

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

**QUARTERLY REPORT
(16 July 2008 to 15 October 2008)**

11 November, 2008

**Project Management Unit
Morang, Biratnagar
Phone: 977-21-440107
E-mail- cadp@wlink.com.np
Website- www.cadp.gov.np**

ACKNOWLEDGEMENTS

Growth of the Nepalese economy is determined largely by the growth of its agricultural sector. Although the share of agriculture in total GDP has been declining over the years, it is still the single largest sector in the economy, accounting for 38 percent of GDP and providing employment to two-thirds of the labor force. Performance of agricultural sector is, therefore, crucial for improving livelihood of the people of Nepal which is possible through commercialization of present subsistence based agriculture. The Commercial Agriculture Development Project implemented in the 11 districts of Eastern Development Region is expected to play a leading role in this endeavor.

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 fifteen 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. 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. Ganesh Kumar KC, former secretary, MOAC, Mr Bharat Prasad Upadhyaya, Director General, Mr. Bijaya Malik and Badri B. Karmacharya, DDG, DOA for their valuable guidance, persistent encouragement and constructive support.

I am highly grateful to Mr. Jiang Feng Zhang, Natural Resource Economist, ADB, Mr. Gobinda Gewali Senior Project Implementation Officer, NRM, Kathmandu and Ms. Vicky Mariano, Project Implementation Officer, Agriculture and Natural Resources division, ADB for their help, guidance, and encouragement in administrative, financial and project implementation aspects.

I would like to appreciate the contribution of Dr. Dilli Bahadur.KC, planning and procurement officer and Dr. Kamal Raj Paudyal, Deputy Team Leader, CADP, for preparing this manuscript. Special thanks go to Mr.Hasta Bahadur. Bista, Planning Officer, Mr. Kamlesh Tiwari, Technical officer, Mr. Prakash Kumar Dagi, Monitoring and Evaluation Officer and Mr. Ritesh Kumar Shakya, Accounts Officer for their tireless endeavor in preparation of this report. I am equally thankful to Mr. Ram Kumar Sharma, GM. CAA, Mrs. Rita Koirala project Co-Coordinator, JFPR and their team for providing necessary information to prepare this report. Finally, I duly recognize and acknowledge the constant support extended by all of the CADP members and Project Stakeholders.

Yogendra Kumar Karki
Project Manager
Commercial Agriculture Development Project
Biratnagar

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
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

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	ii
ABBREVIATIONS	iii
I. INTRODUCTION.....	1
II. PROJECT COSTS AND FINANCING PLAN.....	2
III. STATUS OF PROJECT IMPLEMENTATION.....	4
Component 1: Commercial Agriculture Investment and Management	4
Component 2: Inclusive Development of Stakeholders.....	5
Component 3: Market Information Dissemination	6
Component 4: Project Partners Capacity Enhancement	7
Component 5: Project Implementation Support	8
IV. UTILIZATION OF FUND	10
V. PROGRESS SINCE LAST ADB MISSION	11
VI. COMPLIANCE WITH COVENANTS.....	12
VII. MAJOR ISSUES AND PROBLEMS.....	12

LIST OF TABLES

Table 1: Project Costs	2
Table 2: Project Financing Plan.....	3
Table 3: Project Budget and Expenditure up to 15 October 2008	10
Table 4: Details of expenses from the grant fund in the first quarter (16 July-15 October) of 2008/09	10
Table 5: Status of time bound actions agreed during ADB inception mission's visit	11

LIST OF ANNEXES

Annex 1: Grant Processing and Follow-up History	14
Annex 2: Proposed Implementation schedule.....	15
Annex 3: Expenditure Accounts by Financier	18
Annex 4: Government Approved Annual Program for FY-2008/09	19
Annex 5: Summary of targets and achievement of CADP in the fiscal year 2007/08.....	21
Annex 6: Targets and Achievements in the first quarter of FY-2008/09	23
Annex 7: Summary of implementation Progress	25
Annex 8: Some of the major activities completed since ADB inception mission's visit (7-16 May 2008).....	27
Annex 9: Compliance with covenants	29

I. INTRODUCTION

1. The Commercial Agriculture Development Project (CADP) 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) with the grant assistance of the Asian Development Bank [ADB Grant No. : 0063-NEP (SF)]. 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 6 months. The project will be completed by 31 December 2012 and all the grant related activities will be closed on 30 June 2013. Details of grant processing history is presented in Annex 1 and proposed implementation schedule in Annex 2.

2. The project beneficiaries are farmers (including subsistence, semi-commercial and commercial) growing or interested in growing high value crops (HVCs) such as vegetables, fruits, and spices; and entrepreneurs located in the identified high potential areas of EDR. The project aims primarily at reducing the rural poverty in the project districts through equitable and sustainable commercialization of agriculture. The immediate objective of the project is to generate employment opportunities to poor and marginal farmers and landless people by promoting high value crops production and marketing. The special features of the project are as discussed below.

