



Initial Poverty and Social Analysis

Project Number: 48218-006
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Nepal: Nuts and Fruits in Hilly Areas Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 4 June 2021)

Currency unit	–	Nepalese Rupee/s (NRe/NRs)
NRe1.00	=	\$0.00857
\$1.00	=	NRs116.67

ABBREVIATIONS

CSO	–	civil society organizations
GESI	–	gender equality and social inclusion
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of Nepal and its agencies ends in mid-July. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 16 July 2021.
- (ii) In this report, "\$" refers to United States dollars

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Nepal	Project Title:	Nuts and Fruits in Hilly Areas Project
Lending/Financing Modality:	Project	Department/Division:	South Asia Department/Environment, Natural Resources, and Agriculture Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The project will focus on the mid- and high-hill areas of Nepal to address: (i) an increasing gap between horticulture demand and supply, resulting in growing importation dependence and costs; (ii) smallholder farmers in hilly areas who are growingly dependent on remittances; and (iii) growing opportunities to develop the horticulture sector in the country. Nepal's mid and high hills have agro-climatic zones suitable for high value fruits and nuts. The project will strengthen the institutional capacities for nursery development and management, enhance farm-level nut and fruit production, and support value addition of fruits and nuts produced in hilly areas. With almost 71% of the population residing in rural areas and the agriculture sector providing livelihoods to 66% of the population, growth in the agriculture sector will have a significant impact on overall poverty reduction and broad-based inclusive growth.¹ The proposed project is aligned with the Agriculture Development Strategy, 2015–2035, and the government's fifteenth five-year plan (FY2019/2020–FY2023/2024), which emphasizes agriculture commercialization to contribute to Nepal's aspiration to attain middle-income status by 2030.² The project is aligned with the country partnership strategy for Nepal, 2020–2024, which emphasizes increasing productivity and commercialization to augment rural incomes.³

B. Poverty Targeting

General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs

There are four poverty rates available in Nepal, measured in 1976/77, 1984/85, 1995/96 and 2017/18 by different agencies with methodological changes, hence not comparable. Based on 2017/18 poverty rates assessed, population below poverty line was 18.7% and multidimensional poverty index (MPI) shows 28.6%.⁴ In accordance with the MPI, poverty in terms of standard of living is nearly doubled in mid-western and far-western regions as compared with other three regions. At the same time, poverty in rural areas of wealthier states is nearly seven times higher than their urban counterparts.⁵ Considering these factors, instead of selecting poorest provinces, the project focuses on hilly and mountain areas where the MPI is the highest. The target provinces were selected for fruit and nut production and market access potentials, providing opportunities to transform subsistence farmers into commercial farmers.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. While agriculture in Nepal provides livelihoods to about 66% of the population, the growing outmigration trend is making remittance the most important source of household income in hilly areas.⁶ The share of agriculture in rural income declined to 11.36% in 2014-15. High dependence on remittance raises the country's vulnerability to shocks such as the corona virus pandemic with remittances in 2020 potentially fall by 29%.⁷ A more recent analysis using the MPI reveals that overall, 33% of the rural population are multidimensionally poor, compared to 7% of the urban population. The project aims to support approximately 40,000 rural farmer households in hilly areas, including women farmers, who suffer from low productivity of traditional subsistence farming or have abandoned farming due to outmigration of household members. Overall in Nepal, 80-84% of the rural households have farms less than 1 ha and about 49-55% of households have less than 0.5 ha.⁸ While the precise project beneficiaries will be identified through the project preparation, it is estimated that project beneficiaries will have a similar landholding profile to the average rural households. The project will increase the income of rural households through fruit and nut farming by providing (i) training and financial support for orchard management and productivity increase, (ii) organizing smallholder farmers around production clusters, and (iii) supporting value addition to fruit and nut production in the mid and high hills through cooperatives.

¹ Government of Nepal. Ministry of Finance. 2019. [Economic Survey 2018-2019](#). Kathmandu.

² Government of Nepal, National Planning Commission. [The Fifteenth Plan: Fiscal Year 2019/20 - 2023/24](#), Kathmandu.

³ ADB. 2019. [Country Partnership Strategy: Nepal, 2020–2024](#). Manila.

⁴ Government of Nepal. Ministry of Finance. 2019. [Economic Survey 2019](#). Kathmandu.

⁵ S. Goli et al. 2019. [Regional differentials in multidimensional poverty in Nepal: Rethinking dimensions and method of computation](#). SAGE Open January-March 2019: pg. 1-18.

⁶ Government of Nepal. 2019. Ministry of Finance. [Economic Survey 2018-2019](#). Kathmandu.

⁷ A. Takenaka et al. [COVID-19 impact on international migration, remittances, and recipient households in developing Asia](#). Manila, ADB.

⁸ S. Chaudhary et al. 2020. [A synopsis of farmland abandonment and its driving factors in Nepal](#). Land. 9, 84.

