

Social Monitoring Report

PUBLIC

#3 Semiannual Report (January 2024 to June 2024)
August 2024

Nepal: Nuts and Fruits in Hilly Areas Project

Prepared by Ministry of Agriculture and Livestock Development for Ministry of Finance and Asian Development Bank (ADB).

CURRENCY EQUIVALENTS

(Base rate adopted during project agreement)

Currency unit	–	Nepalese Rupees (NRs)
NRs1.00	=	\$ 0.0084
\$1.00	=	NRs119 (base rate)

ABBREVIATION

ADB	–	Asian Development Bank
CGF	–	Credit Guarantee Fund
CGFMC	–	Credit Guarantee Fund Management Committee
CGMC	–	Competitive Grant Management Committee
CPMU	–	Central Project Management Unit
DCGF	–	Deposit and Credit Guarantee Fund
DG	–	Director General
DMF	–	Design and Monitoring Framework
DoA	–	Department of Agriculture
DoAD	–	Directorate of Agriculture Development
EMP	–	Environmental Management Plan
EMR	–	Environmental Monitoring Report
Eoi	–	Expression of Interest
FGCF	–	Farmers Groups and Cooperatives Facilitation
GAFSP	–	Global Agriculture and Food Security Program
GESI	–	Gender Equality and Social Inclusion
GESI-AP	–	Gender and Social Inclusion Action Plan
ha	–	hectare

IA	–	Implementing Agency
IP	–	Indigenous People
IPP	–	Indigenous People's Plan
IPPF	–	Indigenous People's Plan Framework
IRM	–	Implementation Review Mission
LLCC	–	Local Level Coordination Committee
MOALD	–	Ministry of Agriculture and Livestock Development
MoALD	–	Ministry of Agriculture and Livestock Development
MoF	–	Ministry of Finance
MoLMAC	–	Ministry of Land Management, Agriculture and Cooperatives
MoU	–	Memorandum of Understandings
NAFHA	–	Nuts and Fruit in Hilly Areas Project
NARC	–	Nepal Agricultural Research Council
NCFD	–	National Center for Fruit Development
NCPVSCD	–	National Center for Potato, Vegetables and Spice Crops Development
NITC	–	National Information Technology Center
PFI	–	Partner Financial Institutions
PISC	–	Project Implementation Support Consultants
PIUs	–	Project Implementation Units
PoP	–	Package of Practices
PPSC	–	Provincial Project Steering Committee
PSC	–	Project Steering Committee
SMC	–	Subsidy Management Committee
SMEs	–	Small and Micro Enterprises
SMR	–	Social Monitoring Report
SPS	–	ADB Safeguard Policy Statement (2009)

TA	–	Technical Assistance
TASF	–	Technical Assistance Special Fund
ToR	–	Terms of References

{WEIGHTS AND MEASURES}

ha (Hectare) – 1 hectare is equivalent to 10000 m² area

NOTES

- (i) The fiscal year (FY) of the Government of Nepal and its agencies ends on 15 July. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY 2023 ends on 15 July 2023.
- (ii) In this report, "\$" refers to US dollars.

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CONTENTS

1. Introduction	1
1.1. Project Description.....	1
1.2. Basic Data	1
1.3. Project output.....	2
1.4. Project Components	2
1.4.1 Upgrading of Horticulture Centers (under Output 1).....	2
1.4.3 Enhancing Access to Rural Finance (under Output 2)	3
1.4.5 Assessing and Verifying Carbon Sequestration (under Output 2).....	4
1.4.6 Developing Drip Irrigation Systems (under Output 2).....	4
1.4.7 Matching Grant Component (under Output 3).....	4
1.5. Physical Progress of Project Activities.....	5
2. Objectives and scope of monitoring report	9
2.1. Objectives of monitoring report.....	9
2.2. Scope and Monitoring Requirements	9
2.3. Scope of Monitoring.....	9
3. Consultation, Participation and Disclosure	10
4. Changes in project scope and adjusted safeguard measures	10
5. Monitoring parameters/indicators and methods.....	10
6. Compliance with Covenants	11
7. Institutional arrangement	15
8. Grievance redress mechanism (GRM)	16
9. Key Issues and recommended actions	16
10. Focus of Next reporting period.....	16

1. INTRODUCTION

1.1. Project Description

The government of Nepal is implementing the Nuts and Fruits in Hilly Areas (NAFHA) Project with assistance of a US\$60 million loan and US\$10 million grant from the Asian Development Bank (ADB) and US\$9 million grant from the Global Agriculture and Food Security Program (GAFSP). The project will increase agricultural income of approximately 40,000 beneficiary farm households in 100 municipalities in hilly areas of five provinces – Koshi, Bagmati, Gandaki, Karnali and Sudurpashchim. The project will increase the agricultural income of beneficiary farmers in 100 municipalities in hilly areas of five out of seven province i.e, Koshi, Bagmati, Gandaki, Karnali, and Sudurpashchim. This will be mainly achieved by developing about 10,000 ha of climate-resilient fruit and nut orchards providing value addition to the nuts and fruits produced by about 30,000 farmer households. The project will also improve the institutional capacity for managing the nursery and horticulture sector. The project will assist about 10,000 smallholder households, which are not capable of investing in commercial fruit and nut orchard development in the project provinces, to improve their vegetable and other nutritious crop production and related marketing.

