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FOREWORD

The Commercial Agriculture Development Project implemented in the 11 districts of Eastern Development Region is expected to play a leading role in improving livelihood of the people through commercialization of present subsistence based agriculture.

The overall objective of the project is to reduce poverty amongst poor rural people through gender and socially inclusive development by equitable and sustainable commercialization in agriculture. The immediate objective of the project is to generate employment opportunities to poor farmers and landless people by promoting high value crops production and marketing. The project is a system, process-oriented, holistic and implemented through participatory processes involving all of the concerned stakeholders. It functions on the principles of market demand led approach; gender main streaming, public/private partnership arrangement, flexible project management, local body capacity enhancement and environment preservation.

During its 26 months of implementation the Project has already established the Project Management Unit, CAA head office and its 11 district level branch offices. CAA memberships now totaled 253 and 45 sub-projects have been approved for CAF funding. Additional 34 new projects have been recommended by the review committee for approval by the Board of CAA. Training of various stakeholders in different aspects of Project activities which had been targeted for implementation has been completed. Baseline studies, product chain reports and many other studies supported by the Project have been completed. Eighteen (18) partner NGOs have been selected and partnership agreements signed to provide support services for the development of semi-commercial and subsistence stakeholders. An NGO orientation workshop was held recently and discussed the working modalities, program activities and implementation mechanism and programs for monitoring and evaluation for both subsistence and landless farmers and semi-commercial stakeholders. Sixty-two participants from 18 NGOs attended the workshop. Package B consultants have been fielded and assigned in Biratnagar and three different satellite districts to provide technical support and backstopping on Project implementation.

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Finally, I duly recognize and acknowledge the constant support extended by all of the CADP staff and Project Stakeholders.

Tek Bahadur Bam
Project Manager

ABBREVIATIONS

ADB	Asian Development Bank
AMIS	Agriculture Market Information System
ARS	Agricultural Research System
AVRDC	Asian Vegetable Research and Development Center (now World Vegetable Center)
CAA	Commercial Agriculture Alliance
CAF	Commercial Agriculture Fund
CBO	Community Based Organization
CQS	Consultants' Qualification Selection
CS	Company Secretary
DADO	District Agriculture Development Office
DDC	District Development Committee
DEPROSC	Development Project Service Center
DOA	Department of Agriculture
EA	Executing Agency
EDR	Eastern Development Region
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EOI	Expression of Interest
GM	General Manager
GON	Government of Nepal
HVC	High-value Crop
IA	Implementing Agency
IEE	Initial Environmental Evaluation
JFPR	Japan Fund for Poverty Reduction
JV	Joint Venture
M&E	Monitoring and Evaluation
MOAC	Ministry of Agriculture and Cooperatives
NGO	Non-government Organization
PAC	Pakhribas Agriculture Centre
PACT	Project on Agricultural Commercialization and Trade
PAM	Project Administration Memorandum
PMU	Project Management Unit
PSC	Project Steering Committee
RAD	Regional Agriculture Directorate
RARS	National Agricultural Research System
RFP	Request for Proposal
SCN	Sub-project Concept Note
SDP	Sub-project Detail Proposal
SHG	Self Help Group
SOP	Standard Operating Procedure
TOR	Terms of Reference
VDC	Village Development Committee

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EXECUTIVE SUMMARY

The commercial Agriculture Development Project funded by the Asian Development Bank grant is being implemented in the eleven districts (Jhapa, Morang, Sunsari, Siraha, Saptari, Dhankuta, Ilam, Panchthar, Terahthum, Udayapur and Taplejung) of the Eastern Development Region of Nepal. The Project aims to reduce poverty in the rural communities in the project districts through equitable and sustainable commercialization of agriculture.

The Project activities are grouped under five broad components consisting of (i) commercial agriculture investment and management, (ii) inclusive development of stakeholders, (iii) market information dissemination, (iv) capacity enhancement of project partners and (v) project implementation support. The project outcome will be improved efficiency of production, and marketing of high value crops.

With an objective of bringing underprivileged communities of the Project area into development process an associated project "Improving Livelihood for Poor Farmers and Disadvantaged Groups in the Eastern Development Region" is implemented through Japan Fund for Poverty Reduction grant in four of the Project districts (Morang, Sunsari, Saptari and Dhankuta) under overall guidance of Commercial Agriculture Development Project management.

The project has successfully completed 26 months of implementation. During this period establishment of Project Monitoring Unit in Biratnagar, and liaison office in Kathmandu; and fully staffing and furnishing the offices have been completed. Similarly, Commercial Agriculture Alliance, implementing agency for component 1, has established its headquarters in Biratnagar and its eleven district offices in the respective districts. These offices are fully staffed and equipped.

Procurement of vehicles was completed and assigned to the respective offices and individuals. Several training programs on various topics for project partners, farmers and other stakeholders have been conducted in various places in the project area to enhance their capacity to implement the Project.

Under Component 1- The project aims to facilitate key agricultural stakeholder to work together to increase commercialization in agriculture through a Commercial Agriculture Fund (CAF), a cost sharing grant facility of CAA to develop (i) community-based market infrastructure, and (ii) non-infrastructure investments to add value to agriculture products.

At the end of FY 2008/09, 253 institutions/individuals are awarded CAA membership from all the 11 districts. On community based-market Infrastructure Projects, CAA has approved 23 Infrastructure Development Projects 11 of which are farm to market roads and 12 are market related infrastructures. But only 22 agreements have been signed so far. In the first quarter of F/Y 2009/10, the Appraisal Committee has reviewed 67 non-infrastructure related SDPs and recommend 34 (51%) of them to CAA Board for approval while 33 (49%) have been returned to the member for improvements

CAA has signed agreement with 22 members for the implementation of Non-Infrastructure Projects. These non-infrastructure projects include fruits/vegetables promotion and marketing, cooperative community farming, micro-irrigation, spices production and processing.

CAA Board of Director's Meeting held on 20th September has approved a total budget of Rs 23 Million, as provisioned in the Red Book of Government of Nepal. Of the total budget more than 80 percent is allocated for CAF and other for CAA Operation, Management and Auditing

On Component -2, eighteen (18) NGOs have been selected to undertake the activities under this sub-component on inclusive development of stakeholders. Partnership agreements have been signed with these NGOs assigned to implement activities to support and provide assistance to semi-commercial, subsistence and landless farmers in each of the eleven districts. NGO orientation was conducted to discuss the preparation of inception reports, working modalities, work plan and implementation and monitoring and evaluation reports that are to be prepared. The draft inception reports by each of these NGOs have been prepared and submitted to PMU for comments. A committee was formed for technical evaluation of these reports and comments were sent back for their revision and final submission.

On Component -3, market information and dissemination, a computer-based Agricultural Market Information System (AMIS) software has been prepared and being updated as per requirement of the system. Operating Manuals were prepared and training on market information exchange sharing systems was conducted in Dhankuta, Jhapa, Morang districts attended by 321 participants. Similarly 14 computer operator staff of CAA branch offices and three from FBC had been trained on the operation of the AMIS software at the CAA main office for three days.

Price collections have been started from Biratnagar, Dharan and Birtamod markets and dissemination had been arranged with the use of FM radio facilities.

On Component -4, Project Partners Capacity Enhancement, several training programs were conducted in various districts of Dhankuta, Jhapa, Sunsari, and Morang. At the end of the 2nd FY 2008-2009, 426 stakeholders have been trained by the Project in nine various subjects consisting of 16 training sessions. Participants included senior officers and technicians of DADO, CAA members consisting of farmers, traders, processors and other stakeholders. During the first quarter of the current fiscal year, training on market information sharing system was conducted in Lahan, Siraha District and participated by 88 farmers.

An awareness training cum experience sharing workshop was implemented on October 7-10, 2009 at Letang, Morang District on SCN/SDP preparation guidelines and issues and attended by 35 participants consisting of CAA branch managers, monitoring and evaluation and finance officers and one CADP officer.

On Component -5, No new studies have been conducted in the first quarter of the FY 2009/10 and all studies awarded in the previous FY have been completed. The implementation of the project is backed up by a team of Package-A consultants consisting of Team Leader and Deputy Team Leader and 14 Package-B consultants. Out of the fourteen (14) consultants fielded under Package B three (3) have resigned from the Project and the recruitment of their replacements is under process. These are the Value Chain Specialist, Market Information and Promotion Specialist and the Senior Social Inclusion Specialist. Moreover, four new officers have joined the Project as a replacement of those who were promoted to higher posts and were transferred to other government offices or Project notably the PACT Project where the former CADP Project Manager was also transferred as the new PACT Project Manager. Meanwhile, a new CADP Project Manager has been appointed and joined the Project. As agreed, 15 days were overlapped by both PMs.

The JFPR Project “Improving Livelihood for Poor Farmers and Disadvantaged Groups in the Eastern Development Region (ADB TA 9101-NEP)” is being implemented in four of the project district (Dhankuta, Morang, Saptari and Sunsari), in conjunction with ongoing CADP. The Project aims to bring benefits for weaker groups such as marginal farmers, the landless, Dalits, and ethnic minority populations not covered under ongoing CADP project. The Project includes four components: (a) Social Mobilization, Training and Adult Literacy, (b) Strengthening of Income Generation, (c) Support to Capacity Building of Stakeholders and (d) Project Management, Monitoring and Audit.

During the first quarter of the current fiscal year, JFPR project organized and mobilized 6 SHGs, completed 3 literacy facilitator’s training, started adult literacy classes at 96 sites and provided livelihood support fund for 74 SHGs benefiting 1995 member households.

CHAPTER I: INTRODUCTION

1.1 The Project

1. The Commercial Agriculture Development Project (CADP) with the grant assistance from the Asian Development Bank [ADB Grant No. 0063-NEP (SF)] is being implemented by the Government of Nepal (GON) in 11 districts of Eastern Development Region (EDR), including five hill districts (Dhankuta, Ilam, Panchthar, Terahthum, and Udayapur), five Terai districts (Jhapa, Morang, Sunsari, Siraha, and Saptari) and one mountain district (Taplejung). These districts were selected based on favourable agro climatic patterns, the existing entrepreneurial base, successful cases of commercial agriculture, road connectivity, proximity to Bangladesh and Indian markets for agricultural products, potential for growth of the rural economy and for advancement of women's status, and the potential for replication of models to other regions of Nepal. The grant agreement was signed on 23 February 2007.

2. Originally it was planned that the grant would be effective from 24 May 2007, but it was delayed by about 3 months. The project will be completed by 31 December 2012 and all the grant related activities will be closed on 30 June 2013 as shown in Annex -1.

3. The Project is market oriented and demand driven. The project implementation plans respond to local needs and priorities identified through the active participation of market-chain stakeholders. Project support will be provided by partnering with local non-government organizations (NGOs) through formation of production and marketing groups that will serve as conduit organization for implementing production and marketing related improvement activities

4. The pace of implementation will be linked to the rate of development of local capacity. A primary focus will be helping farmers become more knowledgeable, capable, and competitive within the market chain to secure improved incomes. Investment in local infrastructure in the form of improved farm to market roads, market collection and storage centers, cool stores, improved production technology as well as access to market information and/or product improvement technologies and support services will be provided

5. Attention will also be given to traders and processors to improve the quality and regularity of supply of products purchased by them and to encourage their investments in the market chain through linkages to farmers, such as contract farming arrangements, production and marketing contracts, etc. The Project contains different components to help subsistence and semi-commercial farmers adopt high-value crops (HVCs), follow improved marketing systems, quality improvements for improved returns, and to become commercial. The landless will be assisted through skilled training to become self-employed and/ or hired within the market-chain activities and other income generating activities.

6. To achieve the set objectives, the CADP has been organized into five interlinked components:

- (i) Commercial agriculture investment and management;
- (ii) Inclusive development of stakeholders to facilitate the transformation of loosely-organized farmer groups already involved in low-level commercialization into better-organized and larger groups to operate at a higher level of commercialization;

- (iii) Development of agriculture market information system (AMIS) to provide marketing information and other services and increase market transparency to the stakeholders involved in commercial agriculture.,
- (iv) Capacity enhancement of project partners to strengthen existing capacity and build new capacity of service providers to adequately understand and respond to the needs of commercial agriculture, and
- (v) Project implementation support to facilitate, coordinate and streamline all of the project activities.

1.2 Special Features of the Project

a) Systemic and Holistic Approach

7. Most of the previous agricultural projects implemented in Nepal have paid relatively little attention to the linkages between production and marketing. Their emphasis had been on the transfer of production technologies, rather than on developing commercial skills and linking farmers to markets, consumers and other outlets. This project looks at agriculture as a continuous and interrelated 'system' from production through collection, processing, marketing to the consumers and that change in anyone of these components will affect the performance of the whole production-marketing chain. ADB assisted CDP (implemented in mid western and far western regions) also has similar interlinking activities in the past.

b) Demand and Stakeholder's-Driven

8. Initially, some of the project activities especially training programs are designed to inform the stakeholders about the Project and as such train them on the basic concepts of marketing and market value chain, market information sharing, enterprise development and agribusiness management. While this approach maybe considered project or supply driven, these are necessary for better understanding of the Project activities. However, with the implementation of many of the Project activities which are now ongoing, and training programs being undertaken are demand and stakeholder's driven. Project activities including Commercial Agriculture Fund (CAF) investments, social inclusiveness initiatives, and market information dissemination, involve capacity enhancement of project partners, which are largely shaped in response to the needs, capacities, constraints of the project beneficiaries and market opportunities for commercial agriculture development.

c) Socially Inclusive Participation

9. The project contains a package of activities aimed at the poor and disadvantaged communities to move them out of poverty and allow them to participate in commercial agriculture. Small and subsistence farmers are generally perceived as not a viable option for commercialization. Their mindset has to be changed from traditional to market-oriented production system. As farming is not only a way of life but a business as well, farmers must think commercial and act commercial. Thus, there is need to link them to an effective, efficient and viable market chain to increase farmers' income.

