by small-scale producers and 97% domestically focused. Agriculture growth averaged 3.1% in the decade to 2019 (versus 4.6% GDP growth) and is projected to average only 2.4% in 2020 and 2021 versus 5.1% in 2019. There is a large and growing trade deficit in food and agricultural. Agricultural import growth is far higher than growth in domestic agricultural output. Imports are growing strongly, up 84% in the 5 years to NRs198 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%. Imports are dominated by cereals (22%, principally rice and maize), vegetable oils (15%), pulses, potatoes and onions (12%), soyabean oil cake and animal feed (8%) – reflecting a lack of competitiveness of lowland agriculture in the terai versus highly subsidized India producers.
3. Despite low labour productivity, 11.7 million working age people (56.5%) are involved in agriculture. Small-scale producers are becoming increasingly market-oriented with 52% selling to the market and three quarters of these selling 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% of that in the overall economy in 2018 down from 43% in 2008. (World Bank)
4. 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).

5. 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)
6. Major Constraints to agriculture include low 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).
7. 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.
8. The COVID-19 strictures on social distancing and travel restrictions, market closures and lack of storage facilities affected most type of agricultural activities in Nepal. During the periods of extensive movement restrictions in the first half of 2020, the pandemic related losses were largest for cut flowers (100%) followed by vegetables (30%), poultry (24%), fruits (15-18%) and dairy (13%). The pandemic's effect on fertilizer imports and supply had been particularly drastic, though fertilizer supply is a perennial problem in Nepal. The paddy value chain was hit additionally by lack of access to extension and agrochemicals for pest control as well as mechanized harvesting services and market. The vegetable value chain also suffered from loss of direct contracts with restaurants, schools and hotels due to their closure. The mango value chain suffered additionally from shortage of micronutrients and growth regulators. Since fishermen's access to inputs were disrupted, 41% of the ponds remained fallow. Production of goats, fruits and vegetables has mostly recovered while disruption to fish and dairy has been more prolonged – for dairy due to high stocks of milk powder and for fish due to disrupted supply of fingerlings.
9. 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 (as of September 2019) against the minimum quota set by the Central Bank at 10%, which is in addition to 5% lending to be set aside to deprived sector. Among commercial banks only Agriculture Development Bank Ltd (ADBL) reported substantive share of agriculture – around 30% of its total lending.
10. Barring few exceptions, growths in financial 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).

11. 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. 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. In addition, ADBL operates a community-based agricultural insurance programme which while generally effective needs further refinement and innovations followed by major upscaling, if agricultural sector as a whole is to be served.

B. Agricultural development policies

12. 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: i) Improved governance, ii) Higher productivity, iii) Profitable commercialization and iv) 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. With the support of the European Union (EU), the federal Ministry of Agriculture and Livestock Development (MoALD) is currently engaging with province Ministries of Land Management, Agriculture and Cooperatives to raise understanding of the ADS and begin to clarify a way forward for it under federalism.
13. The ADS was approved under the former unitary system of governance. Immediately following its adoption, in 2015 the Government of Nepal ratified a new constitution that transformed its unitary structure into a federal one with three distinct levels of administration: a federal government, 7 provincial governments, and 753 municipal government units, including 460 rural ones. However, this system is not strictly hierarchical, and ambiguity remains in the exact division of responsibilities within and across different categories of activity in the public sector. In the context of the agricultural sector, the 2015 (2072) constitution delegates thematic responsibilities to all three levels of government, and exact mandates or areas of jurisdiction are still evolving. Extension services are defined as being the

sole responsibility of municipal governments, while the federal and provincial governments retain authority over agricultural R&D and issues in land use. Activities pertaining to forests, water and irrigation, and infrastructure are not clearly delineated across the three levels of government.

14. With respect to new structure, it is generally recognised that: (i): it is top-heavy and bottom-weak, with large numbers of trained and qualified agricultural manpower at federal and province levels; (ii) municipal agricultural units are meagrely staffed but directly face the clientele; (iii) agricultural programme activities of the three tiers lack coordination and conformity with the principle of subsidiarity; and (iv) concurrent agricultural powers, and the direct budget flow to Municipalities are contributing to lack of coordination among the provincial and municipal tiers. It is also recognised that: (i) the coordination between the Prime Minister Agricultural Modernization Project (PMAMP) and provincial/municipal agencies is generally weak, and its operation goes against the spirit of the Constitution; (ii) the provincial structures (e.g. Agriculture Knowledge Centers) are not adequately oriented and structured to serve their intended purposes and the mandate and modality of other province agricultural development agencies are unclear.

C. Entry points for Country-level policy engagement (CLPE)

15. Over time, IFADs engagement has helped creating policies and institutions that have become instrumental in assisting the poor, marginalised and most vulnerable segment of Nepalese population. The Small Farmers Development Bank and relatively large network of small farmers savings and credit cooperatives that the Bank supports and the GON's Women's Empowerment Division its field delivery structure trace their origin directly to such engagement. Keeping up with this spirit, under the current COSOP framework IFAD will undertake CLPE against the backdrop of the conclusions of IFAD's Rural Sector Performance Assessment carried out in 2018 which identified: (i) some significant gaps in rural governance, transparency and public administration, and (ii) policy frameworks that govern climate change and access to land.
16. In engaging in CLPE, reference, in particular will be taken with the policy measures adopted more recently. These include planning document adopted in 2019 that lays the foundations for a new Climate Change Adaptation Plan, the Local Governance Operations Act -2074 of 2017, and the 8th amendment of the Land Act adopted in 2020. The latter provides a legislative framework to achieve the policy goals set under the National Land Policy adopted by the Government of Nepal in March 2019 which commits to secure tenure and land ownership; protect land rights; rehabilitate the landless, squatters and informal tenure-holders for improved housing; and promoting equitable access to land for all, including women and vulnerable groups.
17. 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. As a first step, budgetary allocation at the federal level has been increased significantly for FY 2020/21, complemented by an even larger increase by provincial governments. Importantly, the Central Bank has adopted a highly expansionary monetary policy for FY 2020/21 which inter alia requires banks and other financial institutions to increase the minimum lending ratio of directed credit for agriculture, energy and SMEs to 40% (from current 20%).
18. 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 'comunitised' pluralistic technical services to meet farmer demand, as envisaged in the ADS.

19. In the above backdrop, during this COSOP period, aiming at building institutional capacity in the context of newly introduced federal system to undertake development activities and thereby contribute mainly to inclusive and sustainable rural economic growth and recovery as well as improving resilience against various shocks, IFAD will actively engage in following policy arena:
- (i) Continue working closely with the municipal, provincial and federal governments and deepen the partnership in refining policies, processes and systems of governance of the municipalities for (a) developing communised pluralistic extension system (ASDP); (b) local level climate change adaptation (ASHA); and (c) remittances (RERP). Where opportunities arise, these projects will also assist the government agencies to implement the provisions of newly amended Land Act. Efforts will be made to mainstream these into government policies and programmes once up-scalable models become ready.
 - (ii) Assist ADBL and associated participating financial institutions to build capacity of the financial sector to help achieving the highly ambitious goals set by the Central Bank for agricultural and poverty-focused lending, by also developing new products at the scale required to increase rural financial inclusion.
 - (iii) In line with the programme activities of VITA, further complemented by the learning from COVID-'19 and supported by Rural Poor Stimulus facility already approved by IFAD, work on expanding digital banking operations for rural areas aiming both at expanding inclusion and building resilience of the financial system in the face of pandemics and other disasters. This will also involve designing new and refining existing financial products, mainly, micro-insurance as a mechanism for reducing the risks of smallholder producers. The latter will involve collaboration with the new project on insurance between ADBL and GIZ.

SECAP background study

Social, Environmental and Climate Assessment Procedures (SECAP) background study SECAP Preparatory Study

A. Objective

1. The Government of Nepal is committed to inclusive and sustainable development, climate adaptation and resilience, and sustainable growth in all sectors of the country's economy. A number of policies and strategies have been prepared and executed to support the green and inclusive economy. This SECAP background study is prepared to inform IFAD's investments under the new Country Strategic Opportunity Programme (COSOP) to ensure that they are and socially inclusive and resilient to climate shocks and to align with the government's policies on social development, natural resources management and climate resilience.

2. The 2021 COSOP covers the period from 2021 to 2026. Based on the lessons learned from the previous 2013 COSOP (2013-2020), the overall objective of this preparatory note is to ensure that the COSOP promotes social equity in rural communities, supports environment sustainable outcomes and promotes appropriate measures for adaptation to climate change.

3. During the coming COSOP period, IFAD's engagement with Nepal will focus on three (3) strategic objectives, (i) Accelerated inclusive and sustainable rural economic growth and recovery through greater market participation, (ii) Improved resilience of rural communities to impacts of climate change, economic and other shocks, and (iii) Strengthened rural and community institutions to effectively development needs under federalism. Ongoing and future programmes will scale up innovations and interventions on gender and youth empowerment, nutrition security, promote natural resources management and climate-smart investments and practices.

4. **Approach and methodology.** The SECAP preparatory study was informed by i) desk reviews of relevant national policies and strategies, ii) analysis of ongoing projects funded by IFAD and other development partners, and iii) consultations with national stakeholders, civil society organizations and farmers organizations through online surveys and phone calls. The report also assembles the analysis of existing institutional framework, country program evaluations and existing environmental, social and climate change studies and assessments.

Part 1 Situational analysis and main challenges

1.1 Socio-economic situation and underlying causes

5. The country's population is estimated at 28.6 million in 2019 (UN Population, 2020) with an estimated growth rate of 1.35 % per annum. As per the 2011 census, average household size was 4.88 and the rural population constituted 83 % of the total population. The census calculated 25.7 % household was led by female and about 57 % of the population was of working age between 15-59 years (CBS, 2011).

6. Nepal experienced a 4.6% average economic growth in the last decade where agricultural and non-agricultural sectors' average growth were 3.2% and 5% respectively. The last three years had a good economic growth with an average of 7.3%. Agricultural sectors contribution has recorded decreasing on Gross Domestic Product (GDP) in line with the wider transformation of the economy. It is predicted that this sector will only contribute 27.6% to the GDP in fiscal year 2019/20 (comparable in scale to international remittances). Moreover, service sector represents 50.6% of GDP and its share is increasing (MoF, 2020).

7. There is a substantial difference among the provinces in contribution to GDP. Bagmati province (which includes Kathmandu) had the highest contribution in fiscal year 2019/20 with 36% followed by province 1 (16%) and province 2 and 5 with 14% each. The remaining three provinces together contributed 20%: Gandaki (9%), Sudurpaschim (7%) and Karnali (4%). Table 1 depicts GDP per head for the provinces (MoF, 2020).

Table 1 Province-wise GDP

Province	GDP %	GDP (million US\$)	GDP USD/head
Province 1	16	4599.79	1014.3
Province 2	14	4024.82	744.8
Bagmati	36	10349.53	1871.7
Gandaki	9	2587.38	945.1
Lumbini	14	4024.82	978.3
Karnali	4	1149.95	708.3
Sudurpaschim	7	2012.41	788.4
Average			1085

Demographics

8. 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 a span of 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 an advantage of the demographic dividend in order to catalyse both economic growth and social development (NPC, 2017). Appropriately designed youth sensitive programmes are one mechanism for immediately leveraging the current demographic dividend of Nepal.

Poverty

9. **Overall poverty situation:** In July 2020, Nepal’s GDP per capita reached US\$ 1,085 - an all-time high – with real GDP growth of 7.5%. 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 16.7 % of the country’s populations remain below the national poverty line (MoF, 2020). This compares favourably with poverty incidence rate of 41.8% in 1996, 30.6% in 2004, and 25.2% in 2011 (CBS, 2011).

10. Multi-dimensional poverty has also seen significant reductions. The national-level multi-dimensional poverty index fell from 59.4% in 2006 to 39.1% in 2011, and 28.6% in 2014. 33.2% reduction was observed in rural area, while it was 7% in urban area.

11. In terms of poverty rate for multi-dimensional poverty, Karnali Province and Province 2 have the highest rate of multidimensional poverty – with every second person being multidimensionally poor (50%) – followed by Lumbini and Sudurpachchim (approximately 30%) Provinces. The largest contributors to rural and national poverty are deprivation in years of schooling (17.7%) and nutrition (15.8% and 15.9%, respectively). It is noted that the most recent MPI use data are from 2014 (before the 2015 earthquake) t which demonstrates substantial impacts on many rural locations particularly in Bagmati Province (CBS, 2018). (See Table 2)

12. In terms of numbers of multi-dimensional poor people, provinces 2 and Lumbini have by far the highest numbers, together accounting for over 55% of all poor people in the country.

Table 2: Multi-dimension poverty headcount and population by Province (2014)

Province	MPI Poverty Population		MPI Poverty Headcount rate
	Number of people (000s)	% of poor people	%
2	2,935	35	47.89
Lumbini (5)	1,677	20	29.92
1	1,006	12	19.67
Sudurpaschim (7)	922	11	33.56
Bagmati (3)	755	9	12.24
Karnali (6)	671	8	51.22
Gandaki (4)	419	5	14.19
Total	8,386	100	28.62

13. The outbreak of COVID-19 and the subsequent nationwide lockdown has adversely affected the growth engines of the economy. Overseas remittances and the service sector, especially tourism have been hard hit.

14. Remittances have been severely affected in 2020, with remittance inflows during March to May 2020 declining markedly by 43.4%. Prior to COVID-19, remittances reached an estimated US\$ 8.06 billion in 2018 – equivalent to 28.0% of Nepal’s GDP (World Bank, 2019)– more than doubling since 2010 – and represented 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 had already slowed since 2016 (IMF, 2019). The scale and widespread distribution of remittances makes them an important source of livelihoods for many households across the country with over 70% of remittances spent on consumption (Central Bureau of Statistics, 2012). The substantial reduction in remittances due to COVID-19 is therefore likely to have substantial, immediate and widespread negative impacts on the livelihoods of many households. There are also risks that this could also potentially continue 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. For example, 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).

15. Tourism, which constituted around 8% of GDP during pre-COVID 19 eras, has been severely affected by pandemic. The government had declared 2020 as Visit Nepal year and the arrangements were done accordingly to welcome a large number of visitors. International and domestic tourism has all but ceased since the initial restrictions were introduced in March 2020. With international arrival plummeting by 85.9% year on year between mid March and mid May 2020, it reached zero from April onwards.

16. For food and agriculture, the closure of international borders over COVID-19 concern has already increased food prices. Prior to the COVID-19 outbreak, agricultural output was already affected by delays in the monsoons; an outbreak of armyworms, which damaged crops in many parts of the country; and the proliferation of fake “Garima” paddy seeds, leading to a decline in paddy production by 1.7 %, which supplies nearly 7% of GDP (ADB, 2020; WB, 2020).

17. Indications are that widespread layoffs coupled with the return of labor migrants have increased unemployment and created an excess supply of labor. In addition, while an estimated 50 to 80 % of workers are still employed, not all of them work at full

capacity. The loss of livelihoods, including from both employment and remittances, has impacted on demand and consumption.

18. As a result of the impact of COVID-19, GDP growth in Nepal is estimated at 1.8 % in FY 2020, compared to 7 % in FY 2019. Growth in the service sector is now estimated at 1 %, the lowest since FY2002, while growth in the industrial sector is estimated at 3.2 %, a four-year low, due to the deceleration in overall growth. Moreover, services exports, goods exports, and remittances contracted by 57.4 %, 62.1 %, and 43.4 %, respectively, between March and May 2020 compared to the same period in the previous year. Following the COVID-19 outbreak, public revenue collection between March and May 2020 was 51 % lower than in the same period a year prior (WB, 2020).

19. Lockdown has adversely affected the livelihoods of workers in the informal sectors as well. The informal workers or those without social security or assistance are most vulnerable to falling in to extreme poverty. COVID 19 pandemic has caused widespread job loss resulting in economic strain for people. Financial hardship resulting from the pandemic has affected livelihoods, especially for those working in the informal sector. In Nepal, 62.3% of total employed people are engaged in the informal sector, which means they have little or no income security and social protection. Economic insecurity has been linked to poor coping strategies like substance use, taking on debt and engaging in risky behaviors, which may trigger for conflict, argument, and interpersonal violence. Violence against women and girls (VAWG) can be an outlet or a coping mechanism for some men who feel a loss of control and failure to fulfill traditional breadwinner role during this situation. The influx of thousands of jobless migrant workers from abroad and within the country poses an extra risk of violence against women and children in Nepal (Dahaletal, 2020).

20. A study conducted by WFP based on interviews conducted in April 2020 states that the COVID-19 crisis had already affected the livelihoods of Nepalese households within 1 month of lockdown measures being introduced in March. It found that 1 out of 10 households reporting a loss of livelihood and 3 out of 10 households a reduction in income at the time. Loss of income source was found to be more common for certain types of livelihoods, namely daily wage laborers, migrant workers, and households with a disabled person. Income reduction was relatively more common in Lumbini, Sudurpaschim, and Province 2, while loss of livelihood was more common in Lumbini, Karnali, and Sudurpaschim provinces (WFP, 2020). The situation is expected to have deteriorated substantially in the months since.

21. Similar to the global scenario, the lockdown and the economic downturn is exacerbating the challenges vulnerable communities face, heightening women and girls' risk of gender-based violence (GBV) among women and girls. Restricted mobility, fear of COVID 19, and reduced availability of public services during COVID have further trapped women and girls in a cycle of gender-based violence. Nationally, close to a third of women aged 15 to 49 have experienced physical or sexual violence (OPTIONS, 2020). Women and girls with disabilities are especially at risk. Options' DFID-funded Nepal Health Sector Support Programme (NHSSP3) piloted and scaled hospital-based One Stop Crisis Management Centres (OCMCs). The centres provide free health services, identify and treat survivors and offer them psychosocial counselling and medico-legal services. They also act as the coordination hub to multisectoral services including safe homes, personal security and rehabilitation programmes. From an initial seven in 2011, there are now 69 OCMCs across the country. The programme has also provided forensic training of doctors to improve the quality of medico-legal reporting and the strength of evidence taken to court, introduced psycho-social counselling training of health staff and strengthened the centres' reporting systems of cases.

22. In early 2020, Options supported the government to conduct a strategic review of the centres, including recommendations to address many of these challenges. The review fed into Nepal's COVID-19 response to GBV, informed emergency cluster coordination groups established by Government, and helped cement the coordination

across the many sectors involved, including the police, health, women's protection and rehabilitation. The international and national spotlight on the impact of COVID-19 on gender-based violence also raises political pressure to address the underlying social determinants of GBV in Nepal, and the structural challenges of responding to the needs of survivors. This created an enabling environment that sped up the approval for improvements that were recommended by the strategic review. Despite the enormous challenges COVID-19 pose for women and girls that are at risk of gender-based violence, the pandemic also presents an opportunity for the government to put measures in place that could help improve mechanisms to protect them in the future.