3. **Marketing and Processing:** 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

4. **Market-Chain Linkages:** 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 work with private sector processors and traders to improve their efficiency to develop backward and forward linkages with farmers and increased transparency of activities within the market chain.

5. **Demand and Stakeholder-Driven:** 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.

6. **Socially Inclusive Participation:** 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 activity. The Project provides assistance for those wanting 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 dealings

between stakeholders, and public-private partnerships are built into the project design and will affect all aspects of project implementation.

7. **Associated Project: 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 project. 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: (a) Social mobilization, training and adult literacy, (b) Strengthening of income generation, (c) support to capacity building of stakeholders and (d) Project management, monitoring and audit. 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 Service Center (DEPROSC), the lead NGO, has taken the role of implementing the project under supervision and guidelines of CADP PMU.

II. PROJECT COSTS AND FINANCING PLAN

8. 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)

Item	Amount ^a	%
A. Base Cost^b		
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	

^a Includes taxes and duties of \$0.3 million. ^b In mid 2006 prices.

Source: ADB, October 2006.

9. The ADB has approved a grant of US\$ 18.0 million (74.7% of the project cost) equivalent from its special funds resources to help finance the project. The government is to provide US\$ 0.8 million (3.2% of the total project cost) equivalent in the form of project staff salary, project office overhead and operational costs and taxes and duties.

¹ Does not include costs of JFPR project.

The CAA general member will finance US\$ 4.0 million (16.6% of the project cost) 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% of the project cost) equivalent in the form of technical services, field appraisal and assessment. Farmer communities will finance US\$ 0.5 million (2.2% of the project cost) equivalent to in the form of labor and in kind contributions. Total cost of the project and financing plan is summarized in Table 2.

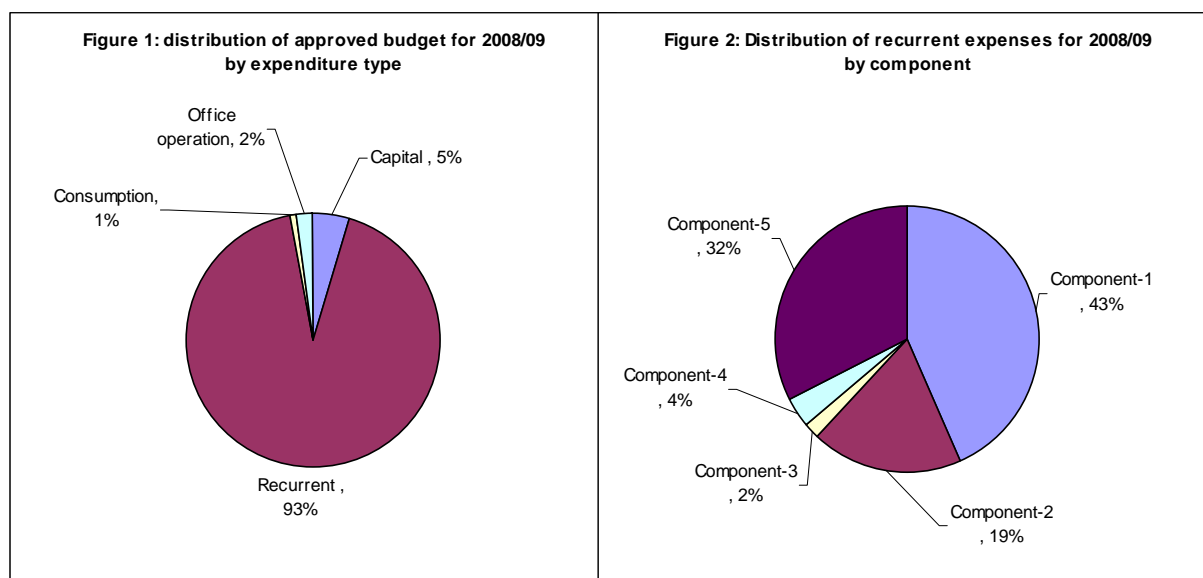
Table 2: Project Financing Plan

(\$ 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.

10. The government has recently approved annual program together with budget allocation for the year 2008/09. Of the total project budget of NRs 365 million, NRS 17,292 (4.73%) is allocated for capital expenditure, NRs 337,689 (92.50%) for recurrent expenditure, NRs 10,088 (2.76%) for other expenditures (Figure 1). 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. (Figure 2). Activity-wise targets and budget allocation are given in annex 4.



III. STATUS OF PROJECT IMPLEMENTATION

11. 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.

12. 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.

13. Brief description of each of the project component and physical targets and achievements made in the last one year and the first quarter of 2008/09 under each of the component are discussed as follows.

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, and more importantly to facilitate subproject linkage and networking of agriculture stakeholders within the project area.

Progress under component 1

15. **Up to July 15 2008:** 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 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 of the applicants. Thus, the total number of CAA member is 97.

