

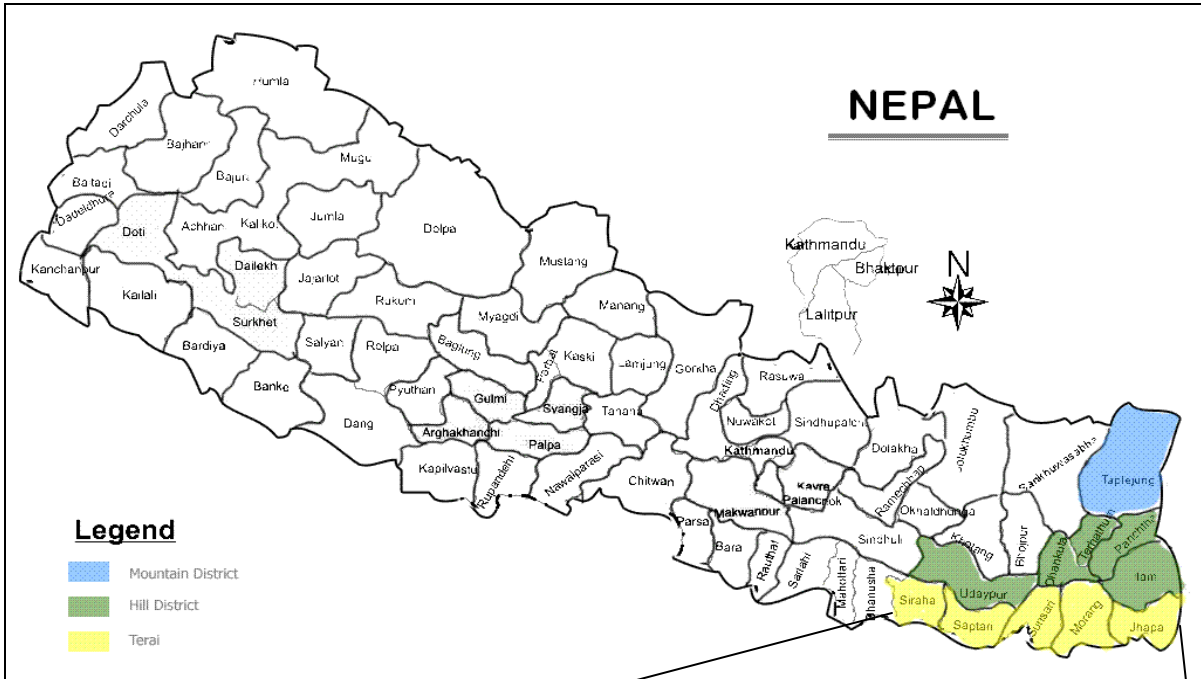
**Government of Nepal
Ministry of Agriculture and Co-operatives
Department of Agriculture
Commercial Agriculture Development Project
[ADB Grant No. : 0063-NEP (SF)]**

**SECOND QUARTERLY REPORT
(16 October 2008 to 15 January 2009)**

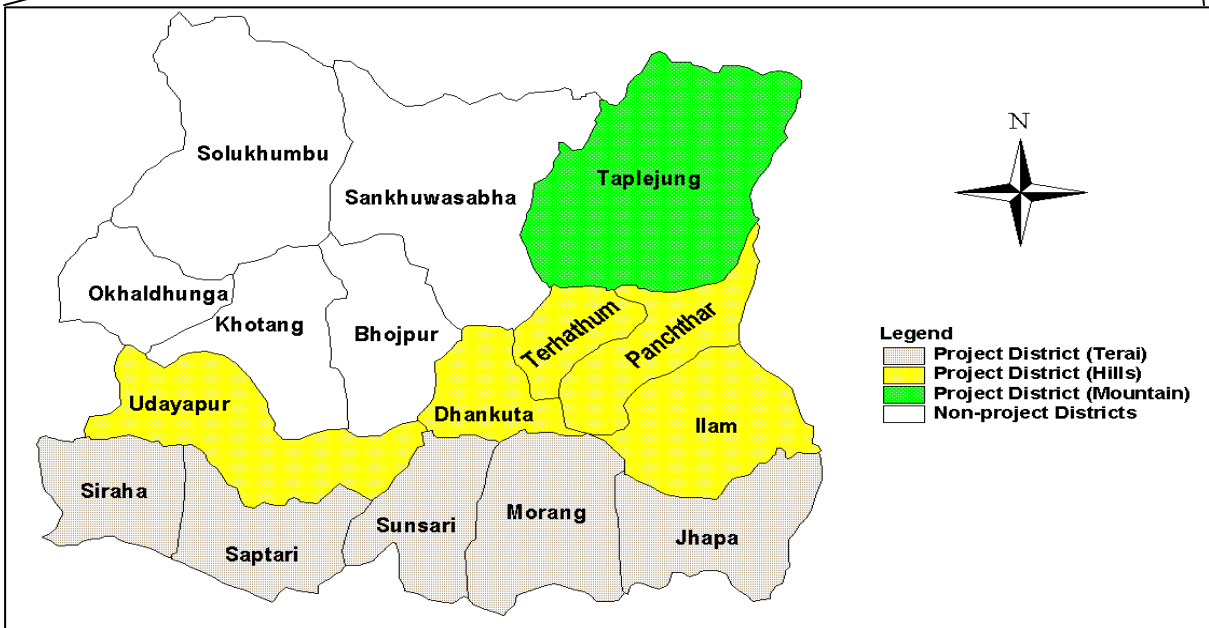
February, 2009

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MAP OF NEPAL AND PROJECT DISTRICTS



PROJECT DISTRICTS



ACKNOWLEDGEMENTS

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 process-oriented 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 first eighteen months of implementation the project has completed most of the preparatory works including establishment of Project Management Unit, CAA head office and its 11 branch offices; creating awareness among the stakeholders; and training them in different aspects of agricultural commercialization such as high value crops production and marketing. The project has also completed baseline studies, product chain studies and annual socio-economic impact study. Several other studies are in different stages of completion. Activities targeted to capacity enhancement and the income generation of stakeholders including farmers, traders and processors will be the main function in the future.

I express my sincere gratitude to Mr. Tek Bahadur Thapa, Secretary, MOAC and Mr. Fulgen Pradhan, Director General, DOA for their valuable guidance, persistent encouragement and constructive support.

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Yogendra Kumar Karki
Project Manager

ABBREVIATIONS

ADB	Asian Development Bank
AMIS	Agriculture Market Information System
CAA	Commercial Agriculture Alliance
CAF	Commercial Agriculture Fund
CBO	Community Based Organization
CQS	Consultants' Qualification Selection
CS	Company Secretary
DADO	District Agriculture Development Office
DEPROSC	Development Project Service Center
DDC	District Development Committee
DOA	Department of Agriculture
EDR	Eastern Development Region
EOI	Expression of Interest
GM	General Manager
GON	Government of Nepal
HVC	High-value Crop
JFPR	Japan Fund for Poverty Reduction
M&E	Monitoring and Evaluation
MOAC	Ministry of Agriculture and Cooperatives
NGO	Non-government Organization
PAM	Project Administration Memorandum
PMU	Project Management Unit
PSC	Project Steering Committee
RAD	Regional Agriculture Directorate
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 is financed by the Asian Development Bank grant and 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, marketing, and processing 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 (JFPR) 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 first eighteen months of implementation. During this period establishment of Project Monitoring Unit in Biratnagar and liaison office in Kathmandu, fully staffing and furnishing the offices were completed. Similarly, Commercial Agriculture Alliance, implementing agency for component 1, has established its headquarters in Biratnagar and its eleven district offices were established in the concerned districts. These offices are fully staffed and equipped. Most of the vehicle procurement is completed. Several project introductory workshops and skill oriented trainings have been conducted in various places in the project area to enhance the project partners’ capacity.