10. The Project provides assistance for those aiming to become more equal and effective partners and significant employment generation relevant to the landless poor who are engage in agriculture wage labor.

d) Participatory and stakeholders-based approach

11. The main concept of the participatory approach is to involve the local community and various stakeholders in planning and implementation of various Project interventions. The community participates in the local development process as the main actor, identifying constraints and possible solutions whereas the Project through its various staff and Consultants will participate as a supporting actor. The approach is stakeholders-driven since these are people that must create a vision of success that must invest time and efforts as well as resources to make that vision a success.

12. These activities pertain to data collection, analysis, developing strategies, and formulating plans and guidelines that are component parts of the framework and methodology, focusing on project implementation and performance measurement indicators. CADP will ensure that Project partners, their counterparts and other service providers will be fully involved and committed in order that there will be the feeling of ownership of the Project and ensure greater chance for the success of project implementation.

e) Gender Mainstreaming

13. Both men and women play important roles in farming activities and farmers are no longer a “he” but a “she” as well. However, the role of women in agriculture is most often not socially recognized and subtly ignored. Men farmers are generally the decision makers in the farming activities. Women are perceived by many as hard working, but not economically productive. The factors for the low economic productivity of women are attributed to lack of education, skills, motivation and confidence, as well as some external factors such as cultural discrimination, gender bias in policy-making, and inadequacy of appropriate technology suited for women in the workplace. The participatory approach, elaborated above, puts special emphasis on gender integration in commercial farm activities and provides specific targets to evaluate gender mainstreaming in Project activities.

f) Partnership and networking strategy

14. The Project has established partnership agreements with NGOs in the area in the new fields of marketing and development as a key to commercialization of agriculture in the area. This partnership with local NGOs will enable the project to ensure local acceptance as well attain sustainability, decentralization and ownership of the Project. Similarly, NGOs working with local partners and linking with traders, processors and exporters and service providers could establish a network that will foster collaboration, cooperation among themselves in pursuit of commercialization activities.

1.3 Impact and Outcomes

15. The Project will result in reduced poverty in rural communities of the 11 EDR districts through equitable and sustainable commercialization of agriculture. The outcomes of the Project will be improved productivity and efficiency in production of HVCs, improved and efficient marketing and processing of these commodities such as vegetables, fruits, tea, and spices in the EDR. The Project will increase (i) employment in rural areas through intensification of agricultural production, (ii) value addition activities in production, processing, and marketing of agriculture products, and (iii) rural incomes through organization of smallholder farmers into large groups to better access market and processing opportunities and development of the capacity of the farmers to negotiate more effectively with other stakeholders in the market chain. Furthermore, investments through the CAA will expand production and marketing of broad range of high value

agricultural products resulting in outlets of smallholder farmers' production and increased marketing efficiency for commercial stakeholders.

1.4 Benefits and Beneficiaries

16. The Project will reduce rural poverty in the EDR through equitable and sustainable commercialization of agriculture. Most of the people depend on farming which generated low income. Low income is due to low productivity and low prices as a result of the lack of access to market, poor quality products, poor marketing support infrastructures and lack of market information. Project impact will include increased economic activities through improvements in production and marketing which will generate increased employment opportunities in the Project area. Social inclusion activities will promote the participation of all stakeholders including the poor, disadvantaged, and women in commercial agriculture; help them receive fair benefits from such participation; and in turn contribute to restoring peace and stability in the EDR.

17. The Project will directly generate employment opportunities to subsistence stakeholders by promoting HVC production and improved marketing; transporting products from the field to storage and processing centers through marketing groups; and assistance in the form of small-scale community-based market infrastructure development. The landless poor will, through skill-based training, be made more employable and capable of sustainable income generation. Semi-commercial stakeholders will be assisted to add more value to agriculture products through increased efficiency in production, improved management and marketing activities and encouraged to adopt socially inclusive behavior to help the less advantaged.

1.5 Implementation Arrangements

18. The Ministry of Agriculture and Cooperatives (MOAC) is the executing agency (EA). A project steering committee (PSC) is established to (i) oversee project implementation, (ii) review project progress, and (iii) resolve policy issues related to the Project. The PSC is chaired by the MOAC Secretary, with the Project Manager as member secretary, and include the Director General of DOA; Joint Secretaries of MOAC and the Ministries of Finance (foreign aid); Industries, Commerce and Supplies; Local Development (devolution); Women, Children and Social Welfare (planning); and National Planning Commission (agriculture and forestry); Executive Director of the Agro Enterprise Center; and General Manager of the CAA.

19. A Commercial Agriculture Alliance (CAA) is established to implement Component 1 on commercial agriculture investment and management. The alliance, with an elected board and a management team headed by a General Manager, has a branch in each of the 11 project districts headed by a Branch Manager. To ensure efficient implementation and management of the project activities, the Government has established a Project Management Unit (PMU) in Biratnagar, headed by a full time Project Manager and assisted by consultants and support staff. The project implementation schedule is shown in Annex 2.

20. The PMU is located within the premises of the Regional Agriculture Directorate, Biratnagar, Morang. The lead NGO (DEPROSC) responsible to implement the JFPR project is also located in the same building. The CAA office is located at Bargachhi, Biratnagar, about 3 km North of PMU while the Package B consultants are housed in Tintolia, Biratnagar.

1.6 Key Assumptions and Risks

21. During the design phase of the project it was assumed that internal conflict is over with peaceful election and new government. Though there are some differences among the citizens regarding political paths, there is increasing positive attitude towards development activities. Presently, however, the frequent breakdown of peace and order situation in certain part of the District affects project implementation activities.

22. The success of the project at large depends on the meaningful cooperation of the local government body, NGOs, cooperatives and farmers groups. The initial response from the local residence was very high as 803 applied for CAA membership out of which 414 were forwarded to head office by CAA district offices and finally 253 were granted such membership. The Ministry of Local Development (MLD) has arranged counterpart fund in infrastructure projects to be financed through CAF. By the end of FY 2008/09 CAA has signed agreements with DDC for implementing 22 infrastructure sub-projects. Similarly the CAA has awarded CAF grant to 22 non-infrastructure sub-projects.

23. There has been positive response from NGO sector. Responding a call to NGOs for helping semi-commercial and subsistence stakeholders in the project districts, a total of 200 NGOs applied for the job. CADP has signed partnership agreement with 18 of them to work in 11 project districts. These situations indicate that the assumptions made during the project design, especially on stakeholders cooperation and involvement, are valid in the present context.

24. There have been no major changes in weather (temperature and precipitation pattern), socio-economic set-ups and farming condition in the recent past.

25. The biggest hindrance might be impact brought about by the increased price, casual shortage of petroleum products and rapid inflation which was more than 13 percent in the fiscal year 2008/09. If the situation does not change the project costs are likely to increase substantially.

CHAPTER II: PROJECT COSTS AND FINANCING PLAN

2.1 Estimated Costs and Financing Plan

26. The project is estimated to cost US\$ 24.1 million¹, including taxes and duties of 0.3 million. Of the total costs almost 65 percent is allocated for the Component 1, 15 percent for Component 2, one percent for component 3, less than one percent for Component 4 and about 15 percent for Component 5 of the Project. Summary estimates by component are in Table 1 and detailed estimates by expenditure category and sources of funds are presented in Annex 3.

Table 1: Project Costs (\$ million)

Cost Category	Amount ^a	%
A. Base Cost (2006 prices)		
1 Commercial Agriculture Investment and Management	15.6	64.73
2 Inclusive Development of Stakeholders	3.6	14.94
3 Market Information Dissemination	0.3	1.24
4 Capacity Enhancement of Project Partners	0.2	0.83
5 Project Implementation Support	3.6	14.94
Subtotal (A)	23.3	96.68
B. Contingencies	0.8	3.32
Total	24.1	100.00

^a Includes taxes and duties

27. Of the total project cost of US\$ 24.1 million, 74.7% is ADB's grant from its special funds resources. The government will provide US\$ 0.8 million (3.2%) in the form of project staff salary, project office overhead, operational costs, and taxes and duties. The CAA general member will finance US\$ 4.0 million (16.6%) equivalent in terms of counterpart funding to the activities financed under the commercial agriculture fund (CAF). The DDCs will finance US\$ 0.8 million (3.3%) equivalent in the form of technical services, field appraisal and assessment. Farmer communities will finance US\$ 0.5 million (2.2%) equivalent in the form of labor and in-kind contributions. Total cost of the project and financing plan by source is summarized in Table 2.

Table 2: Project Financing Plan (\$ million)

Source	Amount	%
Asian Development Bank	18.0	74.7
Government of Nepal	0.8	3.2
Commercial Agriculture Alliance General Members	4.0	16.6
District Development Committees	0.8	3.3
Farmers Communities	0.5	2.2
Total	24.1	100.0

Source: ADB, October 2006.

¹ Does not include costs of JFPR project

28. The government has recently approved annual program together with budget allocation of NRs 409.08 million for the FY 2009/10. Of the total budget NRs 1.35 million (3.30%) is allocated for capital expenditure, NRs 396.82 million (97.00%) for recurrent expenditure and NRs 10,91 (2.67%) for other expenditures. Out Of the total recurrent cost about 57.92% is allocated for Component-1, 17.94% for Component-2, 1.11% for Component-3, 5.55% for component-4, and 17.48% for component-5 of the CADP. Activity-wise targets and budget allocation are given in Annex 4.

CHAPTER III: PROGRESS OF IMPLEMENTATION

3.1 Status of Project Implementation

29. Brief description of each of the project components and physical targets and achievements made in the first quarter FY 2009/10 under each of the components are presented in Annex 5 and discussed in the following paragraph.

Component 1: Commercial Agriculture Investment and Management

30. The project facilitates key agricultural stakeholders to work together to increase commercialization in agriculture through a Commercial Agriculture Fund (CAF), a cost sharing grant facility to develop (i) community-based market infrastructure, and (ii) non-infrastructure investments to add value to agriculture products. CAA intends to provide a forum for stakeholders' interaction and a means to access grant funding for investments that will strengthen the process of commercialization of agriculture.

31. The target groups of the CAA are the farmers groups, cooperatives, traders, and processors who are conducting their activities on high value commodities (HVCs) and are already involved in some level of commercial agriculture and are the members of CAA. The eligible activities of CAA members for CAF grant are stakeholders' demand- driven. These activities include production, marketing and processing related improvements, which will benefit different types of stakeholders.

32. Only the DDCs are eligible to apply for community-based market infrastructure investments. Farmer communities, through their village development committee (VDC), identify needs in a participatory manner, and the DDCs screen VDC requests before submitting the proposal to the CAA district office to ensure that (i) no duplication with other development programs in the district, and (ii) adequate appraisal of the technical and financial feasibility of the proposal. In this type of investment, the CAF finances a maximum of 75 percent of the investment costs, with the community providing a minimum of 10 percent of the investment costs in the form of labor and contributions in-kind. The DDC finances the remaining 15 percent of the investment costs in the form of technical services, field appraisals and assessments.

33. The CAA provides financial assistance for non-infrastructure investments to farmer groups and cooperatives, traders, and processors, which are members of the CAA. For this type of investment, the CAF finances a maximum of 50 percent of the investment, with the remainder to be contributed by the direct beneficiaries. Among others, the investments could include:

- i Group promotion of improved cultivation practices for HVC and emerging crops²;
- ii Pest management including integrated pest management techniques;
- iii Farm machinery and equipment;
- iv Greenhouse equipment;
- v Agro processing equipment and machinery;
- vi Laboratory equipment for product testing and quality control; and

² Examples under HVC include vegetables crops such as cabbage, carrots, cauliflower, and tomato; spices crops such as cardamom, ginger, and fruits such as citrus, mango, litchi, papaya and pineapple and other cash crops such as, herbs, honey, mushroom, tea, sugarcane, oilseeds, lentils etc. Similarly, examples under emerging crops include onion, garlic, gherkin, sericulture, floriculture, betel areca nut, coffee, broom grass, potato, capsicum, seeds, organic fertilizer, essential oils etc.

vii Market-related research and technology development such as pickle making, fruit or vegetable drying or preservation, tomato pulp making, crop diversification and farm-to-market improvement systems.

34. CAA also provides financial assistance to general members in launching other non-infrastructure investments for promotional and representational activities such as:

- i. trade fairs and trade promotion;
- ii. industry networking on issues requiring joint action for resolving cross-border issues and reducing local red-tape;
- iii. product labeling and certification arrangements;
- iv. product identification, branding, and feasibility studies;
- v. quality mark initiatives;
- vi. brand and intellectual property right protection; and
- vii. specialized skill development and employment strategy formulation.

Progress in first quarter of 2009/10

35. CAA has prepared a separate first quarter report of their activities. The summary of the major activities related to membership and CAF grant for community based market infrastructure and non infrastructure sub-projects are presented below.

