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SUMMARY

Annual Action Programme 2017 in favour of Nepal to be financed from the general budget of the Union

1. Identification

Budget heading	BGUE-B2017-21.020200-C1-DEVCO
Total cost	EUR 40 million of EU contribution
Basic act	Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020. Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action.

2. Country background

Nepal is landlocked in between India and China and characterised by a great geographical ethnic, cultural and linguistic diversity. With a population of around 28 million, it is the 41st most populous country in the world, and will be enjoying in the next decades the so-called "demographic dividend", having a proportionally higher working population. As a least developed country (LDC) it is also among the poorest nations, currently ranked 144th out of 187 on the Human Development Index 2015. Political instability has been a defining feature during the last two decades, with governments succeeding each other almost annually, 10 years of internal conflict and a transition from a monarchy to a federal republic. Persistent insufficient economic growth since the mid 1990ties to graduate from LDC status was further compounded by a devastating earthquake in 2015, which caused reconstruction needs of USD 9.3 billion, equivalent to one third of its annual GDP. The new Constitution of 2015 foresees a major restructuring to a federal state, which will also impact on the agricultural sector due to emerging new governing entities and local bodies such as Provinces and Village Councils (Gaon Palikas).

Around two thirds of the working population are earning their living in the agricultural sector, which at the same time due to low productivity only contributes 30% of the GDP. Rural areas are also where comparatively higher levels of poverty and malnutrition are found, mainly in the West and the South of the country. Migration from rural areas is presently very high, leaving often women alone to manage their families and the farms.

The Government has identified the agriculture sector as a key sector where productivity and commercialisation needs to improve in order to sustain overall growth and reduce poverty.

3. Summary of the Action Programme

Background

Agriculture has been lagging behind for many years in Nepal. It accounts for only around 30% of the Gross Domestic Product, while employing 66% of the working population. Productivity stands well below other countries in the region, and the sector is still largely subsistence oriented. The country suffers a large food deficit and undernutrition is widespread. Growth in this sector is expected to contribute significantly to poverty reduction, food security and improved nutrition. Key bottlenecks to address are low productivity, underdeveloped market linkages and agribusiness, and weak sector governance.

Cooperation related policy of beneficiary country

Nepal aims to graduate from LDC status by 2022 and to reach middle income status by 2030. This requires sustained inclusive economic growth and the agricultural sector is foreseen as a key growth driver. This important role of the sector is also reflected in the medium term planning documents of the government, notably the 14th Periodic Plan (2017-19), which features agriculture as a top priority.

The Agriculture Development Strategy (ADS) adopted in 2015 is the government's sector development strategy for agriculture and rural development until 2035. A thorough three years design process led by the government with a very wide consultation of stakeholders and a contribution from Development Partners including the European Union makes it both technically robust as well as strongly domestically owned in an environment of frequent changes in government.

The ADS has five key strategic objectives: food and nutrition security, poverty reduction, higher and more equitable incomes, agricultural trade competitiveness and farmers' rights. It pursues these objectives through outcomes in the four areas of good governance, increased productivity, profitable commercialisation and trade competitiveness.

Major transversal policies identified in the ADS are on gender and social inclusion (GESI), with a dedicated strategy covering these issues, as well as climate change adaptation. The private and cooperative sectors will play a pivotal role in the ADS implementation through policy incentives and with representation in ADS governing bodies.

Coherence with the programming documents

This action is part of the focal sector 'Sustainable Rural Development' of the EU-Nepal Multi-Annual Indicative Programme 2014-2020.

The proposed action is guided by the new European Consensus for Development 2017, notably its dimensions "People, Planet, Prosperity and Partnership" and uses the development building blocks of poverty eradication, inclusive growth and jobs creation, while paying due attention to the development enablers gender equality, improved nutrition and resilience.

The action will also contribute to achieving the objectives of the EU Food Security Policy Framework (2012), the Resilience Communication (2012) and the Nutrition Communication and action plan (2013-2014).

This programme is therefore relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goals: SDG 1 "no poverty", SDG 2 "zero hunger", SDG 5 "Gender Equality", 8 "inclusive growth/jobs", SDG 10 "reduced inequalities", SDG 13 "climate action" and 15 "Life on land".

Identified actions

This proposed action will support through policy dialogue, budget support and capacity building measures the Government of Nepal in implementing its Agriculture Development Strategy 2015-2035. The ADS is a major initiative of the government to transform the agriculture sector into a competitive, sustainable, and inclusive sector that brings economic growth, improved livelihoods and job creation, as well as food and nutrition security. The ADS focuses on improved governance, higher productivity, commercialisation and increased competitiveness, while also enhancing the role of women and social inclusion of the most vulnerable. It promotes climate change adaptation.

Expected results

The overall objective of the action is to contribute to poverty reduction, to food and nutrition security, to improve the competitiveness of the sector and to generate higher and more equitable incomes in rural areas of Nepal.

It will contribute to improve the governance in the sector, in particular with regard to coordination, planning, GESI and food security; higher productivity; increased and profitable commercialisation of agricultural products; and increased competitiveness of the sector.

The action pays particular attention to Climate Change Adaptation. Since farming is becoming increasingly an activity led by women in Nepal, their needs is also emphasized in the ADS, including through a dedicated Gender and Social Inclusion (GESI) strategy for the ADS.

Past EU assistance and lessons learnt

Lessons from the experience of EU budget support to the Education sector and the Peace Process show that sector budget support can be effective in Nepal, as it has encouraged better planning and transparent reporting and resulted in improved service delivery.

Regarding technical cooperation, lessons from past cooperation show that it is important to build on existing capacities, not to force the pace of change, to be sensitive to local culture and to be flexible enough to respond quickly to emerging needs.

