

Nepal

Agriculture Sector Development Programme Supervision Report

Main report and appendices

Mission Dates: 23 September - 03 October 2019
Document Date 21/11/2019
Project No. 2000001418
Report No. 5240-NP

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

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ADBL	Agricultural Development Bank Limited
ASDP	Agricultural Sector Development Programme
AWPB	Annual Work Programme and Budget
B2B	Business-to-business
B2S	Business-to-services
CAESC	Community Agricultural Extension Service Centres
CPO	Country Programme Officer
EOI	Expression on Interest
FEBLF	Financial Education and Business Literacy Facilitator
FEBL	Financial Education and Business Literacy
FY	Fiscal Year
GON	Government of Nepal
GSI	Gender and Social Inclusion
HSI	Helvetas Swiss Intercooperation
IDO	Institutions Development Officer
IFAD	International Fund for Agricultural Development
LNGOs	Local Non-governmental Organizations
LPA	Lead Project Agency
LSP	Local Service Provider
M&E	Monitoring and Evaluation
MADC	Municipal Agriculture Development Committee
MAU	Municipal Agriculture Unit
MIS	Management Information System
MOALD	Ministry of Agriculture and Livestock Development
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MSP	Multi-stakeholders' platform
NASDP	National Agricultural Development Support Programme
NPR	Nepalese Rupees
OSV	Off-season vegetable
PCO	Project Co-ordination Office
PIM	Project Implementation Manual
PP	Procurement Plan
SDC	Swiss Development Cooperation
SDG	Sustainable Development Goal
SIP	Strategic Implementation Plan
SM	Social Mobilization
TA	Technical Assistance
WA	Withdrawal Application

A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	Nepal	Environmental and Social Category:	B
Project Name:	Agriculture Sector Development Programme	Climate Risk Classification:	2
Project ID:	2000001418	Executing Institution:	Ministry of Agriculture Development
Project Type:	Storage, processing and marketing	Implementing Institutions:	not available yet
CPM:	Tarek Kotb		
Project Director:	not available yet		
Project Area:	not available yet		

Approval Date:	11/12/2017	Last audit receipt:	not available yet
Signing Date:	04/06/2018	Date of Last SIS Mission:	03/10/2019
Entry into Force Date:	04/06/2018	Number of SIS Missions:	1
Available for Disbursement Date:	10/04/2019	Number of extensions:	0
First Disbursement Date:	14/05/2019	Effectiveness lag:	6 months
MTR Date:	not available yet		
Original Completion Date:	30/06/2024		
Current Completion Date:	30/06/2024		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$38,200,000
	Asia and the Pacific Division	\$1,800,000
Domestic Financing breakdown	Other Domestic	\$3,440,000
	Private sector local	\$3,488,000
	National Government	\$11,480,000
	Beneficiaries	\$6,681,000
Co-financing breakdown,	Swiss Agency for Development and Cooperation	\$3,000,000
Project total financing:		\$68,089,000

Current Mission

Mission Dates:	23 September - 03 October 2019
Days in the field:	7 days
Mission composition:	Mr Shyam Khadka, Mission Leader and Project Management Specialist; Mr Sanjeev Kumar Shrestha, Value Chain Development Specialist; Mr. Michael Roy, Monitoring & Evaluation Specialist; Mr. Pradeep Shrestha, Financial Management Specialist; Mr. Hari Prasad Dhakal, Procurement Specialist. Dr Tarek Kotb, Country Director IFAD and Mr. Bashu Aryal, CPO IFAD joined the Mission in the kick-off and wrap-up meetings in Surkhet and in Kathmandu.
Field sites visited:	Jajarkot

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4

Effectiveness and Developmental Focus	4	Project Management	4
Effectiveness	4	Quality of Project Management	3
Targeting and Outreach	4	Knowledge Management	3
Gender equality & women's participation	4	Value for Money	4
Agricultural Productivity	4	Coherence between AWPB and Implementation	3
Nutrition		Performance of M&E System	4
Adaptation to Climate Change	4	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	4

Sustainability and Scaling-up	4	Financial Management and Execution	3
Institutions and Policy Engagement	4	Acceptable Disbursement Rate	1
Partnership-building	4	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	
Quality of Beneficiary Participation	4	Counterparts Funds	3
Responsiveness of Service Providers	4	Compliance with Loan Covenants	3
Environment and Natural Resource Management	4	Procurement	4
Exit Strategy	4		
Potential for Scaling-up	4		

Relevance	5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

The Agriculture Sector Development Programme (ASDP) aims at contributing to the achievement of Nepal's SDG 1 and SDG 2 targets by reducing poverty and nutrition insecurity amongst women and men in hill and mountain areas of Karnali Province^[1] (previously State 6). The Programme's completion date is 30 June 2024 and the closing date is 31 December 2024. The Federal Ministry of Agriculture and Livestock Development (MOALD), Government of Nepal (GON) is the Lead Project Agency (LPA) of the Programme. The MOALD implements activities in close cooperation and coordination with the State and Municipal (local level) governments and in doing so it seeks supports from local and national NGOs as well as the private sector entities.

ASDP was approved by IFAD Board on 11 December 2017 and was declared effective on 4 June 2018 and initial advance was disbursed in May 2019. A Memorandum of Understanding (MOU) was signed between the MOALD and Helvetas-Nepal, on 11 December 2018 for supporting implementation of establishment of municipal agriculture development committees (MADCs) and pluralistic extension services under component 1.4.

As the first supervision exercise for ASDP, current mission focussed on: (i) reviewing the implementation plan prepared by the Programme management and provide implementation support; (ii) assessing the capacity of the Programme staff to implement the activities; (iii) reviewing the M&E and MIS system; (iv) assessing coordination and linkages mechanism put in place between/among three tiers of governments - federal, state and municipal; and (v) finalizing a 9-month action plan to be implemented by the Programme until the end of the current fiscal year 2019/2020.

The Mission had a kick-off meeting with MOALD chaired by Dr. Yubak Dhoj GC, Secretary and benefited from the participation of Mr. Shankar Prasad Sapkota, Under Secretary, MOALD and Mr. Khadga Rai, Section Officer, National Planning Commission (NPC) during 25-28 September including a field visit to Jajarkot. The mission paid a courtesy call to Ms Bimala KC, Minister of Land Management, Agriculture and Cooperatives of Karnali State (Province) and benefited from an interim interaction with Dr. GC, in Surkhet on 28 September. The Mission shared key findings and recommendations with Mr. Rajendra Mishra, Programme Coordinator (PC) and Project Co-ordination Office (PCO) staff in a pre-wrap-up meeting held in Surkhet on 1st October 2019. A final wrap up meeting with Government was held on 3 October 2019 in Kathmandu chaired by Dr. GC with participation from the NPC and MOF and other key stakeholders which discussed and endorsed the detailed action items presented in the aide memoire.

Key Mission Agreements and Conclusions

With significant delay in initiating programme activities caused mainly by delayed and partial staffing, the progress made by the Programme is modest. This reflects in financial progress of the Programme which is only about 6.34% of IFAD loans and grants and 23.3 % of annual work plan and budget (AWPB) allocation for FY2018/19. Implementation of market-oriented public and community infrastructure, rural financial services and women's empowerment and household nutrition sub-components are yet to begin.

With the start of the value chain development activities and pluralistic extension services the Programme has been able to make a commendable progress in laying down a strong foundation for expedited implementation in future. The most critical step for the Programme management now is to complete the on-going recruitment process, fill all critical vacancies and start working on deepening programme interventions in approx 99 clusters from about 21 municipalities.

D. Overview and Project Progress

The Programme has suffered significant delay in starting-up activities as activities began only from December 2018. While PCO was established with an *ad interim* PC and a Senior Agricultural Officer in September 2018, other 3 GON staff joined the Programme only during October-December 2018. The full-time PC joined only in May 2019 and effective leadership of Jumla and Salyan Programme Co-ordination Units (PCUs) became available only in September 2019. Of the approved positions of 31 experts, 14 experts joined the programme in July 2019^[1]. As a result, 17 approved positions remain vacant until now. For filling 14 of the 17 vacant posts, a recruitment agency is expected to be contracted soon.

The Technical Assistance (TA) team was fielded by HELVETAS in February 2019 and this helped the Programme to make some headway in starting activities related to agricultural services. The TA team currently has 17 staff.

So far PCO has procured 3 vehicles, 20 motorbikes, 20 laptops, 6 printers, 12 tablets, 21 external hard disks, 12 tablets, 2 air conditioners and necessary furniture and fixtures, including a solar panel.

A central level start-up of workshop was convened in Kathmandu in April 2019 It was followed by a half day state level workshop in June 2019 and 8 district level orientation programs.

The Programme management continues to suffer from inadequate number of staff in general and lack of staff to drive rural

finance, grassroots institutions development, and gender and social inclusion (GSI) including Household methodology (GALS) and nutrition support sub-components, in particular. Currently, the Programme does not have Infrastructure Development Expert in PCO and 3 sub-engineers in PCUs. In view of this, the Programme management needs to accord highest priority in completing the on-going recruitment process for 14 staff.

On engaging the local non-governmental organizations (LNGOs) for 8 districts currently covered, the Mission is in agreement with the proposal of the PCO to recruit individuals as social mobiliser (SM) as Programme staff. In implementing this modality the PCO will: (i) assign the each SM responsible for a group of clusters within or across municipalities; (ii) while the line of reporting of these SMs will be to the Institutional Development Officer (IDO) of the PCU, they will closely co-ordinate with the respective municipalities, in particular the MADC; (iii) the chair-person of MADC will have oversight over the functioning of SMs and will advise PCU about the performance of the SMs. PCU will consider such advice in assessing the performance of the SMs and releasing their salary.

Given the crucial role that SMs play in successful implementation of the Programme, the PCO will ensure a rigorous selection and recruitment process as well as proper orientation of the SMs. A recruitment agency will be commissioned to receive application and conduct the selection process locally within the Province. In making the final selection after the screening through written examinations by the recruitment agency, the PCO will participate diligently, also involving independent experts, as necessary. Since the SMs will function under the overall supervision of the IDOs no SM co-ordinator will be recruited.

In view of the delay in implementing the Programme the need for one support staff for data management is not immediate. Moreover, data inputs will be through tablets by SMs at field level, one information management assistant will be recruited at PCO towards the beginning of next fiscal year (mid-July 2020).

The Programme needs to accord highest priority to deepening its interventions in 99 clusters of 21 municipalities for which commodity prioritization has already taken place. For the remaining 16 municipalities, the Programme needs to undertake activities leading to the selection of clusters and commodity prioritization on staggered basis. Exceptions, however, would be allowed in the case of **Mugu** where cluster selection is yet to take place in any of the municipalities and **Kalikot** where cluster selection has taken place in only one municipality. The number of municipalities in Mugu and Kalikot will be limited to 2 and 3 respectively.

Component-wise progress

In recent months, ASDP has been able to undertake foundation work on which future progress can be made speedily.

The Programme has two components: (i) Value chain development, and (ii) Programme coordination. The first component includes four sub-components: (i) Inclusive and sustainable agriculture value chains; (ii) Market-oriented infrastructure ; (iii) Rural financial services for value chain development and (iv) Agriculture services.

The Programme has finalized SIPs for 9 value chain commodities viz., off season vegetable (OSV), goat, honey, dairy, ginger, potato, turmeric, apple and citrus fruit under **inclusive and sustainable agriculture value chain development** sub-component through consultation cum validation workshops with the respective municipalities.

Similarly, 9 multi-stakeholders workshop - 2 for province and 1 each for 7 districts - were conducted. The province level workshop has also validated the SIP-identified interventions, prioritized and also facilitated the linkage between producers and buyers in honey and milk value chains. Significantly, the Programme has identified 37 municipalities from 8 districts currently covered. These municipalities in total have 393 wards and over 187,000 households. Of those, orientation programme on value chain development approach and implementation procedure has been undertaken in 24 municipalities. Of these, 21 municipalities have prioritized top three value chain commodities and potential clusters for respective value chains. In 14 of the municipalities MADCs have been formed and with 10 municipalities MOUs has been signed. Preliminary assessment of potential demand undertaken in 21 municipalities have identified in 99 clusters with 42,756 households. While this assessment has shown demand for 12 different commodities, top 3 demands are for off-season vegetables goats and dairy (Annex 1). The Programme has also made its first call for Expressions of Interest (EOI) from agri-businesses and service providers.

The PCO needs to consider the following points while implementing the value chain development sub-component: (i) the value chain cluster development activities in identified clusters should be driven by market-led production plan - within the clusters as guided by the MSP and brokering process (B2B/B2S meetings). (ii) continue through B2B interactions and MSP to replicate processes as described in Box 1. Similarly, priority should be accorded to off-season vegetables, goats, and dairy during the current fiscal year. Exceptions will be allowed for seed potato cultivation in high altitude areas and for honey in Jajarkot district; highly nutritious under-utilized crops in selected districts, ginger in Salyan and Rukum. Limited intervention should be introduced for apple, timur (Sichuan ash) and walnut for which value chain activity will focus only on supporting nurseries in the current fiscal year. In addition to above, the Programme shall consider commodities as well as clusters of respective value chains as proposed by the private sector/buyers to work with the producers group in sourcing the product.

Box 1: *The B2B meetings between the producer group of Chepang (Barahtal, Surkhet) with Devkota Mandi (vegetable whole sellers) and Dandagaon (Nalghad, Jajarkot) with Aathbiskot Dairy cooperative, West Rukum, respectively as the follow up of multi-stakeholder platform, resulted in formation of 15 group of interested farmers (7 in Vegetable involving 150 households and 8 in Dairy value chain with 200 households to supply 100 MT potato, including 15 MT various vegetables during this season and 1000 litres milk per day as demanded by the market players. This shows that successful engagement with agribusiness/market players has started.*

Under the community and public market-linked infrastructure sub-component, the Programme has identified 137 community and 61 public infrastructures.

There is a need now to undertake feasibility studies and validate the infrastructure demand during the MSP at various levels and included in subsequent participatory community planning, endorsed and aligned with municipal infrastructure development plans.

Under the **rural financial services for value chain development** sub-component, the Programme management has collected information on commercial banks, microfinance institutions and cooperatives operating in selected municipalities of 9 programme districts.