23. **Children:** Children up to 10 years represents 21% of the population. This subgroup represents the poorest age subgroup. There is decreasing and then flattening trend of MPI as age increases.

24. **Female headed household:** The data reflects male and female headed household face the same likelihood of being multidimensionally poor. Nearly 24% of the population live in female-headed households, and 28.6% of people are multidimensionally poor. While only 6.6% of people are poor and are living in female-headed households.

Gender empowerment

25. The 2018 Gender Inequality Index⁴ ranks Nepal 115 out of 162 countries. Women hold 33.5% of the country's parliamentary seats which shows greater participation of women than in South Asia in general. Only 29 % of adult women have reached at least a secondary level of education compared to 44.2% 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% compared to 84.4% for men and 25.9% 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 as gap between male and female monthly income is of Rs. 5,834 which is in favour of men (CBS, 2019). The same report shows 56.8% of fully employed females and 40.6 % of fully employed males were involved in the production of goods for own final use. Similarly, 90.7 % of females participated in providing services for own final use while only 47.2 % of males participated. Females were disproportionately more (88 %) involved than males (38.5 %) in unpaid household work. Gender disparities further analysed and reported as 93.3 % of female who were fully employed were also involved in providing services for own final use, while only 46 % of their male counterparts were involved in these activities.

26. Nepal has one of the highest rates 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 % in 2001 to 25.7 per cent in 2011 (CBS, 2011). According to the 2011 National Demographic Health Survey (NDHS), 76.4 % of women aged 15-49 years engaged in agricultural work are not paid, compared to 15.9 % of women engaged in non-agricultural work. In 2011, 10.4 % of women employed in agricultural work received in-kind only payment while 7.3 % received cash and in-kind payments. The NDHS showed that 5.9 % of women in agricultural work received cash only compared to 80 % in non-agricultural work. Just over 82 % of women

⁴ 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).

in agricultural work are employed by family members, compared to 14.6 % by non-family members and 2.6 % self-employed. The proportion of women engaged in seasonal work in agriculture (47.4 %) is also significantly higher than in other sectors (8.6 %). In rural areas, due to migration and long-term absence of men from agricultural fields, women have now also taken up responsibilities that were traditionally performed by men, such as ploughing. As a result, it has not only increased the workload of women but 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).

27. Inclusion in the civil service is yet to reflect Nepal's social diversity. Only 20% of the staff are women and more than 61% come from the Hill Brahmin and Hill Chhetri groups (vs 39% in the wider population). The inclusion in governance is improving but there is still more effort to put on for a meaningful power sharing. Women hold almost 41% of elected local government seats due to reservation; however over 97% of Chairperson/Mayors are men, while 94% of Deputy Mayors are women and 44% of them come from Hill Brahmin or Hill Chhetri group (TU, 2020).

28. The 2016 Demographic and Health Survey (Ministry of Health, ERA, & ICF, 2017) found that 52% of women decide independently how their earnings are used, while 35% decide jointly with their husbands. Only 11% 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%), those with five or more living children (42%), those in the mountain zone (42%), and those with no education (45%).

29. 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 % of women own fixed assets of the household, which is higher in urban (26.77%) than rural areas (18.02%) (CBS, 2011). Socially, women and girls in Nepal are disadvantaged by traditional practices such as 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 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 women as male are still found to dominate on 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.

30. 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 to ensure their meaningful participation (LEO U. &, 2016)

31. 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.

32. 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.

33. 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 financial returns 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 and women's greater control of these earnings, 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.

Indigenous people and marginalized groups

34. 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 (Central Bureau of Statistics, 2012). 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 Terai (7) and Terai (10) (NFDIN, 2004).

35. 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 (Bhattachan, 2012).

36. More generally, a study (CDSA-TU, 2014)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 have 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 Terai Brahman/Chhetris have similar scores. In contrast, hill and Terai 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 Terai Dalits. Disaggregated figures show that the poverty gap is wider among hill Chhetris than it is among hill Brahmans and wider among other hill Janajatis than it is among Newars.

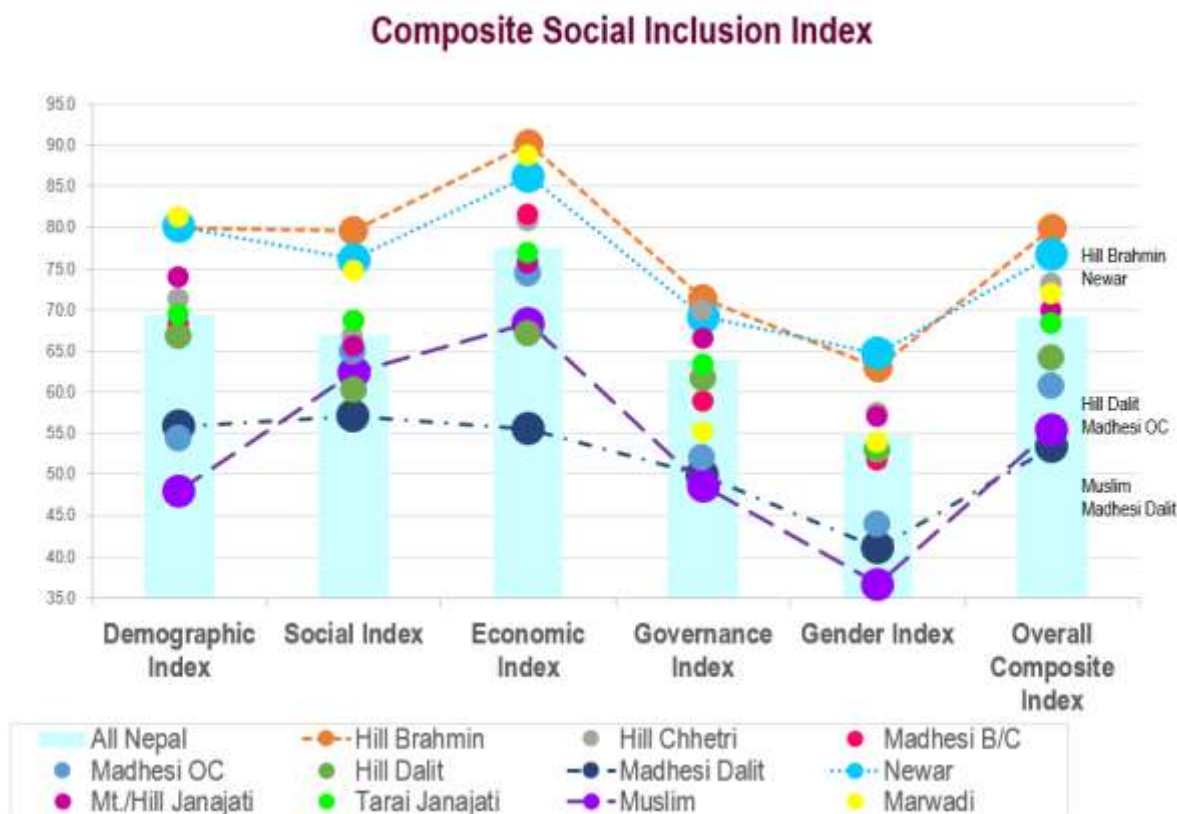


Figure 2 Composite Social Inclusion Index (TU, 2020)

37. Figure 2 illustrates the status of indigenous people and Dalits in the country. Mostly Dalits from both Hill and Terai region falls below on all index while Muslim and Madhesi also have low composite social inclusion.

Dalits

38. 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 Terai/Madhesi Dalit castes⁵. Lack of productive resources and socio-cultural discrimination, lack of opportunities to advance the traditional skills of providing essential services such as 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 Terai *Dalits* is 43.63 % and 43.16 %, respectively, while the average poverty rate is 25.16 (CBS, 2012). As mentioned above study conducted by Central Department of Sociology and Anthropology, hill and Terai Dalits scored poorly across a number of indicators and often face higher levels of exclusion than other

⁵ **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, Bhoor), Pode, (Deula, Pujari, Jalari) and Chyame (Kuchikar, Chyamkhal); List of Terai 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

caste/ethnic group (CDSA-TU, 2014). Among *Dalits*, *Musahars* and *Doms* are most marginalized as well as landless Terai *Dalits*⁶.

39. Findings by recently conducted study 'State of social inclusion in Nepal' by the Central Department of Anthropology, Tribhuvan University emphasises targeted inclusion approach and meaningful power sharing; which are as follows (TU, 2020):

- i. While included groups are getting benefits, the excluded groups are becoming more excluded. All Dalits, Muslims and a section of Madhesi and Janajati are left behind.
- ii. A higher degree gender inequality still exists among the groups in the bottom.
- iii. Dalits are still facing severe discrimination as cast/ethnicity-based discrimination continues, however cross-cultural solidarity has improved
- iv. The meaningful power sharing is still missing although women's participation has been increasing in government and organizations.

Youth

40. The Government of Nepal defines 'youth' as people between 16-40 years which accounts 40.4% of total population. Population aged 15-29, represent approximately 33 % of the population of the country with over 61 % of them living 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.

41. Shifting workforce patterns out of low return primary agricultural production and into higher productivity sectors is an 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. This is even more relevant now with the large number of returning overseas workers. A recent rapid survey of around 750 returnee workers in Province 1 and 2 by an IFAD project (RERP) in August 2020 found that 58% were willing to invest in modern agricultural enterprises.

⁶ 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, Twenty Third Session of the UPR, Human Rights Council, 2-13 November 2015

42. As well as the well documented 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 income sources. 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 (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.

43. 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

YOUTH FACTS

- Youth population in Nepal is 40.3% of the total population. Among them, 45.8% are males and 54.5% are females.
- Out of the total youth population, 50.6% lives in Terai, whereas 43.4% and 6% live in Hill and Mountain regions respectively.
- In terms of usual activities performed by youth, the proportion of male population aged 16-25 years engaged in study is 50.06% whereas 37.21% of those in 26-40 years age group are engaged in waged/salaried work. However, the highest proportion of the female youth of 16-25 years and 26-40 years age group are engaged in study (37.53%) and household chores (39.2%) respectively.
- Nearly 50% of the total male population and 42% of the total female population aged 16-25 years is economically active whereas in the age group of 26-40 years the proportion of economically active population is nearly 94% for males and 66% for females.
- Around 40% males aged 16-25 years as well as 26-40 years, and 70% of the female populations from both age groups are engaged in agricultural, forestry and fishery related work.
- Education has been found as the major reason for 93.56% males and 60.67% females of 16-25 years age group, and 50.58% males of 26-40 years age group for not being economically active whereas household work is the main for 91.73% females of 26-40 years age group for not being economically active.
- Nearly 1.52% of the total youth have some kind of disability, of which 55% are males and 45% are females. Among the different types of disability, physical disability alone constitutes nearly 38.2% of the population with disability. (MoYS, 2014)

especially vulnerable to climate risks; sexual and gender minority youth; and young people living with HIV, among others (UNDP, 2018)

44. 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 and/or returnee labour more effectively for productive purposes and ultimately encourage increased private investment in rural areas, increasing the productivity of youths and profitability of agriculture.

45. Youth is one of the most affected groups by COVID-19. A large number of youths have lost their jobs in gulf countries and India and returning back to the country. Tourism, hotel and other production industries are almost closed since March lockdown and a large number of youths are unemployed.

Nutrition

46. 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 Karnali and 29% in Gandaki Province . Moreover, the chronic undernutrition rate varies by maternal education and wealth levels, where, 23% of children whose mothers have secondary education are stunted, while the rate rises to 46% in children whose mothers had no formal education (USAID, 2018).

47. 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. 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.

48. Nepal Demographic and Health Survey (NDHS), 2016 has shown that national household food security is only 48.2% whereas in rural areas the percentage is only about 38.8%. About 10% of households are severely food insecure. Geographically, the mountain regions suffer from more food insecurity where the percentage of food secure households is only 38.4% compared to Terai where 51% of households are food secure. Furthermore, the severely food insecure households in mountain region are about 13.8% compared to 9.2% of Terai region. Among the provinces with ongoing IFAD investment programme, Karnali province has the lowest level of food security with only 22.5% of household's food secure while severely food insecure households are about 17.5%. Province 2 has 43.1% food secure households and 10.7% households are severely food insecure. Food secure and severely insecure households for Lumbini and Bagmati are 48.4%, 55% and 10.2% and 8.5% respectively (Ministry of Health, ERA, & ICF, 2017).

Table 3 Provincial stunting status

Province	Stunning rate (%)
Province 1	33
Province 2	37
Bagmati	29
Gandaki	29
Lumbini	39
Karnali	55
Sudurpaschim	36
Overall	36

49. 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 % in 2001 to 37.3 % in 2014 and 36 % in 2016 (Ministry of Health, ERA, & ICF, 2017; CBS, 2015). 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 (WHO, 2017).

50. A recent study conducted by WFP highlighted increase of food insecurity compared to that of 3-4 years ago estimation. The study states that the 23 % of households had inadequate food consumption and 7 % of households had poor dietary diversity. 7.2 % adopted at least one negative coping strategy to address food shortages and about 5.7 % of households reported that the food they had in stock was insufficient to meet their needs. Minimum dietary diversity was not met by about 46 % of children between 6 and 23 months of age. In comparison, in the Annual Household Survey V (2016/17), 15 % of households reported consuming an inadequate diet, about 5 % of households had poor dietary diversity (WFP, 2020).

51. Current food insecurity status, measured as a combination of poor food consumption and poor dietary diversity, was more common in three provinces - Sudurpaschim , Province 2, and Karnali provinces. Similarly, more children with inadequate diet were in Sudurpaschim , Province 2 and Karnali Provinces(WFP, 2020).

52. Food insecurity was more prevalent among certain types of income sources, namely daily wage labourers, cash crop producers and less diversified livelihoods. Higher levels of food insecurity were also observed among households that source food in the market and households that did not have food stocks. In terms of the socio-economic characteristics, households with low education levels, a chronically ill member, or female-headed households were found to be more food insecure. A higher proportion of households that reported job loss had inadequate food consumption, compared to households that didn't report loss of income source (WFP, 2020).

53. Nepal continues to have a very high rate of child malnutrition despite recent progress - 36% and 27% of children under five are stunted and underweight, respectively. Poor dietary diversity is a major causal factor for these conditions. 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 (Ministry of Health, ERA, & ICF, 2017). Similarly, women and children also suffer from some of the world's highest levels of vitamin and mineral deficiencies. This can be emphasized by the fact that Vitamin A deficiency is the cause of death of approximately 6,900 children in Nepal annually . 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.

54. 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' (NPC, 2017). 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.

55. The multidimensional poor population in Nepal are 28.6 %. 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 (NPC, 2018). There are clear opportunities 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 systemically designed and implemented agriculture supply chain programmes. In addition, enhancing the attitudes, knowledge and practices regarding available nutritious products through peer-to-peer based mentoring, for example as planned under the new VITA programme to complement rural economic growth, appear to be important and practical opportunities for the coming COSOP.

56. 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 a small but statistically significant amount of 1 % (Kafle, 2018). 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 household methodologies or similar approaches will facilitate improvements in the nutritional status of under 5 children, pregnant and lactating women.

57. The COVID 19 crisis has impacted livelihoods and incomes of Nepalese households. Reductions in income and loss of livelihood sources have impacted households with volatile income sources but also traditionally more stable livelihoods. In turn, this can have a detrimental impact on households' ability to access food, and also on their underlying vulnerability to shocks. This is particularly concerning as a majority of those who reported income reduction depend on income to access food (WFP, 2020).

Land rights and access

58. 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 is 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.

59. 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 19.7 % of households in Nepal. While this is an increase over a 10-year period, it should be noted that 77 % of all households in the

country reported to have ownership of agricultural land but only 10.7 % of the households, had women with land in their names. So, while progress has been made, women still lag far behind as far as land ownership is concerned.

60. 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 obstacles 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).

61. Women owning land is almost half (0.4) than that of men (0.7) according to the national statistics collected in 2014 by CBS. Female-headed households accounted for 19.7 % of the total agriculture landholders in 2011, a rise from 10.8 % 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.

62. 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.

63. Paralegals and groups are very good sources of land related information for women interested in registering, owning or selling a piece of land. Paralegals are seen as helpful to help women and minority groups who 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 this 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.

64. In terms 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 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)

65. 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 is unlikely to be realized.

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

67. 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 out of 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)

68. 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.

69. 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. This act 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 8th 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).

70. 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.

71. 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.

72. 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)

73. 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):

- 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.

1.2 Environment and Climate

Status

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

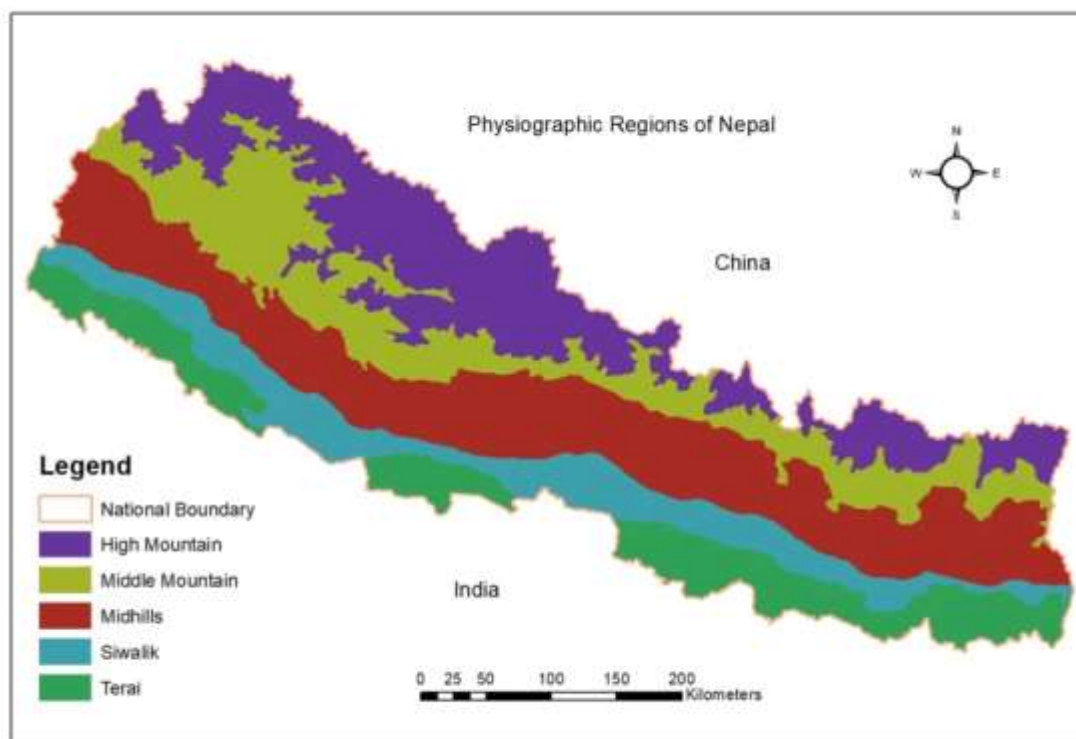


Figure 3 Physiographic regions of Nepal

75. The lowland Terai region – below 500m above sea level – 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 500-1,000m 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 1,000 to 3,000 m asl which is also called as Mahabharat range and is crossed in many places by antecedent rivers such as Koshi, Gandaki (Narayani), Karnali and Mahakali. The high mountains range from 3,000 to 5,000 m asl and the high Himal above 5,000 m asl. The climate also varies significantly. In general, climatic zones are categorized by temperature regimes based on altitudinal ranges. Tropical climatic zones occur below 1,000 m asl, sub-tropical to temperate climates between 1,000 – 3,000 m asl, sub-alpine to alpine climates between 3,000 – 5,000 m asl and tundra/arctic climates above 5,000 m asl (Dobremez, 1976; MoFSC, 2014) .

