

Agriculture and Natural Resources Sector in Nepal

This sector assistance program evaluation covers ADB's operations in the agriculture and natural resources (ANR) sector in Nepal from 1997 to 2007. The study assesses how ADB's development assistance to agriculture is linked to the sector's socioeconomic performance and identifies opportunities for improving future program performance.

Agriculture remains by far the largest sector in the Nepal economy - employing 71% of the population and accounting for 33% of the gross domestic product in 2007. Recognizing the sectors' significant contribution to the economy, ADB has provided \$1,078.1 million of assistance to Nepal from 1997 to 2007. Agriculture sector received 21.1% (\$228 million) of the total assistance. This amount is almost equal to total assistance from all other development partners and donors combined. Over 90% of total sector assistance was allocated to three subsectors: (i) agricultural production and marketing (36% or \$82.7 million); (ii) agricultural and rural sector development (32% or \$73.7 million); and (iii) irrigation, drainage, and flood protection (22% or \$50.6 million). The remainder was allocated mostly to livestock (9% or \$21.4 million).

The evaluation looks into the strategic and institutional performance of ADB's sector assistance, the project and subsector performance, and identifies lessons and recommendations for ADB's future operations in the sector. The assessment serves as an important input to the country assistance program evaluation, the formulation of the next country partnership strategy and the formulation and implementation of related assistance programs in Nepal.

Assessment and Key Findings

Overall assessment of the sector assistance is *partly successful*. Top-down assessment is *successful* while bottom-up assessment is rated *partly successful*. While almost all evaluated projects were relevant, there were shortfalls in their realized and anticipated effectiveness in achieving objectives and efficiency in the use of resources.

- **Benefits of ADB's Sector Positioning.** ADB is a lead development partner in the ANR sector development in Nepal. ADB focused on supporting areas with low current investment and the most prevalent poverty. These strategic decisions have benefited the ADB-Nepal partnership.
- **ADB Strategies and Programs.** ADB's strategies and programs were well intentioned to help the Government address poverty and inequality. Noteworthy in this regard are ADB support to fostering inclusive development by addressing gender, caste, and ethnic discrimination through inclusive public policies; promoting broad-based economic growth; and improving the enabling environment for private sector development.
- **Alignment with Major Development Pillars.** ADB assistance to the sector over the evaluation period was well aligned with the four overarching pillars of the development theme, with a strong focus on poverty reduction. ADB used an inclusive approach to proactively bring women and other disadvantaged people into beneficiary groups. It increasingly focused on pockets of poverty where the incidence of poverty is high.
- **Agricultural Production and Productivity Improved through increased irrigation facilities.** Project areas have experienced increased production and productivity as well as diversification to higher-value crop



QUICK LINKS

Agriculture and Natural Resources in Nepal

www.adb.org/Documents/Reports/SAPE/NEP/SAP-NEP-2008-62/default.asp

ADB Management Response

www.adb.org/Documents/Reports/SAPE/NEP/SAP-NEP-2008-62/SAP-NEP-2008-62.pdf#page=90

Chair's Summary of the Development Effectiveness Committee (DEC)

www.adb.org/Documents/Reports/SAPE/NEP/SAP-NEP-2008-62/SAP-NEP-2008-62.pdf#page=93

and livestock products. The improved availability of irrigation increased both yields and cropping intensity. Efforts to improve coordination among agriculture, irrigation, livestock, and rural finance agencies contributed to these endeavors.

- **Commercialization and Diversifications Promoted.** ADB is credited with advocating and providing the support to diversify and commercialize agriculture. Broader support was provided through policies and institutional reforms to facilitate the transition from a largely subsistence economy to a commercial one.
- **Follow-up Support to Improve the Enabling Environment.** ADB has contributed to reforming key agricultural policies and related institutions, as well as to the introduction of innovative approaches in sector assistance. Follow-up and subsequent support activities for policy dialogue and advisory were needed to ensure that these major changes were adequately institutionalized and their full potential realized.
- **Diversity and Fragmentation of Sector Support.** Some of the fragmentation arose from the inclusion of various aspects of the agriculture and rural development agendas in the sector assistance. Fragmentation further resulted from the institutional configuration of the country and the diverse nature of the assistance itself. This complexity and fragmentation constrained the full realization of desired outcomes and impact. This is particularly relevant as several evaluations have indicated that the country has limited capacity to coordinate multiple agencies in various institutions.

Lessons

- To continue projects in conflict areas, a number of approaches can be made: (i) partnering with local nongovernment organizations that could effectively mobilize and negotiate with local communities and other stakeholders; (ii) focusing on small, poorer farmers, who were not sufficiently included in past projects; (iii) focusing on pro-poor projects that produce tangible benefits quickly; (iv) ensuring a sense of project ownership among beneficiaries; (v) implementing projects in a participatory manner; and (vi) ensuring that service delivery did no harm. However, the supervision and monitoring of service delivery for performance evaluation were not strong.
- Sufficient attention should have been given to the sources of the country's underlying comparative advantages, policy and institutional limitations and the enabling environment for sector environment.
- Program implementation and realized outputs may have been adversely affected by insurgency, but there were also design, coordination and implementation issues that constrained achievement. Key lessons regarding the most effective means of delivering assistance to local areas and beneficiaries should be a major basis for future project design.
- Corruption remains a key governance challenge in sector operations. There are widespread complaints of corruption in public service arising from poor accountability and transparency. Future sector operations need to give careful considerations to these governance issues.

Feedback

ADB Management Response appreciated and agrees with the overall recommendations the study. Management highlighted the governance issues arising from poor accountability and transparency in general and the ANR sector operations in particular. The Chair's Summary of Discussion of the Development Effectiveness Committee (DEC) also welcomed the study. DEC members agreed with the evaluation recommendation to choose sub-sectoral focus or modalities of helping the agriculture and natural resources sector. DEC underscored the importance of rural infrastructure such as irrigation, rural roads and market infrastructure. DEC also suggested that ADB pays attention to improving the efficiency of resource allocation and utilization in all countries including Nepal.

Recommendations

- *Reduce subsector spread of ADB assistance to ANR to achieve optimal efficiency in resource allocation and use.*
- *Increase strategic focus in supporting the ANR by increasing investment in rural infrastructure such as irrigation, rural roads, and market infrastructure.*

Team Leader: Samjhana Shrestha
Tel +63 2 632 5574
Email: sama_shrestha@adb.org

Contact Us

Independent Evaluation Department
Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4100
Fax + 63 2 636 2161
Email: evaluation@adb.org
www.adb.org/evaluation

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