The Programme should attach utmost importance to implementing rural financial services since lack of credit support will not only dampen the up-take of co-investment activities but will also create exclusionary effect upon the poor households.

Under the **Pluralistic agriculture service sustainably supporting innovation and value chain development** sub-component, the Programme has undertaken: (i) 1 training of agrovet businesses, with the participation of 19 persons, of which 4 (21%) were women (ii) 22 municipal level orientation workshops, involving 1,602 participants (26 % women, 12% Dalits and 14% Janjatis) consisting of executive members, key officials, staff and elected representatives on programme concept, design, implementation approach and support expected from the government at the municipalities; (iii) formation of 14 Municipal Agriculture Development Committees (MADCs); (iv) Signing MoUs with 10 municipalities.

In addition, the Programme has completed the assessment of the availability of agricultural service providers from both public and private sector from 18 municipalities in 8 districts currently covered by the Programme. Non-availability of qualified human resource for agricultural service provisioning appears to be a serious constraint at the municipal level. This contrasts with full devolution of agricultural extension services to the municipalities mandated by the new constitution of Nepal. Information collected from 16 municipalities shows that out of a total budgetary allocation of NPR 5.74 billion, crops agriculture accounts for NPR 90 million (1.57%) and Animal Husbandary NPR 33.8 million (0.94%), respectively.

For sustainably supporting innovation and value chain development through agricultural services, the Programme should continue to support MADCs by also employing fully the capabilities available in the TA team and applying knowledge generated within the Programme, NASDP and other projects.

The Programme design proposed the establishment of Community Agricultural Extension Service Centres (CAESCs) in each ward of municipalities as membership-based organization composed of the farmers, private sector service providers, and agro-entrepreneurs. This concept is in line with the Agricultural Development Strategy approved in 2014 prior to the adoption of the federal system in Nepal. In the new context of devolution of agricultural service provisioning to municipalities, the role of the CAESCs are less clear. As no replicable model exist in the country, the Programme needs to work on developing conceptual models and piloting these model(s).

Agreed Action	Responsibility	Agreed Date
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AWPB Submit the revised AWPB for IFAD's no objection. [The Mission has reviewed the AWPB and endorses its approval by IFAD subject to the inclusion of actions agreed upon with the Programme management.]	PCO	10/2019
Call for Expression of Interest Call for Expression of Interest (EoI) from producer group/cooperatives from the identified clusters of 21 municipalities for the selected value chains.	PCO	10/2019
Recruitment Recruit short-term procurement consultant, until the fulltime position is filled.	PCO	11/2019
Multi-stakeholders' platform Conduct Multi-stakeholders' platform at province and cluster/municipality level for validation of value chain intervention strategies and clusters for the priority 4-5 value chains as identified in SIPs and develop action plans for each value chain, as a basis for planning for upcoming AWPB.	PCO /VC Team	11/2019
Infrastructure Develop clear mechanism for implementation and funding modality of the infrastructures sub-projects with technical support ensuring appropriate design and quality of the construction.	PCO/PCUs	11/2019
Financial Education and Business Literacy (FEBL) Manual & Implementation Guidelines Finalize Financial Education and Business Literacy (FEBL) Manual & Implementation Guidelines with no objection from IFAD	PCO, RF & VC Team	11/2019
Conceptual mode Develop a conceptual model in close collaboration with TA team and submit it to IFAD for no objection to pilot the model in selected wards of 2-5 municipalities. Also support, on pilot basis, a community-based extension service arrangement for the value chain development for specific commodities in a cluster or a group of clusters using the resources allocated for CAESCs. Scaling-up of successful model(s) will be undertaken after a review by IFAD's supervision mission in 2020.	PCO/ PIUs	11/2019
Staffing Urgently fill vacancies of all remaining 14 staff (Engineering, Inclusion, Institutional development, Rural Finance team etc.) as agreed in the Project Document and being approved by PSC/IFAD.	PCO	12/2019
Coaching and Trainig Include coaching and mentoring activities besides trainings and exposure visits on rolling basis to build the capacity of the Programme team	PCO	12/2019
Financial Institutions Complete the detailed mapping of financial institutions and intermediaries including Cooperatives within 21 municipalities.	PCOs/PIUs	01/2020

FEBL Facilitators (FEBLFs) Select FEBL Facilitators (FEBLFs) within first batch of producer Group/Clusters and conduct training of trainers of FEBLFs and roll-out first batch of FEBL training with 30 Producer groups.	PCO, RF & VC Team	01/2020
Terms of Reference Develop ToR of all agreed additional PCO and PMU based positions (Procurement, Knowledge and Communication, Agricultural Officers for piloting cluster/ward level extension system, IDO, SMs) and seek no objection from IFAD and MoALD; complete the recruitment of these staff through a competitive recruitment process by hiring a recruitment agency. Recruitment process of SMs to be held at Surkhet and possibly in other programme districts.	PCO	02/2020
Staffing Adjust the pay level of the Programme staff periodically taking into consideration of the staff performance, prevailing pay level for similar jobs in development sector, and remoteness of the area being served by the staff concerned.	PCO	03/2020
Groups / Cooperatives Mobilize and strengthen 200 group/cooperatives in responding the requirements of market players/traders demand in selected commodities following B2B interaction and cluster level Multi-stakeholders' Platform (MSP) meetings. Develop detailed roll-out plan for the next nine months covering approximately 99 clusters of 21 municipalities.	PCO/VC team	06/2020
Prioritize Commodities Prioritize the commodities mentioned above and deepen Programme interventions pursuing value chain development as per stated methodology.	PCO/PIUs	
Cluster development process Capacitate the Programme team on brokering cluster development process including MSP, B2B and B2S linkages & relationships among private sectors/ agribusiness and producers' organizations in developing efficient and competitive value chain including appraisal and evaluation of co-investment proposals.	PCO	
Infrastructure Ensure that all community and public infrastructures investments selection follow value chain and cluster development priorities and for which concerned municipality has agreed to co-fund.	PCO	

Market Centres In the case of market centres, undertake scoping study and develop revenue based sustainable operation and management guidelines including clarity on land ownership.	PCO/PCUs	
Banks Focus on building collaborative relationship with commercial and development banks and assist them to improve their financial products which are adapted to value chain financing.	PCO/PIUs	
Savings and credit Coopeatives Societies Intiate actions to develop a collaborative relationship with participating savings and credit and multi-purpose co-operatives societies for providing short term credit requirements.	PCO/PIUs	
Building capacity of public and private sector service Focus on building capacity of public and private sector service providers and their mobilization including B2S interaction and overall service market environment by using the resources allocated for the purpose and as envisaged in the programme design report. Actively encourage the beneficiaries and enterprises to opt for paid advisory services and thereby create a market for agro-advisory services.	PCO/ PIUs	

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness	Rating: 4
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Justification of rating

ASDP is at very early stage of implementation, so it is not yet possible to assess the development effectiveness. A default rating of 'moderately satisfactory' is applied.

Log-Frame Analysis & Main Issues of Effectiveness

Nepal has undergone significant changes since the finalization of the ASDP's design. The basic developmental challenges and opportunities, however, remain unchanged and the ASDP's theory of change continues to remain relevant and applicable. Therefore, no changes in the log-frame has been suggested at this stage.

The Programme has developed 9 of the 12 SIPs. As the field implementation is at early stage, there are no updates on other performance vs log-frame indicators.

Development Focus

Targeting and Outreach	Rating: 4
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Justification of rating

Selection of 99 clusters from 21 municipalities follows the spirit of design guidelines. Geographic targeting of these municipalities and clusters seems perfect. The training programme carried out so far has involved women and other disadvantaged section (Dalits and Janjatis) of the population however the number is too small. As the field implementation is at very early stage, it is not yet possible to provide a reliable assessment. A default rating of 'moderately satisfactory' is applied.

Gender equality & women's participation**Rating: 4****Justification of rating**

In its early stage of implementation, the Programme has implemented only a limited set of activities at the field levels. This includes only a training event to the agro-vets and orientation workshops in 22 municipalities. Technical experts on gender and social inclusion, and household methodology are yet to be recruited. As the field level activities are yet to be started, it is difficult at this stage to rate the gender equality and women/youth participation.

Agricultural Productivity**Rating: 4****Justification of rating**

The inclusive value chain development approach envisaged under the Programme and the initial development thrust pre-supposes significant productivity increase in crops, livestock and horticulture sub-sectors. VC clusters identified so far offers that opportunity and interventions in the agricultural sector has been initiated keeping that in mind. Significant increase in the productivity in primary sector is expected to be achieved as the programme interventions deepen. As the production related activities are yet to be implemented, it is not yet possible to provide a reliable assessment. A default rating of 'moderately satisfactory' is applied.

Nutrition**Rating:****Adaptation to Climate Change****Rating: 4****Justification of rating**

Since the field implementation has just begun, rating performance against adaptation to climate change is not possible at this stage. A default rating of 'moderately satisfactory' is applied.

b. Sustainability and Scaling up**Institutions and Policy Engagement****Rating: 4****Justification of rating**

The ASDP management is aware of key policy issues and institutional support requirements and have started involving municipalities in the programme planning process. With major devolution of authority to local governments as mandated by the new constitution in Nepal, the programme is well-placed to support good governance practices and adopt policies that allow sustainably increasing income among the target group... Of the total discretionary development budget made available to the municipalities by the federal government, current allocation is relatively low in almost all municipalities. This is explained by a very high level of priority accorded for infrastructure, mainly rural track/ roads, development. In future this approach should be changed in a way that accords higher priority for primary production and local processing and aligning infrastructure development with agricultural development plans. In addition, the track/road development programme should consider likely negative impact on environment such as through landslides. The Programme is well-placed to advocate for these policy shifts and thereby assist the local governments to opt for a more balanced, inclusive and sustainable development. In view of these factors and ASDP's productive engagement with municipalities a default rating of 4 has been applied.

Partnership-building**Rating: 4****Justification of rating**

Partnership between the PCO and Helvetas Swiss Intercooperation is very good. Provincial and municipal level government units are increasingly being engaged in the Programme activities. MOU with 10 municipalities have already been signed and the same process with additional 11 municipalities is at different stages. The process to engage private sector players (agribusinesses or the gatekeepers) as the key partners to source produce from the production groups has been initiated. Selection of service providers for activities viz., rural finance, infrastructure development and women's empowerment and nutrition support are yet to be initiated.

Human and Social Capital and Empowerment**Rating: 4****Justification of rating**

Assessing the performance on human and social capital and empowerment is too early as the Programme is at very early

stage of implementation. A default rating of 'moderately satisfactory' is applied.

Quality of Beneficiary Participation

Rating: 4

Justification of rating

Beneficiaries are participating in SIP preparation, commodity and cluster identification, MSP processes, orientation workshops and in a limited number of training events. Given the active participation of the beneficiaries in these processes and their quality of contribution, the quality of beneficiary participation is rated as 'moderately satisfactory'.

Responsiveness of Service Providers

Rating: 4

Justification of rating

Responsiveness of HSI - the only service provider at the moment is excellent. Meaningful engagement of the other service providers for agriculture extension services and business services is yet to materialized as they are undergoing through the selection process. Selection of additional service providers on rural finance etc are yet to initiated. On the ground of the very limited number of service providers currently engaged, a reliable assessment is not possible. A default rating of 'moderately satisfactory' is applied.

Environment and Natural Resource Management

Rating: 4

Justification of rating

The Programme has identified only commodities and production clusters. Preliminary list of infrastructures to be supported by the Programme has also been prepared which is yet to undergo through a series of the technical processes viz. feasibility study, detailed design and implementation. Since a reliable assessment was not possible, a default rating of 'moderately satisfactory' is applied.

Exit Strategy

Rating: 4

Justification of rating

The Programme is at very early stage of implementation, so it is not possible to provide a reliable assessment. Emphasis continues to be on involving private sector actors in the service provisioning and overall value chain development. A default rating of 'moderately satisfactory' is applied.

Potential for Scaling-up

Rating: 4

Justification of rating

The programme as designed has significant potential for scaling-up not only within Karnali State but also in other states of Nepal. Reliable performance assessment, however, is not feasible at this stage as the Programme implementation has just begun. A default rating of 'moderately satisfactory' is applied.

c. Project Management

Quality of Project Management

Rating: 3

Justification of rating

The programme remains only partially staffed, next batch of recruitment is yet start and thus is challenged to deliver expected outputs, especially in relation to the rural finance and women's empowerment and nutrition sub-components. On the positive side, the Programme benefits from a full-time resident project co-ordinator and stable PIU leadership. Though productive engagement with local government bodies and actions related to fill vacant positions has been initiated, actual implementation momentum on the ground is to be started. The Mission also noted, however, the need for achieving better integration among those staff deputed from the government, those recruited for project specifically and those recruited as part of the TA team. The progress made within the short time available since the partial staffing and PCO and PIU can be considered moderately unsatisfactory.

Knowledge Management

Rating: 3

Justification of rating

The KM is a prominent issue in the programme as per the PIM, but a functional protocol for that is yet in place in M&E system of ASDP. Proper strategy, and availability of skilled staff are the gap in the programme to take forward the KM. It is important to note that the Programme design did not provide for creating staff position for knowledge management.

Main issues

ASDP is being implemented at a point when Nepal is seeking for an improved methodology for agricultural value chain development. There exists therefore a potential opportunity to scale-up the project methodology. This, however, requires significant effort for KM. In this light the following action points has been agreed.

Agreed Action	Responsibility	Agreed Date
Developm KM Strategy and Action Plan Develop a detailed strategy and action plan with vision, mission, objectives, values and principles along with activity plan and implement it with adequate agenda, budget, and responsibilities. The strategy will have the scope to review its effectiveness to make it aligned with changed context and re-determined deliverables.	PCO	02/2020
Recruitment Recruit a full time Communications and Knowledge Management Expert.	PCO	02/2020

Value for Money

Rating: 4

Justification of rating

As the Programme is yet to generate outputs, assessing value for money is not feasible at this stage. Costs incurred so far have generally followed design parameters and unit costs are usually lower that estimated during design. A default rating of 'moderately satisfactory' is applied.

Coherence between AWPB and Implementation

Rating: 3

Justification of rating

The AWPB for 2018/19 was prepared for implementation of activities as planned in the design report following the allocations made in the cost tables but could not start implementation due to delay in staff recruitment, preparation of various implementation guidelines and entering into agreement/MOU with various partners. Financial progress was only about 24 per cent of the approved AWPB for the first year.

