

PROJECT PREPARATORY TECHNICAL ASSISTANCE

A. Justification

1. The project preparatory technical assistance (TA) is needed for conducting technical, economic, financial, environmental, and social due diligence for the Agriculture Sector Development Program (ASDP). The outcome of the TA will be a project design and feasibility study that the government and the Asian Development Bank (ADB) will have agreed upon. The TA will (i) assess the economic viability of ASDP; (ii) explore options for private sector involvement in delivering key outputs including agribusiness development; (iii) conduct sector and policy analysis; (iv) prepare the program framework of ASDP; (v) review and update safeguard measures; and (vi) prepare the envisaged project interventions. The TA will prepare the design and monitoring framework, economic and financial analysis, program framework and policy matrix, financial management assessment, cost estimates and financing plan, procurement plan, terms of reference for consulting services, plan for improving economic opportunities for women and disadvantaged groups, social and environmental safeguards, a capacity-building plan for local government institutions and various ministries, implementation arrangements, and implementation schedule.

B. Major Outputs and Activities

2. The major outputs and activities of the TA are summarized in Table A4.1.

Table A4.1: Summary of Major Outputs and Activities

Major Activities	Expected Completion Date	Major Outputs	Expected Completion Date
Review available reports and literature, gap analysis and stock assessment on the subject, conduct initial consultation and prepare detailed TA work plan	Month 1	Inception Report	Month 1
		Inception Workshop	Month 1
Organize a series of stakeholders' workshop to present findings and discuss innovative options	Month 2	Midterm Report	Month 3
		Draft Final Report	Month 4
Conceptualize the sector development program including the design and monitoring framework; Conduct technical, economic, and financial assessments	Month 3	Final Workshop	Month 5
		Final Report	Month 5
Conduct financial management, procurement, anticorruption measures, policy and legal, capacity, and other institutional issues and mechanisms, poverty reduction and social impact assessment; and safeguards assessments (environment, involuntary resettlement, and indigenous peoples)	Month 4		

TA = technical assistance.

Source: ADB staff estimates.

C. Cost Estimate and Proposed Financing Arrangement

3. The TA is estimated to cost \$750,000 equivalent, of which \$700,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). The government's in-kind

contribution is estimated at \$50,000. The use of TASF is required to expedite loan processing and meet the government's development schedule. The government has been advised that approval of the TA does not commit ADB to financing any ensuing sector development program. The detailed cost estimate is in Table A4.2.

Table A4.2: Cost Estimates and Financing Plan
(\$'000)

Item	Total Cost
Asian Development Bank^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	350.0
Number of Person-months	18
ii. National Consultants	190.0
Number of Person-months	38
b. International and Local Travel	50.0
c. Reports and Communications	5.0
2. Equipment ^b	10.0
3. Workshops, Training / Seminars & Conferences ^c	10.0
4. Surveys	10.0
5. Miscellaneous Administration and Support Costs	10.0
6. Contingencies	65.0
TOTAL	700.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

^b Includes 4 computers, 2 printers, 1 photocopier, 3 air conditioners, and 1 facsimile machine estimated at \$10,000.

^c Includes 4 regional and 2 national stakeholders consultation/workshops estimated at \$10,000.

D. Consulting Services

4. ADB will recruit a team of consultants through a firm for a period of 5 months using quality- and cost-based selection (QCBS) method with 90:10 quality-cost ratio and simplified technical proposals. Consultants will provide 18 international and 38 national person-months of inputs and will be engaged by ADB in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time). In addition to the TA consultants, European Union will directly engage the Food and Nutrition Specialists (2 international and 3 national person-months).

Table A4.3: Summary of Consulting Services Requirement

International Name of Positions	Person-months	National Name of Positions	Person-months
Team Leader / Institutional Development Specialist	5	Project Economist/Deputy Team Leader	5
Project Economist/Deputy Team Leader	5	Agriculture Economist	5
Agricultural Economist	3	Rural Roads Engineer	5
Food Safety Specialist	1	Food Safety Specialist	3
Insurance Specialist	2	Insurance Specialist	2
Agriculture Market Infrastructure Specialist	2	Environment Specialist	3
		Social Safeguard Specialist	3
		Social Development and Gender Specialist	2
		Poverty Reduction Specialist	2
		Financial Management Specialist	3
		Agriculture Market Infrastructure Specialist	5

5. The outline terms of reference for the TA consultants are described in paras. 6 to 17:

6. **Team Leader / Institutional Development Specialist (international, 5 person-months).** Team leader shall have at least 20 years international work experience including in developing countries in agriculture and rural infrastructure projects with a post graduate degree in economics or related areas. The team leader will manage the team, coordinate with counterpart staff and prepare comprehensive program and project proposals in a format suitable for ADB loan processing. The program and project proposals include preparation of sector and policy analysis, program framework and policy matrix, public financial management, design and monitoring framework including baseline data, economic and financial analysis, financial management assessment, cost estimates and financing plan, procurement capacity assessment of the executing agencies/implementing agencies, procurement plan, terms of reference for consulting services, gender assessment and action plan, social and safeguard assessment (environment, involuntary resettlement, and indigenous peoples), selection criteria for subprojects, and project administration manual.