1.2. Basic Data

The Basic Data of the project is as described in Table 1.

Table 1: The Basic Data of the Project

S.N.	Particulars	Descriptions
1	Project Details	
	Loan Number	4211-NEP(COL),
	Grant Number(s)	0845-NEP (SF), 0846-NEP (EF)
	Project Title:	Nuts and Fruits in Hilly Area Project (NAFHA)
	Borrower:	Government of Nepal
	Executing Agency:	Ministry of Agriculture and Livestock Development Singhadurbar, Kathmandu.
	Implementing Agencies:	i) National Center for Fruit Development, MOALD;
		ii) Nepal Agricultural Research Council (NARC);
		iii) Directorate of Agriculture Development, Ministry of Agriculture, Province 1;
iv) Directorate of Agriculture Development, Ministry of Agriculture and Livestock Development, Bagmati;		
v) Directorate of Agriculture, Development, Ministry of Land Management, Agriculture, Cooperatives and Poverty Alleviation, Gandaki;		
vi) Directorate of Agriculture Development, Ministry of Land Management, Agriculture and Cooperatives, Karnali; and		
vii) Directorate of Agriculture Development, Ministry of Land Management, Agriculture and Cooperatives, Sudurpashchim		
2	Approval Date:	12-Sep-22
	Signing Date:	2-Nov-22

S.N.	Particulars	Descriptions
	Effective Date:	2-Dec-2022
	Project closing Date	29th August 2029
	Loan and Grant Closing Dates:	28 February 2030
3	Total Project Cost:	\$93.45 million
		ADB Loan: \$60.0 million
		ADB Grant: \$10.0 million
		GAFSP Grant (ADB administered): \$ 9.0 million
		Government of Nepal: \$14.45.0 million

The project is aligned with the following impacts: (i) livelihoods of rural households improved; and (ii) resilience of farmers to climate change improved. The project will have the following outcome: beneficiary farmers' agricultural income from climate resilient horticulture farming increased. This will be achieved through improved nursery management, enhanced production and productivity in orchards, enhanced value addition and commercialization of fruits and nuts. The project will also support smallholders in the same project areas, who would not have been able to invest in commercial fruit and nut farming, to generate income through vegetable and other crop farming.

1.3. Project output

The project will have the following outputs: Output 1: Institutional capacity for nursery and horticulture sector management improved; Output 2: Production and productivity of project farmers increased; Output 3. Value addition to hilly area horticulture produce enhanced.

1.4. Project Components

1.4.1 Upgrading of Horticulture Centers (under Output 1)

The NAFHA project aims to upgrade 12 public horticulture stations/centers under NARC, Provincial governments, and National Center for Fruit Development (NCFD) as shown in Table 2. The main objective is to ensure verified quality planting materials are provided to project farmers. The project is expected to contribute to long-term capacity building of these horticulture stations/centers that can serve broader areas beyond the project's targeted crops.

Table 2: Province wise public horticulture station/center to be supported by the project

Province	Public horticulture station/center to be supported by the project
Koshi	MoLMAC, Phaplu Solukhumbu NARC, Paripatle Dhankuta
Bagmati	MoLMAC, Trishuli Bagmati NCFD Kirtipur
Gandaki	NCFD Marpha Mustang NARC Directorate of agri research NARC Malepatan Pokhara MOLMAC Pokhara NCFD Palpa station
Karnali	NARC research station Rajikot Jumla NARC Dailekh Orange
Sudurpashchim	MoLMAC Baitadi

1.4.2 Private Nursery Participation in Nursery Quality Initiative (Under Output 1)

NAFHA Project will support private nurseries in project provinces that are willing to participate in a volunteer private nursery quality control scheme. The competitively selected private nurseries will be eligible for the project, through matching grant, for investments that upgrade the quality and quantity of seedling production. The project could finance, *inter alia*, the purchase of mother plants and disease-free rootstock, the installation of insect proof shade houses, drip irrigation systems, the expansion and upgrading of seedling growth areas, etc. The scheme will be operational twice during the project implementation. The first batch will be 15 nurseries in 2024 and 25 nurseries will be supported in 2025. A total of 40 nurseries will be supported at the maximum value of \$25,000 for nursery facility expansion, enhancement and quality control system installation as a matching grant. The project's financing of up to 50% of the investment cost would not exceed \$25,000 per nursery.

1.4.3 Enhancing Access to Rural Finance (under Output 2)

The project will establish a credit guarantee fund (CGF) for smallholder horticulture farmers who face challenges in accessing formal rural finance. The project will make time deposits of \$6 million to up to three partner financial institutions, to be released in line with the CGF agreement to be signed between partner financial institutions and the project and on the approval of the CGF management committee. This scheme aims to unlock about \$70 million of investment from beneficiaries by guaranteeing a portion of the credit risk of the project beneficiaries on a first loss basis.

1.4.4 Establishing Improved Orchards (under Output 2)

NAFHA project will establish approximately 10,000 ha of new orchards and enhance productivity; providing value addition to the nuts and fruits produced by about 30,000 farmer households. The project will also assist about 10,000 smallholder households, which are not capable of investing in commercial fruit and nut orchard establishment, to improve their vegetable and other nutritious crop production and related marketing. Table 3 describes the province wise total estimated project supported orchard in detail. Figure 1 shows the target local level of orchard establishment and vegetables and other crop production supports.