Table 4 Physiographic and Bioclimatic zones of Nepal

Physiographic Zone	Coverage (%)	Elevation (m)	Bioclimatic Zone
High Himal	23	Above 5,000	Nival (Tundra and Arctic)
High Mountains	19	4,000-5,000	Alpine
		3,000-4,000	Sub-Alpine
Middle Mountains	29	2,000-3,000	Montane (Temperate)
		1,000-2,000	Sub-Tropical
Siwalik	15	500-1,000	Tropical
Terai	14	Below 500	

76. **Biodiversity** (MoFSC, 2014): 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 very rich diversity of flora and fauna in the country. Nepal boasts 118 ecosystems, including forest ecosystem (112), cultivation ecosystem (4), water body ecosystem (1) and glacier/snow/rock ecosystem (1). Within 0.1 % of global area, Nepal harbours 3.2 and 1.1 % 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.

77. 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.

78. 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, including 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, 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 river 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 management, posing a direct threat to diversity. This has caused considerable damage to biodiversity and local environment (MoFSC, 2014).

79. **Forestry:** Forest occupies 40.4% of the total area of the country while other wooded land covers 4.38% (DFRS, 2015). Forest and other wooded land occupy 20.9% of the Terai, 73.6% of the Siwalik, 53.8% of the Mid Mountain and 37.81% of the High Mountain and High Himal. The forest ecosystems are categorized into 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 (Stainton, 1972).

80. 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.

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

82. 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 including *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 such as *Aconitum species*, *Dactylorhiza hatagirea*, *Ephedra gardiana*, *Nardostachys grandiflora*, and *Valeriana wallichii* are facing unsustainable exploitation (Nepal, 2020).

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

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

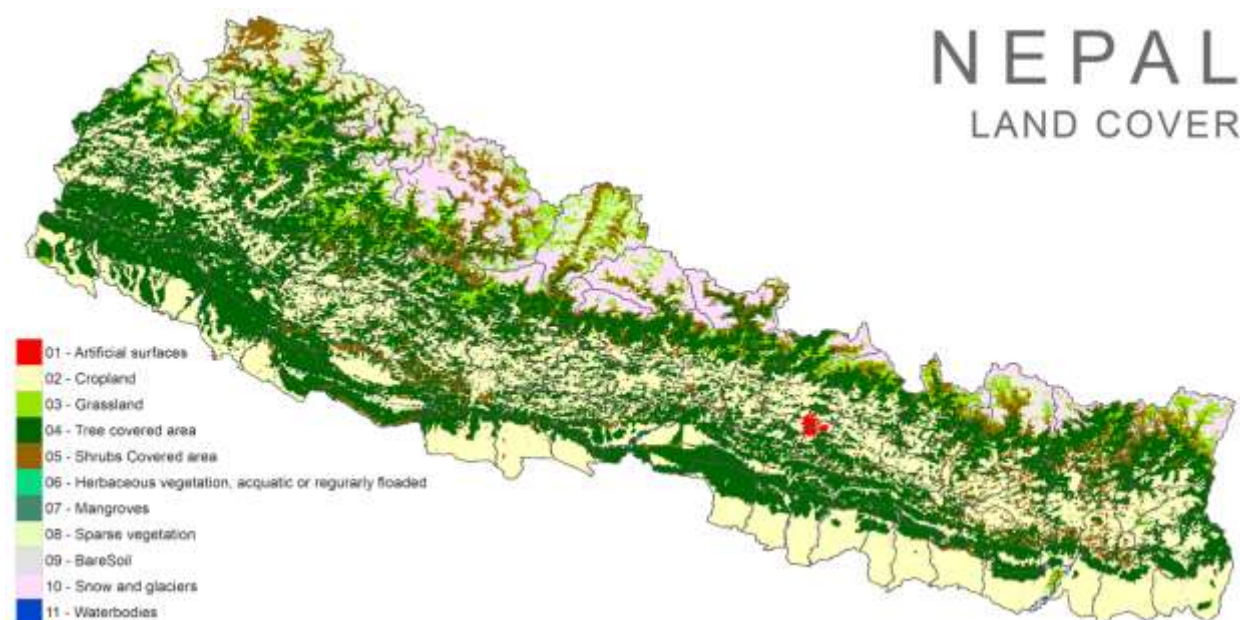


Figure 4 Land Cover⁷

85. 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 km³. 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

⁷ Developed by IFAD GeoSpatial group

be about 225 billion m³(BCM) per annum or equivalent to an average flow of 7,125 m³/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.

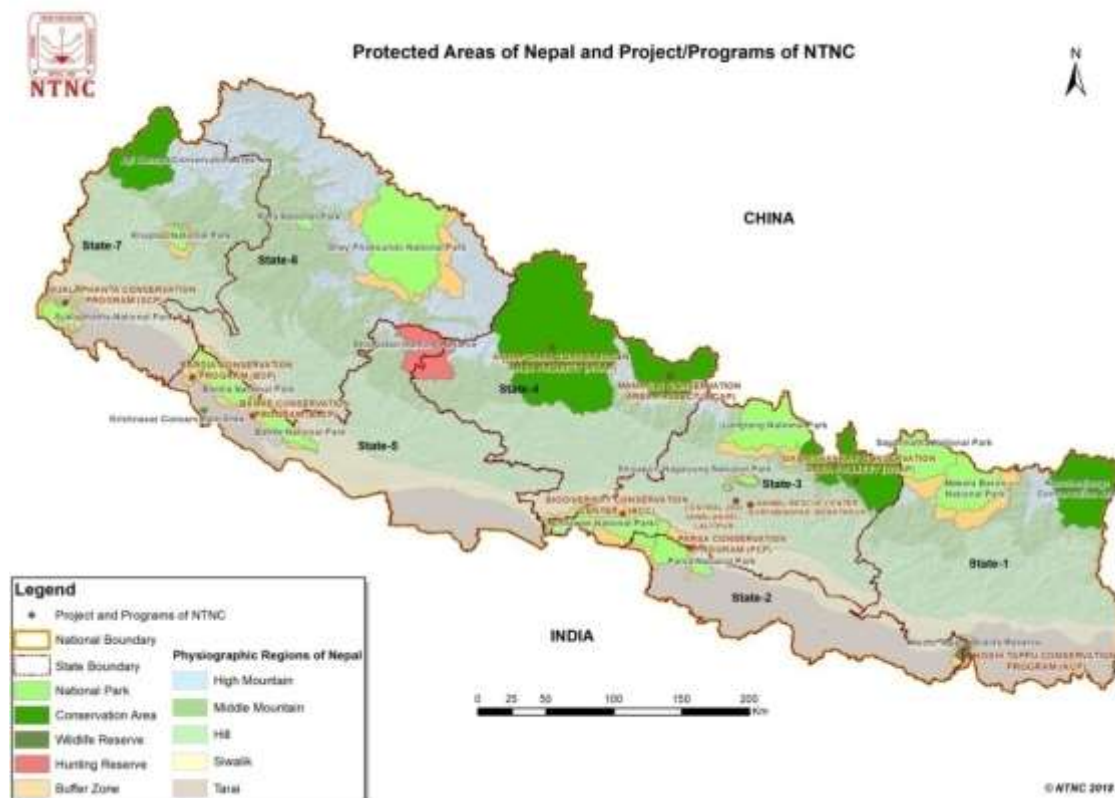
86. In addition to surface water, a large volume of water is available in the shallow and deep aquifers which are estimated to be 8.8 BCM annually which can be used for irrigation and domestic water supplies.

87. 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.

88. 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.

89. **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%) lie 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 (MoFSC, 2014).

Figure 5: Map - Protected Areas of Nepal (adapted from NTNC, 2018)



90. **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 1,800 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 the Terai region and other lowlands. Winter is the coldest season with temperatures in the region of -10 °C in Himalayan areas to 15°C in Terai (MoE, 2010) .

Climate status and trend

91. The annual average precipitation from 1981 to 2010 shows Siwalik region has received the highest average rainfall of 1,700 mm per year followed by the Mid-Mountain region (1,627mm) and Terai (1,600mm). The High Himal region has least rainfall averaging slightly less than 700mm per year. More than two-third amount of annual rainfall occurs during the 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 (°C), and minimum of 18.8 and 17.1°C respectively (MoFE, 2018).

92. 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 °C and minimum temperature is rising at the rate of 0.02 °C per year. The minimum temperature, however, increases only during the 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 °C while Mid-Mountain, High Mountain and High Himal regions are becoming hotter by 0.052, 0.068 and 0.86°C each year respectively. The minimum annual temperature has opposite trend with respect to increase in elevation, trend is higher in Terai (0.018 °C) and Siwalik (0.016 °C) than in the Mid mountain region (0.01°C), High Mountain (-0.005°C) and High Himal (-0.015°C); though trends in High Mountain and High Himal are insignificant⁸. Unlike the clear trend of temperature, the trend of overall precipitation is less clear. A few districts like Mahottari, Saptari in Terai, the pre-monsoon and monsoon precipitations show upwards trends by nearly 1.5mm 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).

Average Monthly Temperature and Rainfall of Nepal for 1901-2016

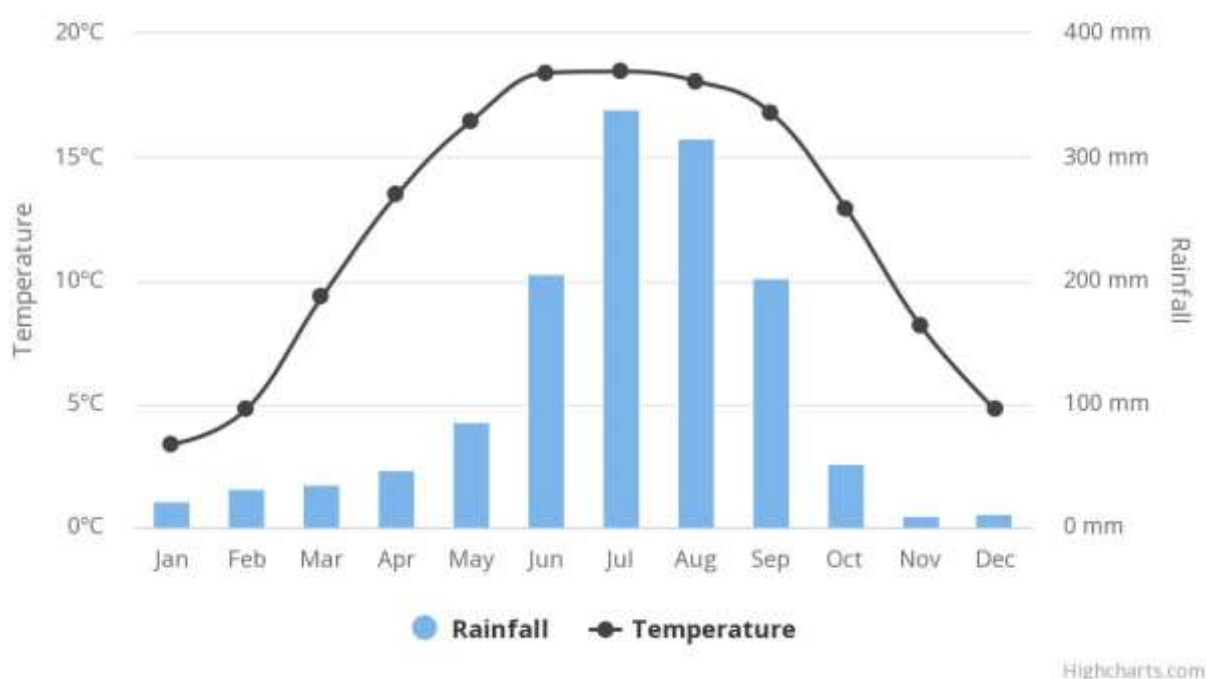


Figure 6 Temperature and Rainfall (WB, Climate Knowledge Portal, 2020)

93. MoFE, 2018 predictions for medium (2016-2045) and long (2035-2065) term climate change scenarios for Nepal corresponding to the 2030s and 2050s respectively. The findings indicate that temperature variables are expected to increase continuously throughout the twenty-first century. Mean temperature could rise by 0.9-1.1 °C in the medium-term and 1.3-1.8°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).

⁸ 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

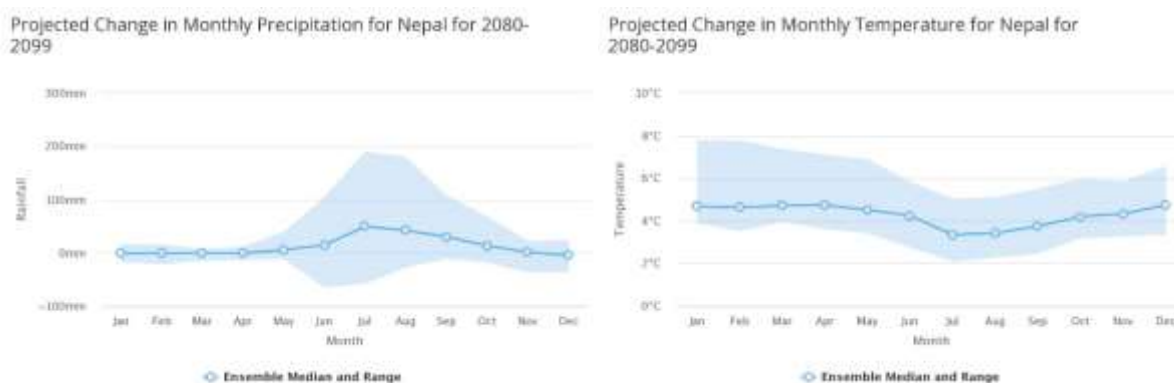


Figure 7 Rainfall and Temperature trend (WB, Climate Knowledge Portal, 2020)

94. Climatic variables projected by Organization for Economic Co-operation and Development (OECD) based on General Circulation Model (GCM) estimated that the mean annual temperature is likely to increase by an average of 1.20 C by 2030, 1.70 C by 2050 and 30 C by 2100 compared to a pre-2000 baseline along with Special Report on Emission Scenarios (SRES B2) scenario. Likewise, Regional Circulation Models (RCM) project the mean annual temperature to increase by 1.40 C by 2030, 2.80 C by 2060 and 4.70 C by 2090 (NCVST, 2009).

95. 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 seemed 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.

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	20.3	-51.8	-10.5	-55.1	-11.2

Conclusion on trend

96. 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 1,450mm per year. Only the Terai region shows a positive precipitation trend of 0.49 mm per year with respect to average rainfall of 1,600 mm per year. The rest of the regions have negative trend. The highest negative trend is in high-mountain (-3.17 mm/year versus 1,528 mm/year) followed by mid-mountain (-1.58mm/year versus 1,628/year average rainfall) and Siwaliks (-1.48 mm/year versus 1,708mm/year average rainfall). The pattern of decreasing rainfall trend with elevation is noticed in annual precipitation trend. In terms of the relative change, precipitation in the High Mountain area shows the greatest change at 0.021% decrease per year.

- ii) The people from the mountain region are among the highly vulnerable due to the climate sensitive farming practices and lack of adaptive capacity. The irrigation facility is minimal and the majority of smallholders rely on rain for the agriculture. People from the mountain regions has noticed decrease in winter and spring crop production due to decline in rainfall from November to April. The variation in seasonal rainfall has impacted agriculture production in other regions as well.

97. **Temperature**

- i) Maximum annual temperature is increasing. 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 the 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 0.9-1.10C in the medium-term period and 1.2-1.80C in the long period. The rise in temperature will be sharper in the high mountains than lower elevation. Heat stress and projected increased intensity of the dry season adversely affect crop and livestock production in Nepal. Projected temperature increases reduce maize and wheat yields however they may also create opportunities for production of new crops at higher elevations particularly some vegetables. In addition, Increased temperature and humidity increase the risks of mortality and morbidity among the livestock and poultry. It increase the costs of veterinary medicines in livestock and poultry production.
- iv) It is estimated that the mean annual temperature is likely to increase by an average of 1.2⁰ C by 2030, 1.7⁰ C by 2050 and 3⁰ C by 2100 compared to a pre-2000 baseline. Shifting of climatic zones has been observed in the country due to increase in temperature. It has led to extinction of some local vegetation like local basmati rice varieties, some local wheat, maize and other agricultural crops. The increase in temperature is expected to trigger an upward expansion of plants in mountain regions and, although there is strong evidence that many native species have already shifted their distributions to higher elevations, for an example rice cultivation/yield increased in Jumla district, Citrus species getting better result in lower belt of mustang district, zinger performance is increased in Rukum district. Terai honey bees (*Apis mellifera*) well grazing and honey production increased during mustang season in midhills, the farmers bringing their bees to graze in Pyuthan district and getting good honey.

98. **Extreme events**

- i) The trends in extreme events are mixed in different districts. Rainy days are increasing in average 0.2-0.3 days except 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 whereas 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), very wet and extremely wet days will increase 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.