17. **From July 16 to October 15:** Process of application by members for CAF financing (sub-project) is finalized and guidelines prepared accordingly. Criteria for selection of Sub-project Concept Notes (SCN) for CAF financing is completed and approved by ADB. Criteria for selection of Subproject Detailed Proposal (SDP) are being developed. Training of CAA members on SCN and SDP preparation is planned for the last week of November 2008. It is expected that the grant mobilization will be started within the second quarter of the fiscal year 2008/09.

18. The CAA board has formed a Task-Force for reviewing membership application files recommended and forwarded from the district branches to the head office and recommending appropriate action to be taken by the Board

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

20. CAA has conducted a baseline survey of its members to gather benchmark database. All the CAA district level M&E Officers and Compliance Officer at head office were provided 2 days training on concept, tools and technique of Baseline Survey by CAA Main Office and fielded for the survey. Data entry of the baseline survey is completed and is in the process of writing the draft reports. It has also prepared CAA district profile for all of the project districts. Detailed report of component-1 is prepared separately and attached to this report.

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 (CA), as an Internal Auditor for the internal Audit of CAA for the FY 2008/09.

Component 2: Inclusive Development of Stakeholders

22. This component covers (i) assisting small and marginal farmers within the project area to develop or participant in income generating agriculture activities and undertake more commercial activities (ii) strengthening stakeholder (farmers ,traders, 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.

23. 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.

Progress under Component 2

24. **Up to July 15 2008:** As provisioned to engage NGOs, basic preparation made and notice to call for expression of Interest (EOI) prepared. Summary of component wise progress in the first year of project implementation is presented in Annex 5.

25. **From July 16 to October 15:** EOI from different NGOs for partnership with Project has already been called and their applications are being screened to select eligible NGOs for this purpose. 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. Summary of component wise progress in the first quarter of 2008/09 is presented in Annex 5.

Component 3: Market Information Dissemination

26. 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.

27. 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.

Progress under Component 3

28. **Up to July 15 2008:** Computer based “Integrated Marketing Information System” software being developed through a consulting firm. Similarly, training packages (manuals) for “Market information Exchange System” was prepared.

29. Five lots of trainings 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 different districts benefited through the training.

30. **From July 16 to October 15:** Computer based “Integrated Marketing Information System” software is being prepared and tested/modified to suit the project’s requirements. Once the software is completed and installed the stakeholders will be benefited through free access to market related information.

Component 4: Project Partners Capacity Enhancement

31. 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.

Progress under Component 4

32. **Up to July 15 2008:** The project organized (i) CAA staff training, (ii) Government staff training and (iii) Basic market development training as specified in the following paragraphs.

33. *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 staff of 11 districts and the remaining were from PMU and CAA head office as observer participants.

34. *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 at Biratnagar. A total of 60 participants (30 officers and 30 non-officers) from DADO, RAD, PMU received training on product development, market-chain development and innovation, primary processing methods, entrepreneurship development, NGO orientation, market information systems and price analysis.

35. *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 in Biratnagar (26 June to 2 July 2008). Thirty stakeholders in Ilam, 27 in Dhankuta and 59 in Biratnagar participated in those trainings.

36. **From July 16 to October 15:** 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, different 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.

Component 5: Project Implementation Support

37. 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 other than for component-1, 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.

Progress under component 5

38. **Up to July 15 2008:** The project completed several activities including formation of steering committee, organizing orientation/workshops, procurement of vehicles and equipments and different studies through consulting firms as discussed in the following paragraphs.

39. *Project Steering Committee.* The CADP Project Steering Committee (PSC) has been formed as per the agreement and it 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, while Honorable Minister for Agriculture and Cooperatives Mr. Chhabilal Bishwokarma graced the program as chief guest.

40. *Orientation workshops:* The project organized district level orientation workshops in all of the project districts 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 district offices, NGOs, farmers and traders participated in the workshops.

41. *Interaction with NGOs.* Interaction program with NGOs were organized in all of the project districts 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.

42. *Procurement.* The project opened L/C account for the procurement of 8 Vehicles, and 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 equipments and furniture

43. *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.

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

45. *Others.* The PMU has installed notice boards to provide information on services available and the procedure, timing, and contact person for obtaining the services. It also established a website to provide project implementation information including procurement/contract awards and basic information on the processes adopted. The project also published calendar and diary.

46. **From July 16 to October 15:** The PMU had awarded job of baseline survey to two consulting firms and product chain study to the third consultancy in previous FY. Draft report is completed for product chain while draft reports on baseline are being prepared. A study is being carried through consultant to identify Training needs for JFPR beneficiaries. Similarly, Annual economic and social Impact assessment is recently initiated through consultant. The PMU has also prepared and published project broacher and introductory booklets. The other works that PMU has completed include extending contract to project staff; house renting for office and related works (Refer to Annex 6 for details).

