



Technical Assistance Report

Project Number: 48218-012
Transaction Technical Assistance (TRTA)
June 2021

Nepal: Implementation Support for the Nuts and Fruits in Hilly Areas Project

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CURRENCY EQUIVALENTS

(as of 4 June 2021)

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

ABBREVIATIONS

ADB	–	Asian Development Bank
DOA	–	Department of Agriculture
MOALD	–	Ministry of Agriculture and Livestock Development
MOLMAC	–	Ministry of Land Management, Agriculture and Cooperative
NCFD	–	National Center for Fruit Development
NGO	–	non-government organization
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 48218-012	
Project Name	Implementation Support for the Nuts and Fruits in Hilly Areas Project	Department/Division	SARD/SAER
Nature of Activity Modality	Capacity Development Regular	Executing Agency	Department of Agriculture, Ministry of Agriculture and Livestock Development
Country	Nepal		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Agricultural policy, institutional and capacity development		0.40
	Agriculture research and application		0.30
	Land-based natural resources management		0.30
		Total	1.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum)	0.000
✓ Accelerating progress in gender equality		Climate Change impact on the Project	High
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		ADB Financing	
✓ Promoting rural development and food security		Adaptation (\$ million)	0.70
✓ Strengthening governance and institutional capacity		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.1, 1.5		Effective gender mainstreaming (EGM)	✓
SDG 2.4, 2.5			
SDG 5.5		Poverty Targeting	
SDG 10.1		Geographic Targeting	✓
SDG 13.a		Household Targeting	✓
4. Risk Categorization	Complex		
5. Safeguard Categorization	Safeguard Policy Statement does not apply		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB			1.00
Transaction technical assistance: Technical Assistance Special Fund			1.00
Cofinancing			0.00
None			0.00
Counterpart			0.00
None			0.00
Total			1.00
Currency of ADB Financing: US Dollar			

I. THE ENSUING PROJECT

1. Nepal's diverse agro-climatic conditions and geophysical locations provide an opportunity to grow a variety of tropical, sub-tropical and temperate fruit and nut species. Between 2008–2018, the total area of fruit production has grown by 74% with production rising by 72%.¹ The area and volume of temperate fruit tree production, which primarily occurs in the mid and high hills zones, have both risen by about 28% over the same period. However, while fruit and nut demand in Nepal is increasing because of urbanization, rising national wealth, improved knowledge of nutrition and increased tourist flow, domestic fruit and nut supply is not meeting demand. Between 2013–2017, nut importation rose by 43% and apple importation rose by 260%. In 2017 alone, the cost of fruit, nut and potato importation totaled \$118.5 million which is an 136% increase compared to 2013 levels.² In the case of apple and citrus, growing production and production areas but not meeting domestic demand is closely associated with decreasing productivity.³ Between 2008/9 and 2018/19, productivity of both apple and citrus declined by 20% Nepal's fruit and vegetable productivity is below that of India, PRC and the world average.⁴

2. The Government of Nepal requested the Asian Development Bank's (ADB) support to improve livelihoods of farmers in hilly areas of five provinces through the Nuts and Fruits in Hilly Areas Project.⁵ The project will increase productivity and income of fruit and nut farmers in selected production clusters by enhancing (i) quality planting material production and supply systems; (ii) agriculture input supply and distribution systems; and (iii) farmers' collectivism in land use, climate resilient technologies adoption, production, and marketing.

3. The following outputs are expected to be delivered under the project: (i) institutional capacity for nursery and horticulture sector management improved; (ii) fruit and nut production and productivity of project farmers increased; and (iii) value addition to fruit and nut in hilly areas enhanced. The indicative cost for the project is \$72 million, of which ADB is expected to finance a concessional ordinary capital resources (COL) loan of \$50 million. The government support through exemption of taxes and duties and funding towards project costs is estimated at \$15 million. This transaction technical assistance (TA) is listed in the country operations business plan 2021–2023.⁶

II. THE TECHNICAL ASSISTANCE

A. Justification

4. The transaction TA will enhance the capacity of the executing and implementing agencies (IAs) to implement the ensuing project and bring in expertise that is not available locally. This donor-financed agricultural project will be the first of its nature under the new three-tier federal government system. The TA is proposed to be approved before approval of the ensuing project to build institutional and technical capacities of central, provincial, and local governments under the new federal structure and given that the IAs are new to ADB project implementation.

¹ National Center for Fruit Development, Ministry of Agriculture and Livestock Development estimates. Unpublished.

² Rising importation is, in part, linked to the seasonality in product supply and demand, particularly during the Dasain and Tihar festivals.

³ Productivity of other key horticulture crops such as potato, tea, coffee, and flower grew modestly.

⁴ M. Thapa and S. Dhimal. 2017. Horticulture Development in Nepal: Prospects, Challenges and Strategies. *Universal Journal of Agricultural Research*. 5(3). pp. 177-189; and Nepal Horticulture Promotion Center. 2017. *Nepal: Fruit Development Project*. Volume 1.