Complementary actions/donor coordination

This action will strengthen the contribution of the agriculture sector to the Multi Sector Nutrition Plan also supported by the EU. It is also complementary to the WAVE programme which was part of the AAP 2016 and will improve livelihoods in remote and marginal areas of the Far West, further strengthening EU's contribution to food security, social inclusion and regional cohesion. There will also be a synergy with existing EU actions on trade, Disaster Risk Reduction and climate change. The EU support to the multi donor trust fund (MDTF) on Public Finance Management will also be an important complement to budget support.

The National ADS Coordination Committee (NADSCC) is the Forum defined in ADS for higher level policy dialogue on ADS. A more operational platform for government/donor coordination, monitoring and joint review is being established. Donors also meet in the Food Security Donor Group.

4. Communication and visibility

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of

implementation and supported with the budget indicated in section 5.6 of the Action Document.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the contractual obligations.

5. Cost and financing

EU Contribution to Agriculture and Rural Development (CARD) in Nepal.	EUR 40 million
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Total EU contribution to the measure	EUR 40 million
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The Committee is invited to give its opinion on the attached Annual Action Programme 2017 in favour of Nepal.



ANNEX

of the Commission Implementing Decision on the Annual Action Programme 2017 in favour of Nepal

1. Title/basic act/CRIS number	EU Contribution to Agriculture and Rural Development (CARD) in Nepal CRIS number: ACA/2017/38862 financed under the Development Cooperation Instrument	
2. Zone benefiting from the action/location	Asia, Nepal The action shall be carried out at the following location: all over Nepal	
3. Programming document	Multiannual Indicative Programme for Nepal 2014-2020	
4. Sector of concentration/thematic area	Sustainable Rural Development	DEV. Aid: YES ¹
5. Amounts concerned	Total estimated cost: EUR 40 000 000 Total amount of EU budget contribution EUR 40 000 000 of which EUR 36 000 000 for budget support and EUR 4 000 000 for complementary support.	
6. Aid modality(ies) and implementation modality(ies)	Direct management: Budget Support: Sector Reform Contract Procurement of services	
7 a) DAC code(s)	311 – Agriculture, 31110 – Agricultural Policy and Administrative Management	
b) Main Delivery Channel	12000 – Recipient Government and 52000 others	

¹ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective

8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship	N/A			
10. SDGs	Main SDG Goal: SDG 1 "no poverty"; Secondary: SDG 2 "zero hunger", SDG 5 "Gender Equality", 8 "inclusive growth/jobs", SDG 10 "reduced inequalities" SDG 13 "climate action" , and 15 "Life on land".			

SUMMARY

This proposed action will support through policy dialogue, budget support and capacity building measures the Government of Nepal in implementing its Agriculture Development Strategy 2015-2035 (ADS). The action will also contribute to better coordinate the efforts of the various stakeholders involved (several government agencies, private and cooperative sectors and development partners) through an enhanced platform to review ADS progress.

The ADS is the major initiative of the government to transform the agriculture sector into a competitive, sustainable, and inclusive sector that brings economic growth, improved livelihoods and job creation, as well as food and nutrition security. The ADS focuses on improved governance, higher productivity, commercialisation and increased competitiveness, while also enhancing the role of women and social inclusion of the most vulnerable. It promotes climate change adaptation.

Agriculture has been lagging behind for many years in Nepal. It accounts for only around 30% of the Gross Domestic Product, while employing 66% of the working population. Productivity stands well below other countries in the region, and the sector is still largely subsistence oriented. The country suffers a large food deficit and under-nutrition is widespread. Growth in this sector is expected to contribute significantly to poverty reduction, food security and improved nutrition.

This action complements other EU projects in the country, notably on nutrition, vocational training and trade and is coordinated with other stakeholders including development partners.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Nepal is landlocked in between India and China and characterised by a great geographical ethnic, cultural and linguistic diversity and a demographic dividend over the next 30 years. With a population of around 28 million, it is the 41st most populous country in the world. As a least developed country (LDC) it is also among the poorest nations, currently ranked 144th out of 187 on the Human Development Index 2015. Nepal is highly vulnerable to climate change due to its mountainous and challenging topography. Political instability has been a defining feature during the last two decades, with governments succeeding each other almost annually, 10 years of internal conflict and a transition from a monarchy to a federal republic. Persistent insufficient economic growth since the mid 1990ties to graduate from LDC status was further compounded by the devastating Gorkha earthquake in 2015, which caused reconstruction needs of USD 9.3 billion, equivalent to one third of its annual GDP. The Constitution 2015 foresees a major state restructuring which will also impact on the agricultural sector due to emerging new governing entities and local bodies such as Provinces and Village Councils (Gaon Palikas).

Around 66% of the working population are earning their living in the agricultural sector, which at the same time due to low productivity only contributes to 30% of the GDP. Rural areas are also where higher levels of poverty and malnutrition are found, mainly in the West and the South of the country. The prevalence of child stunting and wasting remains generally high and at least one in three women of productive age is anaemic. Migration from rural areas is presently very high, leaving often women alone to manage their families and the farms.

1.1.1 Public Policy Assessment and EU Policy Framework

Nepal aims to graduate from LDC status by 2022 and to reach middle income status by 2030 as set out in the 'Envisioning Nepal 2030' initiative of the National Planning Commission. This requires sustained inclusive economic growth and the agricultural sector is foreseen as a key growth driver. This important role of the sector is also reflected in the medium term planning documents of the government, notably the 14th Periodic Plan (2017-19), which features agriculture as a top priority with the following targets:

- Agriculture annual economic growth increasing from 1.33% in 2015/16 to 4.9% in 2018/19;
- Irrigated surface increased from 1 396 000 ha in 2015/16 to 1 520 000 ha in 2018/19;
- Public Investment in agriculture increased from 81 billion Rs (under the 13th plan) to 140 BRs (+42.7%) in the 14th plan.