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

47. **Up to July 15 2008:** The lead NGO (DEPROSC) has established its project office in Biratnagar. The project has also 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 started in selected sites in consultation with CADP and involving JFPR PIU and community level stakeholders. Altogether 80 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.

48. **From July 16 to October 15:** Field verification of the sort-listed NGOs completed and report sent to CADP. Additional 16 SHGs (5 Dalit, 3 Janjati/Muslim, 8 Mixed) formed and social mobilization started. Training needs for the JFPR target beneficiaries are being assessed through consultant. Detailed progress report of the JFPR is prepared separately and attached to this report.

49. A summary of implementation progress of major activities envisaged by the project are summarized in annex 7.

IV. UTILIZATION OF FUND

50. Out of the total allocated budget of NRs 365.07 million for the fiscal year 2008/09, NRs 11.68 million (3.21%) was spent in the first quarter of 2008/09. The expenditures accounted for 7.12 percent and 2.78 percent of allocated budget from the government ADB grant funds, respectively (Table 3).

Table 3: Project Budget and Expenditure up to 15 October 2008

Source	Allocated annual budget (FY 2008/09)			Actual expenditure in first quarter				
				CADP			CAA	All Total
	Recurrent	Capital	Total	Recurrent	Capital	Total		
In Nepali Currency ('000 NRs)								
Government of Nepal	32,383	3,168	35,551	2,226	304	2,530		2,530
Asian Development Bank	315,394	14,124	329,518	2,763	35	2,798	6,352	9,150
Total	347,777	17,292	365,069	4,989	339	5,328	6,352	11,680

51. Further details of the expenditure of ADB grant fund in the first quarter of current fiscal year are presented in Table 4. The table shows that NRs 9.15 million was spent in this quarter, out of which largest amount (69.42%) was used for CAA operation and management and smallest amount (0.38%) was used on office equipment and furniture.

Table 4: Details of expenses from the grant fund in the first quarter (16 July-15 October) of 2008/09

Category No	Category	Expenditure (NRS '000)	% of expenditure
2A	Vehicle and Motorcycle	252	2.75
2B	Office Equipment and Furniture	35	0.38
5	Training and Workshop	390	4.26
6	Monitoring and Evaluation	1,009	11.03
7	Market information and Dissemination	1,112	12.15
CAA	CAA Operation and Management	6,352	69.42
	Total	9,150	100

V. PROGRESS SINCE LAST ADB MISSION

52. The ADB project inception mission visited Nepal from 7 to 16 May 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 capital, the mission suggested some of the amendments in the Project Administration Memorandum. The PMU, CAA and the Mission agreed number of time bound actions as summarized in the following table. All of those actions except fielding team leader are completed (Table 5). Process for appointing team leader is completed and he is expected to join the project within November 2008. Progress in major activities since ADB mission's visit is summarized in Annex 8.

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	30 May 08	Completed (30 May 2008)
	(ii) Submit to ADB the draft contracts for the two individual consultants	26 May 08	Completed (26 May 2008)
	(iii) Field the two individual consultants	30 June 08	DTL joined (1 July 2008)
	(iv) Submit to ADB the annual progress report with key features and results of CAA operations summarized and the CAA annual report attached	15 Aug 08	Completed (11 August 2008)
	(v) Finalize and submit to ADB the specific criteria for subproject selection	30 Oct 08	SCN selection criteria completed (26 Oct. 2008)
CAA	(i) Elect the new chairman for the Board of directors	15 Jun 08	Completed (7 June 2008)
	(ii) Obtain approval of the Business Plan	30 Jun 08	Completed (22 June 2008)
	(iii) Submit to the PMU the CAA annual report	01 Aug 08	Completed (1 August 2008)
	(iv) Form and make operational the district review committee for all CAA district branches and the appraisal panel at CAA headquarters	30 Oct 08	Completed (26 Oct 2008)

Note: SCN = Sub-project Concept Note.

VI. COMPLIANCE WITH COVENANTS

53. The project has fulfilled all of the covenants to be accomplished by the EA, IA and CAA in the first fifteen months of project implementation. A list of covenants agreed upon by the ADB and the government and their status are listed in Annex 9.

VII. MAJOR ISSUES AND PROBLEMS

54. 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

55. 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.

56. 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

57. 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 beneficiary will be 12,000 as planned earlier.

(c) Issues and problems related to the CADP

58. Participation of concerned DADO in project implementation: Providing the constant technical supervision and technical backstopping is considered vital for the effective implementation of the project activities at the farmers' level. The role of DADO in various technical disciplines is crucial in this regard. However, due to lack of well specified roles and responsibilities of DADOs in CADP their involvement in project activities has been limited.

59. The CADP has good coverage of postharvest 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.

60. 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 major issue. 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 equipments. The project may provide financial support to equip the laboratory for the benefit of HVC producers.