AWPB Inputs and Outputs Review and Implementation Progress

This Supervision Mission has reviewed the draft AWPB and has made recommendations for improvement. As the capacity of project management is still limited, it will need an extra effort to first create implementation capacity for all components and sub-components and then expedite implementation. For this staff need to be adequately oriented so that they understand the need for establishing an accountable and learning-centred management system. In preparing AWPB it is important that a systematic consultation takes place among staff at different levels.

It is encouraging that Nepal Government, as do IFAD, strongly endorses the result-based management system under its policy 'National Monitoring and Evaluation Guidelines, 2013' in implementation of development projects.

With respect to preparing the AWPB in programme component parts, it has been observed the activities/works which have been placed under outputs that are actually inputs. The narration of the inputs needs to be rephrased into activity.

Performance of M&E System

Rating: 4

Justification of rating

The Programme has put in place an GIS-based M&E and MIS system building on the experiences of the preceding successful project (HVAP) with Android-based data collection and processing mechanism. Farmers'/ Entrepreneurs' diary for recording of data at household/enterprise level have been developed. The system intends to capture and report information on production, consumption, sales and revenue generation from the enterprises undertaken by the individual beneficiary household.

M&E System Review

Most staff members for M&E and MIS with necessary skills have been recruited. However, orientation/ training is necessary to enable them to perform their tasks more effectively. The TA staff team recruited for M&E and MIS at the central level has sufficient knowledge and skill. The PIM on planning, M&E and knowledge management is in place, but there is ample scope to elaborate that and cater to evolving needs. The programme's M&E unit has prepared an M&E manual/system, but that needs to be revised to make the M&E activities guided properly with all necessary tools. In particular, the issues of KM have been discussed very minimally in the M&E System and the M&E system has not included monitoring guidelines for value chain related activities.

MIS system is well placed in terms of establishing the platform with necessary IT facilities. The framework designed for data coverage is comprehensive to cover all the data from grassroots level such as from farmer's diary to other levels at different frequencies. It will give significant scope for generating reports on real-time basis and thereby support ASDP management to take evidence-based decision on timely basis. MIS is to be equipped with an Instruction Manual for making the system. Data validation has been taken into consideration through necessary cross check by M&E officer and Municipal Coordinators on regular basis.

The programme's baseline indicators are yet to be decided and the baseline survey is expected to be contracted out soon. The scope, methodology and the deliverable of the survey are found to be in the line with the standard criteria. However, the questionnaire needs to be reviewed by M&E/PCO prior to its administration keeping in view whether it sufficiently meets the result chain of LF, RIMS' core indicators, and the standard of Donor Committee for Enterprise Development (DCED).

Agreed Action	Responsibility	Agreed Date
Implement M&E Action Plan Prepare and implement an M&E action plan to fully operationalize the M&E and GIS based MIS system and rolled out in full strength.	PCO	02/2020
Baseline survey IFAD to engage a consultant to review the baseline survey report before finalization. The consultant will ensure the baseline values are properly defined. For outcome study, thematic study and other reviews particular guidelines are to be prepared and those are to be included in the PIM and more functionally in M&E Manual.	IFAD/PCO	

Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)

Rating: 4

Justification of rating

The Programme has initiated only the preparatory activities and actual field implementation is yet to start. Therefore, it is not possible to provide a reliable assessment at this stage. A default rating of 'moderately satisfactory' is applied.

SECAP Review

Since the programme is at a very early stage of implementation it was not possible to assess the social, environmental and climate adaptation benefits. The mission did not come across any complaints from the programme stakeholders related to SECAP.

d. Financial Management & Execution

Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Other Domestic	\$3,440,000	\$0	0.0%
	Private sector local	\$3,488,000	\$0	0.0%
	National Government	\$11,480,000	\$0	0.0%

Type	Name	Current Amount	Disbursed Amount	Actual Rate
	Beneficiaries	\$6,681,000	\$0	0.0%
Co-financing breakdown,	Swiss Agency for Development and Cooperation	\$3,000,000	\$0	0.0%

Acceptable Disbursement Rate

Rating: 1

Justification of rating

The expenditures up to 17 September 2019 are SDR 197,585 (USD 269,557), which is about 0.73% of the total allocated fund of SDR 28.50 million against target of about 10%. The project has not prepared withdrawal application of expenditures incurred up to 17 September 2019 for submission of WAs to IFAD

Main issues

The net disbursement up to 17 September 2019 is about 0.73% against target of about 10%. As on 17 September 2019, the total disbursement under IFAD loan is only SDR 1.81 which is advance and about 6.34% of the total allocation of SDR 28.50 million under IFAD loan and grant. The Project has incurred expenditures of USD 260,814 (SDR 191,309) under IFAD loan and USD 8,743 (SDR 6,413) under IFAD grant from beginning of project to 17 September 2019, which are yet to be claimed for disbursement. The expenditures yet to be claimed have been calculated at the exchange rate of NPR 112.60 per USD and USD 1.36331 per SDR prevailing on 30 September 2019. The expenditures up to 17 September 2019 are SDR 197,722 (USD 269,557), which is about 0.73% of total allocated funds. The disbursement including expenditures of SDR 197,722 (USD 269,557) to be claimed will be SDR2.00 million (USD 2.77 million) inclusive of advance of SDR 1.81 million, which is 7.03% of allocated amount. Appendix 1 shows actual financial performance by financier; by component and disbursements by category as on 17 September 2019. The disbursement is low being the first year of the project and due to delay in startup, approval of the AWPB, recruitment of key project staff, preparation of various implementation guidelines, and entering a MOU with Municipalities. The project has not prepared withdrawal application for expenditures of FY 2018-19. The withdrawal applications should be prepared based on percentage of financing of eligible expenditures.

Fiduciary aspects

Quality of Financial Management

Rating: 4

Justification of rating

The AWPB was not submitted within due date and revised AWPB of FY 2019-20 has not yet been submitted to IFAD for approval. The budget has not been allocated in FY 2019-20 for the project as required. Expenditures of FY 2018-19 have not been accounted correctly to the respective categories and components in the beginning of the project. Interim financial reports (IFR) of second and third trimester of FY 2018-19 have not been prepared. Contracts entered for procurement of goods and services based on quotations are not recorded in the register of contracts and it is not submitted to IFAD every trimester. Some internal control weaknesses were also noted during review.

Main issues

There are positions of one Finance Officer, one Accountant and one Fund and FM expert at the PCO. The previous Account Officer was transferred and new Account Officer joined from 25 March 2019. Fund and FM expert was recruited from 1 July 2019.

The project has been preparing AWPB in the prescribed formats. The revised AWPB for the year 2018-19 was submitted on 31 January 2019 to IFAD for approval which was approved on same date. The budget of NPR 685.70 million for FY 2019-20 was approved but AWPB has been prepared for NPR 701.22 million and submitted to IFAD on 2 July 2019. The AWPB of FY 2019-20 is to be revised based on IFAD's comments and approved budget and submitted to IFAD for approval. The project was able to spend about USD 0.25 million of IFAD fund in FY 2018-19 and USD 3.8 million may be spent in the FY 2019-20 considering 80% disbursement of budgeted amount of NPR 538.64 million of IFAD fund. The project needs to spend at least USD 10.00 million of IFAD fund every year in the next three years and USD 5.00 million of IFAD fund in the sixth year of the project to spend 100% IFAD allocated fund. Considering 80% expenditure of the budgeted amounts and 25% counterpart GoN fund, the yearly budget for next three years should be at least NPR 1,765.62 million for IFAD and GoN budget.

The accounts are maintained based on double entry accounting system of the government chart of accounts and funding source of each expenditure. The new accounting software is being used but the expenditures of FY 2018-19 are not properly accounted to the respective categories and components in the beginning of the project causing problem in

matching expenditures of categories and components with total expenditures. The project should consult the software developer to fix the problem if any for accounting and preparation of WA, IFR and PFS as per IFAD requirement. Some of operating expense to be charged to GoN source has also been accounted to IFAD fund and other expenditures have not been charged to GoN source as per financing percentage.

Payments by DTCO are made through online to the payees back accounts and by crossed cheques to deposit tax. The trimester IFRs of FY 2018-19 have not been prepared. The unaudited project account of FY 2018-19 is due on 16 Nov 2019. There are no audit observation in internal audit report of FY 2018-19

The stock registers of fixed assets and consumable items has been maintained. The physical verification of fixed assets has been conducted. Two motorbikes transferred from HVAP have been handed over to District Administration Office, and Transport Management Office, Surkhet. The contract register has been maintained only for contracts awarded through tender but not submitted to IFAD every trimester. Project contracted staff are required to procure life insurance and accident insurance before signing contract but six staff have not submitted life insurance policy and none of them have submitted accident insurance policy to ASDP.

The supporting documents of expenditures incurred from the start of the project to 17 September 2019 were reviewed during mission and found some internal control weaknesses, such as (i) eligible expenses have not been correctly accounted to IFAD source, (ii) operating expenses to be charged to GoN source have also been charged to IFAD fund, (iii) some of the items are recorded in stock register without VAT, and (iv) total expenditures have not been tallied with the total of category and component expenditures

Quality and Timeliness of Audit

Rating:

Counterparts Funds

Rating: 3

Justification of rating

The government has been allocating budget for government counterpart fund but the budget allocated for government counterpart is less than the required amount by about NPR 66.41 million. The expenditure percentage in the first year 2018-19 was 23.32% against allocated budget while counterpart expenditure was 29.48 million, which was 37.04% of counterpart budget of 79.60 million.

Main issues

The Government counterpart funds are used for VAT and custom duties, remuneration of government deputed staff, office rental, office operating costs, vehicle operation and maintenance, travel and per diem expenses, and PSC and programme technical advisory committee meeting expenses. The Government is required to allocate budget as per AWPB and financing agreement for the government counterpart fund and IFAD source. The government allocated counterpart funds of NPR 79.60 million as per approved AWPB and financing percentage in FY 2018-19 but the counterpart fund of NPR 39.50 million has been allocated in FY 2019-20 for the employees training, skill development and awareness training & workshop, program expenses, monitoring & evaluation, and conditional against required amount of 92.18million (15% of NPR 614.50 million) causing short allocation of NPR 52.68 million. Hence counterpart fund in FY 2019-20 is not sufficient to cover government counterpart fund as required at the financing percentage. The government counterpart budget for FY 2019-20 is NPR 685.70 million. The project was unable to spend government counterpart budget in FY 2018-19 being the first year of the project and delay in various start up activities. The expenditures of FY 2018-19 was NPR 57.98 million, which was 23.32% of the revised budget of NPR 248.60 million while counterpart expenditure was 29.48 million, which was 37.04% of counterpart budget of 79.60 million. The expenditures of the first two months of FY 2019-20 are NPR 7.13 million, which is about 1.04% only. Government pre-finances the expenditures for Government and IFAD sources and requests for reimbursement after transfer of expenditure amounts from designated accounts to the government treasury.

Compliance with Loan Covenants

Rating: 3

Justification of rating

The Programme has complied with most of the covenants of the Financing Agreement, Letter to the Borrower and the General Conditions. Of 42 covenants, only 29 are fully or partially complied with, 10 are not due yet and 3 are not complied at all. PSC meetings have not been held in each trimester, NGOs have not been selected and engagement of Community Agriculture Extension Service Centers (CAESCs) have not started. Delays occurs in various report submissions. A 'moderately unsatisfactory' ratings is therefore applied.

Main issues

The Programme has complied with the most of the covenants of the Financing Agreement, LTB and General Conditions except the following: **(a)Financing Agreement:** (i) Schedule 1 – Section II Para 7.2- two PSC meeting were held instead of four meetings, (ii) Schedule 1 – Section II Para 11.3 - the project has not selected NGOs, (iii) Schedule 1 – Section II

Para 11.4 - private enterprises, cooperatives, farmers' organizations, lead farmers and farmers' groups are yet to be engaged, (iv) Schedule 1 – Section II Para 11.5 - Community Agriculture Extension Service Centers (CAESCs) are yet to be established, (v) Schedule 2 –Para 2 - government counterpart fund in FY 2019-20 is not sufficient, **(b)Letter to the borrower:** (i) Paragraph 14 - the expenditures are accounted more than required amount to IFAD fund, (ii) Paragraph 32 - all contracts are not listed in the register of contracts and register is not submitted to IFAD every trimester, (ii) Paragraph 34 - interim financial reports (IFRs) of FY 2018-19 are not prepared for submission to IFAD, and **(c) General Conditions:** (i) Section 4.02 - partial compliance with some of the additional general conditions precedent to withdrawal, (ii) Section 7.01 (b) (i & ii) - AWPB was not submitted two months before the start of the fiscal Year, (iii) Section 8.03 - non-submission of periodic progress reports, and (iv) Section 8.05 - non-submission of all reports to IFAD. The details of compliance with loan covenants are given in Appendix 3.

Agreed Action	Responsibility	Agreed Date
Compliance Financing Covenants Comply with all financing covenants of the Financing Agreement, Letter to the Borrower and General Conditions.	PCO	12/2019

Procurement

Procurement **Rating: 4**

Justification of rating

Procurement planning exhibits some shortcomings and inconsistencies as compared to the requirements. Items have been lumped in the procurement plan and have not been revised. The PP is not updated on a regular basis. The Funds and Financial Management Expert is assisting in the procurement activities as the Programme design did not provisioned a full-time staff despite of significant volume of procurement activities. NOTUS is implemented.

Procurement Review

The major procurement done by ASDP management includes procurement of motorcycles and vehicles using NCB. Other small value goods have also been procured. SIPs have been prepared for five value crops. 14 experts have been hired to support PCO. Financial proposal has been opened and a combined evaluation is being carried out for the procurement of consultant for Baseline Survey. Given the low value of actual contract award in fiscal year 2018/19 extra efforts are to be made for award of contract including contract management in the current fiscal year. The Procurement Plan for 2019/20 has been approved.