Table 3: Province wise estimated project-supported orchards

Province	Estimated project-supported orchards
Koshi	Apple 50ha, Orange 900 ha, Lime 500 ha, Avocado 300ha, Kiwi 400ha, Walnut 50ha
Bagmati	Orange 300ha, Lime 300ha, Avocado 150ha, Macadamia 300ha, Walnut 100ha
Gandaki	Apple 150ha, Orange 800ha, Lime 750ha, Avocado 150ha, Kiwi 150ha, Walnut 250ha, Macadamia 250ha
Karnali	Apple 1450 ha, Orange 350ha, Walnut 600ha, Pecan 100ha, Almond 100ha
Sudurpashchim	Apple 400ha, Orange 250ha, Lime 100ha, Walnut 600ha, Pecan 100ha, Almond 100ha

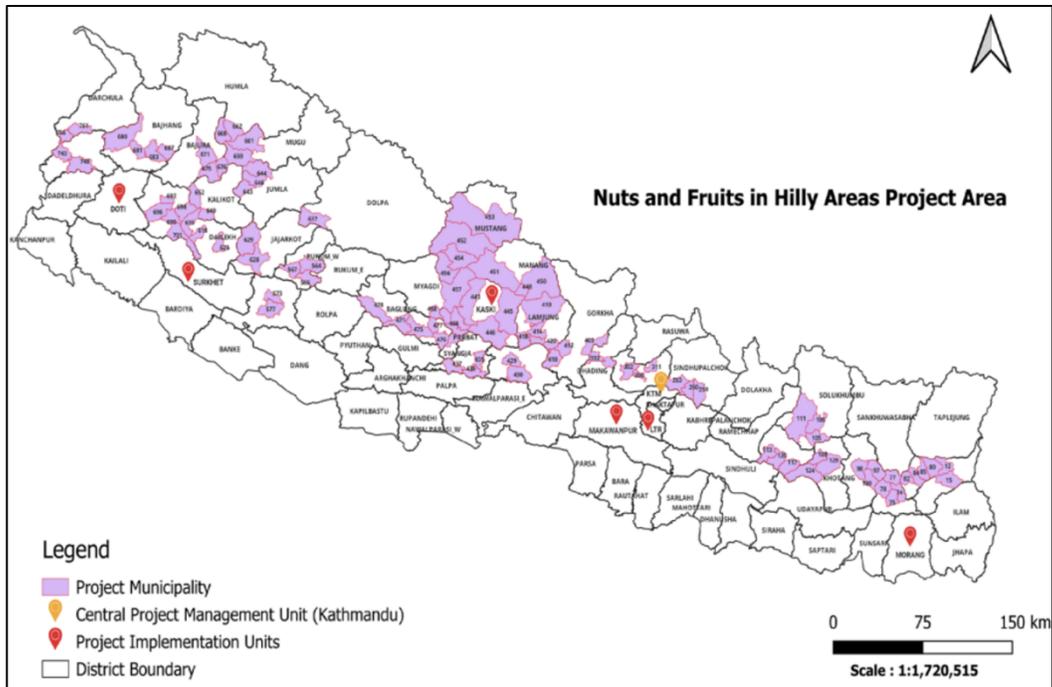


Figure 1: Map showing the targeted local level of orchards establishment.

1.4.5 Assessing and Verifying Carbon Sequestration (under Output 2)

The project will also explore the potential of carbon credit gain from horticulture farming in abandoned agricultural land as an additional income source. The project will conduct a study on the feasibility of accessing carbon finance from the voluntary market and the benefit-sharing mechanism and identify carbon financing from verified carbon sequestration benefits from orchards. Once the government endorses the benefit-sharing mechanism, the project will address policy gaps in voluntary carbon market access, monitor and report the verified carbon units, and develop payment indicators.

1.4.6 Developing Drip Irrigation Systems (under Output 2)

To support crop establishment and to sustain production, the project will support the development of drip irrigation systems on target orchards. The rationale for drip irrigation is based on efficiency of water use, suitability for the topography, accuracy of application and ease of operation. Pilot plots will be established in the initial project year for the purposes of demonstrating the installation and operation and maintenance of the drip systems. These plots will serve as sites for capacity building of farmers prior to the roll out of the orchard development.

1.4.7 Matching Grant Component (under Output 3)

The project will establish four competitive matching grant programs: (i) private nursery upgrading; (ii) improved cooperative value addition grant; (iii) public-private infrastructure grant; and (iv) strengthened local level infrastructure grant.

Private nursery upgrading: There will be up to 40 selected private nurseries eligible for matching grants for investments to upgrade the quality and quantity of seedling production. The matching grant will finance, *inter alia*, the purchase of mother plants and disease-free rootstock, the

installation of insect proof shade houses, drip irrigation systems, the expansion and upgrading of seedling growth areas, etc. Matching grant financing of up to 50% of the investment cost would not exceed \$50,000 per nursery.

Improved cooperative value addition: Cooperatives who will participate in the project-implemented cooperative development and capacity building program and have the interest to invest in nut and fruit marketing/value addition (e.g., harvesting handling equipment, primary washing, sorting, grading machinery, packaging equipment, short-term storage, marketing) could be eligible to compete for financing, which will finance up to 50% of approved investment cost.