The ADS of 2015 is the government's central sector development strategy for agriculture and rural development until 2035. A thorough three years design process was led by the National Planning Commission together with various line ministries notably the Ministry of Agriculture Development (MoAD), in a highly consultative manner with other national stakeholders, including the private sector, farmers associations, cooperatives, women groups, civil society and also international partners. The Asian Development Bank (ADB) and the European Union (EU) were amongst the main development partners to support this process with expertise. Broad political commitment makes domestic support for ADS implementation robust in an environment of frequent changes in government.

The ADS has five key strategic objectives: food and nutrition security, poverty reduction, higher and more equitable incomes, agricultural trade competitiveness and farmers' rights. It pursues these objectives through outcomes in the four areas of good governance, increased productivity, profitable commercialisation and trade competitiveness.

Major transversal policies identified in the ADS are on gender equality and social inclusion (GESI), with a dedicated strategy covering these issues, as well as climate change adaptation and mitigation in the agricultural sector. The private and cooperative sectors will play a pivotal role in the ADS implementation through policy incentives and with representation in ADS governing bodies.

The ADS is comprehensive and is further declined into 35 outputs and 232 costed activities. It includes outcome and process indicators with baselines (2015) and targets defined for 2020, 2025 and 2035 and an annual monitoring mechanism is being set up. In order to accelerate implementation and encourage innovation, key areas of the strategy will be implemented through four Flagship Programmes which will be given more autonomy and flexibility compared to normal implementation programmes of the government.

The cost of implementing ADS during the first 10 years has been detailed by output and activity and is estimated at a total of NPR 50.2 billion per year, equivalent to about EUR 450 million annually. This includes an expected contribution of beneficiaries and private sector of around EUR 50 million, leaving the remaining EUR 400 million to be funded by the Government and donors. However, in its first year of implementation in the fiscal year 2016-2017 –without financial support from development partners yet- the ADS received only a budget allocation of around EUR 372 million.

The state restructuring process of the country will also lead to an administrative and budgetary reorganisation of governmental responsibilities between the national and subnational levels for the agricultural sector. Although preparatory work is under way the reorganisation will only start to roll out in the course of the fiscal year 2017-2018. This process may also require adjustments to the ADS, for which a review mechanism is foreseen. Federalisation is expected to improve in the medium to long term the effectiveness and efficiency of implementing rural development policies and programmes, as the sub-national levels will have more autonomy to prioritise according to local specificities and needs. In the short run, implementation capacity might be affected while the reorganisation takes place.

In view of the degree of comprehensiveness, the costed planning as well as its institutional implementation framework, the ADS is considered to be a sufficiently relevant and credible policy to be eligible for EU budget support.

The following government policies complement the ADS:

- Multi-Sector Nutrition Plan (MSNP, 2014), also supported by the EU. This action will further reinforce the contribution of the agriculture sector to nutrition.
- Climate Change Policy (2011), as well as the National Adaptation Programme of Action (NAPA, 2010), and Local Adaptation Plans of Action (LAPAs), which was supported by the EU in the start-up phase. In the context of the Paris Agreement and Nepal's Nationally Determined Contributions (NDCs), Nepal has prepared the Low Carbon Economic

Development Strategy (LCEDS) which is at the final stage of approval. The LCEDS focuses, inter alia, on agriculture and livestock sectors to promote climate change mitigation as the agricultural sector is Nepal's one of the main sources of greenhouse gas emissions.

-Nepal Trade Integration Strategy (NTIS 2016), supported through ongoing EU trade cooperation.

-Gender Equality Act (2006) that repealed and amended 56 discriminatory provisions and incorporated other provisions to ensure women's rights.

This action is part of the focal sector 'Rural Development' of the EU-Nepal Multi-Annual Indicative Programme 2014-2020, contributing in particular to the following result areas: profitable agricultural commercialization and sustainable agriculture guaranteeing food security. It will also partially contribute to improved nutrition, though this is mainly addressed by another action. It will also contribute to implementing Nepal's NDCs and, in particular, enhance the resilience of its people to the impacts of climate change by supporting climate-smart agricultural development.

The proposed action is guided by the new European Consensus for Development 2017, notably its dimensions "People, Planet, Prosperity, Peace and Partnership" and uses the development building blocks of poverty eradication, inclusive growth and jobs creation, while paying due attention to the development enablers gender equality, improved nutrition and resilience.

The action will also contribute to achieving the objectives of the EU Food Security Policy Framework (2012), the Resilience Communication (2012) and the Nutrition Communication and action plan (2013-2014).

1.1.2 Stakeholder analysis

The main stakeholders and beneficiaries of this action are the farmers and their organisations as well as the people of Nepal at large. The ADS distinguishes three categories of beneficiary groups: direct beneficiaries, the so called "small commercial farmers" group, farmers with a land size between 1 and 5 ha, representing 19.7% of rural households, as well as the subsistence farmers with a land size of 0.5-1 ha representing 26.5% of rural households, and indirect beneficiaries, the marginal farmers, having less than 0.5 ha, who account for 53.5% of rural families and are expected to benefit from intensive homestead farming as well as from employment generated by agribusiness development.