7. **Project Economists/Deputy Team Leaders (international, 5 person-months; national, 5 person-months).** The project economists shall have at least 15 years work experience in agriculture and rural infrastructure projects with a post graduate degree in economics. The international economist must have work experience in multiple countries. The economists will (i) prepare the project's detailed budget and investment plan based on the subproject detailed design cost; (ii) analyze policy distortions in key agricultural inputs and recommend appropriate policy adjustments; (iii) prepare program framework and policy matrix; and (iv) undertake a detailed economic and financial analysis of the project.

8. **Agriculture Market Infrastructure Specialists (international, 2 person-months; national 5 person-months).** The agriculture market specialist shall have at least 15 years work experience in agriculture infrastructure projects with a post graduate degree in agricultural economics, civil engineering or related areas. The international economist must have work experience in multiple countries. The consultants will (i) assess performance and management, and recommend areas for improvement in the existing agriculture market infrastructure; (ii) identify potential locations for development of new integrated agriculture wholesale markets; (iii) assess technical and financial feasibility of the identified market infrastructures; (iv) prepare market designs, financing and implementation plans; (v) suggest partnership/implementation modality; and (vi) recommend viable management and operation and maintenance plans.

9. **Agricultural economists (international, 3 person-months; national, 5 person-months).** The agricultural economists shall have at least 15 years work experience in agriculture including in agribusiness projects with a post graduate degree in agricultural economics or related areas. The international economist must have work experience in multiple countries. The consultants will (i) undertake a market chain analysis for estimating net value added; (ii) undertake a feasibility assessment of proposed project interventions in value chains through various options including PPP, matching grant and other innovative business models; (iii) undertake a feasibility assessment for the interventions in agriculture research and extensions; and (iv) prepare project cost schedules and procurement plans.

10. **Rural Roads Engineer (national, 5 person-months).** The rural roads engineer shall be a senior qualified civil engineer with degree in civil/highway engineering with at least 15 years extensive experience in the design and implementation of rural road projects. The rural roads engineer will (i) review past and ongoing sub-project construction quality and make recommendations for improvement; (ii) undertake a thorough technical review of the design

criteria and estimated costs of the rural roads to be constructed or upgraded; (iii) review and finalize design and cost estimate of sample road subprojects under the rural road component; (iv) assess the feasibility of tolls collection on rural roads; (v) assist the team leader in conducting an assessment study to improve district road planning and maintenance capacity, including (a) a review of existing maintenance practices and yardsticks used by the districts and make recommendations for their improvement; and (b) the provision of independent estimates for maintenance requirements and costs for the rural roads selected for the project; and (vi) develop relevant monitoring and evaluation parameters for the project.

11. Food safety specialists (international, 1 person-months; national, 3 person-months). The food safety specialists shall have at least 10 years work experience in food safety and standards with a post graduate degree in relevant areas. The international specialist must have work experience in multiple countries. The specialists will (i) review the regulatory framework and institutional capacity for food products; (ii) identify food safety standards which are trade barriers; (iii) evaluate the role of regional organizations, and develop programs for improving food safety, trade flows, and reducing the costs of trade-related compliance; and (iv) recommend regulations and policies to food safety and quality to meet international standards.

12. Insurance Specialists (international, 2 person-months; national, 2 person-months). The insurance specialists shall have at least 10 years work experience in insurance industry with a post graduate degree in any related field. The international specialist must have work experience in multiple countries. The specialists will (i) conduct an assessment of the vulnerability of farmers to weather risk and their coping mechanisms through formal and informal mitigation support services; (ii) review current business practices and procedures inside and outside Nepal to identify key risk and alignment to the insurance market; (iii) design weather index-based crop insurance products, including a bundled microcredit and insurance model, with detailed marketing, delivery channels, and administration, as well as potential operational scaling-up procedures; (iv) review the crop insurance scheme recently introduced by the government, and also other crop insurance products that may be suitable for Nepal.

13. Environmental Specialist (national, 3 person-months). The environmental specialist shall have a post graduate degree in relevant field and at least 10 years work experience on environmental issues in development projects. The environmental specialist will (i) assess the potential environmental impacts of the proposed project components, including physical, ecological, and social environments; and (ii) conduct a comprehensive appraisal of the environmental impact of the project activities, and prepare environmental assessment of sample subprojects. Based on the findings of the environmental assessment, the specialist will prepare an environment assessment and review framework covering all the components of the project in line with ADB's Safeguard Policy Statement (2009). The specialist will also assess the institutional capacity of the environment section of Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR) and prepare recommendations for strengthening the section, along with establishing a fully operational unit on bio-engineering.