99. **Vulnerability:**

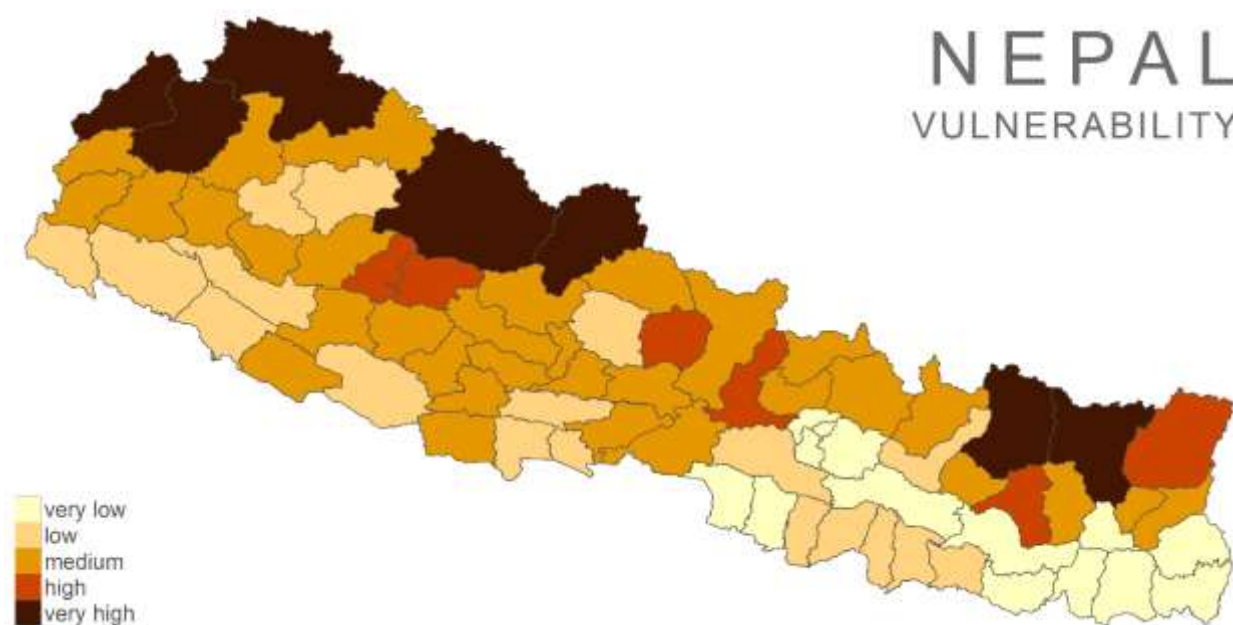


Figure 8 Vulnerability map⁹

- i) Nepal is exposed to various kinds of disasters. The young mountain geology, fragile ecosystems, poverty, lack of capacity and resources, and weak governance have made the country extremely vulnerable to environmental degradation and impacts of climate change and disaster risks. Nepal is most at risk to floods, including Glacial Lake Outburst Floods (GLOFS), landslides, droughts, and waterborne diseases. The climate change-driven events such as melting glaciers, degrading and eroding watersheds, drying water sources, and extreme precipitation pose a grave risk to Nepal's economy, and could cause losses equal to almost 2.2% of the country's annual GDP by 2050 and 9.9% by 2100. The impacts of disasters are most felt by the marginal populations, who are already hampered by poverty and disempowerment.

⁹ Developed by IFAD GeoSpatial Team

Average Annual Natural Hazard Occurrence for 1900–2018

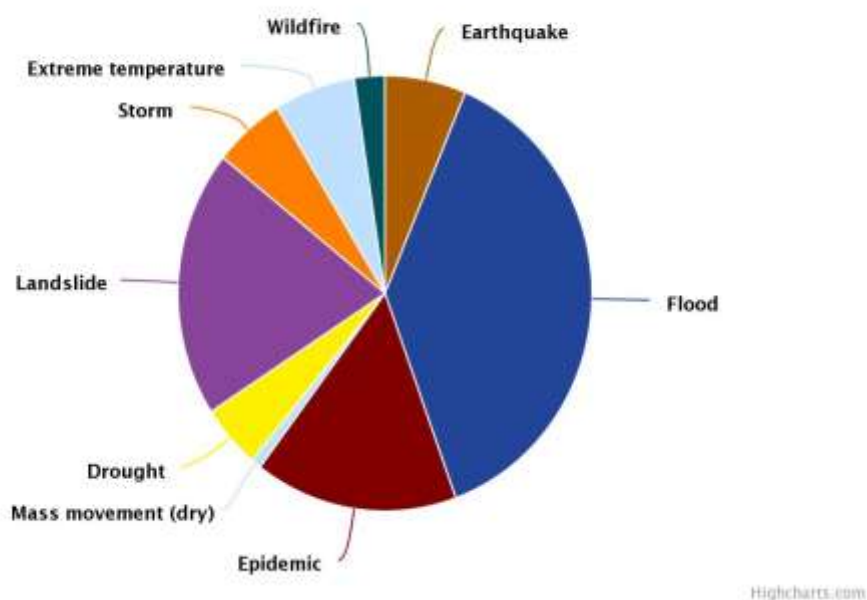


Figure 9 Types of hazard (WB, Climate Knowledge Portal, 2020)

- ii) Nepal is among the most vulnerable countries to climate change. Water induced disasters and hydro-meteorological extreme events such as droughts, storms, floods, inundation, landslides, debris flow, soil erosion and avalanches are frequent. Based on National Adaptation Program of Action (NAPA) 2010, out of 75 districts, 29 districts are highly vulnerable to natural hazard such as landslides, 22 districts to drought, 12 districts to glacier lake outburst flooding, and 9 districts to flooding.
- iii) Floods and landslides are the highest natural hazards comprising nearly 58% of total natural disasters in the country. This is mostly due to fragile mountain, unmanaged infrastructure development especially road construction in hilly areas, cultivation in the sloping land without proper management, combined with heavy rainfall. The current trend of landslides shows areas affected by 2015 earthquakes suffered the most. The epidemic disaster is about 16% of the disaster followed by earthquake and extreme temperature. Pre-monsoon storms are one of the challenging climate related disasters in Nepal.
- iv) The graph below shows the number of people affected by natural disaster. Flood affects densely populated Terai area, southern plain areas of Nepal, affecting a large population.

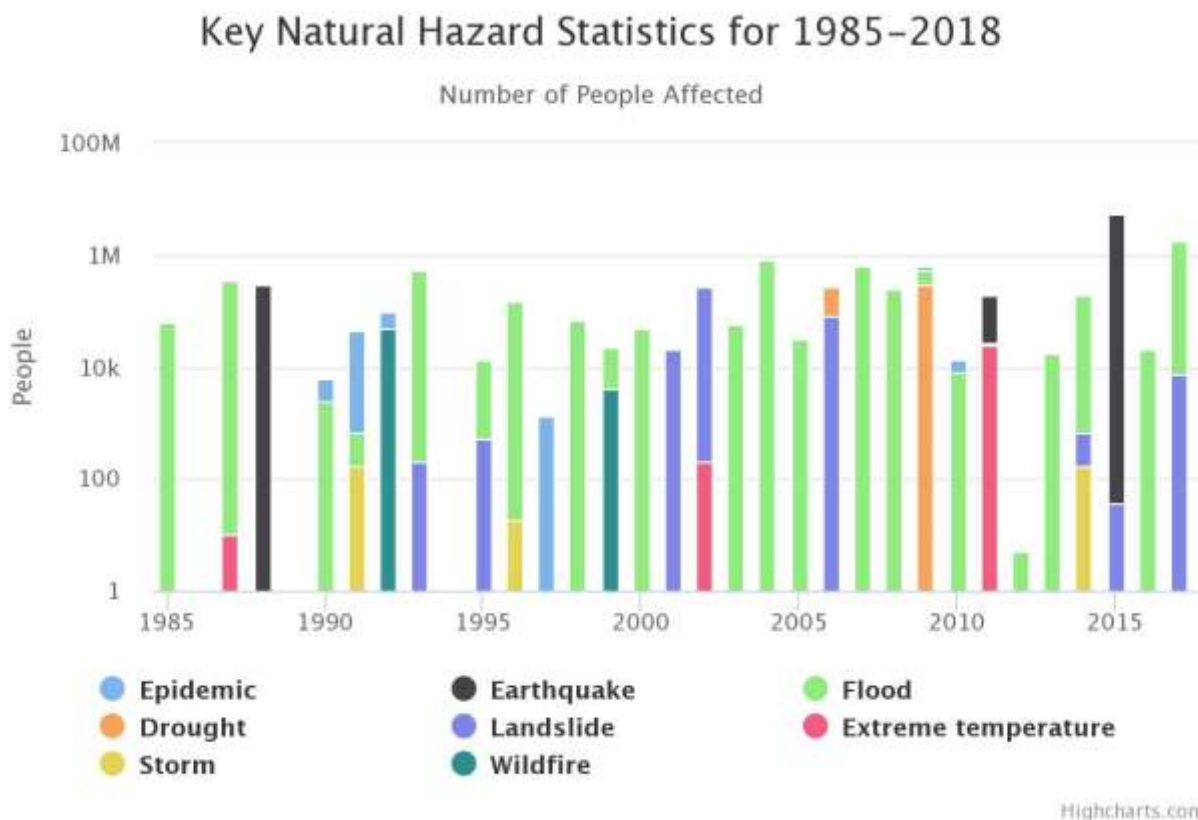


Figure 10 Damage by natural hazard (WB, Climate Knowledge Portal, 2020)

100. **Environmental degradation:** The environmental degradation has been caused both by the human-induced activities and natural processes. Deteriorating air quality, drying up of water sources and depleting groundwater, pollution of surface and groundwater, overexploitation of natural resources, deforestation, unmanaged solid waste, increase in emission of toxic pollutants, loss of biodiversity, unscientific agricultural practices, and harmful land use changes have been some of the major causes of environmental degradation. Some of the root causes of rapid environmental degradation are weak monitoring and enforcement, weak institutional capacity, scarce resources in public institutions, and inefficient interagency coordination (ADB, 2020).

101. **Impacts of climate change**

- i) The impact of climate change is high in Nepal due to its fragile topography, climate sensitive livelihood of the people and socio-culturally embedded poverty limited their adaptive capacity. Nepal's agriculture sector contributes to about 27.6 percent of the Gross Domestic Product (GDP) and employs almost 2/3 of the population. The adverse impact of climate change is high in this sector due to climate variability and related risks of natural disasters. Large proportion of marginal farmers with small landholding, limited irrigation, low-income level, limited institutional capacity, and greater dependency of agriculture on climate sensitive natural resources increase the degree of vulnerability. Total loss in agriculture due to floods, landslides, and drought was estimated to be about 2,360 million rupees for 2015 (AED, 2015), which was more than 10% of the total budget of the Ministry for that year. Increased variability and more extreme climatic events contribute to a loss of 2-3 % of GDP per year in water management and agriculture sectors, with much higher losses in extreme years (IDS Nepal, PAC, and GCAP, 2014).

- ii) Nepal has three agri-ecological zones – Terai, Hill and Mountain with only about 38% land arable. Most of smallholder farms depend on irrigation from pumping set (electrical/diesel) or rain water. Farmers from Terai region have somehow managed the facility of pumping set irrigation but the farmers from hilly and mountain regions have to mostly depend on irrigation. About 64% of country's farmers rely on water from monsoon rains. Reduced water availability during dry periods could exacerbate agricultural water needs. The shift in monsoon is gradually changing the planting and harvesting seasons, which are likely to become more erratic under a changing climate. Even high-input, irrigated wheat, maize, and sorghum yields show significant decreases in northwest Nepal under a changing climate in the 2020's, - 51.24%, -30.7%, and -25.93%, respectively. Figure 10 gives the overall idea on the major crops and seasons of Nepal.

Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Season	
Mountain (Rainfed)													
		Mai-P	Mai-P				Mai-H	Mai-H	Mai-H			Summer	
			Mil-P	Mil-P					Mil-H	Mil-H		Summer	
	Pot-P	Pot-P					Pot-H	Pot-H	Pot-H			Summer	
				Whe-H	Whe-H					Whe-P	Whe-P	Winter	
			Bar-H	Bar-H						Bar-P	Bar-P	Winter	
Hills (Partial irrigation/Rainfed)													
				Pad-TP	Pad-TP				Pad-H	Pad-H		Summer	
		Mai-P	Mai-P				Mai-H	Mai-H				Summer	
					Mil-P	Mil-P			Mil-H	Mil-H		Summer	
		Pot-P	Pot-P				Pot-H	Pot-H				Summer	
		Whe-H	Whe-H	Whe-H					Whe-P	Whe-P	Whe-P	Winter	
		Bar-H	Bar-H						Bar-P	Bar-P	Bar-P	Winter	
Hill (Irrigated)													
		Pad-TP	Pad-TP				Pad-H	Pad-H				Spring	
	Mai-P	Mai-P			Mai-H	Mai-H						Spring	
		Whe-H	Whe-H	Whe-H					Whe-P	Whe-P	Whe-P	Winter	
Tarai (Rainfed)													
					Pad-TP	Pad-TP			Pad-H	Pad-H	Pad-H	Summer	
			Mai-P	Mai-P				Mai-H	Mai-H			Summer	
		Whe-H	Whe-H						Whe-P	Whe-P		Winter	
Tarai (Irrigated)													
						Pad-Tp	Pad-Tp				Pad-H	Pad-H	Late-summer
	Mai-P	Mai-P			Mai-H	Mai-H							Spring
		Pad-Tp	Pad-Tp			Pad-H	Pad-H	Pad-H					Spring
	Mai-H	Mai-H							Mai-P	Mai-P			Winter

Mai-Maize, Mil-Millet, Whe-Wheat, Bar-Barley, Pad-Paddy, P-Plantation, Tp-Transplantation, H-Harvesting

Plantation/transplantation Crop growing phase Harvesting

Figure 11 Crop seasonal calendar

- iii) The declining forage production in natural pasture due to poor emergence of grasses, pastoral degradation and invasive species, increasing prevalence of animal parasites and vector-borne and parasitic diseases, heat stresses especially in pig, eroding breeds of sheep and pig, transhumance system loss, changes in animal reproductive behavior especially in terms of heat-period and fertility, shortage of feed ingredient and increased production/emission of Green House Gases (GHGs) due to animal health reasons have been major impacts and concerns of climate change in animal husbandry.
- iv) Various studies report that Nepal faces remarkable challenges due to climate change on lives, properties, infrastructure and the local economy. Recently published ADB report estimates climate change induced losses could equal almost 2.2% of annual GDP by 2050 and 9.9% by 2100.
- v) ADS has emphasized the prioritization of agricultural programmes that enhance resilience of smallholders to climate change. ADS has identified introducing stress tolerant varieties of major crops, developing early warning systems, and agriculture

insurance as measures to enhance resilience; and integrated water resource management, recharge basins, catchment management, and non-conventional irrigation as means that could help to boost production. Aligning with ADS, the COSOP has prioritize strengthening smallholders to climate shocks.

102. **Adaptation to Climate change**

- i) Adaptive capacity is influenced by multiple socioeconomic factors apart from physical circumstances. The socioeconomic factors include technology, resources, skills and governance. Adaptive capacity also includes enabling properties of both natural and societal assets, including financial, technological and information resources and the context within which these assets are held, including infrastructure, environment, political influence, social networks, public policy and institutional governance.
- ii) Adaptation for Smallholders in Hilly Area (ASHA) project's experience shows that adaptive capacity is locally specific and highly heterogeneous within a society. It is noted that mostly the poor, women and marginalised communities face the impact of climate change. The population who relies on agriculture as their main source of livelihood are impacted the most by climate change. In some aspects, the climate change impacts across all segments of the society. For example, the drying of spring and water sources has not only impacted the poor but also the rich families and households. However, the discussion with communities reveals that poor households are more vulnerable because they lack resources to effectively respond to the adverse impact.
- iii) The richer households, compared to the poor households, afforded to quickly switch from cereal crops to short term cash crops during drought. This implies that economically resourceful households tend to adapt quickly than poor households.
- iv) Effects of climate change tend to be more severe where people rely on weather dependent rain-fed agriculture for their livelihoods. In rural mountain communities with limited livelihood options, adaptive capacity is low due to limited information, poor access to services, and inequitable access to productive assets.
- v) The traditional practices are location specific and adapted by communities since generations to gradually adjust their livelihood in light to the adversities in weather and climate. Household level adaptation were mostly related to efficient water management, plantation and local bioengineering practices. Common practices of adaptation of agricultural production are crop diversification, adjustment of crop rotation, and selection of drought resistant crops. Smallholders are also conscious on the site selection but due to the limited land they are forced to do agriculture and tillage operation in slopy land as well. The smallholders needs the capacity building on climate smart agriculture practices supplemented by appropriate tools and technologies.
- vi) The climate induced natural disaster, particularly flood, landslide, windstorm are increasing. The newly endorsed Disaster Risk Reduction and Management Act (2017) has been formulated to address disaster risk management with a comprehensive approach, focusing on different stages of disaster management cycle from preparedness, mitigation response to rehabilitation. Furthermore, it provides a well-structured institutional set-up from the national to local levels for steering risk reduction activities. All three tiers of governments, federal-province-local, have structure on DRR. However, there is still lack of well understanding on integrating DRR in their regular planning process.
- vii) Early Warning Systems (EWS) for water-related hazards, developed since 2010, are active, utilizing automatic sensing and mobile communication technology for real-time climate and hydrological data acquisition and warning dissemination. For more than a decade, community-focused early warning systems have also been developed and tested in pilot areas for floods and landslides, in an attempt to bridge the gaps

between technological hazard early detection and local needs and capacity. However, Nepal Flood in August 2017 following incessant rainfall in Terai districts attests the dire need for more comprehensive preparedness and people centered EWSs which would guarantee that early warning reaches all communities. Equally important is to guarantee that the EWSs would instigate the uptake of safety measures and evacuation in timely manner.