Due to its holistic nature the ADS implementation involves a large number of ministries and agencies. The current set up includes national ministries and agencies, district level implementing bodies and village development committees. As enshrined in the Constitution of 2015 the state restructuring will lead to a reorganisation of national ministries and the introduction of administrative units at provinces and village council level. Currently, the main ministries and agencies involved in ADS implementation include the Ministry of Agriculture Development as lead agency, the Ministry of Livestock Development, the Ministry of Irrigation, the Ministry of Federal Affairs and Local Development, the Ministry of Land Reform Management, the Ministry of Cooperatives and Poverty Alleviation as well as the Ministry of Forest and Soil Conservation, the Ministry of Commerce and the Ministry of Finance, and the Ministry of Population and Environment. The National Planning Commission (NPC) has an overall coordinating mandate from the Government and the Nepal

Agriculture Research Council (NARC) oversees the research and extension systems, which will provide technical expertise to modernise the sector.

The institutional ADS implementation framework guarantees that representatives of farmer organizations, cooperative organizations, and private sector agro-enterprise organizations as well as contributing development partners are members of the ADS key decision and coordination bodies.

1.1.3 Priority areas for support/problem analysis

Despite clear potential for higher growth the agricultural sector in Nepal has so far been largely subsistence oriented. In the last 20 years the average growth of the agriculture share of the GDP was only 3%, while the population growth was 2% and therefore did not contribute much to poverty reduction. During this period, the dependency on food imports increased significantly, and the trade balance deficit increased from USD 124 million to USD 1.123 billion.

At the same time agriculture remained the main source for people to earn their living in the country, as it employs 66% of the working population. However, agriculture represents only about 30% of the gross domestic product (GDP). Productivity is low, value chains and commercialisation are underdeveloped, while there is potential for food processing, including for instance of high value products such as medicinal herbs and spices, coffee or tea, which are presently mostly processed out of the country. In addition, difficult access to credit and to markets, poor infrastructure, underperforming irrigation and energy systems as well as an insufficient research and extension network have prevented the sector from expanding sufficiently. Political volatility and an uncondusive business and investment climate also hindered progress.

The potential for productivity increase is very high and at the centre of the ADS. Cereals account for almost 50% of the agricultural output. However, e.g. the average yield of paddy per ha is presently only around 3.36 tons, while research underpinned a potential to almost triple it up to 12 tons per ha. The dairy sector could at least double its output of milk production and the same potential for productivity gains applies for fresh water fish farming.

The other core pillar of the strategy emphasises commercialisation as a means to generate added value, thus also contributing to a higher GDP. A number of pilot projects have demonstrated that increased commercialisation and in-country value chains are possible and profitable also for small farmers.

Diversification of agricultural production will furthermore help to improve nutrition by allowing for a more balanced diet, and increased productivity will contribute to food security through higher incomes and better availability and accessibility of food.

The socio-economic conditions in Nepal will make it very likely that agriculture driven growth is inclusive, since the sector is dominated by small farmers and family type agribusiness. Inclusiveness of the ADS extends to the most vulnerable, i.e. rural households which do not hold sufficient land to be self-sustainable (>0.5 ha) or are even landless. This group represents almost half of the rural population and such households often belong to the

marginalised casts or ethnic groups. However, profitable cultivation is possible on small plots of land (homestead farming) and will be promoted by the ADS. Landless labourers will benefit from increased employment opportunities generated by the development of agribusiness in Nepal, thus also decreasing out-migration pressure. The ADS will also be piloting contract farming as a means to allow land to be cultivated by tenants at fair conditions without the risk for owners of losing the land.

De facto female-headed households are increasingly the norm in rural areas of Nepal due to significant out-migration of men. While over time this will elevate the role and status of women in society it has also increased their workload, adding farm management to traditional household roles. Furthermore, women often do not have land ownership, face more difficulties in accessing extension services and farming inputs and often have less alternatives to improve their livelihoods. The ADS puts specific emphasis on countering these disadvantages of women through measures such as supporting women farmers' groups, employing female agriculture extension staff, encouraging light mechanisation and promotion of female land ownership.

Climate change is expected to increase the risk of extreme weather conditions, which can affect agriculture productivity as well as food security. A number of measures to enhance resilience and promote climate-smart agricultural practices are foreseen in the ADS, through investments for instance in flood protection systems, the promotion of more resilient seeds and through extension services and training, helping farmers to adapt to a changing environment.

1.2 Other areas of assessment

1.2.1 Fundamental values

Nepal is a young democracy still consolidating the comprehensive peace accord of 2006. It has ratified many of the key international human rights instruments and abolished the death penalty.

Citizens are more able to exercise their political freedom and political will as well as economic rights than a decade ago, but little progress has been achieved in enhancing accountability over the provision of state services and public goods notably at the local level.

The Constitution of 2015 guarantees key fundamental rights, including freedom of press, opinion and expression, as well as the right to food. However, further enhanced implementation capacity is key for the full realisation of these rights.

Although Nepal has independent rule of law institutions, they are underperforming notably due to a lack of sufficient resources. Case backlogs and enforcement of court decisions remain critical issues.

Issues of caste-related, ethnic and gender discriminations related to the country's culture and traditions still exist, though much has been done to reduce their impact, including through EU funded activities, for instance through the European Instrument for Democracy and Human Rights. In rural areas, the practice of bonded labour has been abolished, but the people

previously in this situation still struggle to make a living and have a very weak social and economic position. Better livelihood perspectives would improve this situation.

1.2.2 Macroeconomic policy

In 2015-16 GDP growth dipped to its lowest level since 2002 following the earthquakes and trade disruptions, at 0.4%. However, growth rebounded strongly and has reached 7.5% in the FY2017. This is the highest growth rate since 1994, due to one of the best monsoons in recent years, increased availability of electricity, and greater investment as the reconstruction gathered speed².

Nepal's external position remains strong. International reserves of the Nepal Rastra Bank, i.e. the Central Bank, reached about 11.4 months of prospective imports and goods and services at the end of FY2016-17³. However, following large surpluses in recent years, the external current account is now broadly in balance. This reflects recovering imports and moderating growth of remittances.