Public-private infrastructure: Agribusinesses and service providers interested in collaborating with cooperatives in nut and fruit value addition and market development will be eligible to compete for financing for the matching grant. Investments can include "hardware" such as infrastructure and equipment as well as "software" such as traceability and certification systems, internet-based marketing, organic production, and other services.

Strengthened local level infrastructure: The project will support local-level applications for grants for market-linked infrastructure investments that provide public good benefits essential to targeted nut and fruit value chain engagement and/or climate change adaptation at the local level. Public good infrastructure investment sub-projects would be identified and prioritized through: (i) municipality infrastructure plans; (ii) municipal-based cooperative and farmer group development needs; and (iii) local and regional agribusiness development requirements. Investments could include, *inter alia*, public utility connection for project supported investments, commodity storage, market/collection centers, farmer group orchard fencing or collective irrigation water access investments.

1.5. Physical Progress of Project Activities

For the execution of upgradation of horticulture centers, discussion with concerned horticulture centers/stations for the requirements was completed. During this reporting period, these activities are holds to implement till preparation of standard specification of high-tech structure as per the understanding with ADB to provide technical supports from ADB to design and cost estimates of the high-tech structures. Later on during IRM (held on 31 October to 22 November 2023), it was agreed to prepare design and cost estimates by concerned PIUs & CPMU and if necessary ADB will review the design and cost estimates. Besides that, during IRM it was also agreed to reschedule the time of implementation and breaking of packages due the activities of civil work and nursery structure are in the same package in procurement plan. Revised procurement plan was received on 27 June 2024. For CW01-AA package, CPMU requested ADB's no objection to issuance of the bid documents for civil works on horticulture center upgrade under NCFD Marpha on 6 June, 2024 and NoL received on 11 July, 2024. For this package, advertisement will be published on September of Q3 2024. For other package, CPMU & concurring PIUs are preparing the design and cost estimates and planning to publish the advertisement Q3 2024 with prior approval from ADB as specified in procurement paln. The land required for horticulture center/station rehabilitation and upgrade of existing service facilities will be confined within existing boundary of government premises. No additional land acquisition will be required for these activities.

For enhancing the access of project beneficiaries (Farmers, farmers group, cooperatives, firm/company) to rural finance, the project has Credit Guarantee Fund (Scheme 1). For the implementation of the credit guarantee fund (Scheme 1), ADB consultant is preparing the draft of the operational guidelines for implementation. For the implementation of the credit guarantee

fund (Scheme 1), as agreed during IRM (held on 31st October to 10th November 2023) as discussed with MoF, ADB consultant is working on operational modality and draft MoU as per the project requirement to implement in coordination with Deposit Credit Guarantee Fund (DCGF). During the reporting period, discussion meeting was held at MoF on CGF product paper prepared by the ADB consultant and based on that discussion ADB consultant and CPMU is working on the draft guideline. After finalization of the draft, meeting will be arranged to discuss with DCGF on the project requirement, operational modality and draft MoU. Later on, it will be discussed in upcoming review mission to materialize the implementation.

For the establishment of fruits orchards and production of vegetables and other crops, Scheme 2 operational guidelines has been approved by MoALD on 21 April 2024 with concurrence from MoF. After approval of the operational guidelines of Scheme 2, EoI called for 6 project local level of Batch I to establish orchard and collected 128 application from framers group, co-operatives and agri-entrepreneurs for 207.17 hectare. Evaluation of application received were completed by Local Level Coordination Committee (LLCC) and Provincial Subsidy Management Committee (SMC). Out of which 61 application were selected for agreement contract and orchard establishment will be completed on Q3 2024. The details of Batch 1 local level (Table 4) and the targeted area for summer plantation of citrus fruits was as scheduled in Table 5. The details of application received is as state in Table 6 and Table 7. This Scheme 2 will also support the development of drip irrigation systems on targeted orchards. Besides that, During the reporting period project has received concurrence on the Scheme 6 Operational Guidelines (Private Nursery Upgrading Guideline, 2024) from MoF will approved from MoALD by August 2024. Once the guideline approved, CPMU will call the application for the 15 nurseries in 2024 as first batch and 25 nurseries will be supported onward 2025 as second batch. Orchard establishment (Scheme 2), value-addition public or private infrastructure development (Scheme 3, 4, 5) will be done on private (farmer’s own) or government land with no acquisition nor physical or economic displacement. The specific site of orchard development and value addition infrastructure is yet to be finalized which will be confirmed only after approval of matching grant proposals on a competitive basis. The proposal will be approved only if the beneficiary/participating farmers shows evidence that the proposed land is either owned or cultivated by themselves or has lease or user right agreement and not claimed by others. The project is working on the draft of the operational guidelines for the execution of Scheme 3, 4, and 5 to execute onward Q3 2025.

