Early Warning System

ADB-48218-002

Agriculture Sector Development Program

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Quick Facts

Countries	Nepal
Financial Institutions	Asian Development Bank (ADB)
Status	Canceled
Bank Risk Rating	B
Sectors	Agriculture and Forestry
Investment Type(s)	Loan
Investment Amount (USD)	$ 30.00 million

Project Description

DESCRIPTION

The proposed Agriculture Sector Development Program (ASDP) will promote sustainable and competitive agriculture sector development in Nepal. It will combine a policy-based program and an investment component to support implementing the Agricultural Development Strategy (ADS) in a comprehensive and integrated manner. The program component will support and foster key policy reforms identified in ADS to improve competitiveness and commercialize agriculture. The investment component will support market infrastructure and value chain development, rural transport connectivity, and food security initiatives in four clusters of the eastern, central, western, and mid and far-western parts of Nepal. The counterpart funds generated by the program will be earmarked for agriculture sector development.

ASDP will contribute to the ADS vision of developing a competitive and inclusive agricultural sector in Nepal. For this purpose, ASDP will support the envisaged policy and institutional reforms and priority investment projects to achieve ADS's result targets through the joint efforts by the government, private sector, and the beneficiaries. The impact of the ASDP will be accelerated growth of the agriculture sector. ASDP outcome will be inclusive, market-oriented and competitive agriculture sector developed. The outputs for program component are: (i) institutional and policy reforms in place to implement ADS; and (ii) agricultural inputs supply and distribution improved. These outputs will require formulation and/or amendment of various policies or regulations and will complement the investment component. The outputs of the investment component are: (i) agribusiness infrastructure improved; (ii) rural connectivity extended and maintained; and (iii) agricultural extension and research strengthened. Design and monitoring framework is in Appendix 1.

PROJECT RATIONALE AND LINKAGE TO COUNTRY/REGIONAL STRATEGY

The agricultural sector in Nepal made progress in some areas since launching the Agricultural Perspective Plan (APP) in 1997. Rural roads, horticulture and community forest achieved envisaged targets. The performance of cereals, fertilizer, and seed was poor; performance of livestock and irrigation was mixed; and overall agricultural growth was slower than projected. Investment did not increase as envisaged. Political instability slowed down the reforms needed to implement APP. Also the leading stakeholders farmers and private sector, as well as women and excluded groups were not actively involved in its formulation and implementation. The 10-year conflict that concluded in 2006 had adverse effects on the agricultural sector. A large number of rural households left their lands and moved to the cities or abroad. These movements of rural population resulted in labor and investment scarcity in rural areas. The agriculture sector is still in a low development stage as indicated by low labor productivity, low commercialization and value addition, and food insecurity. There is a growing food trade deficit, and malnutrition is high.

Agricultural growth in Nepal continues to be low, averaging 3% in the five years ending in FY2013. The policy environment at present is not conducive for a competitive agriculture sector. Lack of integration between agriculture and non-agriculture sectors contributes to the low performance of Nepal's gross domestic product. While in neighboring countries there is a growing and relatively vibrant agribusiness sector, in Nepal this is still in the very formative stages of development. Nepal is lagging behind in structural transformation in agriculture from subsistence to commercialization and competitiveness. High levels of farming for subsistence is related to poor rural connectivity, and limited access and adoption of suitable technologies (both on farm and post-harvest); limited availability of inputs; lack of access to credit; and research and extension system, which is not demand driven. Limited number of service centers and resources, and lack of innovation constrain extension outreach. The national agricultural research system is ineffective in responding to the needs of the farmers and agro-enterprises. As rising temperatures and the effects of climate change are felt more intensely, food insecurity in Nepal is expected to become more acute.

Insufficient availability of quality fertilizers, low seed replacement ratio, and limited availability of quality and affordable seeds

Investment Description

- Asian Development Bank (ADB)

Loan: Targeted Value Chain Development Project
Concessional ordinary capital resources / Asian Development Fund US$ 30.00 million

European Union US$ 60.00 million

Swiss Development Corporation US$ 5.00 million

Government of the United Kingdom US$ 25.00 million

Contact Information

ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: http://www.adb.org/site/accountability-mechanism/main

CONTACTS

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Bank Documents

- Agriculture Sector Development Program [Original Source]
- Agriculture Sector Development Program: Project Data Sheet (Nepali Translation) [Original Source]
- Project Disclosure PDF

Other Related Projects

- ADB-48218-001 Agriculture Sector Development Program
- ADB-48218-007 Support for Value Chain Development Under the Nepal Agriculture Development Strategy
- ADB-48218-011 Rural Connectivity Improvement Project - Additional Financing