36. So far CAA has awarded membership to 253 stakeholders from all the 11 districts. By the end of the FY 2008/09 CAA signed agreements with 22 infrastructure and 22 non-infrastructure sub-projects equivalent to Rs 109 million of which Rs 68.2 million (63%) will be financed through CAA. By now CAA has released Rs19.7 million (29%) to the members (Annex 6).

37. Recently the Appraisal Committee has reviewed 67 new non-infrastructure related SDPs and recommended 34 or (51%) of them to CAA Board for approval while 33 or(49%) has been returned to the members for improvement

38. CAA Board of Director's Meeting held on 20th September 2009 has approved a total budget of Rs 23 Million, as provisioned in the Red Book of Government of Nepal. Of the total budget more than 80 percent is allocated for CAF and others for CAA Operation, Management and Auditing.

39. After the realization that most of the CAA members particularly the producers have little knowledge and skill in preparing the SCN/SDP and require additional support and guidance in preparing the proposal, they require additional support and guidelines in preparing the proposal. To address this issue, experiences sharing in the preparation of SCNs and SDPs cum training programs were conducted for CAA branch managers, monitoring and evaluation as well as finance officers and they were fully internalized in all the aspect of proposal preparation.

40. Similarly, many of the DRC members are not familiar with the selection criteria and that the knowledge about Project appraisal is very limited. To resolve this problem a training program on sub-project evaluation and appraisal for review committee members is planned to be on 17-19 November 2009.

41. For internalizing the environmental management issues in SCN/SDP, operational guidelines for environmental management has been prepared and forwarded to Branch Manager and CAA members for their guidelines while preparing environment assessment in SCN/SDP (please see Annex 10 for summary of operational guidelines for environmental management in CAA sub-project implementation).

42. The major problem reported by cardamom growers in Ilam and Pachthar districts are plant diseases which include mosaic and lump rot that caused havoc in the old plantation with no remedy at the present. Similarly ginger is suffering from disease called rhizome rot that affect greatly ginger production. Currently, CADP has no in-house technical capability to provide solutions to these problems, which has been forwarded to NARC for the remedies. The NARC has already been interested to work on it.

Component 2: Inclusive Development of Stakeholders

43. This component involves a) Development of subsistence agriculture stakeholders, b) Enhancement of semi-commercial agriculture stakeholders and c). Promotion of social inclusiveness among the semi-commercial stakeholders.

a) Development of Subsistence Agriculture Stakeholders

44. The Project supports subsistence farmers and landless population within the project area to develop or participate in income-generating agricultural activities and undertake more commercial activities. In implementing these components, NGOs play a very important role. The Project has entered into partnership agreement with eleven NGOs that are well established in the project area, accepted by the communities, and have a track record of assisting socially excluded people to deliver these activities.

b) Enhancement of semi-commercial agriculture stakeholders

45. The stakeholders who are involved in small scale commercial production but not enough to be member of CAA are to be assisted to move towards higher level of commercialization. The Project has entered into partnership agreement with 8 NGOs to enhance the semi-commercial stakeholders in the project area. A list of those NGOs is in Annexes 8 & 9.

c) Promotion of social inclusiveness among the semi-commercial stakeholders

46. The Project under this component will provide commercial agriculture stakeholders with awareness training on (i) social issues, such as economic opportunities for inclusion of the poor and disadvantaged (ii) gender issues, and (iii) environmental issues and responsibility. The proposed training will support the CAA members to engage in socially inclusive behavior and to obtain financial assistance under the CAF.

Progress in the First Quarter, of FY2009/10

47. A two days orientation program was organized at Agriculture research Station, Pakhribas, Dhankuta to assist the partner NGOs understand the project, its components, their role in Project implementation, planning and implementation modalities, reporting requirements and formats. Another orientation training for the NGO staff is planned to be held during 29-31 October in Jhapa.

48. All of the NGOs engaged in development of subsistence and enhancement of semi-commercial stakeholders have submitted their draft inception report to CADP. They also completed HVC pocket area selection where they are/will mainly be concentrating their activities. Some of them have already completed group formation, mobilization and socio-economic data collection of the target beneficiaries, while others are continuing the process.

49. Package B Consultants on Social Inclusion are preparing benefit monitoring guidelines and are engaged in capacity building and project orientation for project beneficiaries. The field staff assigned in the districts has been involved in social mobilization campaign to ensure social inclusion in the context of project management structures. However, the Senior Social Inclusion Specialist based at the PMU in Biratnagar has resigned recently and the recruitment of his replacements is under process.

Component 3: Market Information Dissemination

50. This component is designed to establish an integrated market information system with multiple users to address the current imbalance in market information sharing and enhance transparency within the supply chain. At each stage in the supply, an efficient and effective market information is needed to facilitate market transactions, improve the efficiency of the market systems and enhance commercialization activities among the different stakeholders.

51. This component has two major activities covering a) Marketing Information Collection and Dissemination and b) AMIS software development chain. The major activities include:

- i development and installation of software; and training in market information sharing system for farmer marketing groups,
- ii networking these systems to other market information systems
- iii collecting and analyzing information on the demand, prices at various levels at different time periods and expected delivery time disaggregated by product type and grade at various markets in Nepal and neighboring countries, particularly in Bangladesh and India and
- iv production and dissemination of accurate, reliable and timely data as input to the operation of AMIS software.

Progress in first quarter of 2009/10

52. Web-based Agricultural Marketing Information System (AMIS) software was developed through a consulting firm, Mount Digit Technology Inc. and formally launched on February 2009. The launching ceremony was organized at CAA Head Office. However some problems were encountered in smooth operation of the software. To resolve the identified problems and orient the concerned CADP/CAA staff and be able to input the data training cum orientation program was organized at Package B office, Biratnagar from 16 to 19 August 2009. One software engineer from Mount Digit Technology Inc. and one trained officer from CAA facilitated the program. A total of 17 computer operators of which 14 from CAA and three from FBC/CADP participated in the program. To operationalize the AMIS Software effectively the Administrators Guidelines (user's manual) is being updated by Mount Digit Technology Inc. It is expected that the manual will be published and distributed to stakeholders soon.

53. Contract has been made with FM and Radio Nepal to disseminate agriculture marketing information in the Project districts. Price data from regional level wholesale markets (Biratnagar, Dharan and Birtamod) are being collected and disseminated through the FM radio.

54. For creating awareness on the market information dissemination system at farmers' group level a five days training program was organized from 11 to 15 October 2009 at Lahan, Siraha district. The training was conducted in three groups for members

of farmers' marketing groups. Concepts of markets and marketing, importance and present status of agricultural market information system, agro-enterprise and simple farm record keeping were included in the training program. Altogether 88 participants participated in the training.

Component 4: Project Partners Capacity Enhancement

55. This component is designed for building the capacity of project partners including DDCs, NGOs, DADOs, CAA district branch staff and other stakeholders (farmers, traders, processors) to address the specific needs of each project partner in order to be able to contribute significantly to the projects impact. The specific activities under this component are (i) project standardization training to provide a complete understanding of the project, its components and activities, and importantly its cross-cutting values regarding equity, gender, partnership participation, and environmental sustainability, and (ii) basic marketing development training on post harvest, marketing, market-chain improvement, product handling and agribusiness.

56. The capacity enhancement program for project partners involving training program may be classified into two types, namely: a) the basic and general-type training, and b) location-specific and skill enhancement training.

57. The basic and general-type training is supply or system-driven based on the objectives of capacity building and institutional strategies of the Project. Several supply-driven courses have been conducted and are basically targeted to create awareness and understanding of concepts, programs, processes and systems of the Project. This traditional manner of designing the Project training program is needed to disseminate the objectives, components and strategies of the Project. For example, the training on project standardization was aimed to provide a complete understanding of the project, its components and activities, and importantly its cross-cutting issues regarding equity, gender, partnership participation, and environmental sustainability, and (ii) basic marketing development training marketing, market-chain improvement, on post harvest, product handling, quality testing and agribusiness.

58. There is the more critical demand driven and location-specific training program of the Project that may be difficult to institutionalize due to logistical and budget constraints. Location-specific training is demand-driven and focused on farmer training programs that are basically community-based participatory workshops. Demand-oriented training is based on the assessment of the actual training requirements of the trainees. Many of these types of trainings will be conducted after assessment of stakeholders' needs.

Progress in first quarter of 2009/10

59. For creating awareness of CADP/CAA activities, scope and working modalities, a two days orientation workshop for the NGOs' staff (Program Coordinators, SMSs, Social Mobilizers, and Finance Assistants) was conducted from 10 to 11 August 2009. Altogether 22 Program coordinators, 11 subject matter specialists, 11 social mobilizers, and 20 finance assistants participated in the orientation program. Concept of commodity clustering, production programming in relation to markets, social inclusion, environmental safeguarding, group formation and mobilization skills and content of inception report were also discussed in the workshop.

60. The project organized a four days awareness workshop cum training program from 7-10 October 2009 for Branch Managers, Monitoring and Evaluation (M&E) Officers Finance Officers of CAA to make them able to assist the stakeholders to write Sub-project Concept Note (SCN) and Sub-project Detail Proposal (SDP); and evaluate the SCN and

SDP prepared and submitted by the members for CAF financing. A total of 35 CAA officials and one CADP official participated in the program. Various norms, modalities and cross cutting issues related to key project activities such as value addition, value chain, marketing efficiency and public good content were discussed as well as cross-cutting issues such as gender, social inclusion, environment and resettlement, M&E and log frame were discussed in the workshop.

Component 5: Project Implementation Support

61. The Project Management Unit is established in Biratnagar to ensure efficient implementation and management of the project activities. It has planning, procurement, accounting, and M&E staff assigned special duties relating to governance and social inclusion. The PMU has the responsibilities of

- (i) preparing annual work plans and project progress reports,
- (ii) recruiting consultants and awarding procurement contracts,
- (iii) supervising project activities, and
- (iv) carrying out M&E of the activities, outputs, and expected impacts.

62. The CADP Project Steering Committee (PSC) has been formed under the chairmanship of Secretary of MOAC. The PSC convened five meetings during the first two year. The project completed several activities including holding of regular meetings of Project Steering Committee, organizing orientation/workshops, procurement of vehicles and equipment and conduct of different studies through consulting firms and individuals as discussed in the following paragraphs.

63. The Project Management Unit based at Biratnagar and Liaison Office at Hariharbhawan, Lalitpur are fully equipped and staffed. In addition to regular government staff (deputed to project), new project-staff are recruited to smoothly run the activities of the project.

Progress in first quarter of 2009/10

64. During this period, four new officers have joined the Project as a replacement of those that were promoted to higher posts and were transferred to other government offices or Project notably the PACT Project where the former CADP Project Manager was also transferred as the new PACT Project Manager. Meanwhile, a new CADP Project Manager has been appointed and joined the Project. The sixth meeting of PSC was organized in Kathmandu on 21 August 2009.

65. The project staff are supported by a team of 16 consultants headed by the Team Leader and Deputy Team Leader who constitute Package-A and 14 Package-B consultants. As indicated earlier, three of the Package-B consultants resigned during the period. Total inputs of consultants amounted to 39.86 man-months in this quarter as shown in Annex 10. Two of the consultants are deputed at CAA head office, Biratnagar, two each in satellite offices at Ilam, Dhankuta and Udayapur, six at CADP/FBC office, Biratnagar and two at PMU. As per their TOR consultants are involved in several activities including designing and facilitating the orientation and training programs for the different stakeholders, prepare training materials and deliver lecture in different subjects, help the CAA members and communities in preparing SCN and SDP, help CAA to screen them, preparation of annual and quarterly reports etc.

66. To support the activities in Component 5, the Project Monitoring and Evaluation System based on the logical framework is being developed. Data collection and reporting format will be prepared for collecting information from the different stakeholders.

67. Furthermore, the environmental aspects of production, processing and marketing as an offshoot of various infrastructure and non-infrastructure investments will be monitored. Final environment management and mitigation plan prepared by concerned Specialist and approved by CAA management are shown in Annex 11.

JFPR Project: Improving Livelihood for Poor Farmers and Disadvantage Groups in the Eastern Development Region

68. The JFPR Project "Improving Livelihood for Poor Farmers and Disadvantaged Groups in the Eastern Development Region (ADB TA 9101-NEP)" is being implemented in conjunction with ongoing CADP. The Project Manager for CADP is also Project Manager for the JFPR Project while the Development Project Services Center (DEPROSC), the lead NGO, has taken the role of implementing the project under supervision and guidelines of CADP, PMU. The lead NGO (DEPROSC) has established its project office in the premise of PMU, Biratnagar. The project has established its field offices and recruited staff as provisioned, in its four project districts of Dhankuta, Morang, Sunsari and Saptari.

69. The JFPR Project aims to bring benefits to weaker groups such as marginal farmers, the landless, Dalits, and ethnic minority populations not covered under ongoing CADP project. The objectives of the project are to (i) improve the livelihoods of the rural poor in the agriculture sector and (ii) increase their participation in the development process.