⁵ Five provinces are Province 1, Bagmati, Gandaki, Karnali and Soudurpaschim.

⁶ ADB. 2020. [Nepal: Country Operations Business Plan 2021–2023](#). Manila.

5. Currently the government does not allow expenses for consultancy services exceeding five percent of the loan project.⁷ Hence the TA will also support project implementation by engaging national farmer group facilitators (see output 4). These facilitators will support local governments that are lacking human resources to effectively reach out to approximately 40,000 households under the ensuing project.

B. Outputs and Activities

6. **Output 1: Disease-free nursery management and certification system improved.** The TA will help build the capacity of NCFD and provincial horticulture development centers to develop and manage disease-free sapling production and sapling quality management systems. This prepares NCFD and provincial horticulture centers for the implementation of the ensuing project that will finance physical upgrading and infrastructure development of nurseries, training of nurserymen on best practices, awareness-raising of private nursery managers on quality control system, and national research on climate resilient variety development and horticulture production. The TA will enable the IAs to critically consider international best practices and learn lessons from international experience.

7. **Output 2: Agriculture input support system digitized.** The TA will support the IAs to enhance transparency, effectiveness and targeting of their subsidy distribution systems by exploring the utilization of digital payment for financial support. While the ensuing project will finance the engagement of IT companies to develop a digital payment system for the ensuing project, the TA will build the capacity of the IAs to be ready to supervise the system development and operation by raising awareness about the best practices and available options, and by developing operation and maintenance strategy and manual, learning from international experience.

8. **Output 3: Carbon capture of fruit and nut orchard explored.** The TA will support NCFD and MOLMAC by engaging international experts to explore the innovative approach of carbon sequestration measurement, reporting and verification of fruit and nut tree plantation, and consider the potential of carbon financing.

9. **Output 4: Climate resilience of orchard management improved.** The TA will engage local service providers that will (i) promote farmers' participation in land use planning, (ii) facilitate the formation of farmer groups, (iii) strengthen the cooperatives, and (iv) support farmer-to-farmer extension of climate resilient farming.

10. The TA adds value to the ensuing project by enabling the IAs to explore innovative ideas and approaches, such as carbon capture measurement and financing through revegetation of barren land, planting fruit and nut trees, digital payment for agricultural subsidies and other financial support, nursery management, and certification system development for nut and fruit farming which are new to NCFD and MOLMACs. Also, the TA will support local governments to mobilize hilly area farmers' action for collective land use and farmer-to-farmer extension that will expedite loan disbursement and generate project outputs.

C. Cost and Financing

11. The TA is estimated to cost \$1.0 million and will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-7). The key expenditure items are listed in Annex 1.

⁷ Government of Nepal. Ministry of Finance. 2019. [International Development Cooperation Policy](#). Kathmandu.

12. The government will provide counterpart support in the form of staff, office, and secretarial assistance, and other in-kind contributions. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

13. ADB will administer the TA. The South Asia Department's Environment, Natural Resources and Agriculture Division will select, supervise and evaluate consultants.

14. Implementation arrangements are summarized in Table 2.

Table 2: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	July 2021 – December 2025		
Executing agency	DOA, MOALD		
Implementing agencies	ADB through the South Asia Department		
Consultants	To be selected and engaged by ADB		
	Firm: QCBS (90:10)	International expertise on nursery management and certification (14 person-months)	\$240,000
		International expertise on digital payment (16 person-months)	\$340,000
		International expertise on carbon capture and financing (6 person-months)	\$78,000
National expertise (720 person-months)		\$342,000	
Procurement	None		
Advance contracting and retroactive financing	Advance contracting will be undertaken for this TA for recruitment of the consultant firms.		
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook (2020, as amended from time to time)</i> .		
Asset turnover or disposal arrangement upon TA completion	Goods purchased with ADB financing will be handed over to the government upon completion of the TA.		

ADB = Asian Development Bank, DOA = Department of Agriculture, MOLMAC = Ministry of Land Management, Agriculture and Cooperative, NGO = non-government organization, TA = technical assistance.
Source: ADB estimates.

15. **Consulting services.** ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions.⁸

⁸ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank ^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	505.5
ii. National consultants	288.0
b. Out-of-pocket expenditures	
i. International and local travel	64.5
ii. Surveys	15.0
iii. Miscellaneous administration and support costs	10.0
2. Contingencies	117.0
Total	1,000.0

Note: The technical assistance (TA) is estimated to cost \$1,000,000 of which contributions from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of counterpart staff, office and housing accommodation, office supplies, secretarial assistance, and other in-kind contributions. The value of the government contribution is estimated to account for 6% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 7).

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=48218-012-TARreport>

1. Terms of Reference for Consultants