61. 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

(\$ million)

Item	ADB		Government of Nepal		CAA General Member		DDCs		Farmers communities		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%				
I. Investment Costs																
A. Commercial Agriculture Fund	8.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	33.1	0.0	8.0	0.0	
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: Government Approved Annual Program for FY-2008/09

S.N	Program	Unit	Target	Budget in Thousand Rs.
A	<u>Capital Expenditure</u>			
	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 camara-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	<u>Recurrent Expenditure</u>			
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 DADO staffs	Times	1	450

Commercial Agriculture Development Project

S.N	Program	Unit	Target	Budget in Thousand Rs.
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 5: Summary of targets and achievement of CADP in the fiscal year 2007/08

(Up to 15 July 2008)

S.N.	Programs	Unit	Target	Achievement	Achievement%	
Component-1:						
1	Distribution of membership to eligible stakeholders	No.	100	97	97	
2	CAA general meeting	No	1	1	100	
3	CAA district meeting	No	11	11	100	
4	Preparation of guideline for PCN and proposal preparation to apply for CAF grant	No	3	3	100	
5	Community-based market infrastructure investments		As per need	Preliminary works started		
6	Noninfrastructure investments to add value to agriculture products		As per need	Preliminary works started		
Component-2:						
2.1	Development of subsistence stakeholders		As per need	EOI notice being published		
2.2	Commercialization of semi-commercial stakeholders		As per need			
2.3	Promotion of social inclusiveness among commercial stakeholders		As per need			
Component 3:						
3.1	Development of Integrated Market Information System software	Times	1	Contract awarded and continue in next FY		
3.2.1	Development of training package	Times	1		1	100
3.2.2	Market information exchange system training to farmer group	No	5		5	100
Component -4:						
4.1	Project standardization training on project details and cross cutting values to project partners	Times	4	Postponed as per ADB's suggestion		
4.2	Basic market development training to project partners	Times	4		4	100
4.3	Training on social mobilization to partner NGOs		4	Postponed for next year		
4.4	Officer level observation tour To Thailand	Times	1		1 (20 Nos.)	100
4.5	Government staff training	Times	2	2	100	
4.6	Training on proposal review and evaluation to CAA staffs	Times	2	2	100	
Component -5:						
Procurement						
5.1	8 Vehicles, 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 Generator, other equipments and furniture			Procurement completed	100	
5.2	Establishment of project steering committee and its meeting	Times	3	3	100	
5.3	Appointment of package A consultant		1	DTL appointed	50	

S.N.	Programs	Unit	Target	Achievement	Achievement %
5.4	Appointment of package B consultant		1	Process completed	
5.5	Recruitment of staffs in contract for PMU	Person	11	11	100
5.6	Preparation of project implementation guidelines	Time	1	Next year	
5.7	Preparation complaint readressal mechanism	Times	1	1	100
5.8	Baseline survey	Times	1	Contract awarded	
5.9	Product chain study	Times	1	Contract awarded	
5.10	Preparation of result based monitoring framework	Times	1	1	100
5.11	Preparation of citizen charter	Times	1	1	100
5.12	District level orientation workshop	Times	11	11	100
5.13	District level orientation workshop for NGOs	Times	11	11	100
5.14	Annual economic and social impact assessment	Times	1	Postponed for next year	
5.15	Meeting on consultant selection, norms formation and co-ordination	Times	As per need	Completed	100
5.16	Orientation workshop	Times	2	2	100
5.17	Orientation workshop with stakeholders	Times	1	1	100
5.18	Project information dissemination through FM, Radio	Times	As per need	Completed	100
5.19	Program planning workshop	Times	1	1	100
5.20	Project launching program	Times	1	1	100
5.21	Preparation of tender documents and specification		As per need	Completed	100
5.22	Project calendar publication	NO	1000	2000	100
5.23	Project diary publication	NO	500	500	100
5.24	Annual report publication	NO	200	200	100
5.25	Preparation of account software	Times	1	1	100
5.26	Preparation, modification and up-date project website	Times	2	2	100
5.27	Preparation and publication of project broacher	No	1000	2000	100
5.28	Preparation and publication of project introductory booklet	No	800	1000	100
5.29	House renting (for office, store)	No	As per need	Completed	100
5.30	Program monitoring,	No	As per need	Completed	100
5.31	Video shooting on project activities	Times	1	1	100
5.32	Programs through lead NGO (JFPR)	NO	As per need	Under progress	
5.33	Semi-annual report production	Times	1	1	100
5.34	Annual report production	Times	1	1	100

Annex 6: Targets and Achievements in the first quarter of FY-2008/09

(16 July – 15 October 2008)