Processes and procedures applied in bidding, evaluation and contract management exhibit some gaps and inconsistencies that have limited impact on Programme implementation and performance. The Programme advertised for procurement of laptops under sealed quotation method. Although sealed quotation is a competitive method, the method specified in the PP was NCB with prior review (sealed quotation is used for procurement for amount less than NPR 2 million which falls under post review). However, all of the bidders were non-responsive, and the process was cancelled. Manufacturer's authorization has been included as a mandatory criterion. This may be true for some goods but should not be made mandatory for all type of goods.

Review of the procurement revealed that the files were complete with summary of all the required procurement stages and documents, including TORs, Technical Specifications, bidding documents, evaluation report, inspection reports and the contracts signed by the Programme. However, the documents are not at one place. The Programme have been requested to maintain a consolidated register of contracts and to send it to IFAD on a trimester basis.

The Prior/Post requirements set in the Plan have been followed as provisioned in the Letter to the Recipient requirements (LTB/R dated 28 May 2018). The Prior Review for the solicitation and award for both goods and consulting services are set at NPR 2 million with a direct procurement threshold of NPR 500,000.

The Programme issues Letter of Intent (LOI) to successful bidder, with a copy to the unsuccessful bidders as provisioned in the Public Procurement Regulation of Nepal to provide the unsuccessful bidders an opportunity to express their dissatisfaction, if any, on the contract award. It is understood that there is no complaint by unsuccessful bidders.

There is no position of Procurement Expert in the workforce and the senior agriculture officer is responsible for procurement supported by other personnel of ASDP and the Fund and Financial Management Expert. Although IFAD's procurement consultant has been advising/supporting the PCO, there is a need for capacity building on procurement with special focus on procurement of consulting services.

In addition, the staff are not well versed with IFAD's Guidelines and Procedures. The Bidding process is managed by the PCO and the evaluation committees are formed from government staff with support from technical staff as invitee. The technical evaluation needs to be carried out by experts that are knowledgeable in the field. If needed, this is to be done by

forming a technical sub-committee which is allowed under the governments' procurement regulations.

Agreed Action	Responsibility	Agreed Date
Procurement for Baseline survey Ensure that the Procurement of consultant for Baseline Survey is completed	PCO	10/2019
Recruitment Recruit a short-term Procurement Expert until a full-time person is hired	PCO	11/2019
Register of Contracts Submit updated Register of Contracts on a trimester basis to IFAD	PCO	

e. Key SIS Indicators

Likelihood of Achieving the Development Objective

Rating: 4

Justification of rating

The project is below target with respect to the realisation of outcomes, given its first year of implementation and is expected to partially meet objectives at completion. Sustainability of project benefits is good.

Assessment of the Overall Implementation Performance

Rating: 4

Justification of rating

Implementation is below target. At the current rate the project is expected to achieve some 70% of most major outputs within some, but not all, Components. Some few aspects of financial management and the general project management are efficient and sufficiently organized.

F. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
AWPB Submit the revised AWPB for IFAD's no objection. [The Mission has reviewed the AWPB and endorses its approval by IFAD subject to the inclusion of actions agreed upon with the Programme management.]	PCO	10/2019
Call for Expression of Interest Call for Expression of Interest (EoI) from producer group/cooperatives from the identified clusters of 21 municipalities for the selected value chains.	PCO	10/2019
Recruitment Recruit short-term procurement consultant, until the fulltime position is filled.	PCO	11/2019

Multi-stakeholders' platform Conduct Multi-stakeholders' platform at province and cluster/municipality level for validation of value chain intervention strategies and clusters for the priority 4-5 value chains as identified in SIPs and develop action plans for each value chain, as a basis for planning for upcoming AWPB.	PCO /VC Team	11/2019
Infrastructure Develop clear mechanism for implementation and funding modality of the infrastructures sub-projects with technical support ensuring appropriate design and quality of the construction.	PCO/PCUs	11/2019
Financial Education and Business Literacy (FEBL) Manual & Implementation Guidelines Finalize Financial Education and Business Literacy (FEBL) Manual & Implementation Guidelines with no objection from IFAD	PCO, RF & VC Team	11/2019
Conceptual mode Develop a conceptual model in close collaboration with TA team and submit it to IFAD for no objection to pilot the model in selected wards of 2-5 municipalities. Also support, on pilot basis, a community-based extension service arrangement for the value chain development for specific commodities in a cluster or a group of clusters using the resources allocated for CAESCs. Scaling-up of successful model(s) will be undertaken after a review by IFAD's supervision mission in 2020.	PCO/ PIUs	11/2019
Staffing Urgently fill vacancies of all remaining 14 staff (Engineering, Inclusion, Institutional development, Rural Finance team etc.) as agreed in the Project Document and being approved by PSC/IFAD.	PCO	12/2019
Coaching and Trainig Include coaching and mentoring activities besides trainings and exposure visits on rolling basis to build the capacity of the Programme team	PCO	12/2019
Financial Institutions Complete the detailed mapping of financial institutions and intermediaries including Cooperatives within 21 municipalities.	PCOs/PIUs	01/2020
FEBL Facilitators (FEBLFs) Select FEBL Facilitators (FEBLFs) within first batch of producer Group/Clusters and conduct training of trainers of FEBLFs and roll-out first batch of FEBL training with 30 Producer groups.	PCO, RF & VC Team	01/2020
Terms of Reference Develop ToR of all agreed additional PCO and PMU based positions (Procurement, Knowledge and Communication, Agricultural Officers for piloting cluster/ward level extension system, IDO, SMs) and seek no objection from IFAD and MoALD; complete the recruitment of these staff through a competitive recruitment process by hiring a recruitment agency. Recruitment process of SMs to be held at Surkhet and possibly in other programme districts.	PCO	02/2020

Staffing Adjust the pay level of the Programme staff periodically taking into consideration of the staff performance, prevailing pay level for similar jobs in development sector, and remoteness of the area being served by the staff concerned.	PCO	03/2020
Groups / Cooperatives Mobilize and strengthen 200 group/cooperatives in responding the requirements of market players/traders demand in selected commodities following B2B interaction and cluster level Multi-stakeholders' Platform (MSP) meetings. Develop detailed roll-out plan for the next nine months covering approximately 99 clusters of 21 municipalities.	PCO/VC team	06/2020
Prioritize Commodities Prioritize the commodities mentioned above and deepen Programme interventions pursuing value chain development as per stated methodology.	PCO/PIUs	
Cluster development process Capacitate the Programme team on brokering cluster development process including MSP, B2B and B2S linkages & relationships among private sectors/ agribusiness and producers' organizations in developing efficient and competitive value chain including appraisal and evaluation of co-investment proposals.	PCO	
Infrastructure Ensure that all community and public infrastructures investments selection follow value chain and cluster development priorities and for which concerned municipality has agreed to co-fund.	PCO	
Market Centres In the case of market centres, undertake scoping study and develop revenue based sustainable operation and management guidelines including clarity on land ownership.	PCO/PCUs	
Banks Focus on building collaborative relationship with commercial and development banks and assist them to improve their financial products which are adapted to value chain financing.	PCO/PIUs	
Savings and credit Coopeatives Societies Intiate actions to develop a collaborative relationship with participating savings and credit and multi-purpose co-operatives societies for providing short term credit requirements.	PCO/PIUs	

Building capacity of public and private sector service Focus on building capacity of public and private sector service providers and their mobilization including B2S interaction and overall service market environment by using the resources allocated for the purpose and as envisaged in the programme design report. Actively encourage the beneficiaries and enterprises to opt for paid advisory services and thereby create a market for agro-advisory services.	PCO/ PIUs	
Project Management		
Developm KM Strategy and Action Plan Develop a detailed strategy and action plan with vision, mission, objectives, values and principles along with activity plan and implement it with adequate agenda, budget, and responsibilities. The strategy will have the scope to review its effectiveness to make it aligned with changed context and re-determined deliverables.	PCO	02/2020
Recruitment Recruit a full time Communications and Knowledge Management Expert.	PCO	02/2020
Implement M&E Action Plan Prepare and implement an M&E action plan to fully operationalize the M&E and GIS based MIS system and rolled out in full strength.	PCO	02/2020
Baseline survey IFAD to engage a consultant to review the baseline survey report before finalization. The consultant will ensure the baseline values are properly defined. For outcome study, thematic study and other reviews particular guidelines are to be prepared and those are to be included in the PIM and more functionally in M&E Manual.	IFAD/PCO	
Financial Management & Execution		
Procurement for Baseline survey Ensure that the Procurement of consultant for Baseline Survey is completed	PCO	10/2019
Recruitment Recruit a short-term Procurement Expert until a full-time person is hired	PCO	11/2019
Compliance Financing Covenants Comply with all financing covenants of the Financing Agreement, Letter to the Borrower and General Conditions.	PCO	12/2019
Register of Contracts Submit updated Register of Contracts on a trimester basis to IFAD	PCO	

Agriculture Sector Development Programme

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members										
	Household members			131 250							
	1.a Corresponding number of households reached							RIMS	Annual		
	Women-headed households										
	Non-women-headed households										
	Households			26 250							
	1 Persons receiving services promoted or supported by the project										
	Females										
	Males										
	Young										
	Not Young										
	Indigenous people										
	Non-Indigenous people										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	Source	Frequency	Responsibility	
Project Goal To contribute to the achievement of Nepal's SDG 1 - Poverty and SDG 2 – Zero Hunger targets by reducing poverty yand nutrition insecurity amongst women and men in hill and mountain areas of State 6	24,000 more women of 15-49 years of age, consume at least 5 out of 10 defined food groups daily							Field Survey	Mid-term and completion surveys	ASDP	
	Number of Women		10 000	24 000							
Development Objective To contribute to the achievement of Nepal's SDG 8 Decent Work and Economic Growth target through sustainable improvement in the income and food security of smallholders and disadvantaged rural groups involved in commercially-oriented production and marketing systems in selected high value agricultural value chains.(number of beneficiaries effectively reached assuming a 75 per cent success rate)	Reduction in poverty incidence amongst 35,000 Programme households (measured as a lower HFIAS score)							Field Survey	Mid-term and completion surveys	ASDP	Socioeconomic conditions remain reasonably stable and manageable climatic disasters. Macro-economy continues to improve New provincial and municipal administrative systems take time to stabilize. Business regulatory system does not deteriorate with new Federal structure.
	Number of HHs			35 000							
	26,000 value chain linked farm households double their household income							Field Survey	Mid-term and completion surveys	ASDP	
	Number of value chain linked farm HHs		10 000	26 000							
Outcome Inclusive and sustainable agriculture value chains expanded and diversified	Amount of agribusiness and household investment leveraged by ASDP co-financing (USD million)							ASDP records	Annual	ASDP	Municipal governments committed to participatory, market-led development. Elite capture/ disadvantaged groups unable to participate effectively
	Amount of Agribusiness and household investment		6	10							
Output Strategic Investment Plans prepared	12 commodity-based Value Chain strategic investment plans prepared							ASDP records	Annual	ASDP	Adequate skills available from local /national service providers.

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	Source	Frequency	Responsibility	
	No. of commodity-based value chain strategic investment plans		12	12							
Output Agricultural value chain development co-financed	Profitable new agriculture value chains operating in Programme area at project-end (IRR>12%)							Field Survey	Periodic surveys	ASDP	“Market gatekeepers” and farmers willing to invest in value adding agri-businesses.
	Number of profitable new agriculture value chains		8	18							
Outcome Market-oriented infrastructure functional	Percentage of households reporting satisfaction with Programme infrastructure development							Field Survey	Mid-term and completion surveys	ASDP	Value chain infrastructure requirements align with municipal investment plans. Municipalities willing to co-finance infrastructure needs,
	Households		70	80							
Output Co-financed public and community market infrastructure	Kilometres of rural roads constructed							ASDP records	Annual	ASDP	Timely implementation of Infrastructure O&M
	Km of road		30	70							
	Hectares of small-scale irrigation established							ASDP	Annual	ASDP	
	Hectares of land		400	1 000							
Output Marketable skills development.	Number of youth and women trained							ASDP records	Annual	ASDP	Rural youth perceive better economic opportunities
	Number of youth		400	800							
	Number of women		600	1 200							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	Source	Frequency	Responsibility	
Outcome Rural financial services for value chain development strengthened	Increase in number of households using rural financial services							Field Survey	Periodic surveys	ASDP	No major change in financial climate, lending terms
	Households		120	150							
Output Rural financial services development	Number of financial service providers delivering innovative financial products and services							ASDP and financial service provider records	Annual	ASDP, banks, MFIs, credit coops.	Financial service providers not interested to invest in Programme-targeted value chains. Borrowers divert loans for other purpose. Insufficient historic weather data limits spread and quality of insurance products.
	Number of financial service providers		10	20							
Output Support to credit access	Number of persons in rural areas trained in at least two of the following capacities: (i) financial literacy; (ii) business development and (iii) use of financial products and services							Field Survey	Mid-term and completion surveys	ASDP	Cooperatives not interested in amalgamation and increased business efficiency.
	Number of people in rural areas		15 000	35 000							
Outcome Agriculture services sustainably support innovation and value chain development	Percentage of households reporting adoption of new / improved inputs, technologies or practices							Field Survey	Periodic surveys	ASDP	Municipalities adopt ADS-recommended institutions and approaches for agricultural service governance and delivery
	Households		50	70							
Output Participatory and pluralistic extension services and strengthened farmers organizations	Number of community agricultural extension service centres (CAESCs) in Wards delivering pluralistic extension service delivery at producer level							ASDP records	Annual	ASDP	Technical service support system is pluralistic and responds to the grassroots level needs
	Number of community agricultural extension service centres		100	400							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result	Cumulative Result	Cumulative Result %	Source	Frequency	Responsibility	
	Number of new farmer groups linked to Value Chains							ASDP records	Annual	ASDP	
	No. of groups		300	1 200							
Output Women's empowerment and household nutrition	40 % improvement in Women's empowerment in agriculture index							Field Survey	Mid-term and completion surveys	ASDP	Programme-promoted methodologies for women's empowerment successfully applied.
	Percentage of women's empowerment in agriculture index		110	140							

Nepal

Agriculture Sector Development Programme

Supervision Report

Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category

Mission Dates: 23 September - 03 October 2019
Document Date 21/11/2019
Project No. 2000001418
Report No. 5240-NP

Asia and the Pacific Division
Programme Management Department



Nepal

Agriculture Sector Development Programme (ASDP)

Supervision Mission Report

Main report and appendices

Mission Dates: 27 September – 3 October 2019
Document Date: 3 October 2019
Project No.
Report No: [Insert report number]
Asia and the Pacific Division
Programme Management Department

Agriculture Sector Development Programme (ASDP)

AWPB Implementation

Coherence between AWPB and Implementation	Rating:	2
Justification of rating The AWPB is being prepared for implementation of activities as planned in the project design report but the implementation progress was only 23.32% in the FY 2018-19 due to delay in startup in the first year, approval of the AWPB, recruitment of key project staff, preparation of various implementation guidelines, and entering a MOU with Municipalities. The project is not able to implement activities due to delay in submission of revised AWPB of FY 2019-20 to IFAD for approval. The project should plan carefully to implement activities as per AWPB to increase implementation progress and achieve the project objectives within the project period.		
Main issues In FY 2018-19 being the first year of project, the implementation progress is 23.32% of the AWPB due to delay in start up of the project, approval of the AWPB, recruitment of key project staff, preparation of various implementation guidelines, and entering a MOU with Municipalities. The annual work plan and budget (AWPB) is being prepared before start of fiscal year based on project design report. The budget of NPR 249.69 million allocated for FY 2018-19 was subsequently revised to NPR 248.60 million to match with the amount of AWPB. The project incurred expenditures of 57.98 million which was 23.32% of the revised budget. The AWPB of FY 2019-20 is yet to be revised based on IFAD's comments and approved budget and submitted to IFAD for no objection. The expenditure percentage in the first two months of FY 2019-20 is only 1.04% only of the approved budget.		
Title of Action: Plan for implementation of activities as per AWPB		Deadline: 31 October 2019 and ongoing
Responsibility: PCO		
Description of action: Plan to implement activities within timelines specified in the approved AWPB and procurement plan.		