Progress in first quarter of 2009/10

70. During the first quarter of the current fiscal year the JFPR has completed several activities including organization and mobilization of Self Help Groups (SHG), registering them with DADOs, organizing trainings and providing livelihood support as outlined below and a summary progress status is presented in annex 12:

- 6 additional SHGs have been organized and mobilized.
- 167 additional SHG has been registered in District Agriculture Development Office.
- 335 additional SHG has opened bank account.
- 303 additional SHG training (8244 members benefited) organized
- 3 additional literacy facilitator's training completed (72 facilitator trained for operation and management of additional 72 class).
- Adult literacy classes started at 96 sites for 2139 members.
- 443 SHG Proposal for livelihood activity prepared and submitted to PMU.
- 74 SHGs received livelihood support fund as per SHG proposal to initiate livelihood activity which will benefit 1955 member HHs.
- NRs. 19, 95,678.00 amounts has been disbursed to these 74 SHGs. These SHG initiated their LFS activities based on SHG proposal.

CHAPTER IV: UTILIZATION OF FUND

71. Out of the total allocated budget of NRs 409.08 million for the Fiscal Year 2009/10, NRs 81.09 million (20 %) was spent in the 1st quarter of FY 2009/10. Table -3 shows that 16.0 percent of GON allocated budget and 21.5 percent of ADB allocated budget was spent. Similarly, 15.6 percent of the annual budget allocated for the JFPR was spent in the first quarter of the FY. The bulk of the expenditures went to the CADP's recurrent expenditures for financing NGO and consulting services and CAA for supporting the infrastructures and non-infrastructure sub-projects through CAF and support for its operation and maintenance.

Table 3: Allocated Budget and Expenditure in first Quarter of FY 2009/10

(NRs '000)

Source	Allocated annual budget (FY 2009/10)			Actual expenditure 1st Quarter (FY 2009/10)				
	Recurrent	Capital	Total	CADP		CAA	JFPR	Total
				Recurrent	Capital			
GON	36,526	200	36,726	5,403	472			5,875
ADB	345,703	1,150	346,853	54,005	62	17149		71,216
JFPR	25,500		25,500				4,000	4000
Total	407,729	1350	409,079	59,408	534	17149	4,000	81,091

72. Further details of the expenditure of ADB grant fund in the fiscal year are presented in Table -4. Out of the total expenditure largest amount, 44 million, is used for NGO services followed by consulting services, 10 million. This was followed by Commercial Agriculture Fund for financing investment sub-project and CAA operation and maintenance.

Table 4: Details of expenses from the grant fund in FY 2009/10

Category		Expenditure Nrs('000)	% of Total
1	Commercial Agriculture Fund	9,695	13.42
2B	Office Equipment and Furniture	534	0.74
3	Consulting Services	10,040	13.90
4	NGO Services	43,778	60.59
5	Training and Workshop	750	1.04
8	CAA Operation and Management	7,454	10.32
	Total	72,251	100

CHAPTER V: PROGRESS SINCE LAST ADB MISSION

73. The ADB Special Project Administration Mission visited Nepal from 23 to 31 August 2009 to review the project activities and the progress of project implementation. After field level observation and interaction with the CADP and CAA staff, different project stakeholders in the field and high level officials in the central level, the Mission recommended number of time bound actions as summarized in Table-5. Of the six action plans to be completed by PMU/CAA by 15 January 2010 two are completed, one is under process and the remaining three will be completed before the end of the year. The government, CAA and the Mission agreed that the next project review mission could be fielded before the end of the year or early 2010 to coincide with the next PSC meeting.

Table 5: Status of time bound actions agreed during ADB Mission's visit (August 2009)

Responsible agency	Actions	Suggested due date	Status and dates of completion
DOA	Directions to DADOs on extra budget provision to be used to support CADP activities	07 September	complied
MOAC, DOA, PMU and NPC	Finalization of revised annual work plan 2009-2010 reflecting the proposed activities that were not supported by the Mission	15 September	under process
PMU and CAA	Experience sharing workshop for CAA branch managers and staff	31 Oct 2009	Completed (7-10 October 2009)
PMU and ADB	Recruitment of additional international consultants on mango off-season flowering	31 Oct 2009	Not yet due
PMU	Training to DRC members to be completed in 3 batches	31 Dec 2009	Not yet due
MOAC and PMU	Submission of audited annual accounts for 2008-09	15 Jan 2010	Not yet due

5.1 Compliance with Covenants

74. In the first 26 months of project implementation the EA, IA and CAA have complied with 17 of the 31 covenants. Thirteen of the covenants are on going as their nature requires continuation. Most of those ongoing covenants are related to project implementation, governance, sub-project financing, monitoring and evaluation, inclusiveness, gender balance, coordination with government and other institutions. Another one covenant (midterm review of the project) is not yet due. Details of covenants agreed upon by the ADB and the government and their status are in Annex-13.

CHAPTER VI: MAJOR ISSUES AND PROBLEMS

75. The issues raised by different stakeholders and problems faced during the course of project implementation are divided into three categories (i) related to CAA, (ii) related to JFPR project and (iii) related to project as a whole (CADP).

6.1 Issues and problems related to CAA

a) Size of Membership

76. The numbers of applications for CAA membership registered in the districts were 803. Of this, 253 were granted membership up to July 2009. The trend of forming new groups and cooperatives revealed that there will be large numbers of membership applications in the years to come. Moreover, the demonstration and multiplier effects of those who were given grants will invite more applications and require CAA to design clear-cut strategy for membership awards due to limited funds available. The ADB Mission (23 to 31 August 2009), however recommended that the CAA consolidate activities within the existing membership before adding more members. CAA is reminded to focus on benefits to CAA members rather than access to CAF funds and that a perception that membership in CAA assures a grant needs to be corrected.

b) Balanced Membership Criteria

77. There is a growing concern among the CAA stakeholders regarding the number of membership in a particular project district. They argue that a balance membership approach needs to be based on the population size of the districts, numbers of farmers groups, cooperatives, traders and processors in the district, potential high value crops for commercialization, access to market, and infrastructure etc. rather than the geographical basis alone. Big traders and processors are not interested in applying for membership of CAA due to the long process for the small grant. However, in the light of the needs for more traders, processors and even exporters in the value chain which are needed in establishing backward and forward linkages with CAA and non-CAA farmers/producers, the ADB Mission recommended to discuss and find solutions to the problems that are constraining commercial agriculture in the region.

c) Sustainability of CAA and Projects supported by CAA grants

78. There is growing concern among the CAA stakeholders about its long term sustainability. Most of General Members of CAA are worried about the sustainability of CAA and its activities. The Mission suggested that since CAF could be used only during the duration of the Project as explicitly indicated in the Project document its continuation depends on CAA decision and should find means to sustain its continuation. But more importantly is the sustainability of the projects funded by CAF grant. If the grant money has been utilized for project construction expenses, there is no assurance that the operation of the project will continue if the income generated from the project are utilized for other purposes. To provide funds for continuous operation, CAA should develop a system of saving part of the income generated from the project which could be one of the grant covenants.

d) Audit reports

79. As previous year, the CAA appointed an independent auditor and had audited the CAA's accounts of FY 2008/09. However, the Office of the Auditor General of Nepal (OAG) claims that OAG has to audit CAA' accounts as the Project fully funds CAA operation even though CAA is a non profit distribution company registered under Nepal

Company Act. To settle this issue, the Project has organized a series of meeting with the high level officials of MOAC and OAG and it is expected that this issue be resolved in near future.

6.2 Issues and problems related to the JFPR project

80. The Project planned to train 6000 landless farmers on livelihood income generation project but only about 1000 is expected to be employed in related business establishments after the training. The rests should be self-employed in income generating activities which would require seed money to start with. Therefore, the training for income generation activities should be demand-driven. Potential income generating projects should be identified considering the sources of raw materials, the capital requirements and the markets. Once these requirements are identified and their training needs are known, then training program should be designed to satisfy these needs. Otherwise training them on a particular skill without planning their utilization is not going to be productive on the part of trained participants and that of JFPR.

6.3 Issues and problems related to the CADP

81. Many of the issues which have been presented in the previous progress reports are still issues which should be reckoned with in the implementation of the Project. Foremost among these issues are the following

a) Difficulty of forging a market linkage between the traders, processors-exporters in the market chain.

82. Several reports by NGO indicated the difficulty of forming marketing groups consisting of traders, processors and exporters who are important members of the value chain. Many of them especially those who are not CAA members would prefer to conduct their business alone and not tied up to any form of linkages whether formal or informal. This situation is aggravated by the fact that while there are many traders particularly in the hills and mountain, only eight of the traders are members of which only one comes from the hills.

83. Many traders are not interested to join CAA as members due to small amount of the grant. If this situation continues, linkage with market will be difficult and farmer groups will have to sell their produce directly to the market by-passing the marketing chain. On one hand, this will be good for the members, since all profit margin will accrue to the members but on the other, it will create a problem for farmers to seek logistics for marketing especially transport which are mostly available from the traders. Moreover, traders are believed to be more experienced sellers and bargainers than farmer groups.

b) Research support for scaling up of technology for commercial crop production.

84. In the Project districts of CADP there is one RARS, one ARS (also mandated for National Commercial Agriculture Research Program), and one National Citrus Research Program. These stations have budgetary problems and there were no provisions to invest in research and scaling-up of promising commercial crops by CADP/CAA. Furthermore, the problem in soil health, insect-pest, diseases and generation of high yielding commercial crops like vegetable, fruits, tea and spices must be solved by these research stations. Therefore, funds for the research and scaling-up activities need to be allocated

at least to the research stations of the project command area. However, the ADB Mission did not support the proposed technical support for PAC in Dhankuta in collaboration with AVRDC and therefore funds must come from other sources perhaps from fund allocation from the Government.

c) Most of the Projects submitted for CAF grant have low or no public good content.

85. The ADB Mission suggested that only Projects with the greatest public good content should be selected and implemented by CAA. Public good as defined by the Mission are those goods which are non-rivalled and non-excludable. This means respectively “that the consumption of the good by one individual does not reduce the availability of the good for consumption by others and that no one can be effectively excluded from using the good”. Following this definition, it appears that only farm to market road and its improvement, market centers, integrated pest management (IPM) sub-projects and trade fairs could qualify with high public good content. Many of the projects submitted for CAA which are mostly non-infrastructures will not qualify following this criterion. It should be noted however, that public good content as a criterion for selection of infrastructure and non-infrastructure sub-projects constituted only a maximum weighted points of 5 % of the total and should not be a strong basis for rejection of the Project. Some Projects such as processing plant and storage facilities have no public good content by definition yet if these facilities will be rented out to other users for a fee. Hence, the definition of public good should not be limited to whether its consumption is non-rivalled or non-excluded but more on its social benefits to the community where it will be established,

d) Geographic coverage

86. The project is implemented in eleven of the 16 districts in Eastern Development Region (EDR). Inclusion of the remaining five districts is demanded by different stakeholders as well as from the political front. The issue was discussed during the last ADB mission and suggested that the Project could include the remaining five districts of EDR within the allocated budget and should be discussed during the Mid-Term review. It is time that the Project should prepare for this prospect and define what are needed to extend the Project in the remaining five districts in the Region.

e) Helping Subsistence and semi-commercial stakeholders through NGOs

87. During recent interaction the partner NGOs assigned to develop subsistence stakeholders raised issue of difficulty in forming landless peoples’ groups as those are not concentrated at one location. In the case of hill districts, NGOs further reported that there are not 250 landless households (minimum to be assisted as per TOR) to be helped in the selected pocket areas. This situation needs to be further studied and adjustment to be made in the TOR given to NGOs.

88. NGOs assigned to enhance semi-commercial stakeholders raised issue that they are unable to find sufficient stakeholders (140 to 185 per district) that need to be able to adopt quality improvement methods, in addition to those stakeholders that are to be strengthened in accounting, book keeping and group management (10 to 12 groups of at least 25 person per district) as per TOR. The NGOs suggested that they should be allowed to help same stake holders in “strengthening in accounting, book keeping and group management” and “helping adopt quality improvement methods”.