The ongoing reforms in the revenue administration resulted in robust revenue performance over the last decade. As of July 2017, total revenue surpassed fiscal year objectives and grew by 26%, higher than the 13.7% growth in FY2015/16⁴. The collection is 111% of the target set by for the period by the government.

The robust revenue mobilization resulted in a fiscal surplus equivalent to 1.4% of GDP in FY2015/16, with public debt trending down toward 20% of GDP. Recurrent budget under-execution has been a major fiscal issue in Nepal and is therefore also one of the major themes of Public Finance Management (PFM) reform. For a country with one of the lowest per capita incomes in Asia, running a fiscal surplus indicates chronic problems associated with budget execution. Nepal faces an estimated infrastructure financing gap of between 8% and 12% of GDP annually until 2020.

The normalisation of prices in the aftermath of last year's trade disruption is pushing down inflation which is expected to undershoot the authorities' mid-2017 inflation target of 7.5%. Inflation decelerated to 4.5% in fiscal year 2016-17 from 9.9% in the previous fiscal year, the lowest in a decade⁵, with food price inflation turning negative. As a result, the inflation wedge with India closed for the first time since mid-2014, thus maintaining competitiveness and external balance. Recent Article IV consultations with the IMF recommended the central bank to pursue tightening of its monetary policy.

1.2.3 Public Financial Management (PFM)

There has been significant progress in improving PFM in Nepal during the first phase of the PFM Reform Programme that ended in 2015, and the country appears to be gradually moving away from a high fiduciary risk environment. The national Public Expenditure and Financial

² <http://www.worldbank.org/en/country/nepal/publication/nepaldevelopmentupdate>

³ Current Macroeconomic and Financial Situation of Nepal FY 2016-2017- Nepal Rastra Bank - Research Department, page 6. https://nrb.org.np/ofg/current_macroeconomic/CMEs%20Annual%20English%202016.17..pdf

⁴ According to Inland Revenue Department, the Tax Administration.

⁵ Current Macroeconomic and Financial Situation of Nepal FY 2016-2017- Nepal Rastra Bank - Research Department, page 2.

Accountability (PEFA) update published in 2015 has confirmed this, with 16 performance indicators improved, 10 stable, and only 2 slightly deteriorated.

A PFM Reform Programme-Phase II covering the period 2017-2026 was adopted in February 2016 and is sequenced with immediate, short term (1-2 years), medium term (2-5 years), and long term actions. Each set of actions has been defined against the different PFM dimensions of the PEFA methodology: i) budget credibility, ii) budget comprehensiveness, iii) budget transparency and predictability, iv) control in budget execution, v) accounting, reporting and recording, and vi) external scrutiny and audit. Most PFM reforms are supported by a World Bank-managed Multi Donor Trust Fund, to which the EU is the most important contributor.

As the country is moving towards federalism and fiscal decentralisation, a subnational PEFA was carried out in 2016. Findings suggest that the PFM system is more robust at central level than at local level. Local bodies should “get the basics right”, particularly in the areas of budget planning, budget execution, internal control and audit as well as accounting and reporting. External audit of local bodies will need to be strengthened with an extended mandate for the Office of the Auditor General (OAG) given by the Constitution. A road map towards fiscal decentralisation is expected to be defined no later than early 2018. It will inform the next EU support to the PFM reforms.

A recent PFM assessment at agriculture sector level highlights a number of weaknesses to be addressed in planning and budgeting (ADS annual costing), budget execution (spending strongly skewed towards the end of the fiscal year), accounting and reporting, internal controls, human resources, public procurement and auditing. As a large proportion of the spending is decentralised, most of the findings of the sub-national PEFA do apply at sector level. The ministries concerned have a presence at district level to ensure that expenditure management by the District Development Committees (DDCs) follows the policy orientations defined by the ministries. External audits conducted by the OAG identified the Ministries of Agriculture Development and of Irrigation among the 10 ministries with the highest number of audit irregularities in 2014/15, representing respectively 4.5% and 16.4% of their spending.

On the whole, the weaknesses identified are significant, but similar to those observed in other sectors and nationwide. Positive points compared to the national average are the slightly higher budget execution rate; the introduction of a computerised accounting system and new internal control procedures in the agriculture sector.

1.2.4 Transparency and oversight of the budget

The last Open Budget Survey (OBS) Document Availability Tracker of December 2016, shows improved transparency and oversight as the Government of Nepal makes six of eight key budget documents available to the public in a timeframe consistent with international standards, as opposed to five only in 2015. The role of the Supreme Audit Institution (i.e. the OAG) is another area where progress has been noted.

The 2014 PEFA also records overall progress, notably in budget openness. Good achievement has been made in enhancing public access to key fiscal information, such as the budget speech and the annual budget appropriation book (Red Book).

In 2015, the OAG adopted International Organisation of Supreme Audit Institutions (INTOSAI) standards, shifting to risk-based audits from the previous traditional voucher-based financial audit approach.