Fiduciary Management and Execution

Disbursement

Disbursement rates	Rating:	1
Justification of rating The expenditures up to 17 September 2019 are SDR 197,585 (USD 269,557), which is about 0.73% of the total allocated fund of SDR 28.50 million against target of about 10%. The project has not prepared withdrawal application of expenditures incurred up to 17 September 2019 for submission of WAs to IFAD.		
Main issues The net disbursement up to 17 September 2019 is about 0.73% against target of about 10%. As on 17 September 2019, the total disbursement under IFAD loan is only SDR 1.81 which is advance and about 6.34% of the total allocation of SDR 28.50 million under IFAD loan and grant. The Project has incurred expenditures of USD 260,814 (SDR 191,309) under IFAD loan and USD 8,743 (SDR 6,413) under IFAD grant from beginning of project to 17 September 2019, which are yet to be claimed for disbursement. The expenditures yet to be claimed have been calculated at the exchange rate of NPR 112.60 per USD and USD 1.36331 per SDR prevailing on 30 September 2019. The expenditures up to 17 September 2019 are SDR 197,722 (USD 269,557), which is about 0.73% of total allocated funds. The disbursement including expenditures of SDR 197,722 (USD 269,557) to be claimed will be SDR		

2.00 million (USD 2.77 million) inclusive of advance of SDR 1.81 million, which is 7.03% of allocated amount. Appendix 1 shows actual financial performance by financier; by component and disbursements by category as on 17 September 2019. The disbursement is low being the first year of the project and due to delay in startup, approval of the AWPB, recruitment of key project staff, preparation of various implementation guidelines, and entering a MOU with Municipalities. The project has not prepared withdrawal application for expenditures of FY 2018-19. The withdrawal applications should be prepared based on percentage of financing of eligible expenditures.	
Title of Action: Preparation and submission of WA for expenditures of FY 2018-19.	Deadline: 31 Oct 2019
Responsibility: PCO	
Description of action: Prepare the withdrawal application for expenditures incurred from start date of the project to 16 July 2019 and submit to the IFAD for disbursement.	

Fiduciary Aspects

Quality of Financial Management	Rating	4
Justification of rating The AWPB was not submitted within due date and revised AWPB of FY 2019-20 has not yet been submitted to IFAD for approval. The budget has not been allocated in FY 2019-20 for the project as required. Expenditures of FY 2018-19 have not been accounted correctly to the respective categories and components in the beginning of the project. Interim financial reports (IFR) of second and third trimester of FY 2018-19 have not been prepared. Contracts entered for procurement of goods and services based on quotations are not recorded in the register of contracts and it is not submitted to IFAD every trimester. Some internal control weaknesses were also noted during review.		
Main issues There are positions of one Finance Officer, one Accountant and one Fund and FM expert at the PCO. The previous Account Officer was transferred and new Account Officer joined from 25 March 2019. Fund and FM expert was recruited from 1 July 2019. The project has been preparing AWPB in the prescribed formats. The revised AWPB for the year 2018-19 was submitted on 31 January 2019 to IFAD for approval which was approved on same date. The budget of NPR 685.70 million for FY 2019-20 was approved but AWPB has been prepared for NPR 701.22 million and submitted to IFAD on 2 July 2019. The AWPB of FY 2019-20 is to be revised based on IFAD's comments and approved budget and submitted to IFAD for approval. The project was able to spend about USD 0.25 million of IFAD fund in FY 2018-19 and USD 3.8 million may be spent in the FY 2019-20 considering 80% disbursement of budgeted amount of NPR 538.64 million of IFAD fund. The project needs to spend at least USD 10.00 million of IFAD fund every year in the next three years and USD 5.00 million of IFAD fund in the sixth year of the project to spent 100% IFAD allocated fund. Considering 80% expenditure of the budgeted amounts and 25% counterpart GoN fund, the yearly budget for next three years should be at least NPR 1,765.62 million for IFAD and GoN budget. The accounts are maintained based on double entry accounting system of the government chart of accounts and funding source of each expenditure. The new accounting software is being used but the expenditures of FY 2018-19 are not properly accounted to the respective categories and components in the beginning of the project causing problem in matching expenditures of categories and components with total expenditures. The project should consult the software developer to fix the problem if any for accounting and preparation of WA, IFR and PFS as per IFAD requirement. Some of operating expense to be charged to GoN source has also been accounted to IFAD fund and other expenditures have not been charged to GoN source as per financing percentage. Payments by DTCO are made through online to the payees back accounts and by crossed cheques to deposit tax. The trimester IFRs of FY 2018-19 have not been prepared. The unaudited project account of FY 2018-19 is due on 16 Nov 2019. There are no audit observation in internal audit report of FY 2018-19.		

<p>The stock registers of fixed assets and consumable items has been maintained. The physical verification of fixed assets has been conducted. Two motorbikes transferred from HVAP have been handed over to District Administration Office, and Transport Management Office, Surkhet. The contract register has been maintained only for contracts awarded through tender but not submitted to IFAD every trimester. Project contracted staff are required to procure life insurance and accident insurance before signing contract but six staff have not submitted life insurance policy and none of them have submitted accident insurance policy to ASDP.</p> <p>The supporting documents of expenditures incurred from the start of the project to 17 September 2019 were reviewed during mission and found some internal control weaknesses, such as (i) eligible expenses have not been correctly accounted to IFAD source, (ii) operating expenses to be charged to GoN source have also been charged to IFAD fund, (iii) some of the items are recorded in stock register without VAT, and (iv) total expenditures have not been tallied with the total of category and component expenditures.</p>	
Title of Action: Account expenditures correctly to the respective categories and components under IFAD Fund and GoN source.	Deadline: 31 Oct 2019
Responsibility: PCO	
Description of action: Expenditures of FY 2018-19 should be accounted to the respective categories and components of IFAD fund and GoN source to generate all required data and financial reports.	
Title of Action: Request to increase budget for FY 2020-21 before preparation of budget.	Deadline: 28 Feb 2020 and subsequent years
Responsibility: PCO & MoALD	
Description of action: Request Ministry of Finance to increase budget for FY 2020-21 and subsequent fiscal years before preparation of budget.	
Title of Action: Submission of trimester interim financial reports of FY 2018-19.	Deadline: 31 Oct 2019 and onwards
Responsibility: PCO	
Description of action: Submit 2nd and 3rd trimester interim financial reports of FY 2018-19 and subsequent trimester of remaining period of the project.	
Title of Action: Submission of unaudited project financial statements of FY 2018-19 as per IFAD guidelines	Deadline: 16 November 2019
Responsibility: PCO	
Description of action: Prepare and submit the project financial statements of Y 2018-19 as per IFAD guidelines based on Financial reporting under Cash basis of accounting of Nepal Public Sector Accounting Standards with full disclosures in the notes to the financial statements.	
Title of Action: Obtain insurance policy from the contracted staff.	Deadline: 31 October 2019
Responsibility: PCO	
Description of action: Contracted staff should insure life insurance and accident insurance and submit to ASDP.	

Quality and Timeliness of Audit	Rating	
<p>Justification of rating</p> <p>The audit report of first FY 2018-19 is due on 14 January 2020. The project needs to submit audited project account, audit opinion on the project account and management letter of FY 2018-19 with management response on management letter to IFAD.</p>		

Main issues	
The Office of the Auditor General will conduct audit of the project in accordance with the ISSAI issued by INTOSAI. The audit of first year of the FY 2018-19 has not yet been started. The audit report of FY 2018-19 is to be submitted to IFAD within 14 January 2020. The project has to submit audited project account, audit opinion on the project account and management letter of FY 2018-19 with management response on management letter to IFAD.	
Title of Action: Submission of audited project financial and management response.	Deadline: 14 Jan 2020
Responsibility: PCO	
Description of action: Submission of audited project financial statements prepared as per IFAD guidelines on Project Audit and management response on management letter.	

Counterparts Funds	Rating	3
Justification of rating		
The government has been allocating budget for government counterpart fund but the budget allocated for government counterpart is less than the required amount by about NPR 66.41 million. The expenditure percentage in the first year 2018-19 was 23.32% against allocated budget while counterpart expenditure was 29.48 million, which was 37.04% of counterpart budget of 79.60 million.		
Main issues		
The Government counterpart funds are used for VAT and custom duties, remuneration of government deputed staff, office rental, office operating costs, vehicle operation and maintenance, travel and per diem expenses, and PSC and programme technical advisory committee meeting expenses. The Government is required to allocate budget as per AWPB and financing agreement for the government counterpart fund and IFAD source. The government allocated counterpart funds of NPR 79.60 million as per approved AWPB and financing percentage in FY 2018-19 but the counterpart fund of NPR 39.50 million has been allocated in FY 2019-20 for the employees training, skill development and awareness training & workshop, program expenses, monitoring & evaluation, and conditional against required amount of 92.18million (15% of NPR 614.50 million) causing short allocation of NPR 52.68 million. Hence counterpart fund in FY 2019-20 is not sufficient to cover government counterpart fund as required at the financing percentage. The government counterpart budget for FY 2019-20 is NPR 685.70 million. The project was unable to spend government counterpart budget in FY 2018-19 being the first year of the project and delay in various start up activities. The expenditures of FY 2018-19 was NPR 57.98 million, which was 23.32% of the revised budget of NPR 248.60 million while counterpart expenditure was 29.48 million, which was 37.04% of counterpart budget of 79.60 million. The expenditures of the first two months of FY 2019-20 are NPR 7.13 million, which is about 1.04% only. Government pre-finances the expenditures for Government and IFAD sources and requests for reimbursement after transfer of expenditure amounts from designated accounts to the government treasury.		
Title of Action: Allocate budget for government counterpart fund as per financing Agreement.		Deadline: 30 November 2019
Responsibility: PCO and MoF		
Description of action: Allocate budget for government counterpart fund for FY 2019-20 as per financing percentage in the respective budget line items.		

Compliance with Financing Covenants	Rating	3
Justification of rating		
The PSC meeting is not held in every quarter. The project has yet to select NGOs, engage private enterprises, cooperatives, farmers' organizations, lead farmers and farmers' groups, and engage Community Agriculture Extension Service Centers (CAESCs). Sufficient government counterpart fund		

has not been allocated in the FY 2019-20 budget. The eligible expenses are not correctly accounted to IFAD source at the financing percentage. All contracts are not listed in the register of contracts and it is not submitted to IFAD every trimester. Interim financial reports of FY 2018-19 have not been prepared. Periodic progress reports and other reports received from consultants are not submitted within due date to IFAD.

Main issues

The project has complied with the most of the covenants of the Financing Agreement, LTB and General Conditions except the following: **(a) Financing Agreement:** (i) Schedule 1 – Section II Para 7.2- two PSC meeting were held instead of four meetings, (ii) Schedule 1 – Section II Para 11.3 - the project has not selected NGOs, (iii) Schedule 1 – Section II Para 11.4 - private enterprises, cooperatives, farmers' organizations, lead farmers and farmers' groups are yet to be engaged, (iv) Schedule 1 – Section II Para 11.5 - Community Agriculture Extension Service Centers (CAESCs) are yet to be established, (v) Schedule 2 –Para 2 - government counterpart fund in FY 2019-20 is not sufficient, **(b) Letter to the borrower:** (i) Paragraph 14 - the expenditures are accounted more than required amount to IFAD fund, (ii) Paragraph 32 - all contracts are not listed in the register of contracts and register is not submitted to IFAD every trimester, (ii) Paragraph 34 - interim financial reports (IFRs) of FY 2018-19 are not prepared for submission to IFAD, and **(c) General Conditions:** (i) Section 4.02 - partial compliance with some of the additional general conditions precedent to withdrawal, (ii) Section 7.01 (b) (i & ii) - AWPB was not submitted two months before the start of the fiscal Year, (iii) Section 8.03 - non-submission of periodic progress reports, and (iv) Section 8.05 - non-submission of all reports to IFAD. The details of compliance with loan covenants are given in Appendix 3.

Title of Action: Compliance with Financing Agreement, Letter to the Borrower and General Conditions.

Deadline: 31 Dec 2019 and onwards

Responsibility: PCO

Description of action: Comply with all financing covenants of the Financing Agreement, Letter to the Borrower and General Conditions.

