

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC164

<b>Project Name</b>	Nepal Agriculture and Food Security Project (P128905)
<b>Region</b>	SOUTH ASIA
<b>Country</b>	Nepal
<b>Sector(s)</b>	General agriculture, fishing and forestry sector (40%), Agricultural extension and research (20%), Animal production (20%), Crops (2 0%)
<b>Lending Instrument</b>	Specific Investment Loan
<b>Project ID</b>	P128905
<b>Borrower(s)</b>	Ministry of Agriculture and Cooperation
<b>Implementing Agency</b>	Ministry of Agriculture and Cooperation
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared</b>	30-May-2012
<b>Estimated Date of Appraisal Completion</b>	17-Jun-2012
<b>Estimated Date of Board Approval</b>	16-Jul-2012
<b>Concept Review Decision</b>	

## I. Introduction and Context

### Country Context

Nepal is still emerging from a 10-year armed conflict that ended in 2006. It is currently passing through a momentous and prolonged political transition. This transition entails two interrelated processes: promulgation of a new Constitution and the completion of the ongoing peace process. The focus on the political transition process has to some extent overshadowed issues of economic and other reforms (law and order, focus on growth and job creation, fostering a positive investment climate), with political uncertainty impacting timing and quality of public expenditure decisions. The general economic situation has improved considerably despite the difficult political environment. GDP growth rose to about 5 percent from 3.5 percent a year earlier, the second highest growth rate since the end of the conflict in 2006. Remittances, at 25-30 percent of GDP, continue to dominate the economy supporting consumption. Nonetheless, Nepal has made good progress both in terms of poverty reduction and improvement of social indicators. The proportion of poor people has fallen substantially from 45 percent in 1995-96 to 25 percent in 2010-11. Nepal's overall Gini coefficient has simultaneously declined from 0.41 to 0.35 as poor segments of the population have been able to increase household incomes (often with the help of remittances). Nepal has also made impressive improvements towards the achievement of Millennium Development Goals (MDGs) including in the areas of primary education, gender parity and under-5 child mortality. However, relevant to the proposed operation, the nutritional status of women and children has not shown

much improvement with malnutrition and stunting affecting about half of the nation's children.

Development indicators for the targeted project areas in the mid and far west regions of the country are significantly below the nation average. The Nepal Living Standard Survey (NLSS III, 2010) showed that 37 percent of the people in the rural hills of the mid and far west fall below the poverty line compared to the national average of 25.16 percent. The prevalence of hunger is also the highest in these parts with the hunger indices pointing to an extremely alarming situation. Similarly, these areas show the highest incidence of diarrhea (however, less than a third of the children reportedly receive oral rehydration therapy). Natural disasters (especially droughts in the mountain/hills and floods in the terai), accentuated by extreme weather events, significantly impact agricultural production and livelihoods, especially in the marginal locations farmed by the more food insecure households. Based on exposure to climate change and poverty and adaptive capacity, Nepal is the fourth most at risk country according to the Climate Vulnerability Index.

Last year, in consultation with donors, civil society organizations and other stakeholders, GON developed a Country Investment Plan (CIP) to comprehensively address agriculture and food security issues including availability, access and utilization. Building on this, it submitted an investment proposal to the Global Agriculture and Food Security Program (GAFSP) and was competitively awarded a grant of US\$ 46.5 million in June 2011. GON has also developed, again in consultation with relevant development partners and stakeholders, a Multi-Sectoral Nutrition Plan of Action. These coordination efforts look likely to attract more planned allocation of resources from both GON and development partners (e.g., Asian Development Bank and USAID through Feed the Future Initiative).

### **Sectoral and Institutional Context**

Agriculture (crop and livestock) production is severely constrained, well below its potential. Agricultural productivity and hence agriculture-based incomes are low. Although more than 80 percent of the population is engaged in agriculture, the sector accounts for only around 35 percent of GDP. Agriculture is typically characterized by small holder, traditional and subsistence farming; limited use of improved livestock breed, crops varieties or modern inputs and management practices; and high susceptibility to pest and disease incidences. For instance, about 5 percent of cropped area is covered by improved seeds and seed replacement rate is only 5.4 percent for paddy and 5.6 percent for wheat. Given the low base, significant opportunities exist for yield increase: 15-20 percent in case of cereals, at least 20 percent for potato, 40-50 percent for oilseeds, and over 100 percent for maize. In case of livestock the scope exists to increase cow milk yield from 450 liters/lactation to 1600 liters, buffalo yield from 800 to 1200 liters/lactation, and daily weight gain of goats from 45 to 90 gm/day. Beyond agriculture, opportunities for off-farm employment and income are limited due to under-developed physical and economic infrastructure, contributing to out-migration of the (young) male workforce and hence feminization of agriculture.