2. Impact channels and expected systemic changes. The project will improve smallholder farmers' access to (i) quality disease-free fruit and nut saplings, (ii) pluralistic extension services, and (iii) better marketing channels. The project will also introduce improved production technologies thereby improving farming households' incomes. As clusters of orchards develop in the project areas, the poor and landless may find employment opportunities (e.g. labor for orchard management and harvesting).

3. Focus of (and resources allocated in) the transaction TA or due diligence. During the project preparation, in-depth poverty and gender equality and social inclusion (GESI) analyzes will be carried out to identify the landless and poor, and women in the project areas. As Province 6 and 7 have high migration rates, better understanding of migration patterns will be explored.⁹ The project will also look into securing synergies with ongoing agricultural value chain projects and access to finance in the project areas.

4. Specific analysis for policy-based lending. Not applicable.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? With growing outmigration of male household members, 84% of women are engaged in the sector, but they lack equitable access to, and control over, productive resources such as land, credit, and technology. Moreover, women tend to take up additional responsibilities such as plowing and marketing in addition to weeding, harvesting, threshing, and milling, thereby increasing women's overall workload. Farms managed by women produce less value per hectare than those managed by men, suggesting the existence of gender inequalities, particularly in accessing, adopting, and using technologies.¹⁰

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making? Yes No

Fruit and nut tree farming offers income generation opportunities for women who are heading households after male-outmigration and who are disadvantaged in finding off-farm employment. Engagement of women in less labor-intensive horticulture production, marketing and processing could help women economically empowered and socially recognized in the household decision-making process. A gender equality and social inclusion action plan (GESI/AP) will be prepared to cater to the needs of women in the project area.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?
 Yes No Horticulture production, which only requires periodic labor inputs post establishment, is likely to provide opportunities for women, both as smallholder orchardists and through employment or entrepreneurship in value adding processes. The project will empower women as a decision-maker of household and income control as women will be engaged in both production and sales.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

The socioeconomic analysis will identify appropriate measures, targets and indicators for inclusion in the GESI/AP, design and monitoring framework and any other measures to be included into project design.

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. Project beneficiaries are approximately 40,000 farm households in Province 1, Bagmati, Gandaki, Karnali and Sudurpaschchim. It is expected that at least 30% of beneficiaries will own less than 0.5 ha of land and at least 60% of beneficiaries own less than 1.0 ha. The facilitators of farmer group mobilizers, financed by the project, will explain the project concept to cooperatives in target municipalities, and any farmers who are willing to benefit from the project's support will sign an agreement with the local government about producing fruits and nuts on their land following good orchard management and post-harvest practices. There will be no negatively affected people.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? The transaction TA facility will support project preparation including baseline survey, and the transaction TA will support capacity building and project implementation. Consultations with smallholder and marginalized farmers and women will be carried out during project preparation to identify efficient ways to address their needs. Stakeholder consultation prior to annual project planning will be put in place and enforced during implementation.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design?

Information generation and sharing (M) Consultation (H) Collaboration (L) Partnership (NA)

⁹ C. Pandey et al. 2018. [Resource mapping and indexing of federal provinces of Nepal](#). Molung Educational Frontier, 8, pg 1-16.

¹⁰ Food and Agriculture Organization of the United Nations. 2019. [Country Gender Assessment of Agriculture and Rural Sector in Nepal](#). Kathmandu.

While the project target municipalities are not yet decided, key CSOs including the commodity-specific federations will be involved in activities under output 3. Other relevant CSOs will be identified and consulted as needed to support the project design and implementation, particularly to facilitate farmer group formation and for training.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? Yes No

The transaction TA facility will engage a social development consultant who will map out social relations between caste/ethnic groups in the project areas to ensure effective collaborations during project implementation. A poverty and social analysis will assess the communities' existing levels of participation in development-based decision making, expectations, interests and needs relating to the project objectives.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The project is classified C for involuntary resettlement as no physical or economic displacement resulting from involuntary land acquisition or involuntary restriction on use of or access to land will occur.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

- Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No There are several minority indigenous groups in the project area. The nature of the project may have limited positive impacts on the dignity, human rights, livelihood systems, or culture of these indigenous peoples. This assumption will be confirmed during the project due diligence.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No When indigenous peoples are willing to use their land for horticulture production, the project will offer training, inputs and access to financing.

3. Will the project require broad community support of affected indigenous communities?

Yes No The project is expected to have positive impacts on smallholder farmers including indigenous communities through training on horticulture production and offering income generation opportunities. Since the project will support each individual's land on a voluntary basis, broad support for indigenous communities is not expected at this stage. A more detailed understanding of indigenous communities will be developed during the project preparation once the target municipalities and production clusters are identified.

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?

- Indigenous peoples plan Indigenous peoples planning framework Social impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

- Creating decent jobs and employment (M) Adhering to core labor standards Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability
 Increase in unplanned migration (M) Increase in vulnerability to natural disasters Creating political instability Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design? Participatory planning throughout the project will ensure that managing these risks is included in the final project design and implemented throughout.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks. Are the relevant specialists identified? Yes No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence? Consultants and baseline survey will be financed by the transaction TA facility.