Looking forward, there is scope for further enhancing the comprehensiveness of the in-year and end of the year reporting, expanding the coverage of the external audit and reinforcing the follow-up of the external audit by the Parliament. Transparency could be improved further by prioritising the timely publication of the budget and the production and publication of a Pre-Budget Statement and Citizens Budget.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Corruption is high in the Nepali administration.	M	The EU and other development partners are investing significant coordinated efforts in programmes to support PFM reform and governance. Policy dialogue of this budget support operation will also support to achieve results in this area.
The achievements of previous agriculture development strategies and plans have been disappointing, there is a risk that ADS results might not be up to expectations.	M	A high level of ownership and commitment from the Government and Parliament and from other stakeholders exists. A number of development partners, including the EU are preparing to support the new strategy, including with support to capacity development and policy dialogue.
Nepal regularly underspends its capital budget. If this continues it might hinder the scale up of investments in agriculture.	H	Enhanced capital expenditure is a major theme for the ongoing PFM reform. Development partner including the EU contribute to the reform implementation. In the agriculture sector capital expenditure is de facto higher than in most other sectors.
The implementation of the federal structure could affect the smooth implementation of the ADS.	M	Both PFM related EU assistance, as well as the capacity building support under this programme will assist the Government in its efforts to put in place as rapidly and efficiently as possible the new institutions and procedures. An EU support to decentralisation under the governance focal sector is foreseen to be formulated in 2018.
Assumptions: The instable political situation does not deteriorate into major unrest.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Budget support is new in this sector, so in this regard there are no direct lessons learned. The reasons for low progress in previous sector strategies have been well analysed, and steps are foreseen to correct weaknesses, such as a consultative approach with all stakeholders, adequate capacity development, informed policy dialogue and monitoring. A sustained political commitment despite frequent changes in government is key and will require continued engagement also with Parliament.

Lessons from the experience of EU budget support to the Education sector and the Peace Process show that sector budget support can be effective in Nepal, as it is supporting policy dialogue, has encouraged better planning and transparent reporting and resulted in improved service delivery.

Looking back at past cooperation more generally it is important that projects and programmes build on existing capacities, do not force the pace of change, be sensitive to local culture, support local leadership and be flexible enough to respond quickly to emerging needs.

3.2 Complementarity, synergy and donor coordination

Complementarity

There will be a strong synergy between the efforts related to competitiveness under this action and existing EU actions on trade that reinforce the capacity of Nepal to check the quality of its (export) products. In addition to the 5 value chains prioritized under ADS (dairy, lentil, maize, tea and vegetables), the Trade programme also supports the coffee value chain. The new EU Nepal cooperation on vocational training (TVET Practical Partnership) focuses on agriculture, tourism and construction which reinforces this ADS intervention.

By diversifying the range of food produced, the action will reinforce the Multi Sector Nutrition Plan also supported by the EU. The focus of the new WAVE programme on the improvement of livelihoods in remote and marginal areas of the Far West and Western regions by addressing key constraints in their development like access to energy, irrigation, markets, water and sanitation as well as low agriculture yields, will further strengthen EU's contribution to food security, social inclusion and regional cohesion.

The action is also complementary to EU cooperation which focuses on Disaster Risk Reduction and climate change, where Local Adaptation Plans (LAPAs) are often agriculture related. The EU support to the Multi donor trust fund (MDTF) on PFM enhances financial management, which will be of benefit for the ADS implementation. Finally, gender and resilience are transversal themes for all EU-Nepal cooperation, mutually reinforcing and complementing each other.

Donor Coordination

Currently development partners convene in the Food Security Donor Group, which serves as main platform for donor coordination and policy dialogue in the agriculture sector. It includes ADB, EU, FAO, IFAD, USAID, Finland, Denmark, Switzerland, WFP and WB. More specifically regarding ADS, eleven Development Partners contributed, besides other

stakeholders, to its formulation with the ADB and the EU as major partners, who are also at the forefront of implementation support to the ADS.

The National ADS Coordination Committee (NADSCC) is the Forum defined in ADS for higher level policy dialogue on ADS. Three donor representatives, presently ADB, the World Bank and FAO are permanent members of the NADSCC and other donors can be invited, which will be the case for the EU once the FA is signed.

A more operational platform for government/donor coordination, monitoring and joint review is being prepared, with EU, ADB, WB and USAID being the main interlocutors of the Ministry of Agriculture Development.

3.3 Cross-cutting issues

The multi-sectoral nature of rural development is a challenge recognised by ADS, that emphasises the need for improved governance, as one of its four main outcomes. The Government's efforts in this area will be further supported by the EU Technical Cooperation Facility that will strengthen monitoring, evaluation and public finance management systems.

Diversification of production, of incomes, drought and flood resistant seeds, land protection investments and others, all measures included in the ADS, will contribute to increased resilience of farmers to the effects of Climate Change and disasters. A specific Climate Change adaptation plan is currently under preparation for ADS. Opportunities to develop climate-smart agricultural practices, also contributing to reducing Greenhouse Gas (GHG) emissions (current or future) from agriculture and land use change will be explored, in line with the ADS.

Since farming is becoming increasingly an activity led by women in Nepal, specific attention to their needs is paid by the ADS, including through a dedicated Gender and Social Inclusion (GESI) strategy for the ADS. The strategy foresees, in addition to administrative measures such as GESI focal points concrete objectives and milestones, like increased land ownership of women, light mechanization suitable to women and improving the gender balance in agriculture extension staff.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective is to contribute to poverty reduction, to food and nutrition security, to climate resilience, to improve the competitiveness of the sector and to generate higher and more equitable incomes in rural areas of Nepal.

The specific objectives are:

- 1-Improved Governance in the sector, in particular with regard to coordination, planning, GESI and Food Security;
- 2-Higher sustainable productivity;
- 3-Increased and profitable commercialisation of agricultural products;
- 4-Increased competitiveness.