Preparatory works for grant mobilization for infrastructure and non-infrastructure sub-projects (Component 1) have been initiated. Guidelines for preparing sub-project concept note and detail proposal are prepared in English as well as in Nepali and approved by the CAA Board of Directors and ADB. Selection criteria for sub-project concept note was prepared and approved and a detailed proposal selection criteria is being developed. There was very positive response from farmers, traders and processors towards membership of CAA. By the end of January 2009, a total of 191 stakeholders were granted CAA membership and more are expected as the screening of application for membership continues. About 116 CAA members were trained on preparing the sub-project note concept consisting of farmers, cooperative members, traders and processors.

Programs under Inclusive development of stakeholders (Component 2), which are mainly to be conducted through NGOs will be started soon as selection process of partner NGOs is nearly completed.

On Component 3, market information and dissemination, a computer-based Agricultural Market Information System (AMIS) software is already in operation. Training manuals

and packages were prepared and training had been conducted to 126 participants in selected districts. Training on market information exchange systems is being planned for 330 participants in the coming months.

On Component 4, Project Partners Capacity Enhancement, several training programs were conducted in various districts. At the end of the second quarter, 371 stakeholders have been trained by the Project on various subjects including staff members of various cooperating agencies. More trainings are being planned and the most recent is training of senior officers and technicians of DADO on commercial agriculture and agribusiness, entrepreneurship and NGO, and marketing information and prices which will be conducted from February 10-15, 2009 in Dhankuta and from February 15-20, 2009 in Biratnagar.

On Component 5, several studies including household baseline survey, product chain study were completed. Consultants under Package A and Package B are fielded. Several training, workshops and interaction programs are being organized for the benefit of CAA members and other concerned stakeholders.

I. INTRODUCTION

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 favorable agroclimatic patterns, the existing entrepreneurial base, and 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. Originally it was planned that the grant would be effective from 24 May 2007, but it was delayed by about six months. The project will be completed by 31 December 2012 and all the grant related activities will be closed on 30 June 2013. The proposed implementation schedule has been presented in Annex 1.

2. The Project will result in reduced poverty in rural communities in the areas through equitable and sustainable commercialization of agriculture. The outcomes of the Project will be improved efficiency of marketing and processing of HVCs, such as vegetables, fruits, tea, and spices in the EDR. The Project will directly generate employment opportunities for subsistence stakeholders by promoting HVC production and marketing, transporting products from the field to storage and processing centers, and assisting small-scale community-based market infrastructure development. The landless poor will, through skill-based training, be made more employable and capable of income generation. Commercial stakeholders will be assisted to add value to agriculture products and encouraged to adopt socially inclusive behaviour to help the less advantaged.

3. 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 services to 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.

The special features of the Project are as follows:

a) Marketing and Processing

4. A significant feature of this project is that it focuses on agriculture marketing and processing, and on improving the efficiency of the value chain between farmers and consumer. This makes the project significantly different from previous agriculture projects, which basically focused on production and extension services

b) Market-Chain Linkages

5. The Project has a two dimensional thrust (i) to develop farmers capability so that they are more effective and influential in reaching up the market chain and (ii) to improve farmers' linkage backward with the input suppliers and forward with processors and traders and exporters. It has also envisaged maintaining increased transparency of activities within the market chain.

c) Demand and Stakeholder-Driven

6. The project activities including CAF investments, social inclusiveness initiatives, market information dissemination, and capacity enhancement of project partners, will be largely shaped in response to demands, capacities, constraints of the project beneficiaries and market opportunities for commercial agriculture development.

d) Socially Inclusive Participation

7. 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. Strengthening effective and equitable linkages between stakeholders in the market chain to increase farmers' returns and improve the efficiency of marketing is largely a new area of intervention. The Project provides assistance for those aiming to become more equal and effective partners and significant employment generation relevant for the landless poor who engage in agriculture wage labor. Cross-cutting values on equity (equal sharing in participation and benefits), gender equality, participatory practices and processes, fairness in dealing between stakeholders, and public-private partnerships are built into the project design.

e) Associated Project

8. 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 is being implemented in four of the CADP districts viz. Dhankuta, Morang, Sunsari and Saptari with an objective of bringing underprivileged communities of the project area into development process by creating opportunities for them. The project includes four components: (i) social mobilization, training and adult literacy, (ii) strengthening of income generation, (iii) support to capacity building of stakeholders and (iv) project management, monitoring and audit. The MOAC is responsible for oversight and policy guidance for the project. 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.

9. The Ministry of Agriculture and Cooperatives (MOAC) is the executing agency (EA). The commercial agriculture alliance (CAA) is the implementing agency (IA) for the first component and the Department of Agriculture (DOA) for the other components. 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 PMU is located within the premises of the Regional agriculture directorate, Biratnagar, Morang. The lead NGO 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.

II. PROJECT COSTS AND FINANCING PLAN

10. 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 financier 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		

Includes taxes and duties

11. Of the total project cost of US\$ 18.0 million (74.7% of project cost) is ADB's grant from its special funds resources. The government is to 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 term 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 to in the form of labor and in kind contributions. Total cost of the project and financing plan 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.

12. The government approved annual program together with budget of allocation of NRs 365 million for the year 2008/09. Of the total project budget NRS 17,292 (4.73%) is allocated for capital expenditure, NRs 337,689 (92%) for recurrent expenditure, NRs 10,088 (2.76%) for other expenditures (Annex 4). Out of the total recurrent expenditure about 43% is allocated for component-1, 19% for component-2, 2% for component-3, 4% for component-4, 22% for component-5 of the CADP (Annex 5). Activity-wise targets and budget allocation are given in Annex 6.

III. STATUS OF PROJECT IMPLEMENTATION

13. Brief description of each of the project component and physical targets and achievements made up to the second quarter of 2008/09 under each of the component are discussed in the following paragraph.

Component 1: Commercial Agriculture Investment and Management

14. The project plans to facilitate key agricultural stakeholder 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 investments and (ii) non-infrastructure investments to add value to agriculture products. The CAA, a not-for-profit company registered under the Companies Ordinance on 28 September 2006, has been established to manage the CAF. More importantly it is mandated to facilitate subproject linkage and networking of agriculture stakeholders within the project area.

1.1 Progress up to 15 July 2008

15. The CAA has an elected Board of Directors (BOD) and a management team headed by a General Manager (GM) assisted primarily by a company secretary, chief accountant, compliance officer, and other necessary support staff. The CAA has already established its branch offices in each of the 11 project districts, headed by the Branch Manager and assisted by support staff.

16. Four founder members were nominated in the Board of Directors by the government representing different sectors of commercial crops cultivation and trade. Responding to call for CAA's general membership, 700 applications were received. Out of which 213 were forwarded to main office by district offices. After careful screening, the CAA finally approved membership to 93 applicants. Thus, the total number of CAA member reached to 97.

1.2 Progress from July 16 to October 15 2008

17. Process of application by members for CAF financing (sub-project) finalized and guidelines prepared accordingly. Criteria for selection of Sub-project Concept Notes (SCN) for CAF financing completed and approved by ADB and CAA Board. Criteria for selection of Subproject Detailed Proposal (SDP) ongoing.

18. The CAA Board formed a Task-Force for reviewing membership applications, recommend and forward them from the district branches to the head office. The task force is also responsible for recommending appropriate actions to be taken by the Board

19. District Review Committees in all of the 11 project districts and an appraisal committee in CAA headquarters formed and made operational to review the sub-project proposal.