103. **Climate finance for small-scale producers and MSMEs**

- i) Shortages of agricultural credit and insurance remain key constraints to widespread adaptation in the smallholder farming sector and limit farmers willingness and capacity to make adaptive investments in their farms – for example through diversification or investment in climate smart agricultural technologies to reduce their exposure to climate related risks (e.g. planting of additional fodder and shifting to stall-based goat raise, installing poly-tunnels, drip irrigation and mulch for more water efficient vegetable production). Such adaptation investments represent good value for money but also may take several production cycles to payback in full. However, the availability of suitable loans, especially for longer than 12 months, is extremely limited in Nepal.
- ii) There remains an estimated credit gap in the agriculture sector of around US\$750 million and severe limitations on term loans. The lack of term loans is primarily due to the dominance of short-term sources of funds for most banks and financial institutions which restricts their ability to provide more term lending given regulatory prudential lending requirements. For example, the Agriculture Development Bank Limited (ADBL) (a partially privatized state-owned commercial bank) is the largest lender to the agriculture sector in the country yet over 90% of its agricultural lending is for loans of <12 months. By providing additional term loan resources of around US\$60 million to ADBL, IFAD's recently approved VITA programme will double the amount of term financing ADBL is able to provide to the sector. Similarly, a recent ADB project has provided around US\$40 million in term lending resources to Small Farmer Development Microfinance Financial Institution Ltd. ('SKBBL') – a former subsidiary of ADBL. Yet together, these represent less than 15% of the financing gap in the sector.
- iii) The Monetary Policy has for several years set minimum lending targets for the agriculture sector but there has only been a partial response from the banks and financial institutions. The Monetary Policy 2020/21 has taken further steps to address this and recognizes the importance of increasing lending and investment in the sector and focuses on expanding credit to agriculture, and micro-, small- and medium-enterprises (MSMEs) for economic recovery from COVID-19. It requires commercial banks, accounting for 87% of total assets/liabilities of the formal financial system, to invest at least 15% of their total credit in the agriculture sector by July 2023– yet actual achievement to date has been far lower, at less than 6% lending to agriculture (July 2020). ADBL is assigned the mandate by the government as the lead bank to facilitate agricultural credit – both directly through its nationwide branch network and as a wholesale financier to other banks and micro-finance institutions, such as SKBBL.
- iv) Agricultural insurance is also a key factor in providing farmers the confidence to upgrade and adapt their farms. There has been some progress in this area in recent years, including the availability of simple livestock and crop insurance products with government support (via the Deposit and Credit Guarantee Facility). Several BFIs, including ADBL, are now promoting these routinely with their lending. However, insurance coverage remains low.
- v) The policy and institutional framework for improved supply and distribution of finance for agriculture and adaptation investment is improving, though the systemic shortage of term finance remains a major constraint.

Part 2 Institution and legal framework

2.1 Institution

104. **Nutrition** and coordination mechanism: Nepal has developed a ten-year multi sector nutrition plan (2012-2022) led by National Planning Commission with close collaboration with ministries. The first five-year phase was completed in 2017 and the second phase has started from 2018 to 2022. Several ministries are taking lead on their thematic areas; i) Ministry of Agriculture and livestock development works for the agriculture and livestock related production and consumption, ii) Ministry of Women, Children and Senior citizen works on the behaviour communication change, and improve feeding habits, iii) Ministry of Education takes lead on awareness raising through different courses specially focusing adolescent girls, iv) Ministry of water supply looks after the post ODF activities, v) Ministry of Health works on health education with special focus on adolescent health issues vi) Ministry of federal administration and good governance supports on administration. Multi stakeholder nutrition coordination teams have been formed at the province, district and the municipality level.

105. **Gender:** Gender is not anymore crosscutting issue in Nepal. The Ministry of women, children and senior citizen leads the Gender issue; however, all the ministries have dedicated sections with certain human resources and a dedicated focal person. The national planning commission takes the lead on monitoring. The National Women Commission is dedicated commission to work on the Gender inclusion and equity.

106. **Youth:** The ministry of Youth and Sports is dedicated ministry to work on youth sector. It has various programs designed to youth like 'youth empowerment and development' and 'youth and small entrepreneurs self-employment fund'. National youth council is the organization chaired by honourable minister of Ministry of Youth and Sports which has vision as 'Making the Nepalese youth strong, competent, competitive and self-reliant, to build a modern, just and affluent Nepal through their meaningful participation and promotion of their leadership capacity'.

107. **Environment and Climate Change:** A higher level coordination mechanisms has been established at the highest political level for necessary policy guidance and coordination and at local level for implementation on the ground. A climate change division has been established in Ministry of Forest and Environment solely dedicated for the climate change related works.

2.2 Policy and regulatory frameworks

108. Nepal has transformed from a unitary administrative system to federal governance model. The new **constitution 2015** has provisioned three administrative levels – a federal, provincial and municipal levels. Elections of all three levels were successfully held in 2017 and 2018 and presently one federal government, 7 provincial governments and 753 municipal governments are functioning. The Constitution has provided a list of distinct and concurrent powers to all three governments. This also includes the mandates to each government to formulate and implement laws and policies on sustainable development and environment protection and conservation. The federal government has to formulate new laws and policies or amend existing laws and policies to make them coherent with new federal administrative system of the country. Concurrently, provincial and local governments are in the process of formulating laws and policies. Following are key laws and policies related to nutrition, youth, Environment and Climate change.

109. **Nutrition:** The first nutrition strategy was developed back in 1978 and the government initiatives have been underway since then. The Multi-Sectoral Nutrition Plan (MSNP) 2013–2017 served as a common results framework for improving nutrition outcomes and setting out plans of action for implementing nutrition-sensitive policies and strategies for key sectors, including agriculture, health, and education. On December 14,

2017, the Government of Nepal launched the MSNP II. The objectives of the MSNP II are to reduce the prevalence of stunting to 28 % and of wasting to 7 % among children under 5, and to reduce undernutrition (BMI < 18.5) to 12 % among women 15–49 years of age.

110. The Government of Nepal has formulated **Food and Nutrition Security Plan (FNSP)** that constitutes a chapter in the Agriculture Development Strategy (ADS) for the decade 2013-23. Similar to the ADS, FNSP has a vision to ensure national food and nutrition security with a specific focus on the agriculture sector as the main vehicle that can deliver it, as well as the main vehicle for economic growth and balance payments of the Nepalese economy as a whole. The key objective of the FNSP is to reduce hunger, malnutrition and poverty among the poorest households by improving sustainable agriculture-based livelihoods.

111. **Gender:** The Constitution of Nepal is a significant milestone for gender equality and social inclusion (GESI) and enshrines equal rights for women, the poor, the vulnerable and people from different social groups. Strategy against child marriage (2072 BS), National Policy on children (2069 BS), Single women protection fund regulation (2076 BS), Gender based violence mitigation fund regulation (2076 BS) emphasize participation of women, Dalits, Janajatis, Madhesis, Muslims, persons with disability and excluded communities in the formulation, implementation, monitoring and evaluation of sectoral policies, plans and programs. They recognize the need to identify the specific barriers faced by women, the poor, the vulnerable and the excluded in the sector concerned.

112. **Youth and Social protection:**

- i) Nepal is one of countries with highest proportion of youth covering 40.3% of the total population. Unemployment and less attraction towards the agriculture are forcing them to travel India and other countries to search job opportunities. The COVID-19 has impacted jobs of the youths in abroad and a large number of youths are travelling back to the country. This COSOP will have a great opportunity to support government to retain working human resources to the country.
- ii) The national youth policy 2015 has listed the major challenges faced by youth as lack of qualitative, timely and employment-oriented education, least access to vocational skills and techniques, unemployment, under employment, youths' flight, weak health, nutrition, mental strength, lack of environment of youth friendly investment and entrepreneurship, gender, religion and caste related inequalities and the negative impacts brought about by globalization and liberalization.
- iii) At the same time the federalism has also brought opportunities by easing to expand network of banks, cooperatives and micro-finance, expanding network of formal, vocational education, program relating to education for all, expansion of various programs focused on target groups and geographical areas, expanding network of development partners in awareness expansion, greater number of opportunities for foreign employment and the opportunities for the creation of internal employments by utilizing the skills, experiences and means and resources acquired from that in the productive sectors are the opportunities available in this regard.
- iv) The policy further explains the important role played by youth on national politics and stressed the role of youth in the process of transformation of the economic, social and governing system of nation. A number of policy areas have been listed as follows:
 - Education: Scientific, practical and skill-oriented technical education linking with labor market
 - Employment: Capacitate youth through skill oriented vocational training, promotion of youth entrepreneurship, creating employment emphasizing agriculture, agro industries, tourism, energy and development of infrastructure, linking youth to cooperatives.

- Health and Social Security: Ease health facility, include health education from the primary school, education about sexual health protection, health consultation services, maternity right of women, special financial opportunity to the sex trade victims and special priority groups.
- Youth Empowerment and Leadership Development: Training and exposures of youth.
- Participation and mobilization: Mobilization of youths in various nation building activities of social service and rescue operations.
- Arts, Literature, Culture, Sports and Entertainment: Promotion of related university, academy, and related organizations.
- Control of Drug Addiction
- Control of Human Trafficking and sale and purchase
- Freeing the youth involved in Crime and Violence
- Youth participation in environmental protection and sustainable employment
- Youths' access to science and information technology
- Youth participation in establishing sustainable peace and conflict resolution
- Equity in development
- Social sectoral priorities
- Partnership

113. **Environmental management and climate change policies**

- i) **Environment Protection Act 1996** and the corresponding **Environment Protection Rule 1997** regulate environmental issues. The act has listed the type of projects that require 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.
- ii) The Government of Nepal has formulated a **Climate Change Policy in 2019** with the aim to contribute to socio-economic prosperity of the nation by building a climate resilient society. The 2019 policy has the objectives of advancing capacity on CCA, developing ecosystem resilience, promoting green economy by adopting low carbon economic development concept, mobilizing national and international financial resources, making effective information service, mainstreaming climate change into relevant policy, strategy, plan and programs, and also mainstreaming gender and social inclusion, including in climate change mitigation and adaptation programmes. The policy follows theme-based approach and includes single policy with number of non-separated strategies and working policies in eight thematic areas and four cross-cutting areas. The picture below illustrates the key features of the CC 2019 policy.

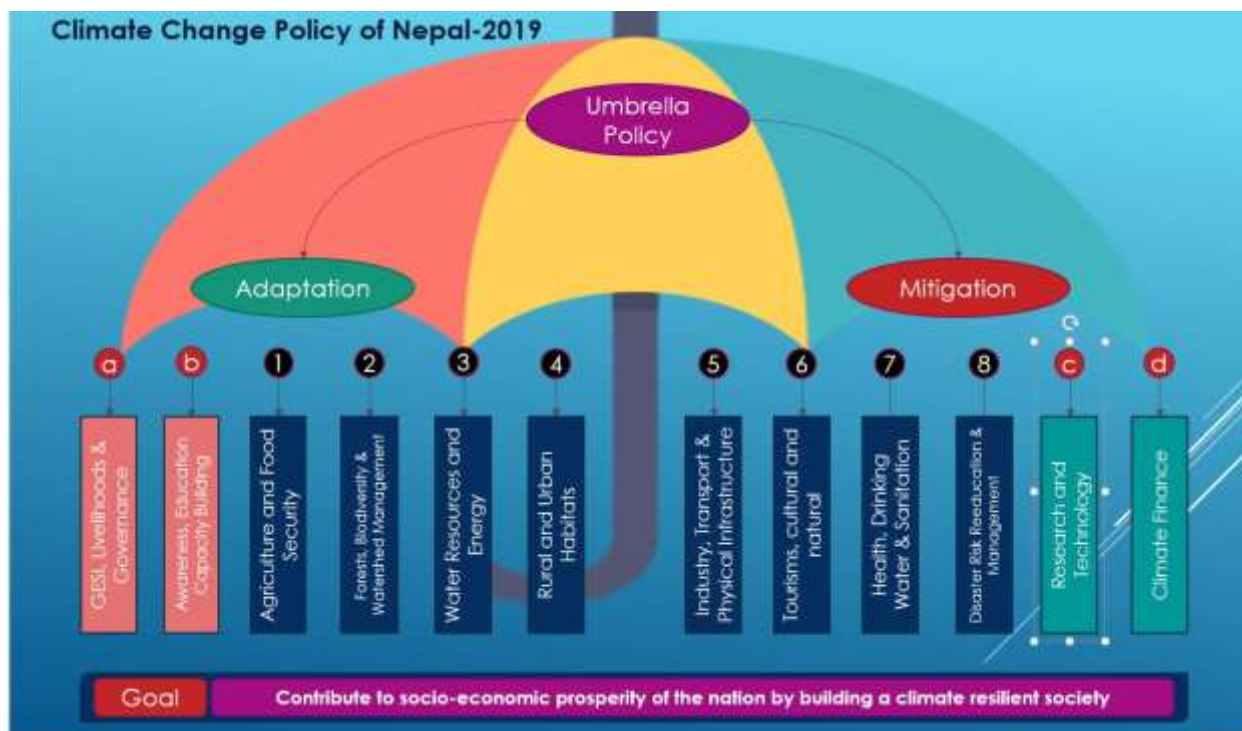


Figure 12 Pictorial presentation of CC Policy 2019¹⁰

- iii) The 2019 policy provides space to establish institutional linkages between three tiers of governments. The federal government is made responsible to formulate and implement policy, law and standards, national adaptation plan, access to and mobilise financial resources, prepare carbon registry, coordinate and facilitate carbon trade, and promote coordination, joint-action and participation. The Provincial Government is responsible to prepare and implement provincial policy, guideline, standard and plan, monitor mitigation and adaptation programs, and coordinate with Federal and Local levels. The Policy empowers the Local Governments to implement activities related to mitigation and adaptation, and carry out monitoring and evaluation and documentation of projects and programs within their jurisdiction¹¹.
- iv) The policy commits to revise or formulate and implement National Framework on Local Adaptation Plan for Action (LAPA), National Adaptation Plan (NAP), REDD Strategy, Climate Finance Framework and Budget Code, Green Growth Strategy, Gender Mainstreaming in Climate Change Action Plan, and other climate change documents

2.3 Programs and partners

114. On the partnership front, the CSPE notes that responsive partnership was maintained with the federal government. At the subnational level (states and local government), relationships were works in progress. With other development agencies (World Bank, SDC, SNV) there has been some cofinancing. Partnerships with the United Nations system were minimal. With the private sector, a beginning of partnership was initiated through contract-farming agreements as well as via the MSP under HVAP and RERP. Partnerships have been sufficient to support the implementation of the portfolio so far but lacked depth to foster a strategic agenda for policy influence.

¹⁰ Illustration made by Dr. Maheshower Dhakal, Under Secretary, MoFE

¹¹ <https://www.spotlightnepal.com/2019/09/29/climate-change-policy-2019-towards-climate-resilient-economic-prosperity/>

Country priorities and links to environmental and climate change regional and international policy, plans and program

115. In terms of private sector partnerships, these have been mostly driven at the project level through projects such as HVAP, KUBK/ISFP and RERP with local and national businesses, typically engaged through the multi-stakeholder platforms. Several projects have also engaged with and provided capacity building support to local Chambers of Commerce through partnerships with the Agro-Enterprise Centre of the Federation of Nepalese Chambers of Commerce and Industry. These have undoubtedly strengthened the local private sector bodies and their partnerships with small-scale producer. However, while effective at the project level, the partnership with AEC-FNCCI has not created a platform for more strategic partnerships with the wider private sector.

116. In 2016, Nepal ratified the Paris Agreement and submitted a Nationally Determined Contribution (NDC) that looked into clean energy development, afforestation measures, sustainable transport systems, climate friendly practices in agriculture, waste management and building codes. Nepal has submitted enhanced NDC on December 2020 under the Paris agreement for the period 2021-2030. It recognises Nepal's fragile topography, climate-sensitive livelihoods of the people and their limited adaptive capacity make it among the most vulnerable countries to climate change. The enhanced NDC has a strong commitment on clear energy generation, sale of e-vehicles, operation of 200 km long electric rail network, and wastewater treatment. Sector-wise GHG emissions reduction have been mentioned for the period of 2021-2030. In transport sector, the enhanced NDC commits to 'decrease 28% in fossil fuel dependency' by increasing sales of e-vehicles, and the same percent of emission reduction (1021 Gg CO₂ equivalent) by 2030. The enhanced NDC mentions to reduce about 23% of GHGs emissions (465 Gg CO₂ eq), by 2030, from residential cooking and biogas. Similarly, it commits to reduce 258 Gg CO₂-eq by treating 380 million litres/day of wastewater and managing 60,000 m³/yr of faecal sludge. In tourism sector, it targets to 'ensure at least 5 tourist destinations carbon neutral by 2030'.

117. The enhanced NDC also includes adaptation component in the spirit of the Climate Change Policy (2019) and commits to, inter alia, prepare and implement climate resilient and gender-responsive adaptation plans in all 753 local levels by 2030 and formulate National Adaptation Plan (NAP) by 2021. Some adaptation plans include enhancing knowledge on climate change including it in all secondary schools, strengthen climate-sensitive diseases surveillance system, and integrate climate risk assessment mechanisms into WASH program.

Table 6 Alignment between NDCs priorities actions and IFAD programmes

NDC programs relevant to IFAD mandate	IFAD contributes to the national NDC targets
Mitigation component	
Energy: Increase the reliable supply of clean energy ensuring access to all, develop enabling environment to provide power to small and mid-size enterprises using distributed renewable energy generation sources	Projects have provisions to support to the Renewable Energy Technologies. Ongoing project ASHA has the minimum target of RET support to 7,500 households.
Forestry: Include social and environmental safeguards, upgrade watershed health, inclusive/proportional representation in community forest, restore and manage degraded forest land	Projects have well spelled safeguard mechanisms and translated that to their AWPBs. ASHA has prepared 23 sub watershed assessment reports and adaptation plans are guided by the findings of assessment. Project are supporting to revise community forestry operational plans and integrate climate adaptation activities.

<p>Agriculture: Increase soil organic matter, expand fruit orchard area, improved cattle shed, increase number of organic fertilizer production plants, establish climate smart village and farms, promote sustainable agriculture practice, expand and ensure access of climate smart agriculture technologies to marginalized group, encourage community seed bank and national gene banks</p>	<p>All projects promote sustainable agriculture practices. Adequate site and crop selection practices are adopted to maintain soil health and quality. Promotion of biochemicals and biopesticides has been ensured. ASHA has established six permaculture demonstration sites and conducting permaculture farm field school. Support has been provided to practice and expand various climate smart tools and technologies. Trained lead farmers and climate smart agriculture farmer field school supported by ASHA project promoting tools and practices of climate smart agriculture. Permaculture farmers are also initiating seed bank.</p>
<p>Waste: promote 3Rs (Reduce, Reuse, Recycle) approach, focus on co-production of energy and organic fertilizer from solid waste, wastewater and faecal sludge</p>	<p>Waste management provisions has been incorporated in project supported interventions.</p>
<p>GESI: Develop specific programs with dedicated resources (human and financial) to ensure full, equal and meaningful participation of women, children, youth, Indigenous Peoples and marginalized groups in climate change-related policy development; and during the planning, monitoring and implementation processes at local, provincial and national levels; Promote the leadership, participation and negotiation capacity of women, Indigenous Peoples and youth in climate change forums; Ensure gender-disaggregated data when reporting on progress and achievements.</p>	<p>At least 50% beneficiaries will be women, adequate targeting strategies have been adopted to include most vulnerable communities/households. Provisions are made to ease the access of women in finance and other resources. Project support are conscious to reduce drudgery. Capacity building, business skill development, leadership development activities are provisioned in all projects.</p>
<p>Adaptation component</p>	
<p>all 753 local governments will prepare and implement climate-resilient and gender-responsive adaptation plans</p>	<p>ASHA has developed enhanced LAPA preparation manual and facilitated to develop 200 ward level LAPAs in 30 municipalities. Project is supporting to integrate climate adaptation plans to municipalities. Capacity building on climate adaptation has been ongoing to local to federal governments.</p>
<p>Mobilization of climate change adaptation resource person</p>	<p>ASHA is conducting Climate adaptation capacity building to the local to federal governments, stakeholders and other service providers. VITA will also capacitate stakeholder on climate smart agriculture.</p>

Increase population with access to the basic and improved water supply	ASHA is supporting integrated water supply management, from source protection to the waste water utilization.
Integrate climate risk assessment mechanisms into WASH program	ASHA is practicing climate risk assessment which are working as a baseline for the LAPA and municipal planning process.
NAP preparation process	ASHA project is supporting NAP preparation through sharing knowledge products, exchanging project's experience and sharing thematic presentation in different forums.