Agriculture-related infrastructure and service support needs to be strengthened. The sector faces several significant constraints: (i) low availability of good quality seed and improved breeds of livestock/fish at the farmer level; (ii) insufficient development by the research system of appropriate location and problem specific-technologies and management practices for use by farmers; (iii) weak research-extension-farmer linkage; (iv) thin and inadequate extension support (district level and at some sub-district centers); (v) weak support for enhanced agricultural water management to reduce rain-dependence; (vi) poorly developed market linkages; and (vii) a lack of institutions and instruments for agricultural risk-bearing and risk-sharing. Budgetary and staff

resources for public research (the Nepal Agricultural Research Council or NARC) and extension agencies (Departments of Agriculture and of Livestock Services) are stretched. Further, under development decentralization, local level financing and coordination of agricultural support services is done by District Development Committees rather than vertically by the line departments. Beyond GON, however, there exist a number of non-governmental entities or community-based organizations that fill the gap to some extent in the provision of agricultural support services.

Chronic maternal and child malnutrition remains a serious problem in Nepal and constrains the country's social and economic development. Chronic energy deficiency in women (as measured in body mass index - BMI) remains high at 24.4 percent. The prevalence of low birth weight babies is reported as between 20-32 percent in hospital studies and 14-19 percent in community-based studies. Two out of every five (41 percent) children under five are stunted and a third (29 percent) are underweight. Wasting, which reflects more short-term under-nutrition or increase in infections, currently stands at 11 percent. Maternal under-nutrition and stunting have declined since the DHS 2001, stunting quite considerably, but wasting has remained constant during the decade. The consequences are significant and long-term, ranging from to increased neonatal mortality, mortality and morbidity to irreversible adverse physical and cognitive outcomes that lead to unfavorable lifelong consequences for health, productivity and economic growth.

The proposed operation is strongly aligned with country needs and government priorities. The Interim Constitution of Nepal 2007 recognizes food sovereignty as the fundamental right of citizens. The importance of agricultural growth and food security has been underscored in a sequence of GON documents and plans: the second Three Year Plan (2010/11-12/13), the National Agriculture Sector Development Priority plan (NASDP 2011-2015), and the associated Country Investment Plan (CIP). Also, as mentioned, a Multi-Sectoral Nutrition Plan of Action, led by the National Planning Commission, aims to integrate, inter alia, contributions from the agriculture sector (Ministry of Agriculture and Cooperatives) to lay the foundation of a national nutritional architecture. The proposed project directly operationalizes relevant policy and program objectives of GON with regard to agriculture and food and nutrition security, and does so in priority development regions.

#### **Relationship to CAS**

The proposed operation directly supports relevant objectives of the Interim Strategy Note (ISN), 2012/13. Improving agricultural productivity - the core focus of the proposed operation - is an important element of Pillar 1 of the ISN: Enhancing Connectivity and Productivity for Growth. Pillar 2 of the ISN - Reducing Vulnerabilities and Improving Resilience - is also supported by targeting food insecure households to enhance their food availability, nutritional status and capacity to cope with some climate change risks to their livelihoods. Finally, by targeting the relatively under-served populations in the hill and mountain regions, the economically weaker/marginal farmers and young women and infants specifically for nutritional status enhancement, the operation will also contribute toward the ISN's second cross-cutting theme: Fostering Gender Equality and Social Inclusion.

## **II. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

The proposed Project Development Objective is to enhance selected aspects of food and nutritional security in pilot areas. Food security will be enhanced through improved food availability made

possible by increasing productivity of agriculture (crops, livestock and fisheries). Nutritional security will be enhanced through improved nutritional status of adolescent, pregnant and lactating women and children under two years of age. Finally, the project areas will lie in the mid- and far-west regions of Nepal.

#### **Key Results (From PCN)**

The key expected outcome indicators from the project are: (i) productivity of targeted crops; (ii) yield of milk and meat production; (iii) yield of fish; (iv) increase in maternal body mass index; and (v) reduction in proportion of underweight, wasted and stunted children under two years.

The direct beneficiaries of the project are expected to be about 150000 small and marginal farmers, 50000 adolescent girls, young mothers and children, and 25000 agricultural wage workers, including landless farmers.

### **III. Preliminary Description**

#### **Concept Description**

The proposed project is based on grant proposal submitted by the GoN for funding under the Global Agriculture and Food Security Program (GAFSP). The proposal was approved by the Steering Committee of the GAFSP and awarded a grant amount of US\$ 46.5 million.

Overall Design: In order to achieve its PDO, the project will seek to address the inter-locking problems in the project through following coordinated interventions: adaption (customization/ validation) and release in specific agro-ecologies of relevant on-the-shelf technologies to boost productivity and climate resilience of agriculture; enhancing local availability of improved seed and livestock breed; supporting farmers to adopt improved management and husbandry practices and use modern inputs; improved water conservation and use, including for domestic purposes; support for local infrastructure and value-chain development; enhancing livelihood options for wage laborers and landless farmers; increasing access to protein and micro-nutrient rich foods; use of nutritional supplements and behavior change communication. Accordingly, the project will have four technical components.