20. CAA conducted a baseline survey of its members to gather benchmark database. The CAA provided two days training to its district level M&E Officers and Compliance Officer at head office on concept, tools and technique of Baseline Survey. Data entry of the baseline survey completed and was in the process of writing the draft reports. The CAA also prepared district profile for all of the project districts. Detailed report of component-1 is prepared and submitted separately by CAA.

21. The CAA Board of Directors has formed three members Audit Committee on 5 July 2008 in the Chairmanship of Mr. Ganesh Basnet, representative, Mechi Multipurpose Cooperative and elected Board Member. The CAA Board has appointed Mr. Aswani Bansal, Chartered Accountant (CA), as an Internal Auditor for the internal Audit of CAA for the FY 2008/09.

1.3 Progress from October 16 to January 15, 2009

22. CAA Board has formed a five member Task Force in the chairmanship of Mr. Meghendra Gurung, one of the founders Board Member of the Company for the selection of new general membership. Other members of the Task Force include Dr. Shyam Kishor Shah, MOAC Representative in the Board; Mr. Ganesh Basnet, elected Board Member; the General Manager and Compliance Officer, CAA. Among 410 application received in the CAA Main Office 191 have been awarded based on the recommendation of Task Force.

23. In addition to 66 staff recruited up to the first quarter of FY 2008/09, a Planning Officer and a Service Person have been employed during this quarter. The total number of CAA staff with this requirement reached to 68.

24. The major documents prepared in this quarter are the translation of English version of Sub-Project Concept Note (SCN) and Sub-Project Detailed Proposal (SDP) for infrastructure and non-infrastructure to Nepali version. A team of experts is also preparing the Financial Rules and Financial Handbook of CAA. The Employee Service Rule of CAA has also been amended in this quarter based on its practical application in the last year.

25. Criteria for selecting SCN for detailed proposal preparation are finalized after getting approval from the ADB and CAA Board.

26. CAA published notice of invitation to submit sub-project concept notes for investment in infrastructure development. Last day for submission of such proposal by the District Development Committee was 28th January 2009.

27. The CAA organized a two days interactive workshop (9-10 January, 2009) for the newly deputed Local Development Officers (LDO) of the Project districts. Besides the LDOs, the representative from Ministry of Local Development, Regional Agriculture Director, CADP Project Manager, Team Leader, Deputy Team Leader, Senior Agriculture Engineer, Planning and Procurement Officer and Package B Consultants and CAA Chairperson, GM, Compliance Officer, Planning Officer and Branch Manager and Finance Officer, Morang also participated in the workshop.

28. The Appraisal Committee to review the proposal (AC) was formed in the first quarter of 2008/09. One AC meeting was held during this quarter which unanimously

nominated Mr. Meghendra Gurung, the founder and elected CAA Board Member, as a Chairperson of the committee.

29. Both internal and external audits of CAA for the FY 2007/08 have been completed. The Director Auditor General Office of GON has visited CAA main office and audited the account of FY 2064/65. They are supposed to submit their report by the end of February 2009.

30. Training of CAA members on SCN and SDP preparation has been completed. It is expected that the grant mobilization will be started within the third quarter of the FY 2008/09'. The detailed report of CAA is submitted separately.

Component 2: Inclusive Development of Stakeholders

31. This component covers (i) assisting small and marginal farmers within the project area to develop or participant in income generating agriculture activities and undertakes more commercial activities, (ii) strengthening stakeholder (farmers, traders, and processors) already partly engaged in commercial agriculture to become fully commercial and eligible for CAA membership and (iii) promoting social inclusiveness and environmental responsibility among CAA members. This component will also develop marketable skills of the poor and landless, who may then be employed by CAA members. The project intends to engage 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.

32. The project has planned to 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.

2.1 Progress Up to July 15, 2008

33. Engagement procedure of NGO to assist semi-commercial and subsistence farmers initiated and Expression of Interest (EOI) finalized.

2.2 Progress from July 16 to October 15 2008

34. EOI from different NGOs for partnership with Project has already been called. A total of 171 applications have been received and are being evaluated. It is hoped that the partner NGOs will be selected and start working within this fiscal year. The project is also in the process of selecting the service providers to provide trainings on the social, gender and environmental issues.

2.3 Progress from October 16 to January 15, 2009

35. The process of selecting NGOs for partnership and selection of service providers to provide training on the social, gender and environmental issues is continued. The EOI

evaluation committee is evaluating the proposals and expected to complete within March 2009.

Component 3: Market Information Dissemination

36. 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 agriculture value chain.

37. The project has planned to assist farmer groups through partner NGOs and districts agriculture development officers to systemize and replicate groups or cooperatives-based information systems, throughout the project area. Activities include (i) development installation, and training in market information sharing system for farmer marketing groups, (ii) networking these systems to other market information systems and (iii) collecting and disseminating information on the demand, price and expected delivery time disaggregated by product type and grade at various markets in Nepal and neighboring countries, particularly in Bangladesh and India.

3.1 Progress Up to July 15, 2008

38. Development/preparation of a) AMIS computer based Agricultural Marketing Information System (AMIS) software initiated through a consulting firm. Similarly, training packages (manuals) for "Market information Exchange System" was prepared and b) training.

39. Five lots of training organized to provide market information exchange related knowledge/skills to the stakeholders, 2 in Ilam (27 June) and 3 in Dhankuta (25 June 2008). Altogether 126 stakeholders from project districts benefited through the training.

3.2 Progress from July 16 to October 15, 2008

40. The AMIS software being prepared and tested to suit the project's requirements. Once the software development is completed and installed the stakeholders will be benefited through free access to market related information.

3.3 Progress from October 16 to January 15, 2009

41. The AMIS software is ready for use. Concept, methods and handling procedures of the AMIS were explained to Branch Manager and Monitoring Officers of all CAA district offices and CAA headquarters. This introductory training program was organized from 12-18 December 2008 in Biratnagar.

42. With a view to internalizing the AMIS, Monitoring and Evaluation Officer and Market Information Specialist (Package B consultant) participated in a week long intensive exercise on AMIS application, in Kathmandu Training on market information exchange system is being planned for 330 farmers to be held in near future.

Component 4: Project Partners Capacity Enhancement

43. This component is designed for building the capacity of project partners including DDCs, NGOs, DOA district staff, and CAA district branch staff 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.

4.1 Progress Up to July 15, 2008

44. The project organized (i) CAA staff training, (ii) Government staff training and (iii) Basic market development training as specified in the following paragraphs.

45. *CAA Staff Training.* The project organized a training program for CAA district branch staff to help them understand different aspects of the project, conduct investment analysis, project appraisal and office management. It was attended by 52 participants of which 44 were from CAA districts and the remaining were from PMU and CAA head office as observer participants.

46. *Government Staff Training.* Two training programs were organized for the government staff to help them understand different aspects of the projects from 24 June to 3 July 2008 in Biratnagar. A total of 60 participants (30 officers and 30 non-officers) from DADO, RAD, PMU received training on product development, market-chain analysis and innovation, processing methods, entrepreneurship development, NGO orientation, market information systems and price analysis.

47. *Basic Market Development Training.* Basic market development training was provided to different stakeholders to help them understand different aspects of marketing and value chain. The training was conducted in four lots: one each in Ilam (25 June to 1 July) and Dhankuta (27 June to 3 July) and two lots in Biratnagar (26 June to 2 July 2008). A total of 116 stakeholders participated in those trainings (Ilam-30, Dhankuta -27 and Biratnagar-59).

4.2 Progress from July 16 to October 15, 2008

48. The project organized a four days training cum workshop for the CAA officials and members from 7 to 10 September 2008 at PMU Biratnagar. Altogether 31 CAA officials and 3 CAA members participated in the program. The training curriculum included concept of a project, project cycle, components of a project, concept note and detail proposal including logical framework preparation skills and IEE/EIA techniques relevant in CADP/CAA. Similar training is planned for the CAA members.