118. The Nepal **Biodiversity Strategy and Action Plan (2014-2020)** emphasizes biodiversity conservation and ecosystem resilience as keys to national prosperity. The Strategy recognizes legitimate rights of all Nepali people such as indigenous people and local communities, women, Dalits and other disadvantaged social groups over local biological resources.

119. Considering climate change mitigation and resilience as one of the major strategic pillars, the **Forestry Sector Strategy (2016-2025)** aims to enhance Nepal's forest carbon stock by at least 5 % by 2025 as compared to 2015 level, and to decrease mean annual deforestation rate by 0.05 % from about 0.44 % and 0.18 % in the Terai and Chure respectively. It also aims to put in place forest carbon trade and payment mechanism, protect 0.2 million ha of forests through the implementation of adaptation plans, and mainstream community/ecosystem-based adaptation by 2025.

120. Nepal's overarching **sustainable development goal by 2030** is to reduce poverty and ensure basic livelihood facilities for the present and future generation and offer opportunities for the citizens to participate in social, economic, political, cultural, and ecological development. The key SDGs related to environment are: (i) 95% of households have access to piped water supplies and improved sanitation, 100% free of open defecation, and 100% urban households connected to a sewerage system; (ii) 99% of households have access to electricity, 10% of the households use firewood, generate 3,000 MW in 3 years, 5,000 MW in 5 years and 15,000 megawatts of hydropower in 10 years, and limit fossil fuel consumption to 15% of total energy consumption; (iii) increase forest cover to 45% and protected areas to 25%; and (iv) undertake climate action for minimizing the impacts of climate change.

121. **Agriculture Development Strategy (2015), National Conservation Strategy Framework (2015), Disaster Risk Reduction Management Strategy** and periodical policies provide ample opportunities to help climate vulnerable to adapt and build resilience to climate change impacts.

Part 3 Strategic recommendations

3.1 Lesson learned from previous COSOP 2014-2018:

Completed projects

122. **Western Uplands Poverty Alleviation Project** was a long running project – first approved in December 2001 and closed in March 2017. The project goal was "to have more resilient livelihoods and basic human dignity of the poor and socially disadvantaged people" in the uplands of the Far and Mid-Western regions. It was an integrated community-based project. Activities included a mix of labour-intensive community infrastructure development, leasehold forestry and non-timber forest products, crop and livestock production, microfinance, and marketing and institutional support. The cost was US\$29.77 million, financed by an IFAD loan of US\$22 million, an IFAD grant of US\$0.6 million and contributions from the national and local governments. The project was initially under the Ministry of Local Development and later under the Ministry of the Cooperatives and Poverty Alleviation. The project performance evaluation report states WUPAP had effectively targeted poor and vulnerable people at a rate of 79-85 per cent of plan and largely met or exceeded output targets related to livelihood activities, including livestock and crop production as well as NTFP. Improved natural resources management was an identified outcome for WUPAP in its theory of change, which it largely achieved through its different activities, particularly IPM training and water infrastructure construction. The leasehold forestry activities in the first phases and the FFS training have enabled WUPAP communities to be more resilient to climate change. The project revised targeting strategy by adopting participatory poverty ranking to find the neediest household, which was later incorporated by government as a criterion for poverty card assessment. Another learning was the success of participatory need-based planning to identify the real need of the community. This practice is reflected in LAPA framework.

123. **Leasehold Forestry and Livestock Programme** was a long running project – first approved in December 2004 and closed in June 2016. The objectives were to improve: (i) forage and tree crop production from secure and sustainable management of leasehold plots; (ii) household production of small livestock (goats); (iii) provision of microfinance services to leaseholders; (iv) the Government's capacity to implement leasehold forestry nationally. Placed under the responsibility of the Ministry of Forestry and Soil Conservation, the project promoted the leasehold forestry approach. Project's interventions engage smallholders on degraded forest land management. This reduces the pressure on forest land and also found effective to control encroachment resulting supportive to the biodiversity conservation. The key learning from the project was degraded forest land could be supportive to the biodiversity conservation and generates alternative incomes if community ownership is established. The Government of Nepal is still continuing the best practices of LFFP through leasehold department.

124. **Poverty Alleviation Fund II** was a long running project, first approved in December 2007 and closed in June 2019. This was co-financed with the World Bank. The Poverty Alleviation Fund was a national institution, chaired by the Prime Minister. It was launched at the time of the internal conflicts. The main development objective was to improve rural living conditions, livelihoods and empowerment with particular attention to groups traditionally excluded due to gender, ethnicity, caste or location. It was a community-driven development project, including community-selected and -managed subprojects on socio-economic infrastructure and group-based savings and credit. It was financed by a US\$220 million DSF grant from the World Bank and a US\$9 million IFAD grant. During the critical situation of insurgency, PAF II practiced the approach of direct funding to the communities and it worked well. It upscaled the governance decentralization practice to the national level started by WUPAP.

125. **High Value Agriculture Project** was approved in December 2009 and closed in March 2019. It supported agricultural production and value chain development, aiming to integrate the rural poor, especially women and marginal groups, in high-value agriculture value chains to increase income and employment opportunities. The project was under the responsibility of the Ministry of Agriculture and Livestock Development

implemented with FNCCI-AEC and SNV. It had total costs of US\$18.9 million, of which US\$7.6 was from an IFAD loan, US\$7.6 million from an IFAD DSF grant, US\$1.7 million from the Government, US\$6.1 million expected from private entrepreneurs, and the balance from SNV. Previous projects were community driven; this was the starting project in Nepal portfolio to work on market driven approach. It worked to bring all stakeholder together in 'multi-stakeholder platform', together assessed need identification and jointly worked on production planning. The project worked to capacitate and engage private sectors in production, banking and business.

126. **Kisankalagi Unnat Biu-Bijan Karyakram/Improved Seeds for Farmers Programme** was approved in September 2012, completed in December 2019. It supported production of high-value products (seeds, livestock, dairy) and market linkages. It was under the responsibility of the Ministry of Agriculture and Livestock Development implemented with Heifer, AEC and Small Farmer Development Bank/Nepal Agricultural Cooperatives Central Federation Ltd. Total costs were around US\$65 million, financed by a US\$14.5 loan from IFAD, a US\$14.5 million IFAD grant, US\$7.9 million from the Government, US\$2.5 from Heifer International, and around US\$10.9 million from beneficiaries. The learning of HVAP was further upscaled in livestock sector in KUBK. It worked on livestock breeding center and market linkages.

Regular projects

127. **Samriddhi- Rural Enterprises and Remittances Programme** was approved in April 2015, with completion planned by December 2022. The project's development objective is to create viable rural micro, small and medium enterprises in the farming and non-farming sectors and provide sustainable sources of income to poor households, migrant families and returnees. It promotes: i) RMSEs and job creation – seeking to create sustainable economic opportunities for rural individuals, as producers in supply chains, micro-entrepreneurs or in skills-based employment, and 2) Productive Investment seeking to improve financial inclusion for productive investment and better mobilize resource and skills of migrant households. It is under the responsibility of the Ministry of Industry, Commerce and Supplies. After restructuring, the total estimated cost is around US\$25 million, financed by an IFAD loan of US\$2.5 million and an IFAD grant of US\$16.5 million, Government counterpart funding for around US\$4 million, and around US\$2 million foreseen from the private sector. This project upscaled learning of HVAP and KUBK in eastern side of Nepal improving service delivery and procedures.

128. **Adaptation for Smallholders in Hilly Area** was approved in September 2014, with completion planned by March 2022. The development objective is to reduce the vulnerability of local communities to climate-related risks and strengthen the institutional environment for climate change adaptation by introducing better climate-resilient production techniques. It is under the responsibility of the Ministry of Forests and Environment, formerly the Ministry of Forests and Soil Conservation. The total estimated cost is US\$37.6 million, financed by IFAD (US\$15.0 Adaptation for Smallholder Agriculture Programme (ASAP) fund and US\$10 million DSF grant), by the Government with US\$6.6 million, and beneficiaries' US\$5.9 million. This project piloted sub-watershed level risk assessment and development of LAPA beyond the administrative boundary. Project worked on sensitizing and capacity building of local governments on climate change adaptation, and the LAPAs are well owned by them. A few key learnings of project includes i) the vulnerability and adaptive capacity are heterogenous with in the small community hence the vulnerability assessment should be done in local level and adaptation planning should be based on that, ii) climate adaptation plan should be upscaled to the national level and the plan should be beyond the administrative boundary, iii) smallholders are attracted towards the climate smart agriculture practice, and iv) permaculture, field farmer school, and lead farmer approaches are successful ways to disseminate knowledge and learning on climate smart agriculture.

129. **Agriculture Sector Development Program** was approved in December 2017 and its completion is scheduled by June 2024. It is a successor project to HVAP. The

development objective is to sustainably improve the income and food security of smallholders and disadvantaged rural groups involved in commercially oriented production and marketing systems in selected high-value agricultural value chains. It is under the responsibility of the Ministry of Agriculture and Livestock Development. At design it had total estimated costs of US\$68 million, financed by a US\$38.2 million IFAD loan, a US\$1.8 million grant, US\$11.4 million contribution from the Government, US\$3 million from the Swiss Agency for Development and Cooperation (SDC), and the rest from private sector and beneficiaries' contributions. This was the continuation of experiences of HVAP and KUBK further improving service delivery and procedures.

3.2 Strategic orientation and strategic actions and targeting: Gender and Social Inclusion

- i. Renewed emphasis on proactive targeting of the most disadvantaged groups, especially Dalits, Muslims and specific sections of Madhesi (Dalit and poorest families) and Janajati (from the remote parts of Nepal and poor), and women within these groups. This may involve inclusion of specific measures/tools (e.g. household methodologies, GALS, WEAI etc) to increase their full participation and to benefit from mainstream programme interventions.
- ii. A particular focus on young women – to offset the double discrimination of gender and age for their social and economic empowerment and to begin to tackle systemic issues of poor maternal and early childhood nutrition.
- iii. Sustained efforts to establish women’s leadership in local economy, policy and governance process through capacity building and economic activities such as supported supply chains and enterprises - moving beyond high participation into genuine leadership in the local economic activities and institutions.
- iv. Deliberate selection of economic opportunities and supply chains to be promoted that are inherently attractive and accessible to women while delivering good returns on labour (e.g. small to medium livestock, fish ponds, vegetables).
- v. A deliberate focus on economic opportunities and technologies that deliver increased returns on labour and labour productivity to provide the opportunity for women to raise their incomes and/or reduce overall workloads as they choose.
- vi. Program will take actions for ‘do not harm approach’ when working areas includes indigenous people. Participatory discussions should be made with indigenous community to find more opportunities for them.

Recommendations to enhance food and nutrition security:

- i. Expand local supply and year-round availability of high nutritional value foods through promoting quality seed and breed, and development of competitive local supply chains for these products;
- ii. Promote supply chains of highly nutrient but neglected and underutilized crop varieties, for example: Chino, Buck-wheat, Fox and Finger Millets etc.
- iii. Increase families’ ability to access and buy nutritious food through increased household incomes and increased women’s incomes in particular.
- iv. Mainstream considerations of nutrition behaviour change, including mother and early childhood nutrition and micro-nutrients (e.g. vitamin and mineral deficiencies) into wider efforts of women’s and youth economic and social empowerment using the full suit of programme tools under COSOP.
- v. Coordinate with wider efforts of government and development partners on the above, especially at province and local-government level.

Recommendations to enhance youth employment and empowerment:

- i. Create credible attractive economic opportunities in modern agriculture and outside of agriculture e.g. in tourisms, light manufacturing, other MSMEs. This may include specific measures to increase youth interest and participation in the supported supply chains and cluster - both as producer but also as service providers or workers along the supply chains.
- ii. Key focus on skill development of youth and linking them to (self) employment.
- iii. Introduce specific measure to address the specific obstacles for greater youth involvement in the above opportunities, especially related to three area (to be deployed together) a) access to modern technical and business skills b) access to finance for investment, and c) access to land and other key resources for production
- iv. Focus on youth friendly communication and promotion of opportunities within programmes and projects, including the promotion of real role models.
- v. Specific measures need to be considered to address the double constraints faced by young women due to both their gender and age so they can achieve greater economic and social empowerment. This is vital also in address systemic malnutrition issues among young when and infants.

- vi. Attention given to measure to support the successful reintroduction of returning migrants into their household, taking this as an opportunity for household development and rebalancing of workloads and power dynamics within returnee households.

Recommendations to enhance Environment and Climate change adaptation

- i. Blended financing: Promote green financing by supporting public sector on creating enabling environment, encouraging public-private partnerships on financing mechanism such as green bonds, and mainstreaming climate consideration within private investments along priority supply chains. On the demand side, the programme should increase the access to, understanding and use of relevant climate-related information by producers and businesses in their production and business decisions. On the supply side, the programme should work with banks and other financial institutions to strengthen the screen and consideration of climate related risks within their loan appraisal and management systems.
- ii. Build the knowledge of farmers on the merit of Climate Smart Agriculture. Capacitate project and stakeholders to integrate climate smart agriculture and climate proofing elements in all ongoing projects. It may include climate smart agriculture practices like conservation agriculture, selection of drought tolerant crop varieties, stress and disease tolerant livestock varieties, hay and silage making, soil and water conservation, agroforestry etc; strengthening climate information systems, climate proofing rural infrastructure, water harvesting, small scale irrigation and climate smart aquaculture.
- iii. The environmental consequences on natural resources need to be monitored systematically, especially in the context of physical infrastructure development and substantial presence of livestock supply chains within the country programme.
- iv. Local Adaptation Plan of Actions (LAPA) framework needs to be scaled up and used beyond the certain projects. Capacity of the local governments needs to be enhanced to include climate mitigation and adaptation activities in their annual plan and budget.
- v. The ongoing National Adaptation Project (NAP) is conducting Vulnerability and Risk Assessment (VRA) at the province level. It needs to be brought down to Ward or municipality level to identify local level risk and vulnerability to select appropriate adaptation actions. Policy dialogue and engagement with central and province ministries is essential. Program needs to focus on to reduce the risk and vulnerability of local rural communities.

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Annexes

I, List of consultation

Personal meeting

SN	Name	Organization	Position/Expertise
	Thematic Experts		
1	Sanjeev Shrestha	IFAD	Value chain Consultant
2	Tribhuvan Paudel	IFAD	GESI expert consultant
3	Gyandendra Karki	NAP	Project Manager
4	Keshav Raj Gautam	MoFE, Climate Change Division	Under Secretary
5	BK Jammakatel	ASHA	CC specialist
6	Srikanta Adhikari	ASHA	Ag Specialist
7	Draupati Subedi	ASHA	GESI specialist
8	Basanta Acharya	ASHA	MEAL specialist
9	Bharat Gotame	WWF	Program Manager
10	Nabaraj Dahal	Practical Solution	Program Manager

Virtual consultation through Survey Monkey

SN	Category	Institution	Division	Position	Name
1	GON- Federal	MOF	International Economic Cooperation Coordination Division	Joint Secretary	Shreekrishna Nepal
2		MOALD		Secretary (Agriculture)	Rajendra Prasad Bharai
3					Rajenda Mishra
4		MOICS		Joint Secretary	Mr. Yagya Dhungel
5		MOFAGA		Joint Secretary	Mr. Basanta Adhikari
6		MOFE		Join Sec- Planning	Dr. Sindhu Prasad Dhungana
7		NPC		Joint Secretary	Mr. Biju Kumar Shrestha
8		MOLMCPA		Joint Secretary	Mr. Janak Raj Joshi
9		OPMCP		Joint Secretary	Mr. Kailash Raj Pokharel
10	GON - State	MOLMAC - State 5	MOLMAC	Secretary	Mr. Tej Bahadur Subedi
11		MOLMAC - State 6	MOLMAC	Secretary	Dr. Govinda Prasad Sharama
12		MOLMAC - State 1	MOLMAC	Secretary	Ms. Niru Dahal Pandey
13		MOLMAC - State 2	MOLMAC	Secretary	Dr. Bimal Kumar Nirmal
	Civil society				
14	National Farmers Commission			Chairperson	Mr. Chitra Bahadur Shrestha
				Under Secretary	Mr. Dal Prasad Pudasaini
15	National Peasants' Coalition			Chairperson	Mr. Hari Parajuli

SN	Category	Institution	Division	Position	Name
16	National Cooperative Federation			Chairperson	Mr. Min Raj Kadel
17	Nepal Agriculture Cooperatives Central Federation			General Manager	Mr. Rudra Bhattarai
18	Nepal Federation of Indigenous Nationalities (NEFIN)			President	Mr. Jagat Baram
19	National Youth Council			President	Mr. Saroj Baniya
20	LIBIRD			Executive Director	Dr. Balaram Thapa
21	ECARDS			Advisor	Mr. Ghan Shyam Awasthi
22	CEAPREAD			Executuive Chairperson	Dr. Hari Krishna Upadhyay
23	FECOFUN			Execuutive Chairperson	Bharati Pathak
24	Leasehold association			Chairperson	Deepak Bhandari
25	National Indigenous Women's Federation			Chairperson	Ms. Yasso Kanti Bhattachan
					Ms. Chinimaya Majhi
26	National Peasant Coalition				Mr. Nahendra Khadka
27	National Peasant Coalition				Mr. Bhanu Sigdel
	Private Sector bodies				
28	FNCCI	FNCCI	AEC	Chief Executive Officer	Dr. Hari Sharma Neupane
29	Local CCI	Surkhet (ASDP)	CCI	Chairperson	Mr. Dhan Bahadur Rawat
30		Jumla (ASDP)	CCI	Chairperson	Mr. Rajjab Ali Manihaar
31		Jajarkot (ASDP)	CCI	Chairperson	Mr. Karna Bahadur Khatri