S.N	Program	Unit	1 st quarter	
			Target	Achievement
A	<u>Capital expenditure</u>			
	Payment of customs and service charges for imported vehicles		As required	Completed
B	<u>Recurrent Expenditure</u>			
1	Commercial Agriculture Investment and Management			
1.1	Establishment and mobilization of CAF	No.	As needed	On-going
1.2	Develop guidelines for SCN and SDP preparation	NO	4	Completed
1.3	Develop sub-project selection criteria	No	4	Completed for SCN only
1.4	Form district review committees	No	11	Completed
1.5	Form appraisal panel in CAA headquarter	NO	1	Completed
1.6	Formation of new audit committee	No.	1	Completed
1.7	Appointment of internal auditor	No.	1	Completed
1.8	Baseline survey of CAA members	Times	1	Field survey completed
1.9	Preparation of CAA district profiles	No.	11	Final stage
2	Inclusive development of Stakeholders			
2.1	Development of subsistence stakeholders	No.	NGO selection	NGO Selection process on-going
2.2	Commercialization enhancement of semi-commercial stakeholders	No.		
2.3	Promotion of social inclusiveness among commercial stakeholders	No.		
3	Market information dissemination			
3.1	Preparation of Integrated Market Information System software (contd.)	Times	1	Draft report prepared
4	Project Partner's Capacity Enhancement			
4.1	Training on proposal review and evaluation to CAA staffs	Times	1	Completed
5	Project implementation support program			
5.1	Project steering committee meeting	Times	1	Under preparation
5.2	Package A consultant	No.	1	Final stage
5.3	Package B consultant	No.	14	Final stage
5.4	Recruitment of staffs in contract for PMU	Persons	18	Completed
5.5	Baseline survey Package A (contd.)	Times	1	Field work completed
5.6	Baseline survey Package B (contd.)	Times	1	Field work completed
5.7	Product chain study (contd.)	Times	1	Field work completed
5.8	District level orientation workshop	Times	3	Under process
5.9	Annual economic and social impact assessment	Times	1	Contract awarded
5.10	Project information dissemination through FM radio	Times	1	Continue

Commercial Agriculture Development Project

S.N	Program	Unit	1 st quarter	
			Target	Achievement
5.11	Publication of project broacher	No.	1000	Completed
5.12	Preparation and publication of project introductory booklet	No.	1	Completed
5.13	House renting (for office, store)	No.	4	Completed
5.14	Meeting on consultant selection, norms formulation and co-ordination	Times	4	Completed
5.15	Need assessment for market oriented training (JFPR)	Times	1	Final stage
5.16	Programs through lead NGO (JFPR)	No.	1	On-going

Annex 7: 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 October 2008, CAA has 97 general 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 97 CAA general members, 82% are farmer groups/cooperatives (which also include traders of vegetables and agriculture and by-products), 10% are processors, and 8% are traders. There is equal distribution of members 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 detailed selection criteria for market infrastructure will be developed. Subproject concept note (SCN) selection criteria for infrastructure 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 for non-infrastructure 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-commercial stakeholders in commercial agriculture 2.1 Development of subsistence stakeholders 2.2 Enhancement of semi-commercial 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-commercial 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	No activities yet. Will be initiated after the engagement of NGOs

Commercial Agriculture Development Project

2.3 Promotion of social inclusiveness among commercial stakeholders	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.	
	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.	Awaiting fielding of the Team Leader and other consultants.
	42 basic marketing development training courses to all partners.	Nine such courses completed. Rest are awaiting fielding of the Team Leader and other consultants.
	24 training courses to strengthen partner NGOs on social mobilization, organizational growth, beneficiary monitoring, public auditing, and accounting.	Awaiting fielding of the Team Leader and other consultants.
	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 awaiting fielding of the Team Leader and other consultants.
	33 training courses to strengthen CAA district staff on investment analysis, project appraisal, and management.	Three such courses are completed. Rest awaiting fielding of the Team Leader and other consultants.

Annex 8: Some of the major activities completed since ADB inception mission's visit (7-16 May 2008)

Activities	Quantity	Status	
		16 May	15 October
<u>Component 1: commercial agriculture investment & management</u>			
Finalization and approval of CAA Business Plan	1 No.	Draft	Completed
Preparation of Guidelines for Sub-Project Concept Note (SCN) and Sub-Project Detailed Proposal (SDP)	4 No	-	Completed
Form and make operational the District Review Committees for all CAA district branches	11 No	Initiated	Completed
Form and make operational the Appraisal Panel at CAA Headquarter	1 No	Initiated	Completed
Formation of Task Force for the review of membership files recommended from the district branches	1 No.	Initiated	Completed
Formation of New Audit Committee	1 No.	Initiated	Completed
Recruitment of Internal Auditor for the FY 2008/09	1 No.	Initiated	Completed
Baseline Survey of CAA Members	97 No.	-	Field work completed
Preparation of CAA District Profile	11 No.	-	Final stage
Internal audit of CAA Account	2 No.	Initiated	On going
Elect the new Chairman for the Board of Directors	1 No.	-	Completed
Preparation of CAA Annual Report	1 No.	-	Completed
Training on Accounting package to CAA F/Admin Officer	1 No.	-	Completed
<u>Component 2: Inclusive development of stakeholders</u>			
Development of subsistence stakeholders	APN		
Commercialization of semi-commercial stakeholders	APN	-	Screening of eligible NGOs in progress
Promotion of social inclusiveness among commercial stakeholders	APN		
<u>Component 3: Market information dissemination</u>			
Integrated marketing information system software development	1 Time	FTP stage	Draft prepared
Development of training manual	1 Time	FTP stage	Completed
<u>Component 4: Project partner's capacity enhancement</u>			
Basic market development training to project partners	4 Times	FTP stage	Completed
Market information exchange system training to farmer groups	5 Times	FTP stage	Completed
Officer level observation tour (Thailand)	1 Times	-	Completed
Government staff training	2 Times	FTP stage	Completed
<u>Component 5 Project Implementation support</u>			
Procurement of vehicles	8 No.	L/C opened	Arrived to Kathmandu
Procurement of motorcycles	30 No.	Negotiated	Procured