Table 4. Batch-wise project local level for fruit orchard establishment

Province	Districts	Municipalities	Batch 1	Batch 2	Batch 3	Total
Province-1	7	22	1	12	9	22
Bagmati	3	8	1	7	0	8
Gandaki	10	34	2	13	19	34
Karnali	9	20	1	9	10	20
Sudurpaschim	5	16	1	7	8	16
	34	100	6	48	46	100

Table 5. Batch-1 summer plantation (June-September 2024) schedule for citrus fruit orchard establishment (area in ha)

Targeted Crop	Batch-1 Area for Citrus	1 st call (June/July 2024)	No of saplings	2 nd call (June/July 2025)	No of saplings	3 rd call (June/July 2026)	No of saplings
Lime	70	30	18750	20	12500	20	12500
Orange	160	70	28000	50	20000	40	16000

Table 6: Batch-1 application received and area demanded for citrus fruit orchard establishment

Local Levels	Target Area (ha)			No. of Application Received	Area Demanded (ha)		
	Acid Lime	Orange	Total		Acid Lime	Orange	Total
Dhankuta	25	40	65	7	4	4	8
Gajuri	30	30	60	27	28	2	30
Jaljala	15	60	75		7	38	45
Pokhara	50	30	80	46	27	13	40
Narayan	10	100	110	30	49.25	12.5	61.75
Dashrathchand		20	20	18		22.4	22.4
Total	130	280	410		115.25	91.9	207.15

Table 7: Details of Batch-1 applicants and selected beneficiaries.

Project Local Level	Applications		Selected		Out of Selected Applicants			
	Received	Selected	Crop	Area (Ha)	Women	Male	Janajati	Dalit
Dhankuta	7	4	Mandarin	2	2	2	3	0
			Acid Lime	2				
Gajuri	27	15	Acid Lime	18.66	5	10	11	0
Pokhara and Jaljala	46	28	Mandarin	24.45	10	18	5	1
			Acid Lime	15.35				
Narayan	30	10	Mandarin	5	2	8	2	0
			Acid Lime	16				
Dashrathchand	18	4	Mandarin	5	1	3	0	0
Total	128	61		88.46	20	41	21	1

Pilot demonstration for drip irrigation will be implemented in Q3-Q4 of 2024 and Q1-Q2 of 2025. Pilot demonstration plot will be established in Lead Farmers orchard after selection of Lead farmer, once the guideline for Lead Farmers Mobilization will approved. Besides that, drip irrigation infrastructure will be installed in fruit orchard too under Scheme 2. Batch I call for 6 project local level to establish orchard was published and collected 128 application from framers group, cooperatives and agri-entrepreneurs for 207.17 hectare. Evaluation of application received were completed by Local Level Coordination Committee (LLCC) and Provincial Subsidy Management Committee (SMC). Out of which 61 application were selected for agreement contract and orchard establishment will be completed on Q3 2024.. Due consideration will be given to ensure social safeguard during and implementation.

Till the reporting period, the system of assessing and verifying carbon sequestration benefits from orchards is not yet established. It will be started after the fruit orchard establishment during implementation of Scheme 2 but preparatory work will start after Q2 2025.

For the establishment of crop and land database management system Pathway has developed and tested the app at Tadi of Nuwakot, and Solu Dudhkunda of Solukhumbu, Sinja of Jumla and Dasharathchand of Baitadi districts. During IRM discussion with Pathway's developed app was done and received feedbacks for the improvement on the system. As per the letter issued by CPMU, NITC has allocated 1024 GB cloud space for project (letter received on 7 May 2024) and the space will be increased as per the VM usages.

Under the activities Nursery standards, regulations and inspection system establishment CPMU has prepared the draft of Technical Guidance on Production and Management of fruit plants for project nurseries and other nurseries (voluntary basis), which was submitted to MoALD for approval and will be approved by August 2024.

Research on phenological characterization of Fuji, Gala and Red Delicious varieties of Apple used in high density planting in Jumla; characterization of elite varieties of Walnut (Hartley, Ashley and Payne); Characterization of Macadamia nut plants and molecular characters ongoing under NARC PIU. NARC submitted phenological characterization documents for selective crops to CPMU on 29 February 2024.

Capacity building training cum exposure visit program was conducted in Himanchal Pradesh and Delhi of India from 9 July to 17 July 2024 for 21 staffs from CPMU, PIUs, NCFD, NCFD farms, DoA, MoALD, project provincial ministries and project provincial farms. Out of 21 staffs 2 were women. Similarly, Capacity building through exposure visit program was held in Thailand from 13 July to 19 July 2024 for 28 staffs from CPMU, PIUs, NCFD, DoA, MoALD, project provincial ministries and project provincial farms. Out of 28 staffs 6 were women.

EoI called on March 14, 2024. for PoP development of project fruit crops through individual national individual consultants and evaluation of EoI completed and will sent for ADB review very shortly. After development of PoP, MToT will be given to Project staffs and ToT will be give to field staffs (CS05 farmers facilitator and social mobilizer) and Lead farmers. Then only women and DAGs farmers will be trained.

Till the reporting period, technical proposal evaluation for the procurement of Project Implementation Support Consultant (PISC) completed. Submission 2 has been approved and received NoL for submission 2 from ADB on 8 July 2024. The public opening of financial proposal will scheduled shortly. It is expected that, the procurement of CS06 will be concluded by September 2024. The reason behind the delayed in procurement was due to delay in approval of EoI shortlisting process.