Component 1: Technology Generation and Adaptation: This component will support the PDO by adapting and making available for project farmers the technologies and management practices that will increase yields and production intensities of crops and fish. It will address one of the major constraints to agricultural growth in the project area which is insufficient supply of locally relevant technologies and practices. There will be two main sub-components: (i) technology generation/ adaption for crops (viz., rice, wheat, maize, pulses, oilseeds etc); and (ii) technology generation/ adaption for fish. Activities to be financed under this component include: evaluation and release of new/improved crop varieties; brood stock improvement and development of pure breed lines in fish; development/refinement of location-specific crop husbandry practices; adaptive trials of aquaculture technologies; and training and capacity building. The main expected outputs from this component will be release of improved crop varieties and improved production packages for crop and fish production.

Component 2: Technology Adoption: This component will support the PDO by enabling farmers in the project area to sustainably adopt improved agricultural (crops, livestock and fisheries) production technologies and management practices. This will enable them to increase productivity

as well as intensify and diversify agricultural production. The component will do so by enhancing farmers knowledge and skills base, improving availability of quality seed/breed at farmers level, improving on-farm water management, strengthening extension-farmer linkages and augmenting as appropriate - their productive assets and social capital base. The component has five sub-components: (i) crop production support; (ii) fish production support; (iii) livestock production support; (iv) local water conservation and management; and (v) group/community productive assets and activities. Activities to be financed under the project include: (a) mobilization, training and empowerment of farmers groups; (b) strengthening MOACs extension capacity and outreach to farmers; (c) demonstrations and adoption support (through provision of key inputs) for farmers; and (d) demand-driven productive assets and local infrastructure.

Component 3: Livelihood Enhancement: This component will support the PDO by enhancing cash (earned) income and diversifying the livelihoods base of the poorer (landless and marginal farm) households. This is the most robust way of increasing food and nutrition security of these typically food-deficit households. The component will seek to increase the return to labor of these households by either upgrading their skill or capital stock, or enabling them to diversify in to some micro-enterprise or trading role. There will be three sub-components: (i) skill enhancement, along with provision of complementary tools/assets as appropriate; (ii) agriculture value-chain development (including relevant capacity building in handling, packaging, grading, processing and marketing); and (iii) (group) micro-enterprise development, typically in conjunction with a relevant service provider or support organization.

Component 4: Nutritional Status Enhancement: This component will support the PDO by improving the nutritional status of women at conception and during pregnancy (in terms of maternal BMI) and of children aged 6 to 24 months (in terms of underweight, wasting and stunting). There will be three sub-components: (i) increasing use of micro-nutrient rich and animal protein foods (relevant complementary production support activities will be undertaken under Component 2; this component will create awareness and demand in terms of prioritizing domestic production and consumption decisions - for these foods); (ii) service delivery of multiple micro-nutrient powders to children 6-24 months of age, integrated with community Infant and Young Child Feeding; and (iii) behavior change communication on optimal maternal, infant and young child feeding and care .

Component 5: Project Management. This component would finance all aspects of project management at the national and regional levels, including M&E. Activities to be financed under this component include: (i) establishing and supporting project units at the overall and regional levels; (ii) specialized support services relating to key activities such as independent external M&E, external audit, financial accounting and procurement; and (iii) training of staff involved in project implementation.

#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04			x
Forests OP/BP 4.36			x
Pest Management OP 4.09	x		
Physical Cultural Resources OP/BP 4.11		x	

Indigenous Peoples OP/BP 4.10	x		
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50	x		
Projects in Disputed Areas OP/BP 7.60			x

## V. Tentative financing

Financing Source	Amount
Borrower	11.50
Global Agriculture and Food Security Program	46.50
Total	58.00

## VI. Contact point

### World Bank

Contact: Animesh Shrivastava  
 Title: Senior Agriculture Economist  
 Tel: 473-3652  
 Email: ashrivastava@worldbank.org

### Borrower/Client/Recipient

Name: Ministry of Agriculture and Cooperation  
 Contact: Mr. Nastu Prasad Chaudhary  
 Title: Secretary  
 Tel:  
 Email: memoac@moac.gov.np

### Implementing Agencies

Name: Ministry of Agriculture and Cooperation  
 Contact:  
 Title:  
 Tel:  
 Email:

## VII. For more information contact:

The InfoShop  
 The World Bank  
 1818 H Street, NW  
 Washington, D.C. 20433  
 Telephone: (202) 458-4500  
 Fax: (202) 522-1500  
 Web: <http://www.worldbank.org/infoshop>