SN	Category	Institution	Division	Position	Name
32		Salyan (ASDP)	CCI	Chairperson	Mr. Bir Bahadur Chalaune
33		Sunsari (RERP)	CCI	President	Mr. Giridhari Sapkota
34		Dhankuta (RERP)	CCI	President	Mr. Bijay Santoshi Rai
35		Dhanusha (RERP)	CCI	President	Mr. Lalit Kumar Sah
36		Bara (RERP)	CCI	President	Mr. Binod Prasad Sah
37		Province 1 (RERP)	PCCI	President	Mr. Narendra Kumar Khadka
38		Province 2 (RERP)	PCCI	President	Mr. Shiv Shankar Sah (Hira)
	Private businesses				
39		Everest Aroma Pvt. Ltd.	RERP-MAP	-	Mr. Sandip Baral
40		Laxmi Matsa Firm Bara	RERP- Fish		Mr. Tulashi Pd Chaudhary
41		Nepal Dairy Pvt.Ltd.	RERP-Milk	Director	Mr. Arniko Rajbhandari
42		Bimbika Taja Tarkari Tatha Phalphul Bikri Kendra, Itahari	RERP-Vegetable	Owner	Mr. Ram Bahadur Bhandari
43		Lumbini Seed Company	ISFP-Seed	Owner	Mr. Subhas Upadhaya
44		Organic Mountain Flavor Pvt. Ltd.	HVAP- Ginger/Turmeric	Owner	Mr. Sameer Newa
	Development Partners				

SN	Category	Institution	Division	Position	Name
45	WB			Senior Agricultural Specialist	Purna Bahadur Chhetri
46	ADB			Senior Project Officer	Arun Samsher Rana
47	EU			Prog Manager- Agriculture & Rural Development	David Stephane
48	SDC			First Secretary/Prog Manager, Economic Development	Blunier Coralie
49	GIZ				Roshan Shrestha
50	DFID			Livelihood Advisor	Rudriksha Rai Parajuli
51	UNWOMEN			Country Representative	Wenny Representative
52	FAO			FAO Representative	Dr. Somsak Pipoppinyo
53	WFP			Country Director	Pippa Bradford
54	IOM			Chief of Mission	Lorena Lando
55	UNDP			UNDP Representative	Ayshanie Labe
56	ICIMOD			Chief, Scaling Operations	Dr. Dhrupad Choudhury
57	SNV			Country Director	Mr. Peter Newsum
58	HELVETAS			Country Director	Dr. Bharat Pokharel
59	Heifer			Country Director	Dr. Shubh Narayan Mahato
60	Oxford Policy Management			Country Director	Dr Suresh Tiwari
61					Dr Bimal Regmi
62	IUCN			Coutry Representative	Prahlad Thapa
63	Forest Action Nepal			Executive Coordinator	Dr. Naya Sharma Paudel

SN	Category	Institution	Division	Position	Name
	Financial services sector				
64	ADBL			Chief Executive Officer	Anil Kumar Sharama
65	SKBBL			Chief Executive Officer	Dr. Siva Ram Prasad Koirala
	IFAD Project Managers				
66	RERP			Project Manager	Mr. Shalik Ram Dahal
67	ASHA			Project Coordinator	Mr. Krishna Prasad Osti
68	ASDP			Programme Coordinator	Mr. Jagannath Tiwari

Agreement at completion point

A. Introduction

1. This is the third country strategy and programme evaluation (CSPE) conducted by the Independent Office of Evaluation of IFAD in the Federal Democratic Republic of Nepal. The previous CSPEs were completed in 1999 and 2013, respectively. The main objectives of this CSPE are to: (i) assess the results and performance of the IFAD-financed strategy and programmes in Nepal; and (ii) generate findings and recommendations for the future partnership between IFAD and Nepal for enhanced development effectiveness, rural poverty eradication and rural transformation.
2. The present CSPE assesses the performance and results of the IFAD-funded operations in the period 2013-2019. This CSPE covers the full range of IFAD support to Nepal, including: (i) the lending portfolio; (ii) the non-lending activities; (iii) the performance of the main partners (the Government and IFAD); (iv) country programme management and strategic performance.
3. This agreement at completion point (ACP) contains the recommendations based on the evaluation findings and conclusions presented in the CSPE report, as well as the proposed follow-up actions as agreed by IFAD and the Government. It will be signed by the Government of the Federal Democratic Republic of Nepal, represented by the Ministry of Finance; and by IFAD Management, represented by the Associate Vice President, Programme Management Department.
4. The signed ACP is an integral part of the CSPE report in which the evaluation findings are presented in detail and will be submitted to the IFAD Executive Board as an annex to the new country strategic opportunities programme for Nepal. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.

B. Recommendations

5. **Recommendation 1. Support federalization as an integral part of the preparation of the new COSOP and project design.** The new strategy and programme need to focus on supporting the federal system, including the federal, state and local governments but with special emphasis on the latter.
6. The focus should be not only on how to adapt the project architecture (e.g. budgeting, transfer of funds, monitoring and evaluation and fiduciary controls) to the new system, notably province and Palika governments, but also on how to support local governments in promoting rural development, including local infrastructure, extension and advisory services and economic opportunities. Key strategic challenges are how to help local government plan, implement and assess development interventions for smallholder farmers and small-scale producers (with priority for poor and marginalized groups).
7. In doing so, IFAD will need to collaborate with other like-minded development agencies to support in particularly the capacity building for Palikas.

Proposed follow-up

8. The new country strategy (COSOP 2021-2026) will address, among other important issues, the way in which IFAD's ongoing interventions, namely the Agricultural Sector Development Programme (ASDP) and pipeline interventions, namely the Value Chains for Inclusive Transformation of Agriculture (VITA) will support the government to adopt federal system and smooth transfer of management capacity and tools to provincial governments and municipalities (new COSOP is planned for approval in September 2020). IFAD will collaborate with like-minded development agencies in this regard.

9. IFAD and the government will support capacity-building of local governments where IFAD interventions will be implemented to introduce role-model for implementation under federalism and facilitate policy dialogue to strengthen the role of municipalities in promoting and implementing rural development projects (start by mid-2020).
10. The pipeline project (VITA) will support the development of infrastructure for value chains, from production to marketing, including water harvesting, storage and irrigation facilities, drinking water facilities, feeder roads and market infrastructure.
Partners responsible for follow-up: IFAD and the Government.
11. **Recommendation 2. Continue the support to value chain development with renewed emphasis on the inclusion of very poor groups.** The continuation of IFAD's support to pro-poor value chain development is well justified, given the good progress made by HVAP, and to some extent KUBK, and the priority of value chains for the Agricultural Development Strategy 2015-2035. IFAD needs to continue emphasizing the inclusion of poor and very poor small-scale producers (e.g. the Dalit, the Janajati and women) and the youth, by making special provision for them in the project design. In particular, the current pre-financing requirements for beneficiaries, that create disincentives for very poor producers, need revisiting.
12. Another priority is to strengthen the consultation fora between value chain stakeholders (e.g. multi-stakeholder platforms) so that they can become instruments to improve the value chain governance in a more inclusive manner. There is also a need to create incentives for longer-term engagement of private entrepreneurs and agribusinesses, relying less on lump-sum subsidies provided by projects and more on co-investment by agribusinesses and functional upgrading of cooperatives of small-scale producers.
Proposed follow-up
13. IFAD will continue to focus on the inclusion of small-scale poor and very poor producers by designing and implementing tailor-made activities, pro-poor targeting strategy, special financial services products and graduation pathways for them. The project design will ensure that these community segments will be heard in inclusive multi-stakeholder platforms for value chains (design is underway).
14. Co-investments by agribusiness and functional improvement of small producer cooperatives will be mainstreamed to reduce agricultural subsidies in line with government policy (starting with VITA design to be approved in September 2020).
Partners responsible for follow-up: IFAD and the Government
15. Recommendation 3. Bring back into the spectrum of IFAD funding the support to community development, basic infrastructure and services as a preparatory step for further economic opportunities. Projects such as WUPAP, LFLP and PAFP II are testimony to IFAD's experience and overall positive results. In areas where commercialization of agriculture has not yet emerged, working on local infrastructure (e.g. feeder roads, bridges, and drinking water), services and functional literacy can create the basis for further economic development. These can be further built upon, through a more pronounced market and value chain orientation in a follow-up project phase.
16. While some elements of IFAD 'traditional' support can be retained, such as intra-community targeting and empowerment of marginalized groups, group-based financial savings initiatives and fee-based social facilitation, the whole mechanism needs to be adapted to the new federal set-up, with greater involvement of local governments. Moreover, plans need to be prepared for management and maintenance of infrastructure by the users and with the support of Palikas for major maintenance and rehabilitation.

Proposed follow-up

17. IFAD will design and implement a new generation of projects that follow an integrated rural development approach based on smart agricultural interventions. The construction and development of local and "last mile" infrastructure will be sufficiently considered as the case of the current VITA design which will have dedicated component to rural infrastructure development.
18. Communities in the target provinces that do not benefit adequately from value chain development and commercialization will continue to be served by rural infrastructure services. The capacity of municipalities will be strengthened as part of IFAD's new interventions for participatory rural planning, implementation, operation and maintenance by communities and municipalities under the supervision of gradually capacitated provincial ministries (VITA implementation from 2021).

Partners responsible for follow-up: IFAD and the Government

19. **Recommendation 4. Integrate natural resource management and climate change adaptation in all project designs.** The Government and IFAD can build upon their collaboration experience in leasehold forestry and low external input agriculture. Based on the recent portfolio experience, two items need special attention. First, it may be more effective and efficient to include climate change proofing elements in all projects, in synergy with agricultural productivity supporting components, rather than funding a single dedicated project on this topic: this could avoid additional operational and administrative costs. Second, given the portfolio ubiquitous investment in livestock, the environmental consequences on forests and grasslands need to be monitored systematically.

Proposed follow-up

20. IFAD and the Government will not design standalone projects focusing solely on climate change resilience and environmental concerns, as in the case of the Adaptation for Smallholders in Hilly Areas Project (ASHA). On the contrary, VITA's current design takes into account value chain development with mainstreaming of climate change resilience and environmental conservations, among other IFAD mainstreaming themes (design is underway).

Partners responsible for follow-up: IFAD and the Government

21. **Recommendation 5. Strengthen partnerships for specialized technical support and for cofinancing.** IFAD should explore further cooperation opportunities with development agencies, non-governmental organizations and other development partners that have demonstrated technical experience in crucial portfolio topics (e.g. value chain development, support to decentralization, community-based development). This would enhance the quality and innovativeness of project design and implementation, but also build up opportunities for policy engagement and for scaling up of results. To facilitate these partnerships, IFAD could use country-specific grants as a funding modality.

Proposed follow-up.

22. IFAD will continue the dialogue and cooperation with the development partners to support interventions implementation in the context of federalism, focused on the implementation of the ASDP, and with NGOs for community mobilization and value chain development for both the ASDP and VITA implementation, building on their proven track record and success in decentralization support, community mobilization and value chain development (ongoing).

Partners responsible for follow-up: IFAD and the Government

23. **Recommendation 6. Enhance portfolio management and implementation preparedness.** The Government and IFAD should take measure to make portfolio management and project design more realistic, knowing that with federalization interactions with local governments will be more frequent. IFAD could aim at

approving a single new project (excluding loans for project top-up) in any given performance-based allocation cycle, so as to keep the number of ongoing projects in check. Moreover, at any point of time, the overall portfolio geographical coverage could be restricted to two or three provinces to avoid dispersion.

24. Project design will require a more pro-active role of the Government in the formulation process and in validating the technical proposals. In order to enhance implementation preparedness, IFAD could use of its newly introduced instruments for pre-financing project implementation and for building implementation capacity.

Proposed follow-up

25. IFAD's aim is to design a new single project per performance-based allocation cycle, using all or most of the allocation for more effective, efficient and focused management, covering a maximum of three provinces. The current design of VITA for IFAD11 is an example; it will be implemented in provinces 2, 3 and 5 (design is underway).
26. The project design, for example, again, the current case of VITA, is jointly carried out between IFAD's mission and a committee established by the lead implementing agency and line authorities; the committee fully participated in the concept development and currently in the design preparation (ongoing).
27. All IFAD instruments for project jump start-up will be used with particular regard to the pre-financing instrument.

Partners responsible for follow-up: IFAD and the Government

28. **Recommendation 7. IFAD should strengthen its Country Office in Nepal** and its corporate support to the country programme. The staffing of the Country Office needs strengthening, including, preferably, a resident country director.
29. In addition, thematic support from the sub-regional hub and the headquarters, combined with country-specific grants, could help IFAD engage in higher-level knowledge management and policy engagement. These activities need to be highlights, rather than subsidiary points.

Proposed follow-up

30. IFAD is strongly committed to strengthening its support to the Nepal country programme. The decentralized staffing structure is guided by the current corporate decentralization plan under which the Country Director for Nepal has been posted from headquarters to the sub-regional hub in New Delhi. The sub regional hub has also been significantly strengthened making it one of the largest of the IFAD hubs with a critical mass of operational and technical staff who can provide closer and regular support to the country programmes managed by the hub including Nepal. In addition, the sub regional hub model encourages cross-country cooperation and knowledge exchange within the region. As recommended, IFAD is also working on developing a country grant to support the new programme VITA. Strengthening country level policy engagement is a priority for IFAD and will be reflected in the new COSOP that will be developed in 2020. IFAD is confident that through the closer proximity of the Country Director and technical staff to Nepal, it will be able to strengthen its policy engagement and deliver on the COSOP policy objectives at the country level. Nonetheless, any potential future revisions to the staffing level of the IFAD Country Office in Nepal will be informed by the learning of this evaluation and will be done as part of the corporate decentralization approach.

Partners responsible for follow-up: IFAD and regional development partners and institutions

Signatures

For Ministry of Finance



Shreekrishna Nepal
Joint Secretary
Ministry of Finance of the Federal
Democratic Republic of Nepal

Date: Feb 10, 2020



For IFAD



Donal Brown
Associate Vice President
Programme Management Department of
IFAD

Date: 18/2/20

COSOP preparation process

1. COSOP preparation was informed by recent Nepal Country Strategy and Programme Evaluation (CSPE) of December 2019 and Agreement at Completion.
2. A COSOP Completion Review of the previous COSOP was completed as part of the process.
3. The COSOP preparation was conducted in parallel to the design of the new VITA programme and has substantially benefitted from the extensive stakeholder and government consultations conducted as part of the VITA design process.
4. The preparation process was conducted between March and November 2020. The planned COSOP design mission in March was replaced by a remote process due to COVID-19 movement restrictions, initially introduced in March 2020.
5. In lieu of face-to-face meetings, an online stakeholder feedback exercise, including an online survey, was completed in August 2020 which gained feedback from 51 stakeholders – from government, farmers’ representatives, civil society, private sector and development partners.
6. Consultation meetings were held with UNCT and development partners in November to gain feedback based on the circulated draft COSOP.
7. A draft COSOP was shared in December 2020 with government for feedback before finalization.
8. Meetings were primarily conducted online as part of this process.

Strategic partnerships

<i>Partnering objectives</i>	<i>Partners/networks/platforms</i>	<i>Partnership results and outcomes</i>	<i>Justification for partnership</i>	<i>Monitoring and reporting</i>
Engaging in policy and influencing development agendas	Federal, state and local government	Delivery of core COSOP objectives	Key counterparts	
	ADB	Delivery of VITA Expanded agriculture finance Policy influence on improved policies for financial inclusion and agri-finance	Strategic mandate of ADBL to be Lead Agriculture finance bank – as per GON Monetary Policy	
	GIZ	Wider mainstreaming on inclusive resilient local economic development / inclusive market development policies and plans by local and province governments as well as enhanced capacity of rural institutions in the above.	Like-minded agencies practicing similar resilient LED/cluster based approaches in some overlapping provinces. Complimentary as GIZ has strong TA plus covers all sectors, but with less investment resources. IFAD mostly on agriculture sector and more investment resources.	
		Improved framework for agricultural insurance	GIZ have insurance focused project with ADBL, from which the insurance products will be promoted via VITA. To farmers.	
	Chambers of Commerce and Industry - Local, province and federal	Improved coordination between public and private sector investment agendas in support of inclusive rural growth	Long term partners with notable success in role within MSPs and inclusive supply chain development	
	Un Habitat	Press on local implementation of 2019 Land Act/Policy	Key partner on land issues/reform in Nepal and in International Land Coalition.	
	Helvetas	Improved policy framework for technical skills development in support of job creation - at local, province and federal level	Leading NGO for technical skills development and with wide engagement. Existing partner of country programme	
Leveraging cofinancing	ADB	Large expansion of agri-financing, initially under VITA	Key partner for VITA	
	ADB	Joint investment project on inclusive and resilient agricultural market growth	Key DP partner on previous ADS development and ongoing discussion of co-financing	
	European Investment Bank	Joint investment project on inclusive and resilient agricultural market growth	Potential co-financier	
	Heifer International	Delivery of VITA	Key partner on VITA	
	Climate funds (GCF, Adaptation Fund, GEF)	Scaling-up of private investment alongside public investment in climate change adaptation	Climate financing would be major complement to country programme, especially via VITA with capacity to channel wholesale resources to small producers for private adaptation investments.	
Enabling coordinated country-led processes	Development Partners' Food Security Group	Policy dialogue and DP coordination	Main development partner coordination forum related to agriculture and rural sector	
	WFP	Improved delivery of nutrition activities within COSOP	WFP has extensive expertise on nutrition – especially in Karnali Province	
	FAO	Harmonized project activities in common locations between VITA and Building a Resilient	Common project locations and complementary approaches	

<i>Partnering objectives</i>	<i>Partners/networks/platforms</i>	<i>Partnership results and outcomes</i>	<i>Justification for partnership</i>	<i>Monitoring and reporting</i>
		Churia Region in Nepal (BRCRN)"		
	Citizens Investment Trust	Improved access and use of long-term savings, investment and pensions by rural people, migrants and remittance recipients	Mandated by GON to develop long term savings and private pensions products. Initial partnership already with RERP.	
Developing and brokering knowledge and innovation (including SSTC)	Strategic KM partner to be identified, including for Catalytic Grant Programme support			
	SAARC Agriculture Centre	Sharing of CAS models and best practices with Nepali producers	Aligned to recently approved C-SUCSES grant project	
	JP-RWEE partnership: FAO, IFAD, WFP, UN Women	Wider adoption of household methodologies and GALS to empower most vulnerable women and households to link to mainstream opportunities	Continuation of successful partnership introducing GALS	
Strengthening private sector engagement	Chambers of Commerce and Industry (CCI) - Local, province and federal	Strengthened CCIs with increased focus on agriculture sector and active brokering in supply chains.	Long term partners with notable success in role within MSPs and inclusive supply chain development	

South-South and Triangular Cooperation strategy

Introduction

1. South-South and Triangular Cooperation (SSTC) is an important instrument for IFAD to deliver on its mandate of increasing agriculture production and productivity, food security, nutrition and incomes of poor people living in remote rural areas in developing countries. In the context of the new Nepal COSOP for the 2021–2026 period, it is envisaged to play an important role in tackling specific development challenges.
2. In the COSOP, SSTC is expected to have both inbound and outbound dimensions. The Nepal programme has for several years been a generator of good practice on inclusive market development and some ICT4D. It is expected to expand effort on visibility and sharing of these

Opportunities for rural development investment promotion and technical exchanges

3. During the consultation process for the COSOP, four areas were identified as key priorities for technical exchange and learning in terms of 'inbound' SSTC:
 - (i) Local administration and service delivery in federal/devolved systems for inclusive and resilient local economic development
 - (ii) Climate smart agricultural practices
 - (iii) ICT for Development (ICT4D) tools e.g. expert systems for technical service providers
 - (iv) Digital rural financial services

SSTC engagement rationale

4. The rationale for each of the opportunities identified above is summarized below:

Local administration and service delivery in federal/devolved systems:
5. The adoption of Nepal's 2015 constitution created a federal system with three tiers of government at federal, province and local level – each with elected leaders and assigned powers. There are now 480 rural municipalities across the 7 provinces. Election were completed in 2017 and the new governments received their first budget in 2018/19.
6. While these entities are now established, there are many challenges for them in developing effectively policy and plans to fulfill their mandates. Similarly, government at the federal level is undergoing a corresponding process of restructuring. Links and coordination among the three tiers remains challenging in many sectors and entirely new systems and processes are having to be rapidly built created.
7. Opportunities to learn from successful systems in devolved/federal systems which create the enabling environment and incentives for improved local government administration and service delivery in particular related to inclusive and resilient local economic development would be high relevant in the coming years.