4.3 Progress from October 16 to January 15, 2009

49. Four lots of four-day duration training cum workshops were organized at Agriculture Research Station, Pakhribas to train the CAA general members on preparing the sub-project concept notes. A total of 116 general members participated in the program. Similar training cum workshops are planned to be organized shortly in Biratnagar to train remaining members of CAA, including traders and processors.

50. Preparatory work for organizing training programs for DADO officers on “Commercial farming and agribusiness” is completed scheduled for 10-15 February 2009. Similarly two training programs for JT/JTAs of DADO, one on “Entrepreneurship and NGO orientation” and other on “Market Information and Price analysis” are planned in the second and third week of February 2009, respectively.

51. Training on value chain for the senior officers of concerned officers is planned to be carried-out through consulting firm. EOIs from the eligible firms are received and being evaluated.

Component 5: Project Implementation Support

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

5.1 Progress up to July 15 2008

53. The project completed several activities including formation of Project Steering Committee, organizing orientation/workshops, procurement of vehicles and equipment and different studies through consulting firms as discussed in the following paragraphs.

54. *Project Steering Committee.* The CADP Project Steering Committee (PSC) has been formed under the chairmanship of Secretary of MOAC. So far convened two meetings during the first year of the project. The project launching program was organized on 29 September 2007. Central, regional and district level agriculture related line agencies were present in the program. The program was chaired by Mr. Dalaram Pradhan, officiating secretary, MOAC while Honorable Minister for Agriculture and Cooperatives Mr. Chhabilal Bishwokarma graced the program as chief guest.

55. *Orientation workshops:* The project organized district level orientation workshops in all project districts headquarters during 31 October to 7 November 2007. The orientation programs were aimed at introducing the objectives, activities and expected outputs of the project. Altogether 1,115 persons from different offices, NGOs, farmers and traders participated in the workshops.

56. *Interaction with NGOs.* Interaction program with NGOs were organized in all of the project districts headquarters during 5 to 29 June 2008. A total of 765 stakeholders including the representatives from NGOs, DDCs, DADOs, CAA, and RAD participated in the programs.

57. *Procurement.* The project opened L/C account to procure 8 Vehicles. The project procured 30 motorcycles, 20 bicycles, 33 computers, 2 multimedia, 2 digital cameras, 2 movie cameras, 4 overhead projectors, 4 refrigerators, 4 television sets, 15 cellular mobile sets, 5 air conditioners, 4 fax machines 3 photocopiers, 2 generators and other equipment and furniture

58. *Studies.* The PMU has appointed two consulting firms (one for Terai and another for hill districts) to carry out baseline surveys on beneficiary situations. Another consulting firm was appointed for product chain analysis for 10 major HVCs of the project area.

59. *Consulting Services.* Process for Package A consultant selection (Team Leader and Deputy Team Leader) completed and Deputy Team Leader joined the PMU team from 1 July 2008. Process for selecting consulting firm to provide Package B consultants completed.

60. *Others.* The PMU has installed public notice boards to provide information on services available and procedure, timing, and contact person for obtaining the services. The project also developed (www.cadp.gov.np) a website to provide project implementation information including procurement/contract awards and basic information on the processes adopted. The project also published and distributed calendar and diary.

5.2 Progress from July 16 to October 15, 2008

61. The PMU prepared and published project brochure and introductory booklets. The other works that PMU completed include extending contract to project staff; house renting for office and related works.

5.3 Progress from October 16 to January 15, 2009

62. After a long selecting/screening process, the team leader formally joined the project effective 19 November 2008. Agreement for Package B consultants was signed on 18 December 2008. Six of the 14 consultants under Package B have joined the project and the others are reported to be joining soon.

63. Field work for annual economic and social impact assessment of the project (through consulting firm) is completed and is in the process of report preparation. Draft reports are completed for product chain and baseline study and final reports are being prepared incorporating the comments of PMU. In case of value chain studies, once the final draft report is submitted, a workshop with the stakeholders will be conducted. A training need assessment for JFPR's stakeholders is being carried through consultant.

64. Preparatory works have been completed for the studies including (i) study on market and prices, (ii) assessment of comparative and competitive advantages of major agricultural commodities, (iii) study on effectiveness of CAA members, (iv) cost benefit study of HVCs, and (v) value chain study of some of the HVCs.

JFPR Project: Improving Livelihood for Poor Farmers and Disadvantaged Groups in the Eastern Development Region (ADB TA 9101-NEP)

65. 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 CADP districts viz. Dhankuta, Morang, Sunsari and Saptari with an objective of bringing underprivileged communities of the project area into development process by creating opportunities for them.

Progress Up to July 15, 2008

66. 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. The Grant Implementation Manual (GIM) was prepared and approved on 24 January 2008. District level information meetings were conducted in May 2008. Social mobilization work started in selected sites in consultation with CADP. Altogether 80 Self Help Groups (SHGs) were formed out of which 38 were Dalit 5 Janjati/muslims and 37 mixed groups. NGO/CBOs selection process started and their sort listing completed.

Progress from July 16 to October 15, 2008

67. Field verification of the short-listed NGOs completed and report submitted to CADP. Additional 16 SHGs (5 Dalit, 3 Janjati/Muslim, 8 Mixed) formed and social mobilization were started. Training needs assessment for the target beneficiaries are being assessed through consultant.

Progress from October 16 to January 15, 2009

68. The CADP completed field verification of shortlisted NGO/CBOs and Request for Proposal (RFP) has been issued recently to invite their technical proposals. The process will be completed in the next month. The major activities including (i) social mobilization and adult literacy, (ii) strengthening of income generating activities and (iii) support to capacity building of stakeholders (expected start soon).

IV. UTILIZATION OF FUND

69. Out of the total allocated budget of NRs 365.07 million for the fiscal year 2008/09, NRs 33.90 million (9.29%) was spent till the second quarter of 2008/09. Table 3 shows that 19.36 percent of GON allocated budget and 8.22 percent of ADB allocated budget was spent in the first two quarter of 2008/09.

Table 3: Project Budget and Expenditure from 16 July to 15 January 2008 ('000 NRs)

Source	Allocated annual budget (FY 2008/09)			Actual expenditure in second quarter				
	Recurrent	Capital	Total	CADP			CAA	All Total
				Recurrent	Capital	Total		
GON	32,383	3,168	35,551	6,519	362	6,882		6,882
ADB	315,394	14,124	329,518	14,744	483	15,227	11,874	27,101
Total	347,777	17,292	365,069	21,263	845	22,109	11,874	33,903

70. Further details of the expenditure of ADB grant fund up to the second quarter of current fiscal year are presented in Table 4. Out of the total expenditure largest amount (42.75%) was used for CAA operation and management and smallest amount (0.91%) on office equipment and furniture procurement.

Table 4: Details of expenses from the grant fund up to the second quarter (15 July-16 January) of 2008/09

Category No	Category	Expenditure (NRS '000)	Percentage of expenditure
A	Package A consultants	6,565	23.63
2A	Vehicle and Motorcycle	252	0.91
2B	Office Equipment and Furniture	535	1.92
5	Training and Workshop	3,064	11.03
6	Monitoring and Evaluation	3,919	14.11
7	Market information and Dissemination	1,569	5.65
CAA	CAA Operation and Management	11,874	42.75
	Total	27,778	100.0

V. PROGRESS SINCE LAST ADB MISSION

71. The ADB project review mission visited Nepal from 5 to 14 November 2008 to review the project starting-up 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 PMU, CAA and the Mission agreed number of time bound actions as summarized in table 5. Of the five action plans to be completed by PMU by 15 January 2009 four are completed and the remaining one (submit to AB selection criteria for SDP) will be completed within February 2009. Similarly, all of the five action plans to be completed by CAA by 15 January 2009 are completed (Table 5). The government, CAA and the mission have agreed that the second project review mission can be fielded during May 2009.

