



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
FOOD AND NUTRITION SECURITY ENHANCEMENT PROJECT
APPROVED ON SEPTEMBER 25, 2018
TO
NEPAL

AGRICULTURE AND FOOD

SOUTH ASIA

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ABBREVIATIONS AND ACRONYMS

FANSEP	Food and Nutrition Security Enhancement Project
FAO	Food and Agriculture Organization
FAO-TA	Food and Agriculture Organization- Technical Assistance
GRID	Green Resilient and Inclusive Development
MnE	Monitoring and Evaluation
MTR	Mid-Term Review
NARC	Nepal Agricultural Research Council
PCU	Project Cluster Unit
PDO	Project Development Objective
PMU	Project Management Unit
WAF	Water Agriculture and Forestry
WB	World Bank
SRR	Seed Replacement Rate



BASIC DATA

Product Information

Project ID P164319	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 25-Sep-2018	Current Closing Date 30-Jun-2023

Organizations

Borrower Nepal	Responsible Agency Ministry of Agriculture and Livestock Development (MoALD)
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Form Type Full Restructuring Paper	Based on the proposed changes this Restructuring type is Level 2
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Decision Authority CD Decision

Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to enhance climate resilience, improve agricultural productivity and nutrition practices of targeted smallholder farming communities in selected areas of Nepal.



Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net	
					Commitment	Disbursed Undisbursed
TF-A8013	25-Sep-2018	14-Nov-2018	14-Nov-2018	30-Jun-2023	22.70	16.50 6.20

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Summary of Restructuring

1. This is to request an extension in the closing date for the Nepal Food and Nutrition Security Enhancement Project (FANSEP) by 12 months from June 30, 2023, to June 30, 2024, and a revision in the project results framework (RF) end targets. The Project will use a savings of USD 4.3 million during the extension period which have been accumulated as a result of forex exchange and competitive bidding for project construction activities. During the extension period, the savings will be utilized to scale up good practices and finance activities supporting sustainability of interventions. The existing contract for UN-FAO technical assistance (TA) will also be extended with an additional budget of USD 0.76 million. This extension was discussed and agreed during the mid-year portfolio review held on March 15, 2023. The proposed closing date extension will be the first extension and will be approved after revision of the Project Implementation Manual (PIM) incorporating the changes to the RF.

B. Project Objective and Status

2. The Project was approved by the Board on September 25, 2018, and was effective on November 14, 2018, with a current closing date of June 30, 2023. The objective of FANSEP is **to enhance climate resilience, improve agricultural productivity and nutrition practices of targeted smallholder farming communities in selected areas of Nepal**. This is to be achieved by the following four components: (a) climate and nutrition smart agricultural technology adaptation and dissemination, (b) income generation and diversification, (c) improving nutrition security, and (d) project management, communication and monitoring and evaluation (M&E).

C. Project Status

3. Out of 12 actions agreed to in the sixth implementation review carried out in August 2022, 11 have already been accomplished. The pending action on independent assessment of productivity and impact has been deferred to a later date due to the lack of budget available this Fiscal Year (FY) from Ministry of Finance. Achievement of Project Development Objective, the Implementation Progress, financial management, procurement and monitoring and evaluation remains Moderately Satisfactory while counterpart funding, safeguard and project management are rated Satisfactory. The Bank received the audit report for FY 21/22 on April 6, 2023 which is acceptable to the



Bank, the Project has no outstanding audit reports. Disbursement stands at 72.7 percent as of April 15, 2023 with US\$ 16.5 million disbursed out of the total envelop of US\$22.7 million. Component wise progress are briefly summarized below:

4. **Component A: Climate and Nutrition Smart Agriculture Technology Adaptation and Dissemination.** Notable progress has been reported under this component at the end of March 2023. Seed replacement rate for major cereal crops stood at 30 percent which is over 100% achievement on the EOP target. Fifteen goat multiplier herds have been established benefitting 294 goat producer groups. The project supported the strengthening of 13 artificial insemination (AI) units in target rural municipalities. Around 48 metric tons of forage seeds and 312 thousand saplings and planting materials of perennial forage and fodder trees had been distributed to farmers. 39,002 farmers are now accessing technology and services delivered by the project. Over 400 validation trials were conducted in collaboration with the Nepal Agriculture Research Council (NARC) and 25 suitable technologies (cultivars and husbandry practices) have been identified. Seventy-eight percent of the farmers have adopted at least one of the project-promoted climate smart practices (Midline survey, 2022). Eighty farmer groups have been supported to rehabilitate small-scale irrigation schemes covering an area of 196 ha. In addition to the 678 irrigation schemes under construction, subject to technical and safeguards review from the Bank eight deep tubewells in areas where surface irrigation is challenging, are under consideration. This is further complimented by provision of small-scale mechanization, irrigation schemes and equipment which include mini-tillers, threshers, corn shellers, and chaff cutters.
5. **Component B: Income generation and diversification.** This component aims to strengthen producer groups and support market linkages between the producers and buyers through formation of productive alliances (PA). Key progress made under this component include strengthening of 1,620 groups (880 crop based and 740 livestock-based groups) through training and market linkages. According to an assessment carried out by DIME (2022), the income of project supported farmers has increased from US\$1,789 to US\$2,224 per annum (24.5% over the baseline). Overall, the project has provided technical training to 2,874 farmers, with 55 percent participation by women. Stakeholder dialogue platforms have been established at each municipality (*palika*) and cluster levels to promote and facilitate buyer, producer, and other stakeholders' interactions. The Project implemented eight model farm business schools, one in each district, and 16 regular farm business schools, two in each Rural Municipality to build business development skills. To further strengthen the supply chain, the Project has financed construction/rehabilitation of nine markets and twenty-three handling and processing facilities such as collection centers, milk processing plants, market centers, and agro-processing facilities (pickle and sweet making) in this reporting period. Matching grant (MG) support so far has been provided to 394 groups against the Project target of 710 groups. This shortfall should be closed given the evidence that groups with MGs are being able to negotiate and form alliances with buyers to sell their produce.
6. **Component C: Improving nutrition security.** This component aims to address the underlying causes of malnutrition by supporting access to and the production of adequate, safe, diversified and nutrition rich food. Notable progress under this component include provision of 326 groups with small grants for nutrition, formation of 860 nutrition groups, establishment of 840 home nutrition gardens, and operationalization of 144 nutrition field schools (NFS), including 16 model NFS. Beneficiaries have been receiving support as participants of the nutrition groups, home nutrition gardens, nutrition field schools and small grant recipients were exclusively women. 103 NFS facilitators (85 female 18 males) have been trained, along with 71 nutrition facilitators/trainers (males and 53 females). One-day trainings in the optimal utilization of Project inputs under each of these interventions for improving nutrition practices and household diets (particularly for pregnant and nursing women and children <2 years of age) were conducted through trained facilitators/trainers (a mix of male and female) in all Project clusters. Over 8.39 metric tons of seasonal vegetable seeds; 105,712 poultry chicks; and 138,602 fruit



saplings have been distributed to participating members of Household Nutrition Groups (HNGs) while 1,006 schoolteachers and 1,450 students were trained in improving the diet diversity of households through the use of HNG outputs.

D. Rationale for extension:

7. The Project is on track to meet the Project objectives. Due to competitive bidding and strength of the US dollar against Nepalese Rupees the Project has been able to save nearly USD 4.3 million. With an extension of 12 months, utilizing the savings the Project can support the sustainability of interventions made to date through additional capacity development and scale up activities such as supply of climate smart, nutrition sensitive and high yielding seeds and breeds, small irrigation support, home nutrition garden support, small scale mechanization, matching/small grant support. The following objectives will be achieved during the extended project period:

