



Nepal: Nuts and Fruits in Hilly Areas Project

Project Name	Nuts and Fruits in Hilly Areas Project																
Project Number	48218-006																
Country / Economy	Nepal																
Project Status	Approved																
Project Type / Modality of Assistance	Grant Loan																
Source of Funding / Amount	<table border="1"> <tr> <td>Grant 0845-NEP: Nuts and Fruits in Hilly Areas Project</td> <td></td> </tr> <tr> <td>Asian Development Fund</td> <td>US\$ 10.00 million</td> </tr> <tr> <td>Grant 0846-NEP: Nuts and Fruits in Hilly Areas Project</td> <td></td> </tr> <tr> <td>Global Agriculture and Food Security Program</td> <td>US\$ 9.00 million</td> </tr> <tr> <td>Grant: Nuts and Fruits in Hilly Areas Project</td> <td></td> </tr> <tr> <td>World Food Programme</td> <td>US\$ 3.00 million</td> </tr> <tr> <td>Loan 4211-NEP: Nuts and Fruits in Hilly Areas Project</td> <td></td> </tr> <tr> <td>Concessional ordinary capital resources lending</td> <td>US\$ 60.00 million</td> </tr> </table>	Grant 0845-NEP: Nuts and Fruits in Hilly Areas Project		Asian Development Fund	US\$ 10.00 million	Grant 0846-NEP: Nuts and Fruits in Hilly Areas Project		Global Agriculture and Food Security Program	US\$ 9.00 million	Grant: Nuts and Fruits in Hilly Areas Project		World Food Programme	US\$ 3.00 million	Loan 4211-NEP: Nuts and Fruits in Hilly Areas Project		Concessional ordinary capital resources lending	US\$ 60.00 million
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Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration																
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Knowledge solutions Partnerships																
Sector / Subsector	Agriculture, natural resources and rural development / Agricultural policy, institutional and capacity development - Agricultural production - Agro-industry, marketing, and trade																
Gender Equity and Mainstreaming	Effective gender mainstreaming																
Description	The project will increase agricultural income of approximately 40,000 farm households in 100 municipalities in hilly areas of five provinces: Province 1, Bagmati, Gandaki, Karnali and Sudurpashchim. This will be mainly achieved through the development of approximately 10,000 hectares (ha) of climate resilient fruit and nut orchards providing value-addition to the nuts and fruits produced by at least 30,000 farm households. The project will also improve the institutional capacity for managing the nursery and horticulture sector. For about 10,000 smallholder households, who are not capable of investing in fruit and nut orchard development in the project provinces, the project will assist them to improve their vegetable and other nutritious crop production and its marketing.																
Project Rationale and Linkage to Country/Regional Strategy	Nepal is experiencing a rapid change in its farming systems, particularly in hilly areas that are between 500 and 3,000 meters (m) above sea level. In these areas, agriculture still provides livelihoods to 66% of the population, but the share of agriculture in rural income was merely 11.4% in 2014-2015, and remittance has become the most important source of household income. As outmigration from these areas continuously rises, about 30% of cultivated land has now been abandoned from farming. Also, climate change is shifting crop cultivation altitude, and increasing diseases, insect pests and wet days. Climate vulnerability index is highest in the West, Northwest and Northeast with mountain regions in the Northwest having the lowest adaptation capacity. These land abandonment, outmigration and climate vulnerability result in less livelihood options, further accelerating youth outmigration to urban areas and abroad. The effective exploration of Nepal's horticulture potential has been constrained by a wide range of factors including: (i) lack of business and marketing channel; (ii) high post-harvest losses up to 40% of production due to poor quality planting materials, poor post-harvest management techniques and inadequate equipment and infrastructure for grading, packaging, and climate-controlled storage; (iii) limited access to loans, particularly the medium term loans required for horticulture production, due to complex loan acquisition and collateral valuation processes; (iv) shortage and high cost of seasonal labor; and (v) steadily declining farm productivity by 20% over the last 15 years. The declining fruit and nut crop productivity has led to Nepal's orchard productivity falling below the world average in 2017. This is a result of: (i) poor quality planting materials in the absence of nursery regulations such as Nursery Act; (ii) old and senile orchards with limited use of machinery; (iii) small landholding farms, characterized by land fragmentation, with an average size of 0.6 ha; (iv) limited water storage in hilly areas preventing year-round farming; and (v) lack of resilient varieties to climate change induced diseases. Also, female farmers in hilly areas are more likely to face a lack of equitable access to, and control over, productive resources such as land, credit, and technology. Yet, there are new opportunities emerging for farmers in hilly areas. Nepal's diverse agro-climatic conditions and geophysical locations provide a wide range of opportunities for tropical, sub-tropical and temperate fruit and nut production. Between 2008-2018, both the total area and the volume of fruit production has increased by more than 70%. ⁴ Still, domestic fruit and nut supply is not meeting the fast-growing demand. Fruit and nut demand in Nepal is increasing because of urbanization, rising national wealth, improved knowledge of nutrition and increased tourist flow. Between 2013-2017, nut importation rose by 43% and apple importation rose by 260%. This resulted in a 136% increase in the cost of fruit, nut, and potato importation during the same period. Higher profits from commercial fruit and nut farming could help retain the younger population. It also offers income generation opportunities for women who are heading households after male outmigration and are disadvantaged in finding off-farm employment. Engagement of women, and excluded and vulnerable groups in less labor-intensive horticulture production, marketing, and processing could help them be economically empowered and socially recognized in the household decision-making process. Through supporting fruit and nut farmers, the project will help the country to meet the horticulture demand, and increase hilly area farmers' income, employment opportunities and climate resilience.																
Impact	Livelihoods improved for rural households Resilience of farmers to climate change improved																
Project Outcome																	
Description of Outcome	Beneficiary farmers' agricultural income from climate resilient farming of fruits and nuts increased																

Progress Toward Outcome

Implementation Progress	
Description of Project Outputs	Institutional capacity for nursery and horticulture sector management improved Fruit and nut production and productivity of project farmers increased Value addition to fruit and nut enhanced in hilly areas
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Bagmati Province, Gandaki Pradesh, Karnali Pradesh, Province 1, Sudurpashchim Pradesh

Safeguard Categories	
Environment	B
Involuntary Resettlement	C
Indigenous Peoples	B

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

Business Opportunities	
Consulting Services	All consulting services will be carried out using the ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time).
Procurement	All procurement activities will be undertaken following the ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Responsible ADB Officer	Kim, Sunae
Responsible ADB Department	South Asia Department
Responsible ADB Division	Environment, Natural Resources & Agriculture Division, SARD
Executing Agencies	Department of Agriculture Ministry of Agriculture and Livestock Development Ministry of Finance

Timetable	
Concept Clearance	07 Jun 2021
Fact Finding	19 Jul 2021 to 02 Aug 2021
MRM	25 May 2022
Approval	12 Sep 2022
Last Review Mission	-
Last PDS Update	12 Sep 2022

Grant 0845-NEP

Financing Plan		Grant Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	10.00	Cumulative Contract Awards			
ADB	10.00	-	0.00	0.00	%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	-	0.00	0.00	%

Grant 0846-NEP

Financing Plan		Grant Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	9.00	Cumulative Contract Awards			
ADB	0.00	-	0.00	0.00	%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	9.00	-	0.00	0.00	%

Loan 4211-NEP

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	74.45	Cumulative Contract Awards			
ADB	60.00	-	0.00	0.00	%
Counterpart	14.45	Cumulative Disbursements			
Cofinancing	0.00	-	0.00	0.00	%

Project Page <https://www.adb.org/projects/48218-006/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=48218-006>

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