Table 5: Status of time bound actions agreed during ADB inception mission's visit (7-16 May 2008)

Responsible agency	Actions	Suggested due date	Status and dates of completion
PMU	(i) Provide ADB consolidated government and CAA comments, if any, on the Aide Memoire	28 Nov 08	Completed (28 Nov 08)
	(ii) Submit to ADB withdrawal application	05 Dec 08	Completed (30 Nov 08)
	(iii) Field Package B consultants	15 Dec 08	Mobilized from 21 Dec 08.
	(iv) Submit to ADB 2009 contract award and disbursement projection	31 Dec 08	Completed (24 Dec 08)
	(v) Submit the ADB the selection criteria for detailed proposal (SDP)	15 Jan 09	Waiting until preliminary evaluation of SCN.
	(vi) Finalize NGOs EOI Evaluation	31 Jan 09	Under process
	(vii) Submit to ADB the first audit report covering both CAA-administered and PMU-administered components/accounts	31 Jan 09	Audit being done by Auditor General and preparing Audit Report.
	(viii) Submit to ADB the quarterly report with key features and results of CAA operation summarized and CAA quarterly report attached	15 Feb 09	Draft prepared (5 Feb 09)
	(ix) Ensure regular monitoring of project as well as CAA activities	Continuous	Continuous
CAA	(i) CAA appraisal panel members and the new compliance officer disclose wealth	05 Dec 08	Completed (Dec 08)
	(ii) Submit to ADB withdrawal application	05 Dec 08	Completed (24 Nov 08)
	(iii) Request for sub-project concept note (SCN)	15 Dec 08	Completed (15 Dec 08)
	(iv) Finalize the CAA members and district profiles and share them with PMU and ADB	30 Dec 08	Completed (29 Nov 08)

(v) Submit the PMU the first CAA audit report	25 Jan 09	Expected by end of Feb 09
(vi) Submit the PMU the next CAA quarterly report	01 Feb 09	Completed (29 Jan 09)
(vii) finalize evaluating SCN and request for SDP	01 Mar 09	Not yet due
(viii) Finalize evaluating SDP	01 Mar 09	Not yet due
(ix) Award contract and mobilize CAF	01 Jun 09	Not yet due
(x) Monitor the implementation of sub-projects and utilization of CAF by recipients	Continuous	Continuous

Note: SCN = Sub-project Concept Note, SDP Sub-project Detail Proposal.

VI. COMPLIANCE WITH COVENANTS

72. In the first eighteen months of project implementation the EA, IA and CAA have complied with 13 of the covenants. Eighteen of the covenants are on going as their nature requires continuation. Another 2 covenants are not yet due and one, related to CAF financing, is delayed as the activity is not yet started. Details of covenants agreed upon by the ADB and the government and their status are listed in Annex 9.

VII. MAJOR ISSUES AND PROBLEMS

73. 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).

(a) Issues and problems related to CAA

74. CAA membership criteria: One of the eligibility criteria for farmers group to be member of CAA demands that a farmers' group has experience of at least two years and has annual turnover of not less than five hundred thousand Rupees. Many representatives of political parties and local bodies have raised concern and requested to lower the minimum annual turnover required.

75. Indicative list: Concern is also raised about the indicative list included in the project document for CAF funding. There are several farmers engaged in organic fertilizer, Nepali paper making and bio-diesel, to mention a few. With increased concern on food security issues inclusion of cereals with high prospect of commercialization need to be considered.

(b) Issues and problems related to the JFPR project

76. Number of SHGs: Original plan of the project has set target of benefiting 12000 households in 600 groups. However, one of the conditions for becoming CAA member is at least 25 members in the group. Accordingly, membership per group is planned to be 25 or more. Therefore, number of groups will be less than 600 while number of beneficiaries will be 12,000 as planned earlier. Moreover, the Project planned to train 6000 landless farmers on livelihood income generation project but only about 1000 are expected to be employed after the training.

(c) Issues and problems related to the CADP

77. Most of activities of the of project focus on agriculture marketing and processing, and on improving the efficiency of the value chain between farmers and consumers. However, it should be pointed out that the key to successful and sustainable marketing improvements depends on the corresponding changes taking place in production. Value chain studies reported that most important problems encountered by the farmers are mostly production problems ranging from low productivity due to lack of inputs, pests and diseases control, etc. which appear to be the weakest link in the whole value chain. Studies also showed that small farmers depend on traders for credit not only for production but also for consumption requirements. Since the Project did not provide direct support for technology and input for production, farmer-traders linkage with credit tie-up will continue and will affect establishing viable farmers-traders linkages. Thus, the success of the Project will depend greatly on how the NGO partners are able to link farmers with sources of fund and/or provide the needed production support services with their own funds

78. The CADP has good coverage of post-harvest activities, but it lacks program on the technology development, dissemination and input supply side. There is no provision for the research institutions and input suppliers to be CAA members. Farmers also wonder whether there would be provision of supplying quality seed and technical support through project, and if not, there is limited scope of increasing production.

79. One of the strategies of CADP is to link the small and semi-commercial farmers backward to the suppliers of inputs and forward to the traders, processors and even exporters in the value chain. One of the main difficulties of small farmers is how to join and gain power in a value chain where the actors are highly fragmented and perceived as powerful due to their big operations, expertise and financial positions. In fact, many of the traders, processors did not want to be members of CAA not only due to sales and other legal requirements but want to be independent and promote it own business objectives with profit motives. In order to establish and sustain the linkage, CAA/CADP should strive to promote membership of these powerful groups, foster cooperation and provide motivation for attaining sustainable linkages.

80. Project has envisaged that most of the high value crops produced in the project area will be exported, mainly to India or via India. Sanitary and phytosanitary (including pesticide residue) certification has been a major issue. At present, there is no internationally accredited laboratory to issue quality certification in this region. The regional food laboratory located at Biratnagar has technical manpower to conduct the tests but lack necessary equipment. Moreover the chemicals used for testing the residue are very expensive. The project may provide financial support to equip the laboratory for the benefit of HVC producers.

81. Geographic coverage: 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.

Annex 1: Grant Processing and Follow-up History

Milestone	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
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	Q2	Q3	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			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
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																								
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																								

Component/ Activity	Year 1				Year 2				Year 3				Year 4				Year 5				Year 6			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
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																								

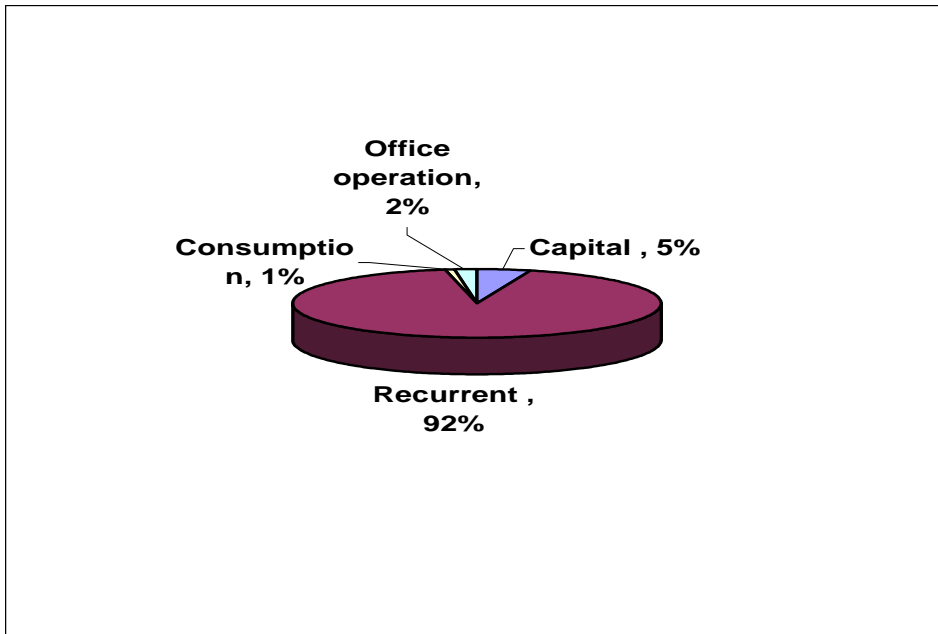
CAA = commercial agriculture alliance, CAF = commercial agriculture fund, DDC = district development committee, DOA = Department of Agriculture, HVC = high-value crops, MOAC = Ministry of Agriculture and Cooperatives, NGO = Non-government organization, PMU= Project Management Unit