Activities	Quantity	Status	
		16 May	15 October
Appointment of package A consultant	2 No.	Process initiated	DTL joined, Process, TL joining soon
Appointment of package B consultant	1 No.	FTP stage	Final stage
Baseline survey	2 No.	FTP stage	Field work completed
Product chain study	1 No.	FTP stage	Field work completed
Preparation of result based monitoring framework	1 Times	FTP stage	Completed
District level orientation workshop for NGOs	11 Times	Initiated	Completed
Project calendar publication	1000 No.	Initiated	Completed
Project diary publication	500 No.	Initiated	Completed
Annual report publication	200 No	-	Completed
Publication of project broacher	1000 No.	-	Completed
Publication of project introductory booklet	1000 No.	-	Completed

Note: Activities that were completed before May 2008 are not included in this table.

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)						The SOP and COC have been finalized and adopted by the CAA Board in Jan 2008. Business plan was approved by the CAA Board of Directors on 22 Jun 2008.
	06/10/2007	22/06/2008	9	Complied Late		
3. The CAA shall recruit a compliance officer to undertake all necessary measures to prevent and address any financial irregularities and/or abuse of authority in the operations of CAA, including in its management of CAF. In the conduct of its duties, the compliance officer shall also be required to liaise with the relevant government agencies or commissions responsible for the efforts to combat corruption and abuse of authority. (GA, Schedule 4, para. 9)						A compliance officer has been appointed and has commenced work from 15 Jan 2008.
				Complied		
4. Within four months of the Effective Date, the CAA headquarters shall have been fully staffed to the satisfaction of ADB. (GA, Schedule 4, para. 10)						Requisite personnel have been appointed and commenced work from 15 Jan 2008.
	06/12/2007	15/01/2008	1	Complied Late		
5. Within four months of the Effective Date, CAA shall have established a district branch in each of the Project districts and appoint a branch manager to head each of the district branches. The branch manager shall be recruited through open and competitive selection process. The branch manager shall be assisted by a finance and administration officer, a monitoring and evaluation officer and other support staff. (GA, Schedule 4, para. 11)						Offices in all 11 project districts have been established and branch managers appointed. All branch offices were made operational from 15 Jan 2008.
	06/12/2007	15/01/2008	1	Complied Late		
6. Within five months of the Effective Date, each of the CAA district branches shall have been fully staffed to the satisfaction of ADB. (GA, Schedule 4, para. 12)						Requisite staff for each branch offices have been appointed in Dec 2007 and commenced work from Jan 2008.
	06/01/2008	15/01/2008	0	Complied		
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)						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
	06/01/2008	5/07/2008	6	Complied Late		
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)						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.
	06/01/2008	26/10/2008	9	Complied Late		
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		

Commercial Agriculture Development Project

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).						This will be monitored during project implementation.
Not Yet Due						
2. Gender The Recipient shall take all necessary and appropriate measures to implement the Gender Action Plan to ensure that due consideration will be provided to women in the implementation of the Project, both as the beneficiaries of Project and staff in the Project Management Unit and the Commercial Agriculture Alliance. (GA, Schedule 4, para. 33)						This will be monitored during project implementation. So far, 13 of the 64 staff (20%) appointed by CAA are women; and 8 of 18 staff (44%) recruited for the PMU are women.
Ongoing						
Financial						
1. Commercial Agriculture Fund (CAF) The CAF shall only be utilized to finance community-based market infrastructure investments and non-infrastructure investments that fulfill the following general criteria: (i) the investment must add value to agricultural products; (ii) the investment must benefit other agricultural stakeholders and the community as a whole; (iii) the investment must improve the market chain efficiency; (iv) the investment must demonstrate public good content; and (v) the investment must have strong demonstration effects on the rest of the community. (GA, Schedule 4, para. 15)						Compliance will be monitored during project implementation.
Ongoing						
2. The applicants for the community-based market infrastructure investments shall be limited only to DDCs and the applicants for the non-infrastructure investments shall be limited only to the General Members of the Commercial Agriculture Alliance (CAA). The maximum amount to be financed under CAF for each community-based market infrastructure investment shall be \$80,000, and for each 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)						Compliance will be monitored during project implementation.
Ongoing						
4. Within five months of the Effective Date, the specific criteria for the community-based market infrastructure investments shall have been formulated by the Recipient to the satisfaction of ADB. (GA, Schedule 4, para. 18)	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)						Compliance will be monitored during project implementation.
Ongoing						
7. Within four months of the Effective Date, the Recipient shall have established a complaint redressal mechanism, to the satisfaction of ADB, to allow the intended beneficiaries of the Project to file their complaints related to the implementation of the Project and ensure that these complaints are addressed accordingly. (GA, Schedule 4, para. 21)	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)						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. No material audit yet.
Ongoing						
9. The General Manager, the CAA appraisal panel members and CAA compliance officer shall be required to disclose their wealth prior to undertaking and upon completion of their assignments. The disclosure must be made in a manner which would allow the public, in particular the local Project stakeholders, to have access to such information. (GA, Schedule 4, para. 23)						The General Manager and the CAA compliance officer have declared their wealth in Aug and Dec 2007, respectively. CAA appraisal panel has yet to disclose.
Ongoing						