- **Scaling up and field adoption of climate smart agricultural practices.** For farmer groups who have not yet received the climate and nutrition smart services and practices, the Project intends to distribute high yielding and nutrient fortified cereal and vegetable seeds and irrigation support (deep tubewell conditional upon Bank's safeguards clearance) to mitigate drought in terai cluster. FANSEP, in collaboration with NARC, has identified 25 technologies (19 crop and 6 livestock) which can be extended to farmers. An extension of the Project will provide sufficient time to promote these CSA practices to farmers in the project area, thus testing the adoption of these technologies in the field and making best use of project investments in research and development.
- **Sustaining the producer groups supported by the Project.** FANSEP will continue to support 1620 producer groups and 860 nutrition groups established by the Project through capacity development and linkages with government and private sector for their sustainable business development. As most of the beneficiaries are smallholder farmers, largely women from marginalized communities, they will need intensive handholding support through building business numeracy through farm business school (FBS) and an enhanced understanding how to engage with markets to increase sales of produce and to establish long term linkages with the local government for further support and guidance.
- **Contribution to Green Resilient and Inclusive Development (GRID) and Water Agriculture and Forestry (WAF) nexus.** FANSEP aligns well with the green, resilience and inclusion agenda for Nepal. It promotes over 25 climate smart crop and livestock technologies/practices, contributes towards building resilience by identifying locally adapted production technologies and practices including for more efficient irrigation (water management) and has integrated nutrition agenda into the program. The Project works with some of the most marginalized and poor communities in the country. Thus, the approach taken by the Project can be further tested and supported, including by enhancing the role and scope of the local, provincial, and central governments who could become central for landscape management and food security responses. Further, learnings from the Project will support Green Resilient Inclusive Development (GRID) and Water Agriculture Forest (WAF) objectives and can be widely disseminated through knowledge workshops and concepts prepared to inform government's future endeavors.

II. DESCRIPTION OF PROPOSED CHANGES



8. This restructuring is for an extension of the closing date by one year until June 30, 2024. The PDO and components will remain unchanged but an upward revision of the end of project targets for the results framework is proposed, since the Project will apply the current savings of USD 4.3 million during the extended project period. The extension will allow the Government to consolidate and internalize the gains made so far, provide additional implementation support to those groups formed during the final year of the Project and prepare an exit strategy involving the local municipalities to sustain services to the rural communities and groups supported under FANSEP. Activities to be supported are briefly summarized below and new targets have been reflected in the Results Framework.
9. **Key activities in line with the PDO and project objectives to be supported in the extension period:** (i) 1200 additional farmers including female farmers receiving improved technology; (ii) 5 percent increase in household income over the baseline from 25 to 30 percent; (iii) 5 percent increase in improved dietary intake from the baseline of 25 percent to 30 percent; (iv) improvement in seed replacement rate from the current 25 percent to 35 percent; (v) households benefiting from improved nutrition services with additional 85 small grants to the nutrition groups; and (vi) additional farmers receiving income generation support with project financing for 70 more business plans.
10. **Changes to the Results Framework End of Project (EOP) targets in the extension period:** Following changes have been proposed to the results framework:
 - **PDO level indicator 1.** Farmers adopting improved agricultural technologies (including CSA) of which female (CRI): current EOP target 31,800, revised EOP target 33,000
 - **PDO level indicator 3.** Increased household income (farm and off-farm) (GAFSP core indicator, gender disaggregated): current EOP target baseline value+25%, revised EOP target baseline value+30%
 - **PDO level indicator 5.** Improved dietary intake for (i) pregnant and nursing woman and (ii) Children between 6 and 24 months: current EOP target baseline value+20%, revised EOP target baseline value+30%
 - **Intermediate Results Indicator A.1** Farmers accessing technology dissemination services delivered by the project: current EOP target 39,750, revised EOP target 40,250
 - **Intermediate Results Indicator A.2** Farmers reached with agricultural assets/ services: current EOP target 45,000, revised EOP target 47,000.
 - **Intermediate Results Indicator A.3** Improved seed replacement rate: current EOP target baseline value+25%, revised EOP target baseline value+35%
 - **Intermediate Results Indicator B.1** Number of producer-based organizations supported (number)-GAFSP core indicator: current EOP target 1,590 revised EOP target 1,620
 - **Intermediate Results Indicator B.3** Number of subprojects (business plans) financed by the project on a matching grant basis: current EOP target 710, revised EOP target 780
 - **Intermediate Results Indicator C.3** People receiving improved nutrition services and products, gender disaggregated, age disaggregated (number of people)-GAFSP core indicator: current EOP target 21,000, revised EOP target 22,000
 - **Intermediate Results Indicator C.3** Number of subprojects (business plans) financed by the project on a small grant basis: current EOP target 580, revised EOP target 665
 - **Intermediate Results Indicator D.1** The indicator title corrected from "Grievances registered addressed within the delay set by the project GRM" to "Grievances registered addressed within the deadline set by the project GRM".