Climate smart agricultural (CSA) practices
8. Nepal's diverse agroecological systems, exposure to climate change risks and move to small-scale commercial farming creates a large and varied need for improved production practice that are both commercially competitive but equally resilient to the impacts of climate change. There are many such practices CSA practices around the world but identifying them, proving them in the Nepali context and then disseminating them is challenging. Some are within IFAD's network but many more are not.

9. One potential example is the Cambodian system for semi-intensive smallholder production of traditional breed poultry developed by Green Innovet Cam, a private service provider, and now widely adopted with support of the IFAD projects in the country. The system is highly profitable, with affordable initial investment pathways and reduced reliance on commercial feed, taking advantage of well-designed local feed resources. Such premium traditional breed chickens have good market demand in Nepal. Hence the testing and transfer of such system could provide important opportunities for Nepali women farmers to invest in profitable CSA practices.
10. For dissemination, the new COSOP will have a large implementation architecture, with reach to 40% of municipalities and powerful market-driven systems that could drive widespread adoption of suitable CSA when identified as suitable in Nepal.
11. The focus for the SSTC is to identify high potential candidate CSAs from around the world and IFAD's network that can then be imported and tested in Nepal, with the necessary technical support, covering the range of priority commodities for the country programme and wider economy.
12. The recently approved grant 'Consortium for Scaling-up Climate Smart Agriculture in South Asia' grant being led by the South Asia Association for Regional cooperation (SARRC) Agriculture Centre will be important in facilitating SSTC in this area.

ICT for Development (ITC4D) tools

13. Under the previous COSOP, the country programme had occasional successes with testing new ICT4D tools in support of the agriculture sector. Examples include the successful piloting of the e-Agriculture tool under the High Value Agriculture Project. However, this has been ad-hoc and not yet resulted in widespread adoption or more systemic changes.
14. With improving telecoms network coverage, a young population comfortable with technology and a growing tech-hub in Kathmandu, there are substantial opportunities for well-designed ICT tools to make a substantial contribution both to the cost and quality of service delivery to rural communities.
15. As with CSAs technologies, the focus for the SSTC is to identify high potential candidate ICT4D tools from around the world and IFAD's network that can then be imported and tested in Nepal, with the necessary technical support, covering the range of priority commodities for the country programme and wider economy, including for example expert systems for technical service providers.
16. Depending on the nature and business model for the specific tools, the SSTC may also facilitate investment opportunities for business that have such tools to launch them in Nepal.

Digital rural financial services

17. Expansion in the coverage and scope of rural digital financial services, including remittance transfers, is seen as an important pillar in the financial inclusion strategy and also for commercial banks themselves.
18. Two aspects of this are therefore of relevance for SSTC:
 - (i) Creating an appropriate regulatory and enabling environment for digital financial services, under the leadership of NRB. There is substantial experience internationally on a range of different approaches which would be of clear benefit to Nepal as it takes steps to expand digital services.
 - (ii) Technical and commercial design and operation of suitable digital rural financial services for banks and financial institutions. Many of the Nepal's commercial banks and financial institutions have only relatively recently started to expand their digital offering. As largely domestic operations, they also have

somewhat limited exposure to current best practice business models and services.

Partnerships and initiatives

19. On CSA, the programme will collaborate with the SAARC Agriculture Centre that is leading the implementation of the C-SUCSES project to scale up CSA best practice in the regions.
20. Additional specific partnerships and initiatives for each of the four areas have yet to be identified. The government and country programme will seek the support of the Asia and Pacific Division and wider IFAD network, including the SSTC Unit in the Global Engagement and Multilateral Relations Division (GEM), to identify appropriate partners and put in place arrangements for each SSTC initiative.

Conclusion

21. Priorities for SSTC have been identified. The next step will be for the country programme to deepen discussion on these with the relevant counter-parts in Nepal and then gain assistance from IFAD to identify suitable partners and initiative as well as funding sources to support the SSTC.

Country at a glance

Country Portfolio Summary

Region	Asia & the Pacific	Member of Country Groups :	
Country	Nepal	Least Developed country	Yes
Current Financing Terms	Highly Concessional	Low-income, food deficit	Yes
Ranking all Countries	19	HIPC DI Eligible	Yes
Ranking within region	7		

Country Indicator	Value	Year	Source
Agriculture, value added (% of GDP)	27.04	2017	World Bank
GNI per capita, Atlas method (current US\$)	790.00	2017	World Bank
Human development index (HDI) value	0.57	2017	UNDP
Population, total	29,304,998.00	2017	World Bank
Rural population	23,638,584.00	2017	World Bank

Key Dates			
Last RB-COSOP Approved AVP/PMD			
First Project Approved	12 Dec 1978		
Last Project Approved	18 Sep 2020		

IFAD Interventions			
	Number of Projects	IFAD Approved USD ('000)	
Financial Closure	11	129,905	
Board/President Approved	1	97,671	
Project Completed	3	68,322	
Available for Disbursement	3	103,610	
	18		

Total IFAD commitment 399,508

IFAD Interventions Summary								
Project Number	Financing Instrument ID	Currency	Approved Amount	Disbursed	Loan/Grant Status	Project Status	Board Approval	Cooperating Institution
110000010	100001954	USD	13,000,000	89%	Closed	Closed	12 Dec 1978	ADB
110000057	100002475	XDR	9,800,000	100%	Closed	Closed	05 Dec 1980	ADB
110000057	100000489	XDR	800,000	100%	Closed	Closed	05 Dec 1980	ADB
110000082	100002836	XDR	9,800,000	62%	Closed	Closed	17 Dec 1981	ADB
110000186	100000471	XDR	110,000	56%	Closed	Closed	02 Apr 1985	ADB
110000186	100002027	XDR	15,150,000	100%	Closed	Closed	02 Apr 1985	ADB
110000191	100002055	XDR	4,200,000	15%	Closed	Closed	18 Sep 1986	ADB
110000208	100002074	XDR	4,750,000	100%	Closed	Closed	10 Sep 1987	UNOPS
110000250	100002121	XDR	10,000,000	38%	Closed	Closed	07 Dec 1989	UNOPS
110000352	100002234	XDR	7,000,000	46%	Closed	Closed	19 Apr 1994	UNOPS
1100001030	100002345	XDR	6,550,000	98%	Closed	Closed	11 Sep 1997	UNOPS
1100001119	100002482	XDR	15,600,000	95%	Closed	Closed	06 Dec 2001	IFAD
1100001119	100000485	XDR	290,000	100%	Closed	Closed	06 Dec 2001	IFAD
1100001285	100002560	XDR	7,150,000	100%	Closed	Closed	02 Dec 2004	IFAD
1100001285	100000493	XDR	840,000	74%	Closed	Closed	02 Dec 2004	IFAD
1100001285	100004243	XDR	975,000	66%	Closed	Closed	03 Apr 2012	IFAD
1100001285	100004244	XDR	975,000	77%	Closed	Closed	03 Apr 2012	IFAD
1100001450	100003036	XDR	2,500,000	100%	Closed	Completed	13 Dec 2007	WB
1100001450	200000459	XDR	3,270,000	66%	Closed	Completed	30 Dec 2013	WB
1100001471	100003804	XDR	4,750,000	100%	Closed	Completed	17 Dec 2009	IFAD
1100001471	100003805	XDR	4,750,000	100%	Closed	Completed	17 Dec 2009	IFAD
1100001602	100004340	XDR	12,850,000	72%	Expired	Completed	21 Sep 2012	IFAD
1100001602	100004341	XDR	12,850,000	62%	Expired	Completed	21 Sep 2012	IFAD
1100001602	200000460	XDR	3,270,000	100%	Expired	Completed	30 Dec 2013	IFAD
1100001723	200000756	XDR	6,470,000	41%	Disbursable	Disbursable	13 Sep 2014	IFAD
1100001723	200000755	XDR	9,710,000	77%	Disbursable	Disbursable	13 Sep 2014	IFAD
1100001724	200000702	XDR	11,950,000	23%	Disbursable	Disbursable	22 Apr 2015	IFAD
1100001724	200000701	XDR	15,500,000	99%	Disbursable	Disbursable	22 Apr 2015	IFAD
2000001418	200002118	XDR	27,200,000	8%	Disbursable	Disbursable	11 Dec 2017	IFAD
2000001418	200002117	XDR	1,300,000	30%	Disbursable	Disbursable	11 Dec 2017	IFAD
2000002697	200003563	USD	97,670,000	0%	Approved	Approved	18 Sep 2020	IFAD

Projects in Pipeline		
Current Phase	Number of Projects	IFAD Proposed Financing USD ('000)
Total	0	0

Financial management issues summary

COUNTRY	Nepal	CONCEPT NOTE	COSOP
A. COUNTRY PORTFOLIO PERFORMANCE			
Country – FM KPIs:			
<i>FM Inherent Risk:</i>	Substantial	<p>The TI Corruption Perception Index had rose from 27 in 2015 to 34 in 2019, positioning Nepal as 113 out of 198 countries. The RSP score is 3.2, a slight movement from 3.0 in previous years. Corruption continues to be perceived as a major obstacle to efficient and equitable development. The inherent FM risk is assessed as “Substantial”.</p> <p>Latest PEFA in May 2015 disclose, “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. 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.</p> <p>In 2020, Nepal Government General Debt is 39.2% which is well below Emerging market and developing economies (61.4%), source - IMF. According to IMF the Debt Distress is rated “Low” as of 11 May 2020.</p> <p>IFAD funded project are using country FM system, government staff work for IFAD funded project with the support from contracted FM consultants. Staff capacity remains the weakness for utilizing country FM system.</p>	
¹ Country Disbursement Ratio (rolling-year)	10.30%		
Outstanding Ineligible Expenditure	No		
Outstanding Advances (Projects in Expired Status)	304,580 USD		
Applicable PBAS cycle:	IFAD11		
PBAS Available allocation 11:	-18,822,000 (18,822,000 was cancelled from RERP – PBAS10 to cover short funding in PBAS 11)		
CURRENT LENDING TERMS		Highly Concessional	

¹Corporate Disbursement Ratio Methodology considers ASAP, AFD, IFAD, KFW and SPA financing sources only.

B. PORTFOLIO, FM RISK & PERFORMANCE**Existing Portfolio:**

Project	Financing instrument	FLX Status (2)	Lending Terms	Currency	Amount (million)	%Disbursed	Completion date
ISFP (KUBK)	200000046000	EXPD	HIGHLY CONCESSIONAL TERMS 0.75 pc	XDR	3.27	99.99	30/12/2019
ISFP (KUBK)	G-I-DSF-8106-	EXPD	DSF HC GRANTS	XDR	9.33	85.74	30/12/2019
ISFP (KUBK)	L-I--881-	EXPD	HIGHLY CONCESSIONAL TERMS 0.75 pc	XDR	9.29	100	30/12/2019
ASHA	200000075500	DSBL	ASAP GRANTS	XDR	9.71	76.88	30/03/2022
ASHA	200000075600	DSBL	DSF HC GRANTS	XDR	6.47	40.83	30/03/2022
RERP	200000070100	DSBL	HIGHLY CONCESSIONAL TERMS 0.75 pc	XDR	1.83	99.49	30/12/2022
RERP	200000070200	DSBL	DSF HC GRANTS	XDR	11.95	22.84	30/12/2022
ASDP	200000211700	DSBL	LOAN COMPONENT GRANTS	XDR	1.3	29.83	29/06/2024
ASDP	200000211800	DSBL	HIGHLY CONCESSIONAL TERMS 0.75 pc	XDR	27.2	8.09	29/06/2024
VITA	200000356300	APPR	HIGHLY CONCESSIONAL BY CURRENCY	USD	97.67	0	
APIA	200000346500	ENTF	SUPPLEMENTARY FUNDS GRANTS	USD	0.54	0	30/12/2021

Project	Project FM risk rating	Performance Score: Quality of Financial Management	Performance Score: Quality & Timeliness of Audit	Performance Score: Disbursement Rate	Performance Score: Counterpart funds
ISFP (KUBK)	Substantial	Moderately Satisfactory	Mod. satisfactory	Satisfactory	Satisfactory
ASHA	Substantial	Moderately Unsatisfactory	Mod. unsatisfactory	Moderately Unsatisfactory	Satisfactory
RERP	High	Moderately Satisfactory	Mod. satisfactory	Highly Unsatisfactory	Satisfactory
ASDP	Moderate	Moderately Satisfactory	Mod. satisfactory	Unsatisfactory	Satisfactory
VITA	Substantial	Not Specified	Not Specified	Not Specified	Not Specified
APIA	Substantial	Not Specified	Not Specified	Not Specified	Not Specified

Comments:

Nepal has made impressive strides in budget coverage, comparability, and its timely reporting. Weak technical capacity in the analysis of financial statements has lowered efficiency in public expenditure. Reconciliation of revenue accounts is an issue (PEFA May 2015). As of November 2020 ASHA, RERP and ADSP are under operation and VITA, APIA (RPSF) are in the pipeline. ICP was live in Oct 2019 and fully used by all projects from August 2020.

All projects use country FM system with the exception of VITA. ADBL is the bank owned by Government but FM system is separately managed as a banking institution.

RERP was restructured in May 2020, SDR 13 669 450 (around USD 18 822 000 million) was cancelled and transferred to VITA project.

Audit Reports:

Audit coverage and quality has improved. But the limited scope of performance audit and weak enforcement of corrective measures against flagged irregularities has lowered meaningful behavioural changes. Performance auditing coverage and involvement of civil society in auditing performances is expected to strengthen overall performance auditing.(PEFA May 2015)

Nepal portfolio audited by SAI and financial reporting is on cash basis, the performance of audit for all project are at the Mod.

Satisfactory score with an exemption of ASHA (Mod. Unsatisfactory) as the result of nearly 6 months delay of audit submission without request for exceptional extension (2018/2019 audit). Audit Financial Statements are furnished with unqualified opinions, and aligned with IFAD Financial Reporting and Auditing requirement. Management letters are issued with insufficient information on internal control and without response from management on the findings; there is no outstanding ineligible expenditure.

Audit report will be more complex when VITA project starts in 2021, the project structure requires a separate Auditor General's report for a component implemented by Government Agency and a consolidated audit report conducted by private firm for entire project.

Supervision Missions

Supervision missions are conducted on time, 3 remote SMs have been conducted during 2020 (ASHA is on-going) during the mission common issues are found for all projects: Staff capacity, delay in IFR, low disbursement rate.

Finance staff rotation causes delay in FM operation due to the gap of staff transition, staff capacity and orientation period. The support of contracted FM Consultant and IFAD Retainer Consultant is relieving staff and capacity constrain.

Most of expenditure pre-financed by GoN, and replenished from designated account or reimbursement from IFAD. CIGAS financial software has been newly developed and implemented to government agencies and funded projects, however the software doesn't meet IFAD reporting requirement, PASS accounting software therefore is used in parallel for IFAD portfolio. Despite the use of customized software, It is found that IFS extracted from accounting software to excel and further edits will be done prior to the release of IFS, this process causes delay and error in the financial statements.

Disbursement rates are generally low resulted from several factors: delay of project start-up, project performance, delay in submission of Withdrawal Application, Covid-19 Pandemic. Fully use of ICP in 2020 increased the frequency of WA claimed and timeliness of disbursement in second half of 2020.

Counterpart funding rate is low due to operational reason, however assessed as Satisfactory because the government secured the budget for project in AWPB which meets the SM's Performance Scores Descriptors. This indicator however need to be carefully examined in coming missions.

Mistakes are sometime found during SM but there are no significant issues on internal control, neither on ineligible expenditure.

Overall, FMAQ is rated "substantial" and reduced to "Moderate" after mitigation measures.

Debt Servicing

GoN pays IFAD instalments on time, no over-due debt.

Mitigation actions:

- (i) Training to SAI on IFAD auditing and reporting.*
- (ii) PMU Finance Officers undertake the APEX training in 2021.*
- (iii) FM Consultants continuously provide support to PMU Finance staff.*
- (iv) Explore the opportunity of utilizing government accounting software for IFAD reporting purpose, that would improve the accuracy and timeliness of IFS and annual FS.*
- (v) Encourage the utilization of retroactive financing and start-up expenditure to prevent the delay the project's operation after entry into force.*
- (vi) Intensively review counterpart funding in coming missions to ensure the budgeted counterpart fund is realistic.*