Annex 3: Expenditure Accounts by Financier

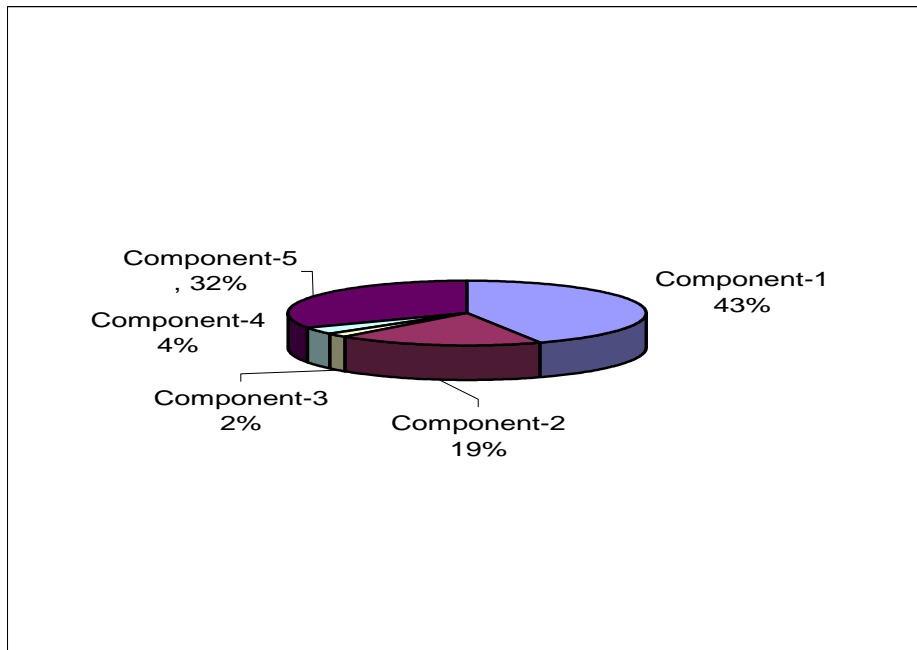
Item	(\$ million)															
	ADB		Government of Nepal		CAA General Member		DDCs		Farmers communities		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%				
I. Investment Costs																
A. Commercial Agriculture Fund	8.0	100.0	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	
B. Matching Fund from CAA, DDCs, VDCs	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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	
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	

ADB = Asian Development Bank, CAA = commercial agriculture alliance, DDC = district development committee, NGO = nongovernment 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: Distribution of approved budget for 2008/09, by expenditure type.



Annex 5: Distribution of recurrent expenses for 2008/09, by component.



Annex 6: Government Approved Annual Program and Budget for FY-2008/09

S.N	Program	Unit	Target	Budget in Thousand Rs.
A	Capital Expenditure			
	Procurement			
1	Payment of customs and service charge for 8 imported vehicles			600
2	Procurement of Mobile van	No.	1	3,850
3	Procurement of Pick up	No.	1	2,800
4	Procurement of Motorcycles	No.	11	1,540
5	Procurement of Bicycle	No.	10	60
6	Procurement of Furniture	No.	As needed	920
7	Procurement of Computer, UPS, printers and accessories (laptop-2, desktop-30, Printers-30, UPS-30, Stabilizer-30)	Set	32	3,522
8	Procurement of Fax machine	No.	11	450
9	Procurement of Photocopier	No.	11	1,300
10	Procurement of Digital camera 17, Movie camera-2	No.	19	700
11	Procurement of other equipments (projector, screen, sound system, printer, hard disk, multimedia, generator, inverter, fan room heater)	No.	18	1,550
	Total of Capital expenditure			17,292
B	Recurrent Expenditure			
1	Grant to CAA to finance sub-projects through CAF (Infrastructure-22 and Non-infrastructure -39)	No.	61	146,000
2	Inclusive development of Stakeholders			
2.1	Development of subsistence stakeholders	Times	1	25,472
2.2	Commercialization enhancement of semi-commercial stakeholders	Times	1	32,212
2.3	Promotion of social inclusiveness among commercial stakeholders	Times	1	5,197
3	Market information dissemination			
3.1	Preparation of Integrated Market Information System software (contd.)	Times	1	2,300
3.2.1	Market information collection, analysis and dissemination (through AEC/CAA/Agricultural market committee)	Times	11	2,650
3.2.2	Market information exchange system training to farmer group	No.	11	1,700
4	Project Partner's Capacity Enhancement			
4.1	Project standardization training on project details and cross cutting values to project partners.	Times	5	2,000
4.2	Basic market development training to project partners	Times	4	1,950
4.3	Training on social mobilization to partner NGOs	Times	4	1,950
4.4	Training on value chain for senior officers	Times	1	2,000
4.5	Training of government staff on marketing management	Times	1	700
4.6	Training on proposal review and evaluation to CAA staffs	Times	1	700
4.7	Training monitoring evaluation to CAA branch managers and M&E officers	Times	1	700
4.8	Training on social mobilization , group formation and auditing to partner NGOs	Times	1	300
4.9	Training on marketing management to partner NGOs	Times	1	300
4.10	Training on social equity, gender and participation to partner NGOs	Times	1	300
4.11	Training on beneficiary monitoring and public audit to partner NGOs	Times	1	300
4.12	Training on NGO orientation and entrepreneurship to	Times	1	450

Commercial Agriculture Development Project

S.N	Program	Unit	Target	Budget in Thousand Rs.
	DADO staffs			
4.13	Training on commercial farming and agri-business to DADO staffs.	Times	1	450
4.14	Training on market information system and price analysis to DADO staffs.	Times	1	450
5	Project implementation support program			
5.1	Project steering committee meeting	Times	3	95
5.2	Package A consultant	No.	2	17,900
5.3	Package B consultant	No.	14	40,070
5.4	Recruitment of staffs in contract for PMU	Person	18	1,493
5.5	Preparation project implementation guidelines	No.	10	600
5.6	Baseline survey- Terai districts (contd.)	Times	1	1,900
5.7	Baseline survey- Hill districts (contd.)	Times	1	1,950
5.8	Product chain study (contd.)	Times	1	3,400
5.9	Study on markets and prices	Times	1	150
5.10	Assessment of comparative and competitive advantages of major agricultural commodities	Times	1	150
5.11	Study on effectiveness of CAA members	Times	1	150
5.12	Value chain study as per the request of CAA	Times	1	500
5.13	District level orientation workshop	Times	11	1,400
5.14	Cost benefit study of HVC	Times	1	2,000
5.15	Domestic agriculture sector tour on commercialization	Times	1	200
5.16	Annual economic and social impact assessment	Times	1	600
5.17	Computer/management training	Times	1	150
5.18	Project information dissemination through FM radio	Times	3	100
5.19	Program planning and progress review workshop	Times	1	400
5.20	Annual report publication	No.	100	150
5.21	Preparation, modification and up-date project website	Times	1	50
5.22	Preparation and publication of project broacher	No.	1000	115
5.23	Preparation and publication of project introductory booklet	No.	1000	150
5.24	House renting (for office, store)	No.	As per need	1,350
5.25	Meeting on consultant selection, norms formulation and co-ordination	Times	12	175
5.26	Video shooting on project activities	Times	1	150
5.27	Need assessment for market oriented training (JFPR)	Times	1	150
5.28	Programs through lead NGO (JFPR)	No.	1	34,110
	Total of recurrent expenditure			337,689
	Total program budget (A+B)			354,981
C	Consumption costs			3,133
D	Office operating costs			6,955
	Grand total (A to D)			365,069