Annex 1: Grant Processing and Follow-up History

Milestones	Date
Approval of preparatory technical assistance	28 October 2002
Final report	17 December 2003
Fact finding	2-14 February 2004
1 st consultation	14-17 September 2004
2 nd consultation	11-16 April 2005
3 rd consultation	15-17 March 2006
Follow-up fact finding mission	16 May-2 June 2006
Management review meeting	28 July 2006
Appraisal mission	7-18 August 2006
Staff review committee meeting	14 September 2006
Grant negotiations	16-17 October 2006
Board circulation	26 October 2006
Board consideration and approval	16 November 2006
Grant and project agreement signing	23 February 2007
Loan effectiveness-actual	6 August 2007
Original due date	24 may 2007
First extension	7 July 2007
Second extension	7 August 2007
Inception mission	7-16 May 2008
First review mission	5-14 November 2008
Second review mission	23-31 August 2009
Physical completion date	31 December 2012
Grant closing date	30 June 2013

Annex 2: Proposed Implementation schedule

Component/ Activity	Year 1				Year 2				Year 3				Year 4				Year 5				Year 6			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Component 1: Commercial Agriculture Investment and Management																								
1. Appointment of CAA general manager and company secretary	█																							
2. Fully staffing of CAA and district branches		█																						
3. Establishment of CAF			█																					
4. Information dissemination aimed at balanced membership in CAA				█																				
5. CAA membership registration					█																			
6. Election of CAA Board of Directors						█																		
7. Information dissemination about CAF financing and eligible investments							█																	
8. Screening, verification and approval of subproject investment proposals								█																
- Community-based market infrastructure investments									█															
- Non-infrastructure investments										█														
9. Community-based market infrastructure investment contracts with DDC and implementation																								
10. Non-infrastructure investment contracts with CAA general members and implementation																								
Component 2: Inclusive Development of Stakeholders																								
A. Development of Subsistence Agricultural Stakeholders																								
1. Partnership agreements with NGOs																								
2. Identification of HVC production areas and marketing points																								
3. Assistance on production and marketing of off-season vegetables and HVCs																								
4. Farmers grouping on marketing																								
5. Networking farmer groups with others in the value chain																								
6. Skill-based training for the landless in transport, packaging, production, primary processing, tool making, and servicing																								

Component/ Activity	Year 1				Year 2				Year 3				Year 4				Year 5				Year 6			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
B. Enhancement of Semi-Commercial Agricultural Stakeholders																								
1. Partnership agreements with NGOs																								
2. Assisting farmers groups to organize into associations or cooperatives																								
3. Strengthening semi-commercial stakeholder groups in accounting, bookkeeping and group management																								
4. Building market chain awareness and linkages																								
5. Improving quality assurance system																								
6. Upgrading production and primary processing technology																								
7. Training on entrepreneurship development and business planning																								
8. Assist strengthened farmers groups in applying for CAA membership and preparing subprojects on community-based market infrastructures to apply to CAA through DDC																								
C. Promotion of Social Inclusiveness among Commercial Agricultural Stakeholders																								
1. Contract with service providers																								
2. Awareness training on social, gender, and environmental issues and Responsibility																								
Component 3: Market Information Dissemination																								
1. Establish integrated market information system																								
2. Develop and provide training on market information sharing system at farmers marketing group level																								
3. Collecting and disseminating information on size of demand, price, and expected delivery time at different markets																								

Commercial Agriculture Development Project

Component/ Activity	Year 1				Year 2				Year 3				Year 4				Year 5				Year 6			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Component 4: Project Partners Capacity Enhancement																								
1. Project standardization training on project details and cross-cutting values to all partners		■	■	■		■				■				■							■			
2. Basic marketing development training to all partners			■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	
3. Training for partner NGOs on various topics including social mobilization			■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	
4. Training for DOA staff on various topics of commercial agriculture			■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	
5. Training for CAA district branch staff on subproject proposal evaluation and others			■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	
Component 5: Project Implementation Support																								
1. Establishing PSC at MOAC	■																							
2. Recruiting Package A consultants		■																						
3. Recruiting Package B consultants			■																					
4. Fully staffing PMU in Biratnagar			■	■																				
5. Preparing project implementation guidelines on various subjects			■	■	■																			
6. Establishing complaints redressal mechanism			■	■																				
7. Procuring materials, equipments and vehicles		■	■	■																				
8. Holding PSC meeting twice a year						■		■			■		■		■		■		■		■		■	
9. Conducting Baseline Survey																								
10. Conducting product chain studies																								
11. Establishing results monitoring framework																								

CAA = commercial agriculture alliance, CAF = commercial agriculture fund, DDC = district development committee, DOA = Department of Agriculture, HVC = high-value crops, MOAC = Ministry of Agriculture and Cooperatives, NGO = Non-government organization, PMU= Project Management Unit

Annex 3: Expenditure Accounts by Sources of Funds (\$ million)

Item	ADB		Government of Nepal		CAA General Member		DDCs		Farmers communities		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%				
I. Investment Costs																
A. Commercial Agriculture Fund	8.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	33.1	0.0	8.0	0.0	0.0
B. Matching Fund from CAA, DDCs	0.0	0.0	0.0	0.0	4.0	75.0	0.8	15.0	0.5	10.0	5.3	22.1	0.0	5.3	0.0	0.0
VDCs																
C. Consulting Services																
1. International Consultants	0.7	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	2.8	0.7	0.0	0.0	0.0
2. National consultants	1.7	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	7.1	0.0	1.7	0.0	0.0
3. Consulting support staff	0.2	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.7	0.0	0.2	0.0	0.0
Subtotal (C)	2.5	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	10.6	0.7	1.9	0.0	0.0
D. NGO-Implemented Social Inclusive Activities	3.1	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1	12.9	0.0	3.1	0.0	0.0
E. PMU-Organized Training and Workshops	1.3	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	5.3	0.0	1.3	0.0	0.0
F. Vehicles and Equipment																
1. Vehicles and motorcycles	0.2	80.1	0.1	19.9	0.0	0.0	0.0	0.0	0.0	0.0	0.3	1.3	0.2	0.1	0.1	0.1
2. Office equipment and furniture	0.2	87.5	0.0	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.9	0.1	0.1	0.0	0.0
Subtotal (F)	0.4	83.2	0.1	16.8	0.0	0.0	0.0	0.0	0.0	0.0	0.5	2.2	0.2	0.2	0.1	0.1
G. Surveys, Monitoring, and Auditing	0.1	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.5	0.0	0.1	0.0	0.0
H. Market Information and Dissemination	0.3	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	1.3	0.0	0.3	0.0	0.0
I. CAA Promotion and Auditing	0.2	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.8	0.0	0.2	0.0	0.0
J. PMU Staff and Operation																
1. PIU staff	0.0	0.0	0.3	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	1.1	0.0	0.3	0.0	0.0
2. PMU overhead and operation	0.0	0.0	0.4	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	1.7	0.0	0.3	0.1	0.1
Subtotal (J)	0.0	0.0	0.7	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	2.8	0.0	0.6	0.1	0.1
K. CAA Staff and Operation																
1. CAA staff	1.2	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	5.2	0.0	1.2	0.0	0.0
2. CAA operation ^a	0.8	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	3.3	0.0	0.7	0.1	0.1
Subtotal (K)	2.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	8.4	0.0	1.9	0.1	0.1
Total Investment Cost	18.0	74.7	0.8	3.2	4.0	16.6	0.8	3.3	0.5	2.2	24.1	100.0	0.9	23.0	0.2	0.2
II. Recurrent Costs																
Total Project Cost	18.0	74.7	0.8	3.2	4.0	16.6	0.8	3.3	0.5	2.2	24.1	100.0	0.9	23.0	0.2	0.2

ADB = Asian Development Bank, CAA = commercial agriculture alliance, DDC = district development committee, NGO = non-government organization, PIU = project implementation unit, PMU = project management unit, VDC = village development committee. ^a Including the external auditing of CAA performance. Source: ADB, June 2008

Annex 4: Proposed Government Approved Annual Programs and Budget for FY-2009/10

S.N.	Program/ activities	Unit	Quantity	Budget (RS '000)	Remarks
A)	Capital Item Expenditure				
1	Furniture procurement (Tables, Chairs, Filing cabinets, Sofa-set, etc.)	Times	3	150	
2	Computer procurement (Desktop 6, laptop 4, UPS 6, stabilizer 6 etc.)	Set	22	800	
३	Machinery and equipments procurement (hard disk 4, Pen drive 7, Projector 2, Projector screen, power backups etc.)	Set	20	400	
४	Mobile van procurement	No.	1		Direct Payment from ADB
५	Pickup procurement	No.	1		
	Total Capital Item Expenditure			1,350	
B)	Recurrent Expenditure				
1	Grant to CAA to finance sub-projects through CAF (Direct payment from ADB)	Times	3	230,000	
2	Inclusive development of Stakeholders	No.			
2.1	Payment to NGO for the development of subsistence stakeholders	Times	3	30,000	
2.2	Payment to NGO for the development of semi-commercial stakeholders	Times	3	40,000	
2.3	Training commercial stakeholders to create awareness on social inclusion, gender and environment	Times	1	1,250	
3	Market information dissemination				
3.1	Training on market information dissemination at marketing group level (5 days)	Times (No)	9(270)	2,250	
3.2	Collection and dissemination of data on demand, supply and prices of HVCs (in 11 project districts through FNCCI/AEC)	Times	11	550	
3.3	Support for organization of agricultural trade fairs in EDR	Times	1	400	
3.4	Broadcasting of agricultural development related program through FM radio in 16 districts of EDR	Times	16	1,700	
4	Project Partner's Capacity Enhancement				
4.1	Rapid Environmental Assessment and Environmental Management Plan related training to officers and DRC members (1 week)	Times (No)	2(60)	600	
4.2	Trainers training on business planning to concerned stakeholders (15 days)	Times (No)	1(25)	500	
4.3	Technical support (agricultural research and development) through PAC, Dhankuta	Times	1	2,000	As per the advice of ADB Review Mission, the proposal has been forwarded to higher authority to change this

S.N.	Program/ activities	Unit	Quantity	Budget (RS '000)	Remarks
					activity
4.4	Workshops of processors and traders on WTO related Sanitary, Phytosanitary, Hazards Critical Control Point, Good Agricultural Practices (GAP), Good Manufacturing Practices (GMP)	Times	1	750	
4.5	Support to officials attending international training/seminars	Times (person)	1(5)	250	
4.6	Training CAA members on farm planning, record keeping and budgeting (1 week)	Times (person)	2(60)	500	
4.7	Organizational and management capacity building training to CAA members (5 day)	Times (person)	2(60)	500	
4.8	Market Chain Efficiency related training to Farmers and Processors (5 day)	Times (person)	2(60)	500	
4.9	Training CAA members on social inclusiveness and environmental impact assessment (5 day)	Times (person)	1(30)	250	
4.10	Training CAA's M&E officers on Integrated Market information system (5 days)	Times (person)	1(30)	300	
4.11	Project Introductory workshop for partner NGOs' executives (2 days)	Times (person)	2(60)	400	
4.12	Project Introductory workshop for partner NGOs' staff (3 days)	Times (person)	2(60)	500	
4.13	Social mobilization, group formation, account keeping and auditing related training to partner NGOs (5 days)	Times (person)	1(30)	300	
4.14	Training on markets and marketing to partner NGOs (5 days)	Times (person)	1(30)	300	
4.15	Training on Social equity, Gender and Participation to partner NGOs (5 days)	Times (person)	2(50)	500	
4.16	Training on Beneficiary monitoring and Public audit to partner NGOs (5 days)	Times (person)	1(30)	300	
4.17	Training on intellectual property rights and related topics to CAA members (5 days)	Times (person)	1(30)	250	
4.18	Training on entrepreneurship and NGO orientation to JT/JTA of DADO (5 day)	Times (person)	1(30)	250	
4.19	Training on Value Chain to senior officers working in the project area (1 week)	Times (person)	1(30)	2,000	
4.20	Training on Market Information System and Price Analysis to DADO officials (1 week)	Times (person)	1(25)	300	
4.21	Training on GIS to officers in project area (1 week)	Times (person)	1(30)	750	
4.22	Workshop on Forward and Backward Linkages to CAA members (2 days)	Times	1	200	
4.23	Exposure visit of traders, processors and cooperatives to Wholesale markets in Dhading, Pokhara etc (1 week)	Times	1	400	
4.24	Investors workshop on small and medium scale business enterprises	Times	3	750	
4.25	Benefit Cost study of HVCs in the project area	Times	1	2,000	

S.N.	Program/ activities	Unit	Quantity	Budget (RS '000)	Remarks
4.26	Market network observation / experience sharing tour to Bangladesh, Shri lanka and Thailand	Times	1(23)	4,500	As per the advice of ADB Review Mission, the proposal has been forwarded to higher authority to change this activity
4.27	Cardamom development related work in Taplejung	Times	1	1,000	
4.28	Workshop on Value Chain Study Outputs	Times	3	450	
5	Project implementation support				
5.1	Project Steering Committee meetings	Times	3	100	
5.2	Payment to Package A Consultants -Team Leader, Deputy team Leader	Person month	20	18,000	
5.3	Payment to Package B consultants	Person month	140	19,000	
5.4	Payment to contract staff at PMU (security guard, driver, cleaner, computer service provider, internet service provider and others)	Person month	216	1,493	
5.5	Consulting services in preparation implementation directives, TOR, RFP, feasibility study, technical services to the farmers	Times	8	1,400	
5.6	Hoarding board (preparation, transport and installation)	No.	12	200	
5.7	Annual economic and social impact assessment of the project	Times	1	750	
5.8	Dissemination of information on project activities	Times	3	150	
5.9	Annual program planning and progress review workshops	Times	1	350	
5.10	Annual report publication	No.	200	100	
5.11	Project Web-Site modification and update	Times	1	50	
5.12	Preparation and publication of project brochure	No.	1000	50	
5.13	Preparation and publication of project introductory booklet and calendar	No.	500	100	
5.14	Video shooting on project activities	Times	1	75	
5.15	Support service for AMIS software	Times	1	100	
5.16	House renting (for office, store, partner institutions and consultants)	Times	12	1,200	
5.17	Logistics for meeting on consultant selection, norms development and co-ordination	Times	12	200	
5.18	Experience Sharing Tour for officers working in mid-western and far-western regions	Times	2	400	As per the advice of ADB Review Mission, the

S.N.	Program/ activities	Unit	Quantity	Budget (RS '000)	Remarks
					proposal has been forwarded to higher authority to change this activity
5.19	Logistic support to MOAC/DOA organized program planning/ monitoring/ supervision		12	300	
5.20	Programs through lead NGO (JFPR)	No.	3	25,500	
	Total of recurrent expenditure			397,118	
	Total program budget (A+B)			398,468	
C)	Consumption costs			4,561	
D)	Office operating costs			6,050	
	Grand total (A to D)			409,079	