Commercial Agriculture Development Project

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 2007-08, The Government approved a budget of NRs215.9 million for the project. For FY 20078-09 the Government approved 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 is being 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. Team Leader to join on 15 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 has been appointed on 26 Jun 2007. Requisite personnel have also been recruited. Eight out of 18 (44%) PMU staff 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		
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		
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 2007/2008. Next meeting planned within 4 th week of November 2008.
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		

Commercial Agriculture Development Project

Project-Specific Covenants	Date Due	Date Complied	Delays (mo.)	Status of Compliance	Rating (HS,S,PS,U)	Remarks/Issues
<p>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)</p> <p style="text-align: center;">Ongoing</p>						<p>Draft report of product chain study submitted on 31 October 2008. Field work of baseline studies completed.</p>
<p>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)</p> <p style="text-align: center;">Ongoing</p>						<p>Will be done during project implementation.</p>
<p>10. The Recipient and ADB shall undertake semi-annual review of the Project, which shall cover the review of (i) the performance of PMU, CAA, and partner NGOs and service providers; (ii) physical progress of Project implementation; (iii) the extent of the inclusion of poor and excluded groups in Project implementation; (iv) compliance with the covenants under this Grant Agreement; (v) implementation of the Gender Action Plan, and (vi) other relevant matters that may arise during Project implementation. (GA, Schedule 4, para. 28)</p> <p style="text-align: center;">Ongoing</p>						<p>First project review is being made from 5 to 14 Nov 2008.</p>
<p>11. The Recipient and ADB shall also undertake a comprehensive midterm review of the Project in the beginning of the fourth year to identify problems and constraints encountered during Project implementation and suggest measures to address identified constraints. (GA, Schedule 4, para. 29)</p> <p style="text-align: center;">Not Yet Due</p>						
<p>12. The PMU shall:</p> <p>(i) submit quarterly and annual progress reports to ADB on Project implementation and such other reports and information related to the Project as ADB may reasonably request;</p> <p>(ii) within three months of its submission to ADB, make available to the public, in particular the local stakeholders, the annual progress reports in Nepali language; and</p> <p>(iii) submit a Project completion report to the PSC and ADB within three months of physical completion of the Project. (GA, Schedule 4, para. 30)</p> <p style="text-align: center;">Ongoing</p>						<p>It was agreed that quarterly reports will be submitted to ADB yearly on 15 Nov., 15 Feb., and 15 May. PMU's semi-annual report covering 16 Jul 2007 to 15 Jan 2008 was submitted to the ADB Inception Mission in May 2008.</p> <p>First annual progress report (FY 2007/08) was submitted on 11 Aug 2008.</p> <p>First quarterly report for July-October 2008 submitted to ADB on 11 Nov 2008.</p>

REFERENCES

- Asian Development Bank, May 2008. Aide Memoire of the Inception Mission (7-16 may 2008). ADB, Manila.
- Asian Development Bank, June 2008. NEP- Project Administration Memorandum, Commercial Agriculture Development Project. ADB, Manila.
- Asian Development Bank, June 2008. NEP- Project Administration Memorandum, Commercial Agriculture Development Project. ADB, Manila.
- Asian Development Bank, October 2006. Report and Recommendation of the President to the Board of Directors: Proposed Asian Development Fund Grant Nepal: Commercial Agriculture Development Project. ADB, Manila.
- Commercial Agriculture Alliance, May 2008. Inception Report (Submitted to ADB Mission 7-17 May). CAA, Biratnagar.
- Commercial Agriculture Development Project, Project Management Unit, August 2008. Annual Report (16 July 2007 to 15 July 2008). PMU, Biratnagar.
- Commercial Agriculture Development Project, Project Management Unit, April 2008. Semi-annual Report (16 July 2007 to 15 January 2008). PMU, Biratnagar.