Annex 7: Targets and Achievements up to the second quarter of FY-2008/09

(16 July 2008 to 15 January 2009)

(1st 4M: July 16 to November 15, 2nd 4M: November 16 to March 15)

Code No.	Program	Unit	1 st 4M Target	1 st 4M Achievement	2 nd 4M Target	Achievement by 15 January 2009
A	<u>Capital Expenditure</u>					
	Procurement					
1	Payment of customs and service charge for 8 imported vehicles	Times	1	Completed	-	
2.1	Procurement of Mobile van	No.	-		1	Under process
2.2	Procurement of Pick up	No.	-		1	Under process
2.3	Procurement of Motorcycles	No.	-		11	Under process
2.4	Procurement of Bicycle	No.	-		10	Under process
3	Procurement of Furniture	As required	-			Completed
4.2	Procurement of Computer, UPS, printers and accessories (laptop-2, desktop-30, Printers-30, UPS-30, Stabilizer-30)	Set	-		32	Completed (for CADP consultants)
4.3	Procurement of Fax machine	No.	-		11	Completed
4.4	Procurement of Photocopier	No.	-		11	Under process
4.5	Procurement of Digital camera 17, Movie camera-2	No.	-		19	Partially completed
4.6	Procurement of other equipments (projector, screen, sound system, printer, hard disk, multimedia, generator, inverter, fan room heater)	No.	-		18	Partially completed
	Total of Capital expenditure					
B	<u>Recurrent Expenditure</u>					
1	Grant to CAA to finance sub-projects through CAF (Infrastructure-22 and Non-infrastructure -39)	As needed		On-going	As needed	On-going
2	Inclusive development of Stakeholders					
2.1	Development of subsistence stakeholders	Times	-		1	
2.2	Commercialization enhancement of semi-commercial stakeholders: Selection & Work as per agreement	Times	-	NGO selection process	1	NGO selection process on-going
2.3	Selection of service providers for promotion of social inclusiveness among commercial stakeholders and awareness program on social, gender and environment related subjects	Times	-		1	

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Code No.	Program	Unit	1 st 4M Target	1 st 4M Achievement	2 nd 4M Target	Achievement by 15 January 2009
3	Market information dissemination					
3.1	Preparation of Integrated Market Information System software (contd.)	Times	1	Draft report prepared	-	Completed
3.2	Market information exchange system training to farmer group (1 week)	Times (No.)	-		5 (150)	To be conducted in February 2009
3.3	Market information collection, analysis and dissemination (through AEC/CAA/Agricultural market committee)	Times	-		2	Initiated. (Provided training to CAA staff)
4	Project Partner's Capacity Enhancement					
4.1	Training on project details, cross cutting values and SCN and SDP writing to project partners. (4 days)	Times (No)	-		5 (120)	completed
4.2	Basic market development training to project partners (5 days)	Times (No)	-		2 (60)	To be conducted in February 2009
4.3	Training on social mobilization to partner NGOs (5 days)	Times (No)	-		2 (60)	To be conducted once NGOs are hired
4.4	Training on value chain for senior officers (1 week)	Times (No)	-		1 (25)	EOI evaluation completed.
4.5	Training of government staff on marketing management (1 week)	Times (No)	-		-	To be conducted in February 2009
4.6	Training on proposal review and evaluation to CAA staffs and CAA members (4 days)	Times	1 (35)	Completed	-	
4.7	Training monitoring evaluation to CAA branch managers and M&E officers (1 week)	Times	-		1 (25)	Completed
4.11	Training on beneficiary monitoring and public audit to partner NGOs (1 week)	Times	-		1 (25)	To be conducted once NGOs are hired
4.12	Training on NGO orientation and entrepreneurship to DADO staffs (1 week)	Times	-		1 (25)	To be conducted in February 2009
4.13	Training on commercial farming and agri-business to DADO staffs. (1 week)	Times	-		1 (25)	To be conducted in February 2009
4.14	Training on market information system and price analysis to officer staff in DADO (1 week)	Times	-		1 (25)	To be conducted in February 2009
5	Project implementation support program					
5.1	Project steering committee meeting	Times	1	Completed	1	Will be organized soon
5.2	Package A consultant	No.	TL -1	Final stage	TL -1	Completed

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Code No.	Program	Unit	1 st 4M Target	1 st 4M Achievement	2 nd 4M Target	Achievement by 15 January 2009
5.3	Package B consultant	No.	14	Final stage	14	Completed
5.4	Recruitment of staffs in contract for PMU	Times (No.)	1 (16)	Completed	1 (16)	Completed
5.5	Preparation and printing of project implementation guidelines (TOR/RFP)	No.	-		6	On-going
5.6	Baseline survey- Terai districts (contd.)	Times	1	Field work completed	-	Report submitted
5.7	Baseline survey- Hill districts (contd.)	Times	1	Field work completed	-	Report submitted
5.8	Product chain study (contd.)	Times	1	Field work completed	-	Report submitted
5.9	Study on markets and prices	Times	-		1	Process initiated
5.10	Assessment of comparative and competitive advantages of major agricultural commodities	Times	-		1	Process initiated
5.11	Study on effectiveness of CAA members	Times	-		1	Inception submitted
5.12	Value chain study as per the request of CAA	Times	-		1	Technical proposal submitted
5.13	District level orientation workshop 11 districts	Times	3	Under process	8	Completed
5.14	Cost benefit study of HVC	Times	-		1	EOI evaluation process
5.15	Domestic agriculture sector tour on commercialization	Times	-		1	To be initiated
5.16	Annual economic and social impact assessment	Times	1	Job awarded	-	Report submitted
5.17	Computer/management training	Times (No)	-		1 (10)	To be initiated
5.18	Project information preparation and dissemination through media.	Times	1	Continued	1	Continued
5.19	Annual program planning and progress review workshop	Times	-		1	Planned for February
5.20	Annual report publication	No.	100	completed	-	
5.21	Preparation, modification and up-date project website	Times		Continued	1	Continued
5.22	Preparation and publication of project broacher	No.	1000	Completed	-	
5.23	Preparation and publication of project introductory booklet	No.	1000	Completed	-	
5.24	House renting (for office, store)	No.	4	Completed	4	Completed
5.25	Meeting on consultant selection, norms formulation and co-ordination	Times	4	Completed	4	Completed
5.26	Video shooting on project activities	Times	-		-	
5.27	Need assessment for market oriented training (JFPR)	Times	1	On-going	-	Report submitted
5.28	Programs through lead NGO (JFPR)	No.	1	On-going	1	On-going