Appendix 1: Financial: Actual financial performance by financier; by component and disbursements by category

Table 1.a: Financial performance by financier, as at 17 September 2019

Financier	Approval (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD Loan/ ¹	28,200.00	2,760.81*	9.79
IFAD Grant/ ¹	1,800.00	8.74	0.49
IFAD Other	10,000.00	-	-
Government/ ²	11,480.84	282.56	2.46
SDC - HSI/ ³	3,000.00	126.98	4.23
Municipality	3,440.10	-	-
Private Sector	6,681.45	-	-
Beneficiaries	3,487.91	-	-
Total	68,090.29	3,179.09	4.67

Note:

- * The disbursement amount includes initial deposit of USD 2.50 million of IAF loan.
- 1 The IFAD loan and grant amounts include expenditures of USD 260,814 (NPR 29,367,622) and USD 8.743 (NPR 984,413) respectively incurred from start of the project to 17 September 2019 and yet to be claimed.
- 2 Government contribution has been converted using the average exchange rates of the FY 2018-19
- 3 Expenditures incurred by SDC - HSI have been reported based on the statement of expenditures provided by Helvetas.

Table 1.b: Financial performance by financier by component (USD '000) as at 17 September 2019

No.	Component	IFAD Loan			IFAD Grant			IFAD Other			Government			SDC - HSI		
		Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1	1. Value Chain Development	24,448.09	26.98	0.11	1,671.60	-	-	10,000.00	-	-	7,731.87	9.78	0.13	3,000.00	126.98	4.23
1.1	Inclusive and sustainable agriculture value chains expanded and diversified	10,179.50	18.84	0.19	488.02	-	-	10,000.00	-	-	2,998.23	-	-	-	-	-
1.2	Market-oriented public and community infrastructure functional	2,621.63	-	-	-	-	-	-	-	-	2,428.67	-	-	-	-	-
1.3	Rural financial services for value chain development strengthened	3,463.96	0.87	0.03	332.40	-	-	-	-	-	601.68	4.06	0.68	-	-	-
1.4	Agriculture services sustainability support innovation and value chain development	8,182.99	7.27	0.09	851.18	-	-	-	-	-	1,703.29	5.71	0.34	3,000.00	126.98	4.23
2	2. Program Management	3,751.91	233.83	6.23	128.40	8.74	6.81	-	-	-	3,748.96	272.78	7.28	-	-	-
	Program Management	3,751.91	233.83	6.23	128.40	8.74	6.81	-	-	-	3,748.96	272.78	7.28	-	-	-
	Total	28,200.00	260.81	0.92	1,800.00	8.74	0.49	10,000.00	-	-	11,480.84	282.56	2.46	3,000.00	126.98	4.23

No.	Component	Municipality			Beneficiaries			Private Sector			Total		
		Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
1	1. Value Chain Development	3,440.10	-	-	6,681.45	-	-	3,487.91	-	-	60,461.02	163.73	0.27
1.1	Inclusive and sustainable agriculture value chains expanded and diversified	-	-	-	4,230.93	-	-	3,273.04	-	-	31,169.72	18.84	0.06
1.2	Market-oriented public and community infrastructure functional	2,243.85	-	-	1,325.66	-	-	-	-	-	8,619.81	-	-
1.3	Rural financial services for value chain development strengthened	-	-	-	-	-	-	214.86	-	-	4,612.91	4.93	0.11
1.4	Agriculture services sustainability support innovation and value chain development	1,196.25	-	-	1,124.86	-	-	-	-	-	16,058.58	139.96	0.87
2	2. Program Management	-	-	-	-	-	-	-	-	-	7,629.27	515.36	6.75
	Program Management	-	-	-	-	-	-	-	-	-	7,629.27	515.36	6.75
	Total	3,440.10	-	-	6,681.45	-	-	3,487.91	-	-	68,090.29	679.09	1.00

Note: 1. Expenditures incurred up to 17 September 2019 have been reported.
2. Government contribution has been converted using the average exchange rates of the FY 2018-19.
3. IFAD loan and grant amounts include expenditures incurred from start of the project to 17 September 2019 which are yet to be claimed.
4. Expenditures incurred by SDC - HSI have been reported based on the statement of expenditures provided by Helvetas.

Component	ASAP Grant			IFAD grant			Government			Private Sector			Beneficiaries			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
A. Promotion of Rural Micro-Cottage and Small Enterprises	16,510.64	120.45	0.73	6,357.92	310.07	4.88	6,542.31	66.59	1.02	573.31	-	0.00	1,836.85	-	0.00	31,821.03	497.12	1.56
Mapping and setting up capacities at district and regional level	2,266.40	120.45	5.31	4,257.56	310.07	7.28	1,123.75	66.59	5.93	364.53		0.00	-			8,012.23	497.12	6.20
Services for RMSE promotion and development	10,312.81	-	0.00	758.15	-	0.00	1,928.75	-	0.00				1,836.85		0.00	14,836.57	-	0.00
Vocational training and apprenticeships	3,931.44	-	0.00	1,342.21	-	0.00	3,489.81	-	0.00	208.78		0.00	-			8,972.23	-	0.00
B. Productive Investment	1,901.17	-	0.00	5,772.00	13.19	0.23	1,695.28	1.98	0.12	13,174.69	-	0.00	4,800.00	-	0.00	27,343.14	15.17	0.06
Rural Finance	1,534.13	-	0.00	5,258.50	0.94	0.02	219.68	0.13	0.06	13,174.69		0.00	4,800.00		0.00	24,986.99	1.08	0.00
Mobilising migrant resources and skills	367.04	-	0.00	513.51	12.24	2.38	1,475.60	1.85	0.13							2,356.15	14.10	0.60
C. Institutional Support and Project Management	3,383.32	477.26	14.11	4,685.66	396.93	8.47	911.14	128.14	14.06	1.18	-	0.00	-	-		8,981.30	1,002.32	11.16
Policy and Institutional Development	404.09	8.83	2.18	1,941.87	1.68	0.09	410.35	1.77	0.43	1.18		0.00				2,757.49	12.28	0.45
Project Management	2,979.24	468.43	15.72	2,743.79	395.25	14.41	500.79	126.37	25.23							6,223.81	990.04	15.91
Total	21,795.14	597.71	2.74	16,815.58	720.19	4.28	9,148.72	196.72	2.15	13,749.18	-	0.00	6,636.85	-	0.00	68,145.47	1,514.62	2.22

Note: 1. Expenditures incurred till 17 October 2018 have been reported.

2. Government contribution has been converted using the closing exchange rate of the respective fiscal year and quarter end of the current fiscal year.

3. IFAD loan and grant amounts include expenditures of FY 2018/19 which are yet to be claimed.

Table 1.c.1: IFAD Loan 2000002118 Disbursements (SDR, as at 17 September 2019) by category

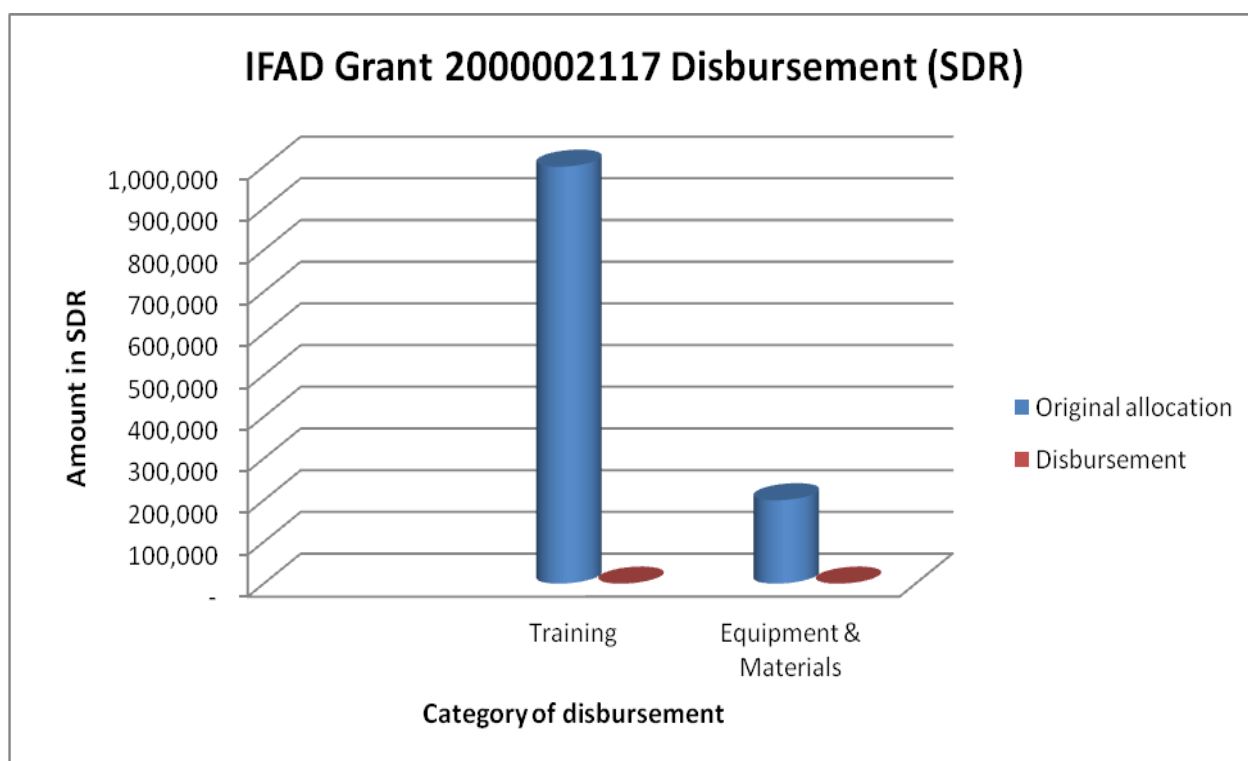
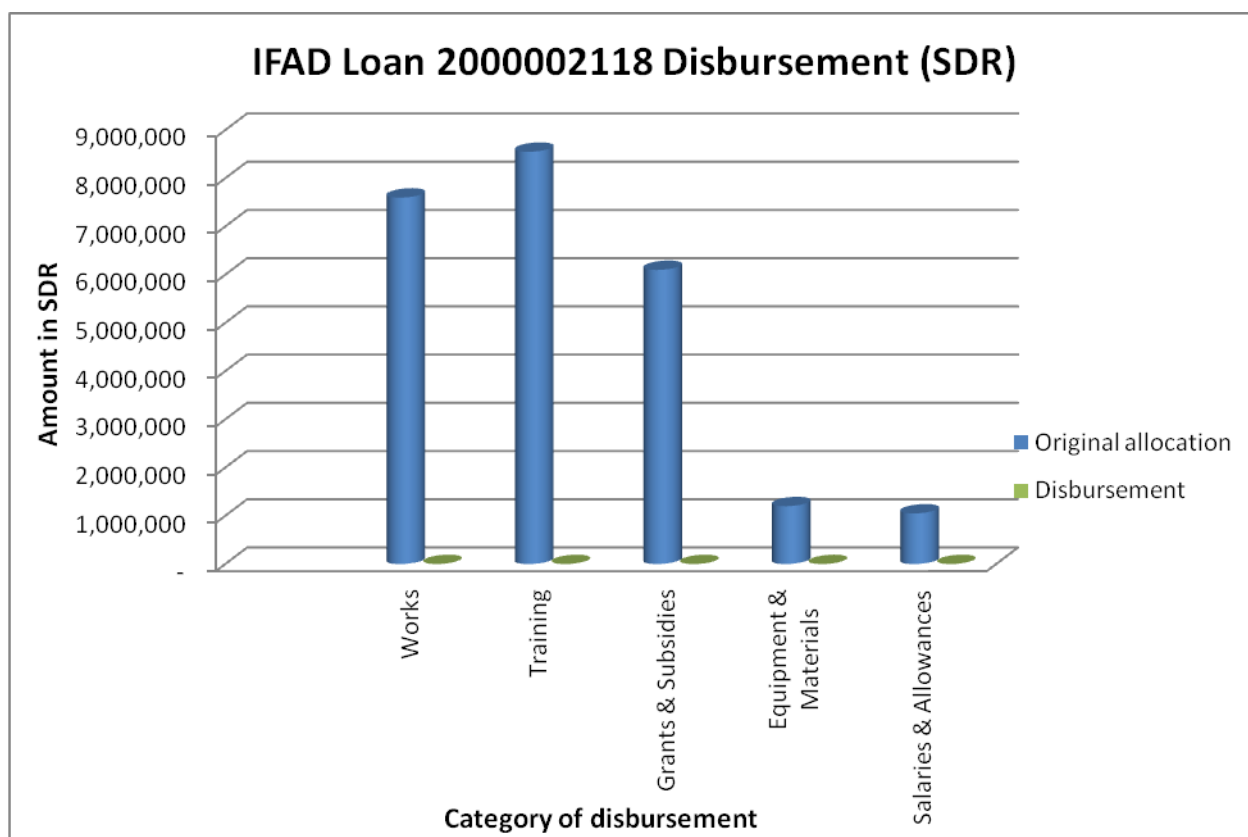
Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
A-I	Works	7,600,000.00	-	-	2,486.76	7,597,513.24	-
A-II	Training	8,550,000.00	-	-	26,917.66	8,523,082.34	-
A-III	Grants & Subsidies	6,100,000.00	-	-	-	6,100,000.00	-
A-IV	Equipment & Materials	1,200,000.00	-	-	142,234.23	1,057,765.77	-
A-V	Salaries & Allowances	1,050,000.00	-	-	19,670.50	1,030,329.50	-
	Unallocated	2,700,000.00	-	-	-	2,700,000.00	-
	Initial deposit			1,806,528.07			
	Total	27,200,000.00	-	1,806,528.07	191,309.16	27,008,690.84	6.64

Table 1.c.2: IFAD Grant 2000002117 Disbursements (SDR, as at 17 September 2019) by category

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
B-II	Training	1,000,000.00	-	-	651.43	999,348.57	-
B-IV	Equipment & Materials	200,000.00	-	-	5,761.32	194,238.68	-
	Unallocated	100,000.00	-	-	-	100,000.00	-
	Initial deposit			-	-		
	Total	1,300,000.00	-	-	6,412.75	1,293,587.25	-

Note: The advance disbursement has been reported in disbursement column against initial deposit.

The expenditures incurred from the start of the project to 17 September 2019 but yet to be disbursed have been reported in the W/A pending column at the exchange rate of NPR 112.60 per USD and USD 1.36331 per SDR prevailing on 30 September 2019.