Expected Results:

Results related to Governance

- 1.1 Increased national budget for ADS and improved execution rate on capital spending;
- 1.2 Increased human and financial capacity of implementing agencies to plan, coordinate, implement and monitor progress of the ADS strategy;
- 1.3 GESI related mechanisms reinforced in the sector;
- 1.4 Nutrition capacities in the sector strengthened at all levels

Results related to Productivity

- 2.1 Research and extension systems become more accessible to farmers and strengthen resilience, including to climate change impacts, market orientation and diversification of production;
- 2.2 Improved land management;
- 2.3 Increased coverage of irrigation, considering the potential implications of climate change;
- 2.4 Climate change adaptation as well as Disaster Risk Reduction measures adopted and implemented;

Results related to commercialisation

- 3.1 Selected value chains developed and strengthened sub-sector wide, in particular dairy, lentils, maize, tea and vegetables;

Results related to Competitiveness

- 4.1 Enhanced competitiveness of the agriculture sector through innovation, quality enhancement, market infrastructure and export promotion.

The indicators related to variable tranche disbursements will support some of these expected results of ADS (see 5.3.2).

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal: SDG 1 "no poverty", but also promotes progress towards Goals: SDG 2 "zero hunger", SDG 5 "Gender Equality", 8 "inclusive growth/jobs", SDG 10 "reduced inequalities", SDG 13 "climate action" and 15 "Life on land". This does not imply a commitment by Nepal benefiting from this programme.

4.2 Main activities

4.2.1 Budget support

- Financial support
- Policy dialogue
- Monitoring of implementation of agreed targets

4.2.2 Complementary support

In addition to the budget support, a Technical Cooperation (TC) facility will be established, with a mix of long term TA, short term expertise on demand and resources for training, workshops, surveys and other capacity building measures. The facility will closely work with

the ADS Implementation Support Unit within the Ministry of Agriculture Development (ADSISU). The main tasks of the TC facility could include:

- a) support the roll-out of ADS. In particular this includes the reinforcement of ADSISU, and support to the reforms and implementation mechanisms foreseen in ADS. This would include also support to coordination with other ministries and stakeholders, and facilitating policy dialogue;
- b) support capacity development in the ministries or other implementation agencies involved in ADS implementation and to NPC for its coordinating role;
- c) reinforce the monitoring and evaluation framework for ADS in the Ministry of Agriculture Development;
- d) strengthening of PFM in the sector, including at Province (when established) and local levels, also aiming at reinforcing audit recommendations follow up in the sector;
- e) offer a flexible research and short term expertise facility to support ADS, in particular with regards to emerging needs related to the federalisation;
- f) support in thematic areas like GESI mechanisms, extension services, greater nutrition sensitivity, resilience, DRR.

4.3 Intervention logic

ADS is a coherent and comprehensive plan for sustainable and inclusive growth in the sector. It is likely to have an impact on poverty, food security and nutrition given the high potential for productivity gains in a sector dominated by smallholders, and to curb the increasing food imports from India. This plan is likely to succeed if three main challenges are addressed:

- Sufficient resources and more efficient spending
- Improved coordination, monitoring and results oriented planning.
- Improved implementation capacity

The EU intervention will support ADS as a whole, while also addressing specifically these challenges through financial support, policy dialogue and technical cooperation.

The implementation of ADS requires a budget of more or less EUR 436 million per year, while presently the national budget can contribute EUR 372 million, leaving a gap of approximately 64 million for which donor support is necessary. Furthermore a large number of donor funded projects are expected to end by 2018, leaving a higher funding gap in 2019-2020. The budget support of the EU will contribute to fill this gap.

Capacity to implement effectively and in particular capital spending has been a limiting factor that should be mitigated by policy dialogue at national level on PFM, support to PFM reforms, specific milestones under this programme as well as the complementary support provided.

Coordination between different Ministries is a challenge as well as sustained policy commitment. The policy dialogue, as well as joint monitoring with DPs will strengthen the leadership of MOAD, the coordinating role of NPC, and the results orientation and consistency of policy implementation. The special conditions for disbursement related to the variable tranches will be an additional incentive to achieve targets as planned.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 48 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation of the budget support component

5.3.1. Rationale for the amounts allocated to budget support

The amount allocated for budget support is EUR 36 000 000, and for complementary support is EUR 3 750 000. The amount allocated for budget support represents 2.7% of the budget of the sector. This amount is considered adequate as a first budget support to this sector, given the possible risks related to absorption capacity and the recurrent underspending of budget in Nepal, in particular with regard to capital expenditure.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Agriculture Development Strategy and continued credibility and relevance thereof. In particular, by the time of the first disbursement, there should be a detailed 3 to 5 years implementation plan with annual costed plans, as well as a monitoring framework with yearly targets and a joint review mechanism for ADS;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the PFM reform plan of the Government of Nepal for the fiscal years 2016/17 to 2025/26, with specific progress in addressing the issue of capital underspending;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement that may be used for variable tranches are the following:

Indicators will be selected from the following indicative list of indicators that have been discussed with the involved stakeholders. The list will be further refined and targets defined in the financing agreement:

- Reforms in the areas of Land Management, Agribusiness or Mechanisation
- Creating the institutional and legal framework for the establishment of "Community Agriculture Extension Service Centres" (CAESCs)
- Commercialisation of high value product from livestock
- Increased coverage of irrigation, taking into account potential implications of climate change
- Markets infrastructure development
- Seeds replacement rate
- Increase in the percentage of farm land owned by women individually or jointly
- Increase in the number of women farmer groups
- Validation and implementation of Climate Change/Disaster Risk Reduction plans
- Impact on poverty and food security / malnutrition: Decrease in stunting rate.
- Relative increase in share of budget devoted to ADS, as % of the domestically financed national budget, with higher capital spending execution rate.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Ministry of Finance may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3. Budget support details

The budget support will be provided in the form of a mix of fixed and variable tranches, with the following indicative amounts and time-table:

Indicative timing ->	Q1 2019	Q1 2020	Q1 2021
Fixed tranche disbursement EUR	7 000 000	6 000 000	5 000 000
Variable tranche disbursement EUR	3 000 000	6 000 000	9 000 000
Total EUR	10 000 000	12 000 000	14 000 000