III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Loan Closing Date(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)



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Food and Nutrition Security Enhancement Project (P164319)

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A8013	Effective	30-Jun-2023		30-Jun-2024	31-Oct-2024



Results framework

COUNTRY: Nepal

Food and Nutrition Security Enhancement Project

Project Development Objectives(s)

The Project Development Objective (PDO) is to enhance climate resilience, improve agricultural productivity and nutrition practices of targeted smallholder farming communities in selected areas of Nepal.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Enhanced Climate Resilience								
Farmers adopting improved agricultural technology (CRI, Number)		0.00	0.00	6,000.00	16,000.00	28,000.00	31,800.00	33,000.00
<i>Action: This indicator has been Revised</i>								
Farmers adopting improved agricultural technology - Female (CRI, Number)		0.00	3,900.00	6,000.00	10,400.00	18,200.00		21,450.00
<i>Action: This indicator has been Revised</i>		<i>Rationale: end targets revised to 21,540 (65% of 33,000) as additional farmers will benefit as a result of time extension and additional support.</i>						
Farmers adopting improved agricultural technology - male (CRI, Number)		0.00	0.00	2,100.00	5,600.00	9,800.00		11,550.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Action: This indicator has been Revised	Rationale: <i>end targets revised to 11,550 as additional farmers will benefit as a result of time extension and additional support.</i>							
Improved Agriculture Productivity								
Increased crop and animal productivity by direct beneficiaries (Percentage)		0.00	0.00	10.00	15.00	25.00		28.00
Action: This indicator has been Revised								
Crops (food grains) (Percentage)		0.00	0.00	10.00	15.00	25.00		25.00
Crops (vegetables) (Percentage)		0.00	15.00	20.00	30.00			30.00
Livestock (meat) (Percentage)		0.00	5.00	15.00	25.00			35.00
Action: This indicator has been Revised	Rationale: <i>There is no change in the indicator during this restructuring, however the 2022 restructuring had revised the end target from 40 to 25% which doesn't seem to be picked up by the system, hence updating it.</i>							
Livestock (milk) (Percentage)		0.00	5.00	15.00	25.00			35.00
Increased Household income (farm and off-farm) (Percentage)		0.00	0.00	0.00	10.00			30.00
Action: This indicator has been Revised	Rationale: <i>End target revised from BL+25% to BL+30% as a result of extension and additional support to the farmers.</i>							



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Female Headed Households (Percentage)		0.00	10.00					30.00
<i>Action: This indicator has been Revised</i>								
Improved Nutrition Practices								
Improved score on the Food Insecurity Experience Scale (FIES) by direct beneficiaries (Percentage)		-8.60						-9.00
<i>Action: This indicator has been Revised</i>	<p>Rationale: <i>Changes made to the indicator during the restructuring post MTR were not reflected for the intermediate target, hence the intermediate target has been deleted.</i></p>							
Improved Dietary intake (% over baseline) (Percentage)		0.00	0.00	0.00	10.00			30.00
<i>Action: This indicator has been Revised</i>	<p>Rationale: <i>EOP target revised from 20 to 30%</i></p>							
Pregnant and nursing women (Minimum Dietary Diversity Score for Women, MDD-W) (Percentage)		0.00	10.00					30.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Action: This indicator has been Revised	Rationale: EOP target revised from 20 to 30%							
Children between 6-24 months (Percentage)		0.00	10.00					30.00
Action: This indicator has been Revised	Rationale: EOP target revised from 20 to 30%							