Annex 5: Targets and Achievements in the 1st Quarter, 2009/2010

(16 July 2009 to 15 October 2009)

S.N.	Program/ activities	Target for the first 4 months of FY 2009/10		First quarter (16July-15 Oct) progress		
		Unit	quantity	Quantity	% complete	Remarks
A)	Capital Item Expenditure					
1	Furniture procurement (Tables, Chairs, Filing cabinets, Sofa-set, etc.)	Times	3			Under process
2	Computer procurement (Desktop, laptop, UPS, stabilizer etc.)	Set	22	6		Remaining under process
3	Machinery and equipments procurement (hard disk, pen drive, projector, power backups etc.)	Set	20	5		Remaining under process
4	Mobile van procurement (direct payment from ADB)	No.	1		Specification and tender documents are being prepared; will be forwarded to ADB for review and comments shortly	
5	Pickup procurement (direct payment from ADB)	No.	1			
	Total Capital Item Expenditure		47			
B)	Recurrent Expenditure					
1	Grant to CAA to finance sub-projects through CAF (Direct payment from ADB)	Times	1	1	100	Completed
2	Inclusive development of Stakeholders	No.				
2.1	Payment to NGO for the development of subsistence stakeholders	Times	1	1	100	Inception report submitted by NGOs
2.2	Payment to NGO for the development of semi-commercial stakeholders	Times	1	1	100	
2.3	Training commercial stakeholders to create awareness on social inclusion, gender and environment	Times		1	100	One training /workshop completed
3	Market information dissemination					
3.1	Training on market information dissemination at marketing group level (5 days)	Times (No)	3(90)	3	100	Completed
3.2	Collection and dissemination of data on demand, supply and prices of HVCs (in 11 project districts through FNCCI/AEC)	Times	3		0	Postponed for next quarter
3.3	Support for organization of agricultural trade fairs in EDR	Times	1		0	Postponed for next quarter
3.4	Broadcasting of agricultural development related program through FM radio in 16 districts of EDR	Times				Continues
4	Project Partner's Capacity Enhancement					

4.2	Trainers training on business planning to concerned stakeholders (15 days)	Times (No)	1(25)			Initiated
4.3	Technical support (agricultural research and development) through PAC, Dhankuta	Times	1			Dropped as per suggestion of ADB Mission
4.11	Project Introductory workshop for partner NGOs' executives (2 days)	Times (person)	2(60)	2	100	Completed
4.12	Project Introductory workshop for partner NGOs' staff (3 days)	Times (person)	2(60)			Initiated
4.13	Social mobilization, group formation, account keeping and auditing related training to partner NGOs (5 days)	Times (person)	1(30)			Initiated
4.14	Training on markets and marketing to partner NGOs (5 days)	Times (person)	1(30)			Initiated
4.15	Training on Social equity, Gender and Participation to partner NGOs (5 days)	Times (person)	2(50)			Initiated
4.16	Training on Beneficiary monitoring and Public audit to partner NGOs (5 days)	Times (person)	1(30)			Postponed for next quarter
4.26	Market network observation / experience sharing tour to Bangladesh, Shree lanka and Thailand (Participants: NPC 1, MOF 1, MOAC 1, MLD 3, OAG 1, DOA 2, RAD 1, CADP 8, DADO 2, JFPR 1 CAA 2)	Times	1(23)			Being revised as per ADB Mission suggestion
4.29	National Workshop on commercial agriculture program and the project	Times	1	1	100	
5	Project implementation support					
5.1	Project Steering Committee meetings	Times	1	1	100	Completed
5.2	Payment to Package A Consultants - Team Leader, Deputy team Leader	Person month	7		100	Completed
5.3	Payment to Package B consultants	Person month	45		100	Completed
5.4	Payment to contract staff at PMU (security guard, driver, cleaner, computer service provider, internet service provider and others)	Person month			100	Completed
5.5	Consulting services in preparation implementation directives, TOR, RFP, feasibility study, technical services to the farmers	Times	2			Postponed
5.6	Hoarding board (preparation, transport and installation)	No.	12	12	100	Completed
5.8	Dissemination of information on project activities	Times	1	1	100	Continues
5.10	Annual report publication	No.	200			Under

						process
5.11	Project Web-Site modification and update	Times	1	1	100	Continues
5.12	Preparation and publication of project brochure	No.	1000	1000	100	
5.13	Preparation and publication of project introductory booklet and calendar	No.	500	500	100	
5.14	Video shooting on project activities	Times	1	Ongoing		
5.15	Support service for AMIS	Times	1	1	100	Completed
5.16	House renting (for office, store, partner institutions and consultants)	Times			100	Completed
5.17	Logistics for meeting on consultant selection, norms development and coordination	Times	4	4	100	Completed
5.19	Logistic support to MOAC/DOA organized program planning/ monitoring/ supervision		4		100	Continues
5.20	Programs through lead NGO (JFPR)	No.	1			Continues

Annex 6: Status of CAA Grant Projects as of 1st Quarter 2009/10

Sector	Number approved so far	Agreement made so far	Total Cost (Rs million)					Amount Released to member so far
			CAA	Member	DDC	Community	Total	
Infrastructure	23	22	59.8	-	13.1	14.6	87.5	15.4
Non-Infrastructure	22	22	8.4	13.3	-	-	21.7	4.3
Total	45	44	68.2	13.3	13.1	14.6	109.2	19.7

Annex 7 -Summary of Implementation Progress as of 1st Quarter 2009/2010

Project Outputs		
Description	Indicators / Targets	Status as of 1 st Q 2009/2010
1. Increased public and private investment in commercial agriculture	The CAA has at least 160 general members by project completion	CAA established. CAA General Manager appointed in August 2007. Standard Operational Procedures and Code of Conduct finalized and adopted by the CAA Board in Jan. 2008. As of 15 October 2009, CAA has 253 general members including 4 founder members.
1.1 Establishment of the commercial agriculture alliance (CAA)	The CAA has balanced membership composition covering all districts and areas within a district; working on all potential commodities; and including farmer's groups/cooperatives, traders, processors, and women.	Of the 253 CAA members, 50% are farmer groups, 30% cooperatives, 6% are processors, and 8% are traders and 6.1% are traders cum processors. Those members are from hill and terai districts.
1.2 Community-based market infrastructure investments	CAA annual general meetings and district meeting held.	2nd annual general meeting was held on 11 May 2009.
	At least 50 market infrastructures developed by project completion.	Of the total 23 infrastructure related sub-project approved, 22 are being implemented (Farm to market road-12, market centre-7, collection centre-2, storage/godawn-1). More SDPs are being reviewed.
	The supported subprojects include small collection centers, small markets, small suspension bridges, small cool or cold storage, and farm-to-market road improvement	
	Farmer communities managing and maintaining the market infrastructure	Will be initiated once the infrastructures are constructed.
1.3 Non-infrastructure investments adding value to agriculture products	At least 200 subprojects implemented by project completion.	23 infrastructure and 22 non-infrastructure subprojects initiated. During the first quarter of the FY 2009/10 67 new projects on non-infrastructure has been reviewed and 34 or (51%) of them were submitted to CAA Board for approval while 33 or(49%) has been returned to the member for improvement
	The supported subprojects include HVC promotion; quality control; equipment for product testing; and agro processing technology, equipment, and machinery	This criterion is being considered while selecting sub-projects for CIF funding.
	At least 10 commercial agriculture promotional and	No activities yet.

	representational activities launched by project completion.	
	The supported promotional and representational activities include trade fairs, intellectual property right protection, product labeling and certification, and industry networking.	CAA and CADP participated in the Agro-Expo held in Kathmandu from May 10-14,2009
2. Inclusion of poor and semi-commercial stakeholders in commercial agriculture	14 nongovernment organizations (NGOs) with association of local NGOs enter into partnership with the Project and work with subsistence stakeholders.	Contract for partnership signed with 11 NGOs for the development of subsistence stakeholders.
2.1 Development of subsistence stakeholders	24 HVC production areas and marketing points identified by 2008.	Will be initiated soon since the engagement of NGOs has been completed
	15,000 subsistence households assisted on HVC income generation activities by project completion.	Will be initiated soon since the engagement of NGOs has been completed.
	800 primary farmer groups formed and undertaking basic marketing training by project completion.	Will be initiated soon since the engagement of NGOs has been completed.
	5,000 landless undertaking skill-based training, and 1,000 obtaining jobs	Will be initiated soon since the engagement of NGOs has been completed.
2.2 Enhancement of semi-commercial stakeholders	Seven NGOs enter into partnership with the Project and work with semi-commercial stakeholders.	Contract for partnership signed with 11 NGOs for the enhancement of semi-commercial stakeholders.
	Farmer groups graduate to marketing groups, associations, and cooperatives; 120 marketing groups strengthened in accounting, bookkeeping, and group management; and immersed in marketing and agribusiness concepts; at least 1,800 stakeholders adopt quality improvement methods by project completion; and strengthened farmer groups/cooperatives assisted to apply for CAA membership.	Will be initiated after by NGOs.
2.3 Promotion of social inclusiveness among commercial stakeholders	Service providers contracted with the Project on demand.	No activities yet.
	750 commercial stakeholders receive awareness training in social, gender, and environmental issues.	Planned for the 2 nd Q of 2009/10
	Social inclusive behavior reflected in investments financed	Being considered in each of the sub-project funding by CAF

	by the Commercial Agriculture Fund.	
3. Timely availability of market information to farmers	Farmer group and cooperative-based market information systems and network established and operational.	Computer web-based integrated market information network prepared and is in testing phase
	Farmer groups assisted in operating and maintaining the market information system.	No activities yet.
	Consolidated district data systemized, disseminated, and integrated with centralized system.	No activities yet.
	Mass media releases reach the wide audience of beneficiaries.	Radio and TV broadcast, awareness campaigns and orientation workshops for project stakeholders to promote project activities have been carried out.
4. Enhanced capacity of project partners in Supporting farmers	25 project standardization training courses on project details and cross-cutting values to all partners.	Process initiated and such training for the CAA members is being conducted.
	42 basic marketing development training courses to all partners.	Thirteen such courses completed. Rest are in process
	24 training courses to strengthen partner NGOs on basic marketing, farm recordkeeping, environmental assessment, social mobilization, organizational growth, beneficiary monitoring, public auditing, and accounting.	Training program for partner NGO will start on October 28-30 in Jhapa to be followed in Lahan on Basic marketing on Nov. 3-7. Several trainings have been planned for the 2 nd and 3 rd quarter of FY 2009/10.
	54 advanced training courses to DOA staff on products and product development, market-chain development, NGO orientation, and market and price analysis.	Six such courses are completed.
	33 training courses to strengthen CAA district staff on investment analysis, project appraisal, and management.	Four such courses are completed. Rest is in process.

Annex 8 : List of NGOs engaged in helping subsistence stakeholders by district

District	Name and address of NGO and contact No.
Taplejung	Technical Group for Social Development, Phungling, Taplejung. Phone: 024-460482
Panchthar	Rural Community Development Center Nepal, Phidim, Panchthar. Phone: 024-520476 Fax: 024-520152
Ilam	Juntara Social Development Centre, Ilam. Phone: 027-521197 Fax: 027-520127
Jhapa	Social Welfare Association for Nepal, Damak, Jhapa. Phone: 023-581173
Morang	Sagarmatha Community Development Center, Biratnagar, Morang. Phone & Fax: 021-420734
Dhankuta,	Poverty Alleviation & Rural Development Programme, Dhankuta. Phone & Fax: 026-520370.
Terhathum	Deurali Society, Terhathum JV Downtrodden Society, Terhathum, District Association of Micro-Enterprises Group, Terhathum and Equal Access, Terhathum. Phone: 026-460304
Sunsari	Forum For Rural Women Ardency Development, Duhabi, Sunsari. Phone: 025-540456 Fax: 025-540610
Saptari	Save the Saptari, Rajbiraj, Saptari. Phone: 031-520942
Udayapur	Human Rights and Environment Development Centre, Udaypur. Phone: 035-420406
Siraha	Shrijana Community Development Center, Chauharwa, Siraha. Phone: 033-540133 Fax: 033-540084

Annex 9: List of Partner NGOs for helping semi-commercial Stakeholders and their addresses and contact number.

District	Name of NGOs addresses and contract numbers
Taplejung	Alternative Group for Community Development, Taplejung JV Friends for Peace building and Development, Chitwan. Phone: 024-460003
Panchthar	Human Rights Consciousness and Development Center Nepal, Panchthar JV Friends for Peace building and Development, Chitwan. Phone: 024-520047
Ilam and Jhapa	Sahara Nepal, Jhapa JV Birat Community Development Center, Kathmandu Phone: 023-541198. Fax: 023-543716
Morang	Janaki Women Awareness Society, Dhanusha JV Rajarshi Janak National Foundation For Research & Development, Kathmandu and Social Action for Rural Health and Development of Nepal, Morang Phone: 041-523576. Fax: 041-527576
Dhankuta and Tehrathum	Community Development Society, Biratnagar, Morang Phone: 021-534007
Sunsari	Janaki Women Awareness Society, Dhanusha JV Rajarshi Janak National Foundation For Research & Development, Kathmandu and Save the Earth Foundation International, Sunsari Phone: 041-523576. Fax: 041-527576
Saptari	National People Welfare Council, Kanchanpur, Saptari Phone: 031-560281. Fax: 031-560015
Udayapur	Rural Community Development Organization, Siraha JV Society Improvement and Development Centre, Morang. Phone: 021-527941 Fax: 021-537801
Siraha	Human Rights and Environment Development Centre, Udaypur JV Human Rights and Development Centre, Siraha Phone: 035-420406

Annex 10 : Summary of Consultants' Inputs from 16 July to 15 October 2009.