Appendix 3: Compliance with legal covenants: Status of implementation

Section and Para Ref	Covenant	Target/Action Due Date	Compliance Status/Date
Financing Agreement:			
Section B – Para 6 and Section E- Para 1(a)	There shall be two Designated Accounts, denominated in United States dollar opened at the Nepal Rastra Bank through which the proceeds of the loan and the grant, shall be channeled.	Additional condition precedent to withdrawal	Complied DA was opened on 8 July 2019. The specimen of authorized signatories' were submitted on 22 June 2019.
Section E- Para 1(b)	The Project Steering Committee (PSC) and the Project Coordination Office (PCO) shall have been duly established in accordance with Schedule 1 Section II Paragraph 7 and 9.	Additional condition precedent to withdrawal	Complied
Section E- Para 1(c)	The Programme Coordinator and other PCO key staff as described under Schedule I Section II Paragraph 9 shall have been duly appointed/designated.	Additional condition precedent to withdrawal	Complied
Section E- Para 1(d) & Schedule 1 – Section II Para 13	A Programme Implementation Manual (PIM) shall have been prepared in form and substance satisfactory to the Fund. The LPA shall forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM, substantially in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund.	Additional condition precedent to withdrawal	Complied PSC approved PIM on 18 April 2019
Section E- Para 1(e)	The LPA and Helvetas Swiss Inter-Cooperation (HSI) shall have entered into an Agreement: as outlined in paragraph 11.2 section II of Schedule 1 to this Agreement, in form and substance satisfactory to the Fund.	Additional condition precedent to withdrawal	Complied. Agreement was signed on 11 Dec 2018.
Schedule 1 – Section II Para 7.1 & 7.2	A PSC chaired by the Secretary MoALD and composed inter alia of, other federal ministry representatives, State Secretary for Agriculture or equivalent for State 6. Additionally, the PSC shall, by nomination, include representatives of National Farmers Commission and private sector entities related to the Programme. The PSC will meet at least quarterly to coordinate Programme implementation and make recommendations, to the LPA, as needed.	June 2018	Partially Complied. Two PSC meetings have been held till September 2019
Schedule 1 – Section II Para 8	Technical Advisory Group (TAG), chaired by the State Secretary for Agriculture or equivalent for State 6, with the Programme Coordinator as member secretary, federal state and local government representatives of agriculture, livestock, forestry, agri-	June 2018	Complied. First meeting was held on 11 July 2019

Section and Para Ref	Covenant	Target/Action Due Date	Compliance Status/Date
	business and food technology/safety experts, shall be established to advise the PCO on technical aspects of the Programme implementation.		
Schedule 1 – Section II Para 9	A Programme Coordination Office (PCO) shall be established and composed of a management team, a technical team of externally recruited experts, and support staff. Key Programme staff shall include a programme Coordinator, with the relevant qualifications and experience, a senior agriculture officer, a funds and contract specialist and an account officer.	June 2018	Complied.
Schedule 1 – Section II Para 11.2	The LPA shall have entered into an agreement with HSI to define the terms and conditions of such technical assistance.	June 2018	Complied Agreement was entered on 11 December 2018.
Schedule 1 – Section II Para 11.3	The Programme will work closely with the NGOs of proven competence and sustainability, particularly in supporting and capacitating the extension system, community participatory planning, cooperative and Micro Finance Institutions (MFI) institutional reform and gender development and nutrition support at municipal level.	December 2018	Not complied
Schedule 1 – Section II Para 11.4	Private enterprises, cooperatives, farmers' organizations, lead farmers and farmers' groups engaged in commodity production, the supply of goods and services, commodity processing, marketing or related fields will participate in programme implementation as co-financiers and/or service providers.	During implementation period	Not complied. Notice for call window 1 has been published on 18 September 2019.
Schedule 1 – Section II Para 11.5	The establishment of Municipality Agriculture Units (MAUs) and Community Agriculture Extension Service Centers (CAESCs) under Municipalities will strengthen the grassroots-level management and operational capacity, fostering community-governed and equitable representation and participation of the vulnerable groups in community decision making structure.	FY 2018	Partially complied. MAUs have been established but CAESCs are yet to be established. MOU has been signed between PCO and Municipalities. 14 Municipality Agriculture Development Committees have been established.
Schedule 1 – Section II Para 14	The LPA, including State and Municipal representatives and the Fund shall jointly carry out a review of Programme implementation no later than the end of the third year of the Programme (the Mid -Term Review) based on terms of reference prepared by the Borrower/Recipient and approved by the Fund.	At the end of the third year of the Programme	Not yet due

Section and Para Ref	Covenant	Target/Action Due Date	Compliance Status/Date
Schedule 2 – Para 2	The Borrower/Recipient shall provide counterpart financing for the programme in the approximate amount of eleven million five hundred thousand United States dollars (USD 11,500,000) to mainly cover duties and taxes related to the Programme expenditures.	During implementation period	Partially complied. Counterpart fund is being provided but it is not sufficient at the financing percentage for FY 2019-20.
Schedule 2 – Para 1	The Borrower/Recipient shall ensure that the HVAP beneficiaries shall not be eligible to this programme financing under the Value Chain Component	During implementation period	Being complied
Letter to the borrower			
Paragraph 5	Before disbursement can begin, IFAD must receive from the Designated Representative specified in Section E of the Agreement a letter designating the name(s) of official(s) authorized to sign withdrawal applications, and Statement of Expenditure (SOEs), which includes their authenticated specimen signature(s).		Complied on 22 June 2019
Paragraph 6	The Borrower/Recipient may request an advance withdrawal up to USD 400,000 equivalent to incur Programme start-up expenditure before the satisfaction of the conditions precedent to withdrawal, in accordance with Section 4.02(b) of the General Conditions and Schedule 2 to the Agreement.		Not required
Paragraph 14	The proceeds of the IFAD financing may not be used to pay taxes which will be part of the contribution of the Government of Nepal to the programme. Considering the current taxation scheme for VAT at 13 percent, the Government of Nepal's contribution to all categories of expenditures foreseeing the purchase of goods and services will be fixed at least at 15 percent. Social security benefits (employee's portion) and income less (employee deductions) are eligible for IFAD financing.	During implementation period	Partially being complied. Expenditures are either not accounted or accounted less than required amount to government counterpart fund.
Paragraph 14	The Borrower/Recipient is required to open and maintain two Designated Accounts denominated in USD at Nepal Rastra Bank, respectively for the loan and for the grant, in order to receive the proceeds of the financing in advance as soon as possible after entry into force of the Agreement. The Designated Accounts will be administered following Imprest Accounts arrangements.	June 2018	Complied
Paragraph 18	Documentation evidencing the opening of the designated Accounts, with details of the		Complied

Section and Para Ref	Covenant	Target/Action Due Date	Compliance Status/Date
	names and titles of the persons authorized to operate these accounts, must reach IFAD before withdrawal from the loan and grant accounts can begin.		
Paragraph 20	Counterpart funding in the estimated amount of USD 11.50 million as provided in Schedule 2 of the Agreement, will be provided in accordance with the budgetary process of the Government.	During implementation period	Partially complied. Counterpart fund is being provided but it is not sufficient at the financing percentage for FY 2019-20.
Paragraph 21	Procurement of goods, works and consulting services under ASDP financed from resources provided or administered by IFAD will be undertaken in accordance with the provision of the Government of Nepal's Public Procurement Act 2007 and associated regulations, the Public Procurement Regulations 2007 as amended from time to time to the extent they are consistent with the provisions of IFAD's Programme Guidelines and Handbook (dated September 2010 and as amended from time to time.	During implementation period	Being complied
Paragraph 22	Each Annual Work Plan and Budget (AWPB) must contain as Procurement Plan, identifying procurement to be undertaken by the Borrower/recipient and IFAD shall review and provide its no objection to the Procurement Plan.	FY 2018-19 and subsequent fiscal years	Being complied
Paragraph 23	Any amendments to the Procurement Plan shall be subject to the fund's no objection.	During implementation period	Being complied
Paragraph 28	Any entrepreneur or users group requesting for co-financing from ASDP shall agree to constitute a procurement committee for procuring materials, labour etc. as provided by the procurement rules and regulations.	During implementation period	Not yet due
Paragraph 32	All contracts must be listed in the Register of Contracts, which should be updated and submitted to the IFAD Country Programme Manager every quadrimester.	During implementation period	Partially complied . Contracts awarded through tender are only recorded in the register of contracts and it is not submitted to IFAD every trimester.
Paragraph 33	In accordance with Section 9.01 and 9.02 of the General Conditions, the Borrower/Recipient must prepare and submit to IFAD detailed financial statements of all the operations, resources and expenditures related to the Programme for each fiscal year.	Within 15 November of every year	Not yet due for FY 2018-19. Financial statements of FY 2018-19 are due on 16 Nov 2019.
Paragraph 34	In addition, summary interim financial	31 December	Not complied

Section and Para Ref	Covenant	Target/Action Due Date	Compliance Status/Date
	reports (IFRs) must be submitted to IFAD at intervals of four months after the end of the period-end.	2018 and onwards	
Paragraph 35	The programme audit must be submitted to IFAD within six months after the end of the financial year.	Within 15 January of every year	Not yet due. Audit report of FY 2018-19 will be due on 14 January 2020.
Paragraph 36	The Log of Audit Observation should be maintained and updated regularly.	14 January 2020 and onwards	Audit of first FY 2018-19 is yet to be conducted.
General Condition for Agricultural Financing:			
General Conditions Section 4.02	The first AWPB has been approved by the Fund and all other conditions specified in the Financing Agreement as additional general conditions precedent to withdrawal have been fulfilled.		Complied. The first AWPB of FY 2018-19 was approved on 31 January 2019
General Conditions Section 7.01 (b) (i & ii)	The implementation of the Project by the implementation parties in accordance with the approved AWPB and the Procurement Plans. The AWPB and the PP shall be submitted two months before the start of the Programme Year.	During implementation period 15 May of every year	Partially complied The revised AWPB and PP of FY 2018-19 were submitted on 31 January 2019 which was approved on same day. The AWPB and PP of FY 2019/20 was submitted on 2 July 2019 and revised AWPB is yet to be submitted to IFAD for approval.
Section 7.03(b)	Borrower/Recipient shall make available to the Project Parties during the Project Implementation Period counterpart funds from its own resources in accordance with its customary national procedures for development assistance.	During implementation period	Being complied
Section 7.08 (a)	Insurance of vehicles, equipment and civil works financed from the loan proceeds to be consistent with sound commercial practice.	During implementation period	New three vehicles against comprehensive and old vehicles transferred from HVAP and motorbike against third parties have only been insured .
Section 8.02 (a)	The Lead Project Agency shall establish and thereafter maintain an appropriate information management system in accordance with the Fund's Guide for Project Monitoring and Evaluation with which it shall continuously monitor the Project.	During implementation period	Upgraded the previous MIS developed by HVAP.
Section 8.03 (a)	Progress Report: The Lead Project Agency shall submit to the Fund periodic	During implementation	Partially complied as periodic progress reports

Section and Para Ref	Covenant	Target/Action Due Date	Compliance Status/Date
	progress reports on the Project, in such form and substance as the Fund shall reasonably.	period	being prepared for the IFAD implementation and supervision mission are submitted. Submitted only one for the annual progress of FY 2019-19.
Section 8.03 (b)	Mid-Term Review: The Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation Period (the "Mid-Term Review") based on terms of reference prepared by the Borrower and approved by the Fund.	July 2021	Not yet due
Section 8.05	Plans and Schedules: The Project Parties shall furnish to the Fund promptly upon their preparation, such plans, design, standards, reports, contract documents, specifications and schedules relating to the Project, and any material modifications subsequently made therein.	During implementation period	Partially complied as all reports received from service providers and consultants are not submitted to IFAD.
Section 9.01	The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date, and shall retain such accounts and records for at least ten (10) years thereafter.	During implementation period	Being complied
Section 9.02	Financial Statements: The borrower shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Program for each Fiscal Year in accordance with standards and procedures acceptable to the Fund within 4 months of the end of each Fiscal Year.	Within 15 November of every year	Not yet due for first FY 2018-19
Section 9.03 (a)	Audit: The Borrower/Recipient shall, each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund by independent auditors acceptable to the Fund.	During implementation period	Audit of first year of FY 2018-19 is yet to be conducted. The Office of the Auditor General will conduct audit in accordance with the ISSAI issued by INTOSAI.
Section 9.03 (b)	The borrower shall, within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the	Within 15 January of every year	Audit report of first FY 2018-19 is yet not due.

Section and Para Ref	Covenant	Target/Action Due Date	Compliance Status/Date
	Fund the reply to the management letter of the auditors within one month of receipt thereof.		