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Intermediate Result (Component A) – Climate and Nutrition Smart Technology Adaptation and Disseminat							
Promising CSA and nutrition sensitive technologies validated through on-farm adaptation trials (Number)		0.00	0.00	5.00	15.00	20.00	20.00
Farmers accessing technology dissemination services delivered by the project. (Number)		0.00	5,000.00	15,000.00	25,000.00	35,000.00	40,250.00
Action: This indicator has been Revised							



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Farmers accessing technology dissemination services delivered by the project-Female (Number)		0.00	3,250.00	9,750.00	16,250.00	22,750.00	26,162.00
Action: This indicator has been Revised							
Improved seed replacement rate (Percentage)		0.00	0.00	0.00	12.00		35.00
Action: This indicator has been Revised	Rationale:	EOP target changed from 25 to 35% as a result of extension and additional support to the farmers.					
Farmers reached with agricultural assets or services (CRI, Number)		0.00	5,000.00	15,000.00	20,000.00	30,000.00	47,000.00
Action: This indicator has been Revised	Rationale:	EOP target revised from 45,000 to 47,000 as a result of extension and additional support to the farmers.					
Farmers reached with agricultural assets or services - Female (CRI, Number)		0.00	3,250.00	9,750.00	13,500.00	19,500.00	30,550.00
Action: This indicator has been Revised							
Area covered by small irrigation schemes supported by project (Hectare(Ha))		0.00					1,250.00
Intermediate Result (Component B) – Income Generation and Diversification							



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Number of producer-based organizations supported (number)-GAFSP core indicator (Number)		0.00	200.00	600.00	1,000.00	1,400.00	1,620.00
Action: This indicator has been Revised	Rationale: <i>upward revision of the eop targets as new groups will be formed utilizing the project savings</i>						
Number of post-harvest facilities constructed and/or rehabilitated-GAFSP core indicator (Number)		0.00	20.00	0.00	20.00	50.00	80.00
Household income (farm and off-farm), increase over baseline (Percentage)		0.00					25.00
Action: This indicator has been Marked for Deletion	Rationale: <i>This indicator is already covered in the PDO and is not part of the PAD or any other Bank documents. Hence, it is recommended to be removed as it seems to have been listed here by mistake.</i>						
Number of sub-projects (business plans) financed by the project on a matching grant basis (Number)		0.00	0.00	100.00	250.00	406.00	780.00
Action: This indicator has been Revised							
Improving Nutrition Security							
People receiving improved nutrition services and products		0.00	5,000.00	10,000.00	10,000.00	17,000.00	22,000.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
-GAFSP core indicator (Number)							
Action: This indicator has been Revised	Rationale: <i>EOP target revised from 21,000 to 22,000 as a result of extension and additional support to the farmers.</i>						
Household Dietary diversity score including nursing mothers and children under two years (1000 day mother target) (Percentage)		0.00	10.00				20.00
Number of small grant-financed subprojects (business plans) (Number)		0.00					665.00
Action: This indicator has been Revised	Rationale: <i>EOP target revised from 580 to 665 as a result of extension and additional support to the farmers.</i>						
Project management, communication and M&E							
Grievances registered addressed within the deadline set by the project GRM (Percentage)		0.00	85.00	60.00	75.00	85.00	95.00
Action: This indicator has been Revised	Rationale: <i>The indicator title changed from "Grievances registered addressed within the delay set by the project GRM" to "Grievances registered addressed within the deadline set by the project GRM" to correct the grammatical error.</i>						
Periodic reports submitted on time (Number)		0.00	3.00	5.00	8.00	10.00	13.00



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