Annex 8: Summary of Implementation Progress

Project Outputs		
Description	Indicators / Targets	Status
1. Increased public and private investment in commercial agriculture 1.1 Establishment of the commercial agriculture alliance (CAA) 1.2 Community-based market infrastructure investments 1.3 Noninfrastructure investments adding value to agriculture products	The CAA has at least 160 general members by project completion	CAA established. CAA General Manger appointed in August 2007. Standard Operational Procedures and Code of Conduct finalized and adopted by the CAA Board in Jan. 2008. As of 31 January 2008, CAA has 191 general members including 4 founder members.
	The CAA has balanced membership composition covering all districts and areas within a district; working on all potential commodities; and including farmers groups/cooperatives, traders, processors, and women.	Of the 191 CAA total members, 43% are farmer groups, 31% cooperatives, 10% are processors, and 8% are traders. Those members are from hill and terai districts.
	CAA annual general meetings and district meeting held.	First annual general meeting was held on 11 May 2008.
	At least 50 market infrastructures developed by project completion.	CAF financing will commence once the sub-project detailed proposal selection criteria for market infrastructure will be developed. Subproject concept note (SCN) selection criteria for is finalized. Sub-project detail Proposal (SDP) selection criteria are being developed. The district review committees in all CAA branches and the appraisal panel at CAA headquarters have been formed.
	The supported subprojects include small collection centers, small markets, small suspension bridges, small cool or cold storage, and farm-to-market road improvement	This will be included and elaborated in the selection process.
	Farmer communities managing and maintaining the market infrastructure	No activities yet.
	At least 200 subprojects implemented by project completion.	SCN selection criteria are finalized. SDP selection criteria are being developed.
	The supported subprojects include HVC promotion; quality control; equipment for product testing; and agroprocessing technology, equipment, and machinery	This will be included and elaborated in the selection process.
	At least 10 commercial agriculture promotional and representational activities launched by project completion.	No activities yet.
	The supported promotional and representational activities include trade fairs, intellectual property right protection, product labeling and certification, and industry networking.	No activities yet.
2. Inclusion of poor and semi-commerical stakeholders in commercial agriculture 2.1 Development of subsistence stakeholders 2.2 Enhancement of semi-commerical stakeholders	14 nongovernment organizations (NGOs) with association of local NGOs enter into partnership with the Project and work with subsistence stakeholders.	EOIs from NGOs are being evaluated.
	24 HVC production areas and marketing points identified by 2008.	No activities yet. Will be initiated after the engagement of NGOs
	15,000 subsistence households assisted on HVC income generation activities by project completion.	No activities yet. Will be initiated after the engagement of NGOs
	800 primary farmer groups formed and undertaking basic marketing training by project completion.	No activities yet. Will be initiated after the engagement of NGOs
	5,000 landless undertaking skill-based training, and 1,000 obtaining jobs	No activities yet. Will be initiated after the engagement of NGOs
	Seven NGOs enter into partnership with the Project and work with semi-commerical stakeholders.	EOIs from NGOs are being evaluated.
	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.	No activities yet. Will be initiated after the engagement of NGOs

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2.3 Promotion of social inclusiveness among commercial stakeholders	Service providers contracted with the Project on demand.	No activities yet. Will be initiated after the engagement of NGOs
	750 commercial stakeholders receive awareness training in social, gender, and environmental issues.	No activities yet. Will be initiated after the engagement of NGOs
	Social inclusive behavior reflected in investments financed by the Commercial Agriculture Fund.	No activities yet.
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 thus far 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.	Nine such courses completed. Rest are in process
	24 training courses to strengthen partner NGOs on social mobilization, organizational growth, beneficiary monitoring, public auditing, and accounting.	Awaiting selection of partner NGOs.
	54 advanced training courses to DOA staff on products and product development, market-chain development, NGO orientation, and market and price analysis.	Two such courses are completed. Rest are in process.
	33 training courses to strengthen CAA district staff on investment analysis, project appraisal, and management.	Four such courses are completed. Rest are in process.

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Annex 9: Compliance with covenants

Project Specific 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)	06/10/2007	22/06/2008	9	Complied Late		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.
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)	06/12/2007	15/01/2008	1	Complied Late		Requisite personnel have been appointed and commenced work from 15 Jan 2008.
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)	06/12/2007	15/01/2008	1	Complied Late		Offices in all 11 project districts have been established and branch managers appointed. All branch offices were made operational from 15 Jan 2008.
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)	06/01/2008	15/01/2008	0	Complied		Requisite staff for each branch offices has been appointed in Dec 2007 and commenced work from Jan 2008.
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)	06/01/2008	5/07/2008	6	Complied Late		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
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)	06/01/2008	26/10/2008	9	Complied Late		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.
Environmental						
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)						This will be monitored during project implementation.
Ongoing						

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Project-Specific Covenants	Date Due	Date Complied	Delays (mo.)	Status of Compliance	Rating (HS,S,PS,U)	Remarks/Issues
Social						
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).				Not Yet Due		This will be monitored during project implementation.
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)				Ongoing		This 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.
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)				Ongoing		Compliance will be monitored during project implementation.
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 noninfrastructure 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)						Subproject financing has not yet started. However, compliance will be monitored during project implementation.
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)				Ongoing		Compliance will be monitored during project implementation.
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)	06/01/2008	24/10/2008	9	Complied Late		Sub-project concept Note selection criteria submitted on 24 October 2008. Preparation of Sub-project Detail Proposal selection criteria on-going.
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)	06/01/2008	24/10/2008	9	Complied Late		Sub-project concept Note selection criteria submitted on 24 October 2008. Preparation of Sub-project Detail Proposal selection criteria on-going.
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)				Ongoing		Compliance will be monitored during project implementation.
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)	06/12/2007	20/11/2007	-1	Complied		The complaint redressal mechanism of CAA was approved and adopted by the CAA Board on 20 Nov 2007, and posted in CAA's website.
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)				Ongoing	S	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 2008/09 will be available by February 2009.
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)				Ongoing		Except one specialist 4 members of AC committee declared their wealth. The specialist is yet to be nominated by PMU.

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Project-Specific Covenants	Date Due	Date Complied	Delays (mo.)	Status of Compliance	Rating (HS,S,PS,U)	Remarks/Issues
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)	06/02/2008	03/03/2008	1	Complied		CAA website created (www.caa.com.np). Project website created (www.cadp.gov.np)
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)				Ongoing		For FY 2008-09 the Government approved a total of NRs 365,069 million (GON NRs 35.5 million and ADB NRs 329.5 million).
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)				Ongoing		PMU has been established and operational.
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)				Ongoing		(i) QCBS used in engaging the Package B consultants (national firm). Report on the evaluation of financial proposals and overall ranking submitted to ADB on 24 Oct 2008, and got approval on Nov, 2008. (ii) Engagement of other service providers ongoing. (iii) Deputy Team Leader fielded from 1 Jul 2008 and Team Leader fielded from 19 November 2008.
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)	06/11/2007	30/11/2007	1	Complied		Project Manager was appointed on 26 Jun 2007. Requisite personnel have also been recruited. Eight out of 18 (38%) PMU staffs are women.
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)				Ongoing		Continued as stated
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)				Ongoing		Continued as stated
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)	24/05/2007	05/03/2007	-3	Complied		PSC has convened twice during FY 2007/2008 and once in FY 2008/2009. Next meeting planned to be held in February 2009.
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)				Ongoing		Continued as stated

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Project-Specific Covenants	Date Due	Date Complied	Delays (mo.)	Status of Compliance	Rating (HS,S,PS,U)	Remarks/Issues
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)				Ongoing	-	Baseline and product chain studies completed.
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)				Ongoing	-	Will be done during project implementation.
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)				Ongoing	-	First project review was made from 5 to 14 Nov 2008. Next one is planned for May 2009.
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)				Not Yet Due	-	Not yet due.
12. The PMU shall: (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; (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 (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)				Ongoing	-	PMU's semi-annual report covering 16 Jul 2007 to 15 Jan 2008 was submitted to the ADB Inception Mission in May 2008. First annual progress report (FY 2007/08) was submitted on 11 Aug 2008. First quarterly report for July-October 2008 submitted to ADB on 11 Nov 2008. Second quarterly report for October-January to be submitted by 10 February 2009.

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