There are 5 procurement package (CS 05 A-E) under Farmer Groups and Cooperatives Facilitation (FGCF) consultant which has to be implemented by provincial PIUs. Implementation status till the reporting period is as follows:

CS05 A: Concurrence request on submission 1 sent to ADB on 21 June, 2024 and NOL received on 1 Feb, 2024. Concurrence request on submission 2 sent to ADB on 7 May, 2024 and NOL received on 27 May, 2024. Concurrence request on submission 3 sent to ADB on 2 July, 2024.

CS05 B: Concurrence request on submission 1 sent to ADB on 12 February, 2024 and NOL

received on 6 March, 2024. RFP issued and 6 firms submitted RFP within deadline of 7 May, 2024. Technical Proposal evaluation completed and preparing for Submission 2.

CS05 C: Concurrence request on submission 1 sent to ADB on 4 December, 2024 and NOL received on 18 December, 2024. Concurrence request on submission 2 sent to ADB on 22 March, 2024 and NOL received on 12 April, 2024. Requested concurrence on submission 3 sent to ADB on 19 May, 2024 and NOL received on 14 June, 2024. Preparation for negotiation ongoing

CS05 D: Concurrence request on submission 1 sent to ADB on 14 December, 2024 and NOL received on 22 December, 2024. Concurrence request on submission 2 sent to ADB on 10 May, 2024 and NOL received on 27 May, 2024. Financial proposal evaluation ongoing and submission 3 will be sent very shortly.

CS05 E: Concurrence request on submission 1 sent to ADB on 11 July, 2024 and NOL received on 17 July, 2024.

OBJECTIVES AND SCOPE OF MONITORING REPORT

2.1. Objectives of monitoring report

The general objective of preparing this report is to provide status related to social safeguard issues in Nuts and fruits in Hilly Areas Projects. The specific objective of the report is to analyze issues and gaps with probable solutions, if existed, in relation to Safeguard Policy under ADB Safeguard Policy Statement, 2009 and country regulatory framework and acts.

2.2. Scope and Monitoring Requirements

Project is at very initial stage of implementation and working of draft preparation for field level implementation. The Project is categorized as C for involuntary resettlement and category B for indigenous people safeguards in accordance with ADB's Safeguard Policy Statement 2009 (SPS). The project requires to submit semi-annual social monitoring report as specified in the project documents.

This report summarizes the social safeguard compliance and monitoring for the period December 2022 to June 2023. Project progress is being implemented in accordance with the objectives set forth in the project documents, without any deviations. Similarly, the proposed implementation arrangements are in place and functioning well, as desired and envisaged in the project document. This report presents project background and its components, project's progress in terms of social safeguard, and institutional arrangements.

2.3. Scope of Monitoring

Monitoring is a major part of social safeguard compliance to ensure that its goals are met. PIUs has been preparing quarterly progress reports. The CPMU consolidates their reports to develop them into a semiannual monitoring report and then it is submitted to ADB. Project Implementation Support Consultants have not hired yet due to delay in the procurement process.

The scope of monitoring is overall tracking of activities, planning, implementation, and monitoring of the project outputs to ensure compliance with IP safeguard requirements as specified in sub-project selection criteria, IPPF, and SPS IR3 requirements. This report also explains the status of grievance resolution, issues raised, and effectiveness of grievance redress mechanism. The scope of SMR is to:

- document the progress on the IPP for each of the project components;
- report safeguards activities starting from loan effectiveness until the end of the project;
- ensure that project investments comply with applicable national laws and regulations;
- ensure that project investments comply with the covenants related to the safeguard
- document any grievances from affected people and resolutions thereof;
- document any public consultations during the reporting period.

2. CONSULTATION, PARTICIPATION AND DISCLOSURE

During the reporting period, Lead Farmers Mobilization, Technical Guidance on Production and Management of Fruit plants for Project Nurseries and Other Nurseries (voluntary basis), and Scheme 6 were drafted by the project and consultation meeting were carried throughout the preparation process at various level and shared the draft documents with local levels, project provinces, DoA, MoALD and other relevant stakeholders. Till the reporting period, Altogether 6 Project related orientation and inception in 5 provinces and central level was completed in 2023 by sharing the project related information. Government organizations from three tier, private sectors (AEC, FNCCI), farmers' representatives and other relevant stakeholder were the participants of inception and orientation workshop. Besides that project awareness and orientation at 16 project local levels were completed during the reporting period. Out of total 2631 participants 20.22% were female 42.56% were DAGs. Project information was disclosed on NCFD website under "NAFHA Project" subheading. Project information was also disseminated through brochures, leaflets, and a diary. After establishment of project website and MIS all the information will be disclosed on project website and thorough other applicable medium to the affected community.

3. CHANGES IN PROJECT SCOPE AND ADJUSTED SAFEGUARD MEASURES

The project scopes are changed in single activity (i.e. CW01 A package which includes NCFD office expansion and upgradation of horticulture center, Marpha, Mustang) within this reporting period. Bid was issued for the CW01 A package and received 2 bids; both were non-compliant with procurement requirements. Based on the consultation with MoALD, NCFD and National Center for Potato, Vegetables and Spice Crops Development (NCPVSCD) project has decided to utilize eight rooms at the ground floor of NCFD office complex previously used by NCFD and NCPVSCD for CPMU office use. So, the project recommended to drop the activity of NCFD office expansion and repackage the CW01 A to include horticulture center upgrade at Marpha, Mustang only with letter of request dated on 18th June 2023 about CW01 A repackaging. The safeguard requirements will remain the same despite these changes. The original plan was to construct buildings inside the premises of these offices and revised activities will be undertaken within the same premises and existing building. Procurement Plan has been revised on 27 June 2024 (version3).. Aide memoire cleared on 12 May 2024.