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Nepali Rupees will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

5.4 Implementation modalities for complementary support of budget support

5.4.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
TA facility	Services	1	Q3 2018

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 - on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realization of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in Euro
5.3 Budget support component – Sector Reform Contract		
5.3.1 – Budget support	36 000 000	
5.4 – Complementary support component		
5.4.1. Procurement (direct management)	3 750 000	
5.9 – Evaluation	150 000	
5.11 – Communication and visibility	100 000	
Contingencies	N/A	
Total	40 000 000	

5.7 Organisational set-up and responsibilities

The indicative steering arrangements for this programme will use to the extent possible the existing institutional arrangements foreseen by ADS, with a high level policy dialogue platform, and a joint review of ADS implementation, and its support mechanisms and programmes. The detailed arrangements will be inspired by the steering arrangements of the Multi Sector Nutrition Programme and the School Sector Development Programme.

The National ADS Coordination Committee (NADSCC) is the highest level institution, is chaired by the Vice-Chair of the National Planning Commission and includes the Minister of the Ministry of Agriculture Development. Presently three development partners are invited to this Committee and the EU will be invited also once this financing agreement enters into force. This body should meet at least annually to review programme progress and provide co-ordination direction.

At the technical level, a working level policy dialogue and joint monitoring forum will be established, likely by formalising the present Agriculture and Rural Development Technical Group chaired by the Secretary of the Ministry of Agriculture Development. This group will meet at least twice a year to oversee implementation. It will address all challenges identified in point 1.1.3 and linkages with other rural development programmes.

An ADS Implementation Support Unit is established within this ministry, with a mandate to coordinate overall ADS implementation, including other ministries. The EU technical assistance to ADS will be based in this unit.

The EU will sign a financing agreement with the Ministry of Finance, who will be responsible for formally requesting the annual disbursements and providing adequate reporting demonstrating the fulfilment of the agreed disbursement conditions.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components through a joint mission.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision) taking into account in particular the fact that it is a first budget support programme in this sector.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for review and evaluation services shall be concluded under a framework contract in Q4 2018. The contract will include provision for a yearly review of the fulfilment of disbursement conditions.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively, one contract for communication and visibility will be concluded in Q4 2018.

APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)⁶

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

All the indicators at outcome and impact level are drawn from the Agriculture Development Strategy targets, and are not necessarily used as budget support disbursement indicators.

⁶ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

	Results chain	Indicators	Baselines (2015)	Targets (2020)	Sources and means of verification
Overall objectives: Impact	<ul style="list-style-type: none"> - Increased Food and Nutrition Security - Poverty reduced - Increased Competitiveness - Higher and more equitable incomes 	<p>Stunting*</p> <p>Poverty in rural areas*</p>	<p>37.4%</p> <p>24.3%</p>	<p>29%</p> <p>19%</p>	<p>Multiple indicator cluster survey (MICS)</p> <p>National Bureau of Statistics (NBS)</p>
Specific objective(s): Outcome(s)	<p>1-Improved Governance in the sector in particular with regard to coordination, planning, GESI, and Food Security</p> <p>2- Higher Productivity</p> <p>3- Increased and profitable commercialisation of agricultural products</p> <p>4- Increased competitiveness</p>	<p>Average annual growth of Agricultural GDP*</p> <p>Agribusiness as part of GDP</p> <p>Agri-food exports</p>	<p>2.23%</p> <p>Tbd (to be defined)</p> <p>Tbd</p>	<p>4%</p> <p>Tbd</p> <p>Tbd</p>	<p>NBS / Ministry of Finance</p>
Induced outputs	<p>2.1 Research and extension systems become more accessible to farmers and strengthen resilience, market orientation and diversification.</p> <p>2.2 improved land management</p> <p>4.1 competitiveness in the sector enhanced through innovation, quality control, market infrastructure and export promotion.</p>	<p>% of farmers (women and men) reached by agriculture programmes (= households reached by rural advisory services**)</p> <p>% of farm land owned by women individually or jointly*</p> <p>Increase in total number of rural market infrastructures</p>	<p>18.2%</p> <p>16%</p> <p>1624</p>	<p>22%</p> <p>20%</p> <p>tbd</p>	<p>MoAD statistics</p> <p>Ministry of Land Resource Management</p> <p>MoAD statistics</p>

Direct outputs	1.1 Increased budgets for ADS and improved execution rate on capital spending	% of national budget going to Ministry of Agriculture Development (MOAD) /Livestock Development (MOLD) execution rate on capital spending increased.	3.8%	4.2%	Budget speech
			tbd	tbd	Budget execution reports
	1.2 Increased capacity of implementing agencies to plan, execute and monitor progress,	Yearly costed plans available for 3 to 5 years plan. Joint monitoring with yearly targets.	In preparation	In place	ADS reporting
	1.3 GESI mechanisms reinforced	GESI action Plan adopted and implemented	Draft plan	Plan adopted / implemented	ADS reporting
	1.4 Nutrition capacities in the sector strengthened at all levels	Assessment of Capacity development for Nutrition undertaken and Road Map for addressing gaps identified.		Assessment and roadmap completed	MSNP reporting
	2.3 Increased coverage of irrigation	Percentage of land irrigated year-round*	25.2%	35%	NBS
	2.4 Climate Change adaptation as well as DRR measures adopted and implemented	Sector Plan / measures adopted and implemented	In preparation	Plan adopted / implemented	ADS reporting
	3.1 Selected value chains strengthened sub-sector –wide, in particular dairy, lentils, maize, tea and vegetables.	Increase in total value of processed dairy products	20.4 billion NPR	tbd	MoLD statistics