SN	Name of Expert	Position	Input months	
Package A Consultants				
1	Dr. NR Deomampo	Team Leader	2.46	
2	Dr. KR Paudyal	Deputy Team Leader	2.73	
Package B Consultants				
3	Mr. B Chaudhari	Training Design Specialist	3.00	
4	Mr. MM Poudel	Senior Social Inclusion and Participation Specialist	0.00	Resigned
5	Ms. L Acharya	Social Inclusion Specialist	3.00	
6	Mr. DP Paudel	Social Inclusion Specialist	3.00	
7	Mr. T Rijal	Social Inclusion Specialist	3.00	
8	Mr. R Poudel	Agribusiness Development Specialist	3.00	
9	Mr. BK Bhattarai	Agribusiness Development Specialist	3.00	
10	Mr. KB Adhikari	Agribusiness Development Specialist	2.97	
11	Mr. N Hada	Market-Chain Development Specialist	1.77	Resigned
12	Mr. G Baniya	Commercial Agriculture Fund Analyst and Advisor	2.93	
13	Mr. MB Thapa	Community Sub-project Investment Specialist	3.00	
14	Dr. BBR Singh	Market Information and Promotion Specialist	0.00	Resigned
15	Mr. N Bhatta	M&E System Design and Training Specialist	3.00	
16	Dr. VNP Gupta	Environmental Impact Monitoring Specialist	3.00	
Total person-month in first quarter 2009/2010			39.86	

Annex 11: Operational Guidelines for Environmental Management in CAA subproject implementation³

a) Environmental management in CADP

Most of the CAA funded subprojects will not require IEE or EIA level of environmental assessment because of the size of investment according to recent amendment in EPR (2007). However, these subprojects, if not properly planned or implemented could have significant adverse environmental and social impacts. Existing IEE and EIA threshold criteria, worked out for agriculture sector, are inadequate. The IEE guideline for agriculture (2008), a recent outcome, is to be taken as strong commitments to environmental management in agriculture sector.

Environmental screening of CAA subprojects will be required at different stages in the project cycle for their safe implementation through compliance and monitoring of subproject specific Environmental Management Plan (EMP) to achieve sustainable goals.

Most of the adverse impacts of agriculture programs are site specific and reversible. For an effective and sustainable effort a development program should include activities such as environmental awareness, impact identification, mitigation and monitoring with an emphasis on organic farming and IMP besides others.

Environmental considerations in CAA subprojects begin with SCN preparation. Specific to the group of subprojects, either infrastructure or non-infrastructure, there are certain environmental questionnaire (REA) to be answered as 'yes' or 'no' by the proponent (CAA members, cooperatives).

b) Guidelines

Operational Guidelines (OP) It is a tool to address implementation of environmental issues in CAA subprojects with due consideration of statutory requirements and ADB policy safeguards. It guides the stakeholders for an effective environmental management through simple procedural requirements.

- Roles and responsibilities of environmental management in CAAA are tabulated in the form of project cycle.
- Indicative environmental impacts of Physical, Biological and Social for subprojects have been detailed out.
- To augment the environmental screening of subprojects the criteria for eligibility and or ineligibility are also identified. Subprojects are categorized into four according to their environmental and social sensitivity / severity and impacts.
- In order to make the approach effective for the different types of subprojects the environmental codes of practices (ECP) have been provided.
- *Environmental impacts in implementation of tea, coffee, vegetable, fruit crops, ginger, cardamom, honey, and medicinal/ herbal and aromatic plants (MAP) subprojects have been identified.*

³ Prepared by Vimal Gupta, Environmental Specialist, Package B Consultant, CADP

- Prepared on ADB format the Rapid Environmental Assessment (REA) checklist, separately for infrastructure and non-infrastructure subprojects, are included.
- OP contains several annexes to support preparation of EMP on the format provided.
- EMP, once completed, will help monitoring of mitigation measures at the time of their implementation.
- OP contains the SDP Environmental Appraisal Criteria to be used in approval mechanism of subprojects by appraisal committee of CAA.

Annex 12 Summary of targets and achievement of activities under JFPR project

S.N.	Component / Activity	Unit	Project target	Progress of this Quarter (July – Oct 2009)	Progress as of Now	Status
A.	Social Mobilization and Adult Literacy					
1	Social Mobilization, Literacy and Training	No. of SHG	480*	6	455	Completed
2	Joint information campaign on CADP/JFPR project	No.	4	4	4	Completed
3	Project beneficiary identification	No. of people	12000	153	12159	completed
4	Self Help Groups (SHGs) formation	No. of SHG	480	6	455	Completed
5	Training to community out-reach workers	No.	4	-	4	Completed
6	SHG Promotion and management (Group Level)	No. of SHG	480	303	455	Completed
7	Self Help Groups strengthening	No. of SHG	480	6	455	Completed
8	Adult literacy training	No.	4	3	4	Completed
9	Adult literacy Class conduction	No.	96	96	96	Ongoing
B	Strengthening of Income Generation Activities					
B.1	Strengthening of Income Generation Activities for SHGs					
1	Preparation of Livelihood Support Fund Implementation Guidelines	No.	1	-	1	Completed
2	Establishment of Livelihood Support fund	No.	1	-	1	Completed
3	Use of livelihood Support Fund	No. of SHG	480	74	74	Ongoing
4	Preparation of Income Generation Fund Implementation Guidelines	No.	1	1	1	In process
B.2	Support with income generation inputs:					
5	Demand driven support for high value cash crop production inputs as per SHG proposal	No. of SHGs	480	74	74	ongoing (by respective SHG)
B.3	Market oriented skill development trainings					
6	Training Need assessment (to be taken up by CADP for four JFPR project districts)	No.	1	0	1	Completed
D	Project Coordination, Management, Monitoring and Evaluation					
1	Recruit and orient lead NGO staffs	No. of staff	15	0	15	Completed
2	Prepare and finalize grant implementation manual in consultation with CADP and ADB	No.	1	0	1	Completed
3	Inception Report	No.	1	0	1	Completed
4	Set up JFPR PMU alongside CADP/PMU	No.	1	0	1	Completed
5	Open and set up JFPR/PIU as provisioned by CADP	No.	1	0	1	On going
6	MOC between CADP/PMU and JFPR PMU signed for	Times	1	0	1	Completed

S.N.	Component / Activity	Unit	Project target	Progress of this Quarter (July – Oct 2009)	Progress as of Now	Status
	supporting JFPR					
7	Open JFPR Imprest Account (opened by CADP/Government)	Time	1	0	1	Completed
8	District information meeting	No.	4	0	4	Completed
9	Select NGOs and build up consortiums in each district	No.	4	0	4	Completed
10	MOU signed with implementing partner NGO by Lead NGO	No. of NGOs	8**	0	12	Completed
11	Selection of sub-projects	No. of Districts	4	0	4	Completed
12	Baseline survey and poverty analysis for community profiling (By CADP PMU)	No. of Districts	4	-	4	Completed (All 4 District covered)
13	Livelihood needs/ opportunities available in sub-project identified	No.	1	1	1	Completed
14	Lease-land documentation (process of the leasing land for SHG under JFPR project)	No.	1	-	1	completed
15	Annual workshop (1 per year)	No.	1	0	0	In process
16	Joint Poverty monitoring and impact evaluation - initial and final at the end	No.	1	1	1	By CADP
17	Field Monitoring by Lead NGO	Districts	4	4	4	Continue
Project Implementation Status (Program Progress Reporting)						
18	1st semi-annual Progress Report	No.	1	0	1	Submitted
19	2nd semi-annual Progress Report	No.	1	0	1	Submitted
20	1st Annual Progress Report	No.	1	0	1	Submitted
21	2nd Annual Progress Report	No.	1	0	1	Submitted
Financial Reports of the Lead NGO as per agreement with ADB						
22	Monthly Financial Report (within 15th of next month)	No.	33	3	26	Completed
	DEPROSC's Annual Audit Report (FY 07/08)	No.	3	0	1	Not due yet

* Target HHs 12000. Minimum member HHs per SHG revised to 25 (in project document, average no. was 20). Thus number of SHG revised to 480 however all target HHs.

** No. of local NGOs is revised from 8 to 12 considering field situation and delayed activities.

Annex 13: Compliance with covenants

Project-Specific Covenants	Date Due	Date Complied	Delays (mo.)	Status of Compliance	Rating (HS,S,PS,U)	Remarks/Issues
Sector						
1. The responsibilities of the Commercial Agriculture Alliance (CAA) under the Project shall be to (i) manage and disburse the Commercial Agriculture Fund (CAF); (ii) facilitate subproject linkages; and (iii) facilitate the networking of the agricultural stakeholders within the Project Area. The management of CAA shall be headed by the General Manager, who shall be selected through open and competitive selection process. The General Manager shall be assisted by a company secretary, a compliance officer, a chief accountant and other support staff. (Grant Agreement [GA], Schedule 4, para. 7)						The CAA has been incorporated under the Companies Ordinance. The General Manager and company secretary were appointed in Aug 2007. Other staff were appointed in Dec 2007.
				Ongoing		
2. Within two months of the Effective Date, the CAA shall have adopted (i) business plan; (ii) standard operating procedures (SOP) which shall incorporate the principles of equitable participation of women and include provisions to prohibit any discriminatory or prejudicial measures against the minority and/or disadvantaged groups; and (iii) code of conduct (COC) which shall incorporate the conflict of interest rules for staff and members of the Board. Each of these documents must be formulated to the satisfaction of ADB. (GA, Schedule 4, para. 8)						The SOP and COC have been finalized and adopted by the CAA Board in Jan 2008. Business plan was approved by the CAA Board of Directors on 22 Jun 2008.
	06/10/2007	22/06/2008	9	Complied Late		
3. The CAA shall recruit a compliance officer to undertake all necessary measures to prevent and address any financial irregularities and/or abuse of authority in the operations of CAA, including in its management of CAF. In the conduct of its duties, the compliance officer shall also be required to liaise with the relevant government agencies or commissions responsible for the efforts to combat corruption and abuse of authority. (GA, Schedule 4, para. 9)						A compliance officer has been appointed and has commenced work from 15 Jan 2008.
				Complied		
4. Within four months of the Effective Date, the CAA headquarters shall have been fully staffed to the satisfaction of ADB. (GA, Schedule 4, para. 10)						Requisite personnel have been appointed and commenced work from 15 Jan 2008.
	06/12/2007	15/01/2008	1	Complied Late		
5. Within four months of the Effective Date, CAA shall have established a district branch in each of the Project districts and appoint a branch manager to head each of the district branches. The branch manager shall be recruited through open and competitive selection process. The branch manager shall be assisted by a finance and administration officer, a monitoring and evaluation officer and other support staff. (GA, Schedule 4, para. 11)						Offices in all 11 project districts have been established and branch managers appointed. All branch offices were made operational from 15 Jan 2008.
	06/12/2007	15/01/2008	1	Complied Late		
6. Within five months of the Effective Date, each of the CAA district branches shall have been fully staffed to the satisfaction of ADB. (GA, Schedule 4, para. 12)						Requisite staff for each branch offices has been appointed in Dec 2007 and commenced work from Jan 2008.
	06/01/2008	15/01/2008	0	Complied		

<p>7. Within five months of the Effective Date, the CAA shall have formed an appraisal panel which shall make the final review and approval of the investments proposals to be financed under the CAF. The appraisal panel shall consist of five members, which includes (i) the General Manager; (ii) two Board members; and (ii) two external experts to be appointed by the Board from the list of experts to be prepared by the General Manager. The chair of the appraisal panel shall be selected by its members. The tenure of the Board members and the external experts as appraisal panel members shall be for a period not to exceed two years. (GA, Schedule 4, para. 13)</p> <p>06/01/2008 5/07/2008 6 Complied Late</p>	<p>Five members appraisal panel is formed consisting of 2 CAA Board members (1 Government representative and 1 Representative of GM) , 2 specialists (1 Agri. Engineer, 1 Agri-business specialist) and General Manager of CAA</p>
<p>8. Within five months of the Effective Date, the branch manager shall have constituted a district review committee (DRC) in each Project district. The tasks of the district review committee shall be to perform the initial screening of the proposals to be financed under CAF. The district review committee shall consist of (i) the branch manager; (ii) two CAA General Member representatives; (iii) one representative from the district agriculture development office; (iv) one representative from the DDC; (v) the women development officer from the district women development office; and (v) one external technical expert to be appointed by the General Manager from the list of experts prepared by the branch manager. There should be at least one female member in the district review committee. The district review committee may seek technical advice from external parties to facilitate initial screening of CAF applications. The tenure of the CAA members and the technical expert as district review committee members shall be for a period not to exceed two years. (GA, Schedule 4, para. 14)</p> <p>06/01/2008 26/10/2008 9 Complied</p>	<p>Seven members district review committee is formed in each district consisting of Branch manager, 2 CAA General member representatives, 1 DADO representative, 1 DDC representative, 1 WDO representative and 1 External technical expert appointed by the General Manager.</p>
<p>Environmental</p>	
<p>1. The Recipient shall ensure that the entire implementation of the Project, including the interventions to be financed under CAF, shall be carried out in compliance with all applicable environmental laws and regulations of the Recipient and ADB's Environmental Policy (2002). (GA, Schedule 4, para. 31)</p> <p>Ongoing</p>	<p>This is being monitored while considering sub-project for CAF financing.</p>
<p>Social</p>	
<p>1. Resettlement The recipient shall ensure that the implementation of the Project, including the interventions made under the Commercial Agriculture Fund, shall not entail land acquisition, resettlement or land donation and that no persons shall be adversely affected in terms of ADB's Policy on Involuntary Resettlement (1995) and the prevailing laws and regulations of the Recipient. (GA, Schedule 4, para. 32).</p>	<p>This is and will be monitored during project implementation.</p>
<p>Not Yet Due</p>	