Nepal

Agriculture Sector Development Programme Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 23 September - 03 October 2019
Document Date 21/11/2019
Project No. 2000001418
Report No. 5240-NP

Asia and the Pacific Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

S.No.	Project Indicators	Unit	Period up to October 2019		Cumulative Actual	Appraisal	%
			AWPB 2019/2020	Actual		Target	
Component 1: Value Chain Development							
Subcomponent 1.1: Inclusive and Sustainable agriculture value chains expanded and diversified							
1	Amount of agribusiness and household investment leveraged by ASDP co-financing	US\$ in Million	6	0	0		
2	12 commodity-based VC strategic investment plans prepared.	No.	5	0	8		
3	Profitable new agriculture value chains operating in Programme area at project-end	No.	7	7	7		
Subcomponent 1.2: Market-oriented infrastructure functional							
1	Percentage of households in Programme impact areas reporting satisfaction with Programme infrastructure development (disaggregated by male and female-headed households and ethnicity)	Percentage	0	0	0		
2	Kilometres of rural roads constructed	Km	0	0	0		
3	Hectares of small-scale irrigation established	Ha	0	0	0		
4	Number of youth and women trained (disaggregated by ethnicity and sex) (Zero at project inception)	No.	0	0	0		
Subcomponent 1.3: Rural financial services for value chain development strengthened							
1	Percentage increase in number of households reporting using rural financial services (savings, credit, insurance, etc.) (disaggregated by ethnicity and female-headed households)	Percentage	0	0	0		
2	Increase in number of financial service providers delivering innovative financial products and services to Programme	No.	-	0	0		

S.No.	Project Indicators	Unit	Period up to October 2019		Cumulative Actual	Appraisal	%
			AWPB 2019/2020	Actual		Target	
	groups.						
3	Number of persons in rural areas trained in at least two of the following capacities: (i) financial literacy; (ii) business development and (iii) use of financial products and services (disaggregated by ethnicity and female-headed households).	No.	550	0	0		
Sub – Component 1.4: Agriculture services sustainably support innovation and value chain development							
1	Percentage of households in Programme area reporting adoption of new / improved inputs, technologies or practices (disaggregated by ethnicity and female-headed households)	%	0	0	0		
2	Number of CAESCs in Programme Wards delivering publicly and privately funded services to producers through pluralistic extension providers (disaggregated by funding source) and 400 of new farmer groups linked to VCs	No.	20	0	0		
3	40% improvement in Women's empowerment in agriculture index in Programme supported households.	%		0	0		
Component 2: Programme Coordination							
1	PSC and TAG meetings taking place on quarterly basis	No.	4	2	4		
2	Achievement of project targets (AWPB planned vs. achieved)	%	100	100	100		
3	Timely production of AWPB and progress reports	%	2	1	100		

Nepal

Agriculture Sector Development Programme Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 23 September - 03 October 2019
Document Date 21/11/2019
Project No. 2000001418
Report No. 5240-NP

Asia and the Pacific Division
Programme Management Department

Appendix 3: Compliance with legal covenants: status of implementation

Section and Para Ref	Covenant	Target/Action Due Date	Compliance Status/Date
Financing Agreement:			
Section B – Para 6 and Section E- Para 1(a)	There shall be two Designated Accounts, denominated in United States dollar opened at the Nepal Rastra Bank through which the proceeds of the loan and the grant, shall be channelled.	Additional condition precedent to withdrawal	Complied DA was opened on 8 July 2019. The specimen of authorized signatories was submitted on 22 June 2019.
Section E- Para 1(b)	The Project Steering Committee (PSC) and the Project Coordination Office (PCO) shall have been duly established in accordance with Schedule 1 Section II Paragraph 7 and 9.	Additional condition precedent to withdrawal	Complied
Section E- Para 1(c)	The Programme Coordinator and other PCO key staff as described under Schedule I Section II Paragraph 9 shall have been duly appointed/designated.	Additional condition precedent to withdrawal	Complied
Section E- Para 1(d) & Schedule 1 – Section II Para 13	A Programme Implementation Manual (PIM) shall have been prepared in form and substance satisfactory to the Fund. The LPA shall forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM, substantially in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund.	Additional condition precedent to withdrawal	Complied PSC approved PIM on 18 April 2019
Section E- Para 1(e)	The LPA and Helvetas Swiss Inter-Cooperation (HSI) shall have entered into an Agreement: as outlined in paragraph 11.2 section II of Schedule 1 to this Agreement, in form and substance satisfactory to the Fund.	Additional condition precedent to withdrawal	Complied. Agreement was signed on 11 Dec 2018.

Appendix 3: Compliance with legal covenants: status of implementation

Schedule 1 – Section II Para 7.1 & 7.2	A PSC chaired by the Secretary MoALD and composed inter alia of, other federal ministry representatives, State Secretary for Agriculture or equivalent for State 6. Additionally, the PSC shall, by nomination, include representatives of National Farmers Commission and private sector entities related to the Programme. The PSC will meet at least quarterly to coordinate Programme implementation and make recommendations, to the LPA, as needed.	June 2018	Partially Complied. Two PSC meetings have been held till September 2019
Schedule 1 – Section II Para 8	Technical Advisory Group (TAG), chaired by the State Secretary for Agriculture or equivalent for State 6, with the Programme Coordinator as member secretary, federal state and local government representatives of agriculture, livestock, forestry, agri-business and food technology/safety experts, shall be established to advise the PCO on technical aspects of the Programme implementation.	June 2018	Complied. First meeting was held on 11 July 2019
Schedule 1 – Section II Para 9	A Programme Coordination Office (PCO) shall be established and composed of a management team, a technical team of externally recruited experts, and support staff. Key Programme staff shall include a programme Coordinator, with the relevant qualifications and experience, a senior agriculture officer, a funds and contract specialist and an account officer.	June 2018	Complied.
Schedule 1 – Section II Para 11.2	The LPA shall have entered into an agreement with HSI to define the terms and conditions of such technical assistance.	June 2018	Complied Agreement was entered on 11 December 2018.
Schedule 1 – Section II Para 11.3	The Programme will work closely with the NGOs of proven competence and sustainability, particularly in supporting and capacitating the extension system, community participatory planning, cooperative and Micro Finance Institutions (MFI) institutional reform and gender development and nutrition support at municipal level.	December 2018	Not complied
Schedule 1 – Section II Para 11.4	Private enterprises, cooperatives, farmers' organizations, lead farmers and farmers' groups engaged in commodity production, the supply of goods and services, commodity processing, marketing or related fields will participate in programme implementation as co-financiers and/or service providers.	During implementation period	Not complied. EOI for window 1 has been published on 18 September 2019.

Appendix 3: Compliance with legal covenants: status of implementation

Schedule 1 – Section II Para 11.5	The establishment of Municipality Agriculture Units (MAUs) and Community Agriculture Extension Service Centres (CAESCs) under Municipalities will strengthen the grassroots-level management and operational capacity, fostering community-governed and equitable representation and participation of the vulnerable groups in community decision making structure.	FY 2018	Partially complied. MAUs have been established but CAESCs are yet to be established. MOU has been signed between PCO and Municipalities. 14 Municipality Agriculture Development Committees have been established.
Schedule 1 – Section II Para 14	The LPA, including State and Municipal representatives and the Fund shall jointly carry out a review of Programme implementation no later than the end of the third year of the Programme (the Mid - Term Review) based on terms of reference prepared by the Borrower/Recipient and approved by the Fund.	At the end of the third year of the Programme	Not yet due
Schedule 2 – Para 2	The Borrower/Recipient shall provide counterpart financing for the programme in the approximate amount of eleven million five hundred thousand United States dollars (USD 11,500,000) to mainly cover duties and taxes related to the Programme expenditures.	During implementation period	Partially complied. Counterpart fund is being provided but it is not sufficient at the financing percentage for FY 2019-20.
Schedule 2 – Para 1	The Borrower/Recipient shall ensure that the HVAP beneficiaries shall not be eligible to this programme financing under the Value Chain Component	During implementation period	Being complied
Letter to the borrower			
Paragraph 5	Before disbursement can begin, IFAD must receive from the Designated Representative specified in Section E of the Agreement a letter designating the name(s) of official(s) authorized to sign withdrawal applications, and Statement of Expenditure (SOEs), which includes their authenticated specimen signature(s).		Complied on 22 June 2019

Appendix 3: Compliance with legal covenants: status of implementation

Paragraph 6	The Borrower/Recipient may request an advance withdrawal up to USD 400,000 equivalent to incur Programme start-up expenditure before the satisfaction of the conditions precedent to withdrawal, in accordance with Section 4.02(b) of the General Conditions and Schedule 2 to the Agreement.		Not required
Paragraph 14	The proceeds of the IFAD financing may not be used to pay taxes which will be part of the contribution of the Government of Nepal to the programme. Considering the current taxation scheme for VAT at 13 percent, the Government of Nepal's contribution to all categories of expenditures foreseeing the purchase of goods and services will be fixed at least at 15 percent. Social security benefits (employee's portion) and income less (employee deductions) are eligible for IFAD financing.	During implementation period	Partially being complied. Expenditures are either not accounted or accounted less than required amount to government counterpart fund.
Paragraph 14	The Borrower/Recipient is required to open and maintain two Designated Accounts denominated in USD at Nepal Rastra Bank, respectively for the loan and for the grant, in order to receive the proceeds of the financing in advance as soon as possible after entry into force of the Agreement. The Designated Accounts will be administered following Imprest Accounts arrangements.	June 2018	Complied
Paragraph 18	Documentation evidencing the opening of the designated Accounts, with details of the names and titles of the persons authorized to operate these accounts, must reach IFAD before withdrawal from the loan and grant accounts can begin.		Complied
Paragraph 20	Counterpart funding in the estimated amount of USD 11.50 million as provided in Schedule 2 of the Agreement, will be provided in accordance with the budgetary process of the Government.	During implementation period	Partially complied. Counterpart fund is being provided but it is not sufficient at the financing percentage for FY 2019-20.
Paragraph 21	Procurement of goods, works and consulting services under ASDP financed from resources provided or administered by IFAD will be undertaken in accordance with the provision of the Government of Nepal's Public Procurement Act 2007 and associated regulations, the Public Procurement Regulations 2007 as amended from time to time to the extent they are consistent with the provisions of IFAD's Programme Guidelines and Handbook (dated September 2010) and as amended from time to time.	During implementation period	Being complied
Paragraph 22	Each Annual Work Plan and Budget (AWPB) must contain a Procurement Plan, identifying procurement to be undertaken by the Borrower/recipient and IFAD shall review and provide its no objection to the Procurement Plan.	FY 2018-19 and subsequent fiscal years	Being complied
Paragraph 23	Any amendments to the Procurement Plan shall be subject to the fund's no objection.	During implementation period	Being complied
Paragraph 28	Any entrepreneur or users group requesting for co-financing from ASDP shall agree to constitute a procurement committee for procuring materials, labour etc. as provided by the procurement rules and regulations.	During implementation period	Not yet due
Paragraph 32	All contracts must be listed in the Register of Contracts, which should be updated and submitted to	During implementation	Partially complied.

Appendix 3: Compliance with legal covenants: status of implementation

	the IFAD Country Programme Manager every quadrimester.	period	Contracts awarded through tender are only recorded in the register of contracts and it is not submitted to IFAD every trimester.
Paragraph 33	In accordance with Section 9.01 and 9.02 of the General Conditions, the Borrower/Recipient must prepare and submit to IFAD detailed financial statements of all the operations, resources and expenditures related to the Programme for each fiscal year.	Within 15 November of every year	Not yet due for FY 2018-19. Financial statements of FY 2018-19 are due on 16 Nov 2019.
Paragraph 34	In addition, summary interim financial reports (IFRs) must be submitted to IFAD at intervals of four months after the end of the period-end.	31 December 2018 and onwards	Not complied
Paragraph 35	The programme audit must be submitted to IFAD within six months after the end of the financial year.	Within 15 January of every year	Not yet due. Audit report of FY 2018-19 will be due on 14 January 2020.
Paragraph 36	The Log of Audit Observation should be maintained and updated regularly.	14 January 2020 and onwards	Audit of first FY 2018-19 is yet to be conducted.
General Condition for Agricultural Financing:			
General Conditions Section 4.02	The first AWPB has been approved by the Fund and all other conditions specified in the Financing Agreement as additional general conditions precedent to withdrawal have been fulfilled.		Complied. The first AWPB of FY 2018-19 was approved on 31 January 2019
General Conditions Section 7.01 (b) (i & ii)	The implementation of the Project by the implementation parties in accordance with the approved AWPB and the Procurement Plans. The AWPB and the PP shall be submitted two months before the start of the Programme Year.	During implementation period 15 May of every year	Partially complied The revised AWPB and PP of FY 2018-19 were submitted on 31 January 2019 which was approved on same day. The AWPB and PP of FY 2019/20 was submitted on 2 July 2019 and revised AWPB is yet to be submitted to IFAD for approval.

Appendix 3: Compliance with legal covenants: status of implementation

Section 7.03(b)	Borrower/Recipient shall make available to the Project Parties during the Project Implementation Period counterpart funds from its own resources in accordance with its customary national procedures for development assistance.	During implementation period	Being complied
Section 7.08 (a)	Insurance of vehicles, equipment and civil works financed from the loan proceeds to be consistent with sound commercial practice.	During implementation period	New three vehicles against comprehensive and old vehicles transferred from HVAP and motorbike against third parties have only been insured.
Section 8.02 (a)	The Lead Project Agency shall establish and thereafter maintain an appropriate information management system in accordance with the Fund's Guide for Project Monitoring and Evaluation with which it shall continuously monitor the Project.	During implementation period	Upgraded the previous MIS developed by HVAP.
Section 8.03 (a)	Progress Report: The Lead Project Agency shall submit to the Fund periodic progress reports on the Project, in such form and substance as the Fund shall reasonably.	During implementation period	Partially complied as periodic progress reports being prepared for the IFAD implementation and supervision mission are submitted. Submitted only one for the annual progress of FY 2018-19.
Section 8.03 (b)	Mid-Term Review: The Lead Project Agency and the Fund shall jointly carry out a review of Project implementation no later than the midpoint of the Project Implementation Period (the "Mid-Term Review") based on terms of reference prepared by the Borrower and approved by the Fund.	July 2021	Not yet due
Section 8.05	Plans and Schedules: The Project Parties shall furnish to the Fund promptly upon their preparation, such plans, design, standards, reports, contract documents, specifications and schedules relating to the Project, and any material modifications subsequently made therein.	During implementation period	Partially complied as all reports received from service providers and consultants are not submitted to IFAD.
Section 9.01	The Project Parties shall maintain separate accounts and records in accordance with consistently maintained appropriate accounting practices adequate to reflect the operations, resources and expenditures related to the Project until the Financing Closing Date and shall retain such accounts and records for at least ten (10) years thereafter.	During implementation period	Being complied
Section 9.02	Financial Statements: The borrower shall deliver to the Fund detailed financial statements of the operations, resources and expenditures related to the Program for each Fiscal Year in accordance with standards and procedures acceptable to the Fund within 4 months of the end of each Fiscal	Within 15 November of every year	Not yet due for first FY 2018-19

Appendix 3: Compliance with legal covenants: status of implementation

	Year.		
Section 9.03 (a)	Audit: The Borrower/Recipient shall, each Fiscal Year, have the accounts relating to the Project audited in accordance with auditing standards acceptable to the Fund by independent auditors acceptable to the Fund.	During implementation period	Audit of first year of FY 2018-19 is yet to be conducted. The Office of the Auditor General will conduct audit in accordance with the ISSAI issued by INTOSAI.
Section 9.03 (b)	The borrower shall, within six (6) months of the end of each Fiscal Year, furnish to the Fund a certified copy of the audit report. The Borrower/Recipient shall submit to the Fund the reply to the management letter of the auditors within one month of receipt thereof.	Within 15 January of every year	Audit report of first FY 2018-19 is yet not due.