4. MONITORING PARAMETERS/INDICATORS AND METHODS

Though the project has been implemented since December 2022, field level execution has started from Q2 2024 with the implementation of Scheme 2. Operational guidelines on Scheme 2, and GRM has been approved. During the reporting period, Lead Farmers Mobilization, Technical Guidance on Production and Management of Fruit plants for Project Nurseries and Other Nurseries (voluntary basis), and Scheme 6 were drafted by the project and submitted to MoALD for approval with concurrence from MoF. After approval of operational guidelines, implementation of project component will be executed at field level. Due consideration has been given in sub-project selection criteria setting and included the provision of screening checklist for potential social impact assessment of the sub project and project component. LLCC, SMC and CGMC will

be responsible for the screening of the checklist as per the provisioning in Operational Guidelines of Scheme 2 and Scheme 6. While developing evaluation criteria for sub-project selection, priority has been given to indigenous people and women. In the approved the guidelines of Scheme 2, the provision on social safeguard issues related to indigenous peoples and land acquisition will be strictly followed by the project during implementation. Indigenous Peoples Plan (IPP) will be prepared as specified in the project document if project activities are found to affect indigenous peoples.

5. COMPLIANCE WITH COVENANTS

Project has been striving to adhere and meet all the Social Covenants stipulated in the Project Documents. Table 8 summarizes the status of the compliance with loan and grant covenants of the project.

Table 8: Status of compliance with loan and grant covenants.

S.N.	Covenant	Key requirements	Status of Compliance	Remarks
1	Conditions for Award of Contract	The Borrower shall not award any Works or Non-consulting Services contract which involves impacts on indigenous peoples until the Borrower has prepared and submitted to ADB the final IPP and obtained ADB's clearance of such IPP.	Being complied	<p>No contracts have been awarded for orchard establishment yet.</p> <p>Operational Guideline of Scheme 2 has been approved by MoALD on 21 April 2024 with concurrence from MoF. After approval of the operational guidelines of Scheme 2, EoI called for 6 project local level of Batch 1 to establish orchard and collected 128 application from framers group, co-operatives and agri-entrepreneurs for 207.17 hectare. Evaluation of application received were completed by Local Level Coordination Committee (LLCC) and Provincial Subsidy Management Committee (SMC). Out of which 61 application were selected for agreement contract and orchard establishment will be completed on Q3 2024.</p> <p>Scheme 6 operational guideline has been submitted to MoALD for approval and will</p>

S.N.	Covenant	Key requirements	Status of Compliance	Remarks
				<p>approved by August 2024.</p> <p>Provisions were included in included in Schemes implementation guidelines</p>
2	Land Acquisition and Involuntary Resettlement	The Borrower shall ensure that the Project does not have any land acquisition or involuntary resettlement impacts, within the meaning of the SPS. In the event that the Project does have any such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the SPS.	Being complied	<p>Operational Guideline of Scheme 2 has been approved by MoALD on 21 April 2024 with concurrence from MoF. After approval of the operational guidelines of Scheme 2, EoI called for 6 project local level of Batch 1 to establish orchard and collected 128 application from framers group, co-operatives and agri-entrepreneurs for 207.17 hectare. Evaluation of application received were completed by Local Level Coordination Committee (LLCC) and Provincial Subsidy Management Committee (SMC). Out of which 61 application were selected for agreement contract and orchard establishment will be completed on Q3 2024.</p> <p>Scheme 6 perational guideline has been submitted to MoALD for approval and will approved by August 2024.</p> <p>Provisions were included in draft Schemes implementation guidelines.</p> <p>Land required for horticulture center/station (CW1-CW8) rehabilitation and upgrade of existing service facilities will be confined within existing</p>

S.N.	Covenant	Key requirements	Status of Compliance	Remarks
				boundary of government premises. No additional land acquisition will be required for these activities.
3	Indigenous Peoples	The Borrower shall ensure that the preparation, design, construction, implementation and operation of the Project and all Project Facilities comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the IPP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.	Being complied	Operational Guideline of Scheme 2 has been approved by MoALD on 21 April 2024 with concurrence from MoF. Draft Operational guidelines for Scheme 6 submitted for approval to MoALD and will approved by August 2024. Provisions were included in draft Schemes implementation guidelines
4	Human and Financial Resources to Implement Safeguards Requirements	The Borrower shall make available necessary budgetary and human resources to fully implement the EMP and the IPP.	Being complied	The borrower assigned project personnel and additional consultant is under procurement for impact assessment and field monitoring under CS06.
5	Safeguards — Related Provisions in Bidding Documents and Works Contracts	The Borrower shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to: (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP, and the IPP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report; (b) make available a budget for all such environmental and social measures as described in subparagraph (a) above; (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that	Being complied	Bid document for CW01-AA in under preparation. So, provisions are included in Bid document of CW01-AA. Project ensures the inclusion of provisions in others bid documents and work contracts too.