2. Gender The Recipient shall take all necessary and appropriate measures to implement the Gender Action Plan to ensure that due consideration will be provided to women in the implementation of the Project, both as the beneficiaries of Project and staff in the Project Management Unit and the Commercial Agriculture Alliance. (GA, Schedule 4, para. 33)					This is and will be monitored during project implementation. So far, 13 of the 64 staff (20%) appointed by CAA are women; and 8 of 18 staff (44%) recruited for the PMU are women.				
					Ongoing				
Financial									
1. Commercial Agriculture Fund (CAF) The CAF shall only be utilized to finance community-based market infrastructure investments and non-infrastructure investments that fulfill the following general criteria: (i) the investment must add value to agricultural products; (ii) the investment must benefit other agricultural stakeholders and the community as a whole; (iii) the investment must improve the market chain efficiency; (iv) the investment must demonstrate public good content; and (v) the investment must have strong demonstration effects on the rest of the community. (GA, Schedule 4, para. 15)					Is being complied with while considering sub-project for CAF funding.				
					Ongoing				
2. The applicants for the community-based market infrastructure investments shall be limited only to DDCs and the applicants for the non-infrastructure investments shall be limited only to the General Members of the Commercial Agriculture Alliance (CAA). The maximum amount to be financed under CAF for each community-based market infrastructure investment shall be \$80,000, and for each non infrastructure investment, the limit shall be \$20,000. The maximum amount that each General Member can obtain on cumulative basis from CAF shall be \$40,000, whereas, the maximum amount that each DDC can obtain on cumulative basis from CAF shall be \$320,000. (GA, Schedule 4, para. 16)					Is being complied with while considering sub-project for CAF funding.				
3. In the event that any appraisal panel member or his/her immediate family members shall have fifty percent (50%) or more financial interests in an entity, such entity shall not be allowed to submit financing proposals under CAF. (GA, Schedule 4, para. 17)					This condition is being enforced strictly.				
					Ongoing				
4. Within five months of the Effective Date, the specific criteria for the community-based market infrastructure investments shall have been formulated by the Recipient to the satisfaction of ADB. (GA, Schedule 4, para. 18)					Sub-project Concept Note and Sub-project Detail Proposal Selection Criteria prepared and approved by ADB.				
		06/01/2008	24/10/2008	9	Complied Late				
5. Within five months of the Effective Date, the specific criteria for the non-infrastructure investments shall have been formulated by the Recipient to the satisfaction of ADB. (GA, Schedule 4, para. 19)					Sub-project Concept Note and Sub-project Detail Proposal Selection Criteria prepared and approved by ADB.				
		06/01/2008	24/10/2008	9	Complied Late				

6. Governance Measures All information related to the application process and the investments approved under the CAF shall be made available to the communities within the Project Area. The applicants whose applications have been rejected shall be informed on the reasons for such rejection. (GA, Schedule 4, para. 20)					This covenant is being followed	
Ongoing						
7. Within four months of the Effective Date, the Recipient shall have established a complaint redressal mechanism, to the satisfaction of ADB, to allow the intended beneficiaries of the Project to file their complaints related to the implementation of the Project and ensure that these complaints are addressed accordingly. (GA, Schedule 4, para. 21)					The complaint redressal mechanism of CAA was approved and adopted by the CAA Board on 20 Nov 2007, and posted in CAA's website.	
	06/12/2007	20/11/2007	-1	Complied		
8. The Recipient shall ensure that the performance audit of the CAF shall be undertaken on annual basis. The audit shall include a review of all disbursements made by the CAA to the intended recipients of the CAF and evaluate the extent to which proper and timely disbursements were made. This audit shall be conducted by an independent and external auditor having at least five years of working experience as a qualified accountant. The audit report produced by the auditor should include recommendations of measures to improve the timely and effective disbursement of CAF. The CAA shall be required to fully implement these measures within one month of its receipt of the report. (GA, Schedule 4, para. 22)					First annual audit of CAA (for FY2006-07) completed in 2007. The report of the CAA's external auditor was presented during the CAA annual general assembly on 11 May 2008. Audit report for the FY 2007/08 submitted on 09 April 2009.	
Ongoing						
9. The General Manager, the CAA appraisal panel members and CAA compliance officer shall be required to disclose their wealth prior to undertaking and upon completion of their assignments. The disclosure must be made in a manner which would allow the public, in particular the local Project stakeholders, to have access to such information. (GA, Schedule 4, para. 23)					Complied with.	
Ongoing						
10. In order to enhance transparency and accountability in the implementation of the Project, within six months of the Effective Date, the Recipient shall have established a Project website which will allow the public to track procurement contract awards, including its amount, and the list of Goods, Works and consulting services procured. In addition, the website shall also provide other relevant information related to the Project implementation including information related to Component 1. (GA, Schedule 4, para. 24)					CAA website created (www.caa.com.np). Project website created (www.cadp.gov.np)	
	06/02/2008	03/03/2008	1	Complied		

11. Counterpart Funds Without limiting the generality of Section 6.05 of the Grant Regulations, the Recipient shall ensure that throughout the implementation of the Project, adequate budgetary allocations of the required counterpart funds are made, approved and released in a timely manner in order to ensure proper implementation of the Project. (GA, Schedule 4, para. 25)				Complied with.	
				Ongoing	
Others					
1. Established, Staffed, and Operating PMU/PIU The Recipient shall establish a Project Management Unit (PMU) to be located at Biratnagar to be responsible for (i) preparing annual work plans and Project progress reports; (ii) recruiting consultants and award procurement contracts; (iii) supervising activities under Components 2, 3, 4 and 5 and the performance of partner NGOs and service providers under these components, and (iv) carrying out monitoring and evaluation of the activities, outputs, and expected impacts of Components 2, 3, 4 and 5. (GA, Schedule 4, para. 3)				PMU has been established and operational.	
				Ongoing	
2. Fielding of Consultants (i) Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Recipient shall apply quality- and cost-based selection for selecting and engaging consulting services. (GA Schedule 3, para. 5) (ii) The Recipient shall apply the least-cost selection method for training and workshops and studies, surveys and monitoring, in accordance with, among other things, the procedures set forth in the Procurement Plan. (GA, Schedule 3, para. 6) (iii) The Recipient shall recruit individual consultants for the team leader and deputy team leader positions in accordance with ADB's procedures for recruiting individual consultants. (GA, Schedule 3, para. 7)				(i) QCBS used in engaging the Package B consultants and 14 consultants are fielded (ii) Engagement of other service providers ongoing. (iii) Deputy Team Leader fielded from 1 Jul 2008 and Team Leader fielded from 19 November 2008.	
				Complied	
3. The PMU shall be headed by a Project manager who shall oversee the day-to-day implementation of Components 2, 3, 4 and 5. The Project manager shall be jointly selected by MOAC and ADB from among the officers of the Recipient with the necessary core competence and experience and assisted by the following staff: (i) social equity officer; (ii) results-based monitoring officer; (iii) accounts and financial officer; (iv) two planning and implementation officers; (v) procurement and contract officer; (vi) two technical officers; and (vii) the necessary support staff. One of these officers shall be responsible for the management of a complaint cell to be created as part of the complaint redressal mechanism to be established under the Project. Within three months of the Effective Date, the Recipient shall ensure that the PMU shall have been fully staffed and with adequate representation of women staff. (GA, Schedule 4, para. 4)				Project Manager was appointed on 26 Jun 2007 but was promoted and transferred to PACT project recently. Requisite personnel have also been recruited. Eight out of 18 (38%) PMU staffs are women. Five officers of CADP have been promoted and transferred to other offices and their replacements have already been made. New PM has been appointed and recently joined the Project.	
	06/11/2007	30/11/2007	1	Complied	

4. The Ministry of Agriculture and Cooperatives (MOAC) shall be the Project Executing Agency and responsible for overall Project coordination and monitoring. (GA, Schedule 4, para. 1)					Continued as stated
Complied					
5. The Commercial Agriculture Alliance (CAA) shall be responsible for the implementation of Component 1, and the Department of Agriculture (DOA) shall be responsible for the implementation of Components 2, 3, 4 and 5. (GA, Schedule 4, para. 2)					Continued as stated
Complied					
6. The Recipient shall establish a Project Steering Committee (PSC) chaired by secretary, MOAC with the Project manager as the member-secretary. The other members of the PSC shall comprise the director general of DOA, senior officials at the joint-secretary level from MOAC, Ministry of Finance, Ministry of Industries, Commerce and Supplies, Ministry of Local Development, Ministry of Women, Children and Social Welfare, and the National Planning Commission, the executive director of the Agro Enterprise Center and the General Manager. The PSC shall convene its meeting at least on semi-annual basis. (GA, Schedule 4, para. 5)					PSC has convened twice during FY 2007/2008, three times in FY 2008/2009. Sixth meeting was held on 21 August 2009 in Kathmandu.
	24/05/2007	05/03/2007	-3	Complied	
7. The functions of the PSC shall be to (i) oversee the entire implementation of the Project; (ii) review progress of the Project; and (iii) resolve policy issues related to the Project. (GA, Schedule 4, para. 6)					Continued as stated
Ongoing					
8. The Project shall be monitored and evaluated to determine its efficiency (delivery of inputs against specified implementation targets and time frame) and effectiveness (outputs, outcomes, and short-term impacts) as measured against baseline pocket area and product-chain data. The baseline and product-chain studies shall be undertaken in each district and shall involve quantitative and qualitative assessments in order to provide a clear understanding of the socioeconomic characteristics of the beneficiaries, including ethnicity, gender, and economic status, and an assessment of the value chain that shall serve as a benchmark against which Project progress can be measured. (GA, Schedule 4, para. 26)					Baseline and product chain studies completed.
Complied					
9. The Project shall solicit monitoring and evaluation feedback on the Project activities from (i) producer groups; (ii) marketing groups, associations and cooperatives; (iii) partnering NGOs and training service providers; (iv) CAA and its branch offices; (v) Project studies and reports; (vi) the Project-supported market information system; and (vii) any other relevant sources. The collected information will be analyzed, evaluated and aggregated to be utilized for (i) guidance into Project planning and implementation decision making; (ii) inclusion into the Project's reporting framework; and (iii) utilization by institutional partners such as DOA and FNCCI. (GA, Schedule 4, para. 27)					Will be done during project implementation.
Ongoing					-

<p>10. The Recipient and ADB shall undertake semi-annual review of the Project, which shall cover the review of (i) the performance of PMU, CAA, and partner NGOs and service providers; (ii) physical progress of Project implementation; (iii) the extent of the inclusion of poor and excluded groups in Project implementation; (iv) compliance with the covenants under this Grant Agreement; (v) implementation of the Gender Action Plan, and (vi) other relevant matters that may arise during Project implementation. (GA, Schedule 4, para. 28)</p> <p style="text-align: center;">Ongoing</p>	<p>First project review was made from 5 to 14 Nov 2008. This was followed by Project Administration Mission on 23 - 31 August and planned to have next Mission on early 2010 in time with the PSC meeting.</p>
<p>11. The Recipient and ADB shall also undertake a comprehensive midterm review of the Project in the beginning of the fourth year to identify problems and constraints encountered during Project implementation and suggest measures to address identified constraints. (GA, Schedule 4, para. 29)</p> <p style="text-align: center;">Not Yet Due -</p>	<p>Not yet due.</p>
<p>12. The PMU shall:</p> <p>(i) submit quarterly and annual progress reports to ADB on Project implementation and such other reports and information related to the Project as ADB may reasonably request;</p> <p>(ii) within three months of its submission to ADB, make available to the public, in particular the local stakeholders, the annual progress reports in Nepali language; and</p> <p>(iii) submit a Project completion report to the PSC and ADB within three months of physical completion of the Project. (GA, Schedule 4, para. 30)</p> <p style="text-align: center;">Ongoing</p>	<p>PMU's semi-annual report covering 16 Jul 2007 to 15 Jan 2008 was submitted to the ADB Inception Mission in May 2008.</p> <p>First annual progress report (FY 2007/08) was submitted on 11 Aug 2008.</p> <p>First quarterly report for July-October 2008 submitted to ADB on 11 Nov 2008. Second quarterly report for October-January submitted by 10 February 2009 3rd quarterly report submitted by 15 May 2009 and Second Annual Report by 12 August 2009 and First Quarterly report FY2009/2010 is due by October 2009.</p>

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