14. Social Safeguard Specialist (national, 3 person-months). The social safeguard specialist will have a post graduate degree in relevant field and at least 10 years work experience on safeguard issues in development projects. The social safeguard specialist will (i) undertake an assessment of resettlement and land acquisition practices, institutional assessment of executing agencies and implementing agencies under the project and (ii) assess the presence and vulnerability of indigenous people and ethnic minority groups in the concerned areas of the project. The specialist will prepare a resettlement framework and an indigenous peoples planning framework to ensure compliance with ADB's Safeguard Policy Statement

(2009). The specialist will also be responsible to prepare and finalize sample resettlement planning document and indigenous people planning document of sample subprojects under the project.

15. Poverty Reduction Specialist (national, 2 person-months). The specialist will have a post graduate degree in relevant field and at least 10 years work experience on poverty issues in development projects. The poverty reduction specialist will (i) collect socio-economic data as required; (ii) analyze the socio-economic data required for benchmark information on poverty and its distribution and for poverty impact ratio analyses; (iii) develop poverty and social selection criteria; and (iv) develop a results-based monitoring and evaluation system.

16. Social Development and Gender Specialist (national, 2 person-months). The specialist will have a post graduate degree in relevant field and at least 10 years work experience on gender issues in development projects. The gender and development specialist will conduct a gender assessment including assessing existing situation of women farmers, especially single female headed households, in the different segments of the value chains; assessing the roles of women farmers in agriculture and food security; division of labor; access to and control over productive resources and agricultural and financial services including current constraints of access to inputs and markets; decision-making about agricultural and food security matters at different levels (household, community, local and national); potential positive impact of the program on trafficking of poor rural girls/boys and how to have this integrated in the program. The assessment will provide disaggregated data by sex, including on agriculture extension service outreach. The gender specialist (i) will also look at existing institutional mechanisms and capacity needs of the Ministry of Agricultural Development, Ministry of Federal Affairs and Local Development, Department of Agriculture, DOLIDAR, district agriculture development offices, and district development committees on gender equality and social inclusion, and possibilities to collaborate with relevant nongovernment organizations working with rural women (in agriculture); (ii) prepare a gender action plan that is based on the findings of the gender assessment, and develop and suggest mechanisms whereby degree of women's effective participation can be improved in management, and women can equally participate and benefit from the program; (iii) prepare a budget for gender and development activities; and (iv) recommend steps to incorporate gender criteria into the project impact monitoring system.

17. Financial Management Specialist (national, 3 person-months). The specialist will have a post graduate degree in relevant field and at least 10 years work experience on financial management assessment. The financial management specialist will (i) undertake a financial management assessment of the executing agencies and any implementing agencies (if required), to ensure that financial management capacity is sufficient to implement the proposed project in compliance with ADB's Financial Management and Analysis of Projects¹ and as exemplified in the Financial Due Diligence Methodology Note,² and identify financial risks mitigation measures; (ii) provide information to the project economist in preparing cost estimates of the project and standard cost table by ADB's cost category and financing plan as needed; (iii) prepare disbursement schedule, including the S-curve for projection of contract award and disbursement; and (iv) prepare an indicative implementation schedule with proposed consultant recruitment and procurement of goods and works.

18. Food and Nutrition Security Specialist (international, 2 person-months; national, 3

¹ ADB. 2005. *Financial Management and Analysis of Projects*. Manila.

² ADB. 2009. *Financial Due Diligence Methodology Note*. Manila.

person-months).³ The specialists shall have at least 15 years work experience in food and nutrition security with a post graduate degree in relevant areas. The international specialist must have work experience in multiple countries. The specialist will (i) prepare a food and nutrition security related risk assessment and analysis; (ii) analyze the country context of ongoing food and nutrition security interventions and opportunities to link up with them; (iii) develop and suggest mechanisms to mainstream nutrition and food security in project activities; (iv) design specific and detailed food and nutrition security activities; and (v) develop targets and monitoring and evaluation mechanism for food and nutrition security activities.

E. Implementation Arrangements

19. The Executing Agency of the TA will be the Ministry of Finance. The TA implementation period will be 1 September 2014 to 31 October 2015. The equipment procured under the TA will be turned over to the Ministry of Finance at the end of the TA. All disbursements under the TA will be made in accordance with the ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time).

Table A4.4: Technical Assistance Processing and Implementation Schedule

Major Milestones	Expected Completion Date
Concept Paper/TA Approval	July 2014
TA Commencement	September 2014 ^a
TA Inception Report	September 2014
TA Midterm Report	November 2014
TA Final Report	January 2015

^aSubject to Government's approval of the Agricultural Development Strategy.
Source: ADB staff estimates.

³ To be financed by European Union directly.