S.N.	Covenant	Key requirements	Status of Compliance	Remarks
		<p>arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP or the IPP;</p> <p>(d)adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and</p> <p>(e)reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.</p>		
6	Safeguards Monitoring and Reporting	<p>The Borrower shall do the following:</p> <p>(a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;</p> <p>(b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, or the IPP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and</p> <p>(c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the IPP promptly after becoming aware of the breach.</p>	Being complied with delay.	<p>There was a delay in submission of first social monitoring report. The approval of the first SMR took longer than expected due to the unavailability of personnel to work on the report.</p> <p>The second report has been submitted after clearance of the first report.</p> <p>There was a delay in submission of third (1st of 2024) social monitoring report.</p>
7	Grievance Redress Mechanism	Within 3 months after the Effective Date, the Borrower shall prepare a grievance redress mechanism, acceptable to ADB, and establish a grievance redress mechanism committee to	Not complied	<p>GRM guideline has been approved on 6 March 2024.</p> <p>GRC established in CPMU, PIUs and in project local level of</p>

S.N.	Covenant	Key requirements	Status of Compliance	Remarks
		<p>receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances due to resettlement (if any). The grievance redress mechanism committee shall (a) make public the existence of the grievance redress mechanism; (b) review and address grievances of stakeholders of the Project, in relation to the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (c) proactively and constructively respond to such grievances.</p>		<p>batch 1 as provisioned in approved GRM guideline.</p> <p>For remaining project will continue to establish GRC.</p> <ul style="list-style-type: none"> •

6. INSTITUTIONAL ARRANGEMENT

The MOALD is the executing agency of the project. The executing agency is responsible for overall coordination, implementation, and monitoring of the project activity including safeguard compliance. There are seven implementing agencies in the project. The CPMU has overall responsibility for social safeguards by monitoring and ensuring compliance with ADB’s SPS 2009, government requirements, and other related requirements as specified in project documents particularly safeguards monitoring reports and tender document; address safeguards issues from affected people following the grievance redress mechanisms established in the project; consolidate project’s safeguard monitoring results updated by PIUs, and provide consolidated input to the project progress and safeguard monitoring reports; and submit semi-annual social monitoring reports to ADB.

The project has applied a systematic monitoring mechanism for social safeguard. Internal monitoring has been applied through CPMU and PIUs supported by various consulting agencies (PISC and FGCF). A safeguard focal officer is designated in CPMU and Plus.

Project has to be supported by the safeguard specialist procured under the Project Implementation Support Consultant through CS06 package. Beside that Each PIU will also be supported by social safeguard specialists and social mobilizers to conduct safeguard impact screening, preparing due diligence report and/or indigenous peoples plan if needed.

Till the reporting period, technical proposal evaluation for the procurement of Project Implementation Support Consultant (PISC) completed. Submission 2 has been approved and received NoL for submission 2 from ADB on 8 July 2024. The public opening of financial proposal will scheduled shortly. It is expected that, the procurement of CS06 will be concluded by September 2024. The reason behind the delayed in procurement was due to delay in approval of EoI shortlisting process.. Due to the delay on procurement of project consultant, the project has

assigned the senior agri-economist, Santosh Raj Paudel for safeguard monitoring report preparation.

7. GRIEVANCE REDRESS MECHANISM (GRM)

Project is at very initial stage of implementation and started to implement Scheme 2 at field level from Q2 2024. Project will give due consideration to follow the provisions made in project documents. GRM guideline has been approved on 6 March 2024. GRC established in CPMU, PIUs and in project local level of batch 1 as provisioned in approved GRM guideline to support the social and environmental safeguards of the project. For remaining project local level, project will continue to establish GRC. Till the reporting period, any grievances have not been recorded in the project area. Project will ensure the representation of women and disadvantaged groups along with representative from the affected community (if applicable) in GRC. A project specific GRM has been established to receive, evaluate, and facilitate resolution of affected persons' concerns, complaints, and grievances related to social, environmental, and other concerns on the project.

8. KEY ISSUES AND RECOMMENDED ACTIONS

Following are the key issues related to safeguard monitoring and implementation as stated in Table 9.

Table 9: Key Issues Related to Safeguard Monitoring and Implementation of the Project

S.N.	Key Issues	Recommended action	Responsibility	Remarks
1	Capacity development of staffs	Orientation and training of project staffs on Social and Safeguard monitoring and reporting	CPMU	ADB will be requested to provide support
3	Assigned human resource with dual responsibility in provincial PIUs	Assign human resources in single responsibility at PIUs	Provincial Agriculture Ministry	Requested to provincial agriculture Ministry for the arrangement of human resources with single responsibility in PIUs only
4	Approval of Guidelines of Scheme 6 and Sapling standards	Guidelines will be approved from MoLD by taking concurrence from Ministry of Finance	CPMU/MOALD/MOF	Guidelines will be approved by taking concurrence from Ministry of Finance
5	Delayed in construction of high tech nursery structures in project targeted horticulture centers and research stations	Approval of cost estimates, design and advertisement	CPMU/PIUs	Cost Estimates and design of construction will approved with NoL received from ADB as required by Q3 2024.

9. FOCUS OF NEXT REPORTING PERIOD

- Grant contracting and orchrd establishment under Scheme 2

- Contracting and Mobilization of safeguard consultant under CS06 and orientation on safeguard requirement of the project