

**ASIAN DEVELOPMENT BANK**

**JFPR: NEP 00011**

**GRANT ASSISTANCE**  
**(Financed from the Japan Fund for Poverty Reduction)**  
**TO THE**  
**KINGDOM OF NEPAL**  
**FOR**  
**SUPPORTING POOR AND DISADVANTAGED FARMERS**  
**THROUGH CIVIL SOCIETY ORGANIZATIONS**

To be implemented in conjunction with the  
Crop Diversification Project (Loan 1778-NEP)

**May 2001**

## CURRENCY EQUIVALENTS

(as of 23 April 2001)

Currency Unit	–	Nepalese Rupee (NRe/NRs)
NRe1.00	=	\$0.0134
\$1.00	=	NRs74.816

The Nepalese rupee is pegged to the Indian rupee (Re) at a rate of NRe1.60 = Re1.00, and is fully convertible on all current account transactions.

## ABBREVIATIONS

ADB	–	Asian Development Bank
CBO	–	community-based organization
CDP	–	Crop Diversification Project
DOA	–	Department of Agriculture
EA	–	Executing Agency
IA	–	Implementing Agency
JFPR	–	Japan Fund for Poverty Reduction
MOAC	–	Ministry of Agriculture and Cooperatives
NGO	–	nongovernment organization
PCC	–	project coordination committee
PCU	–	project coordination unit
TA	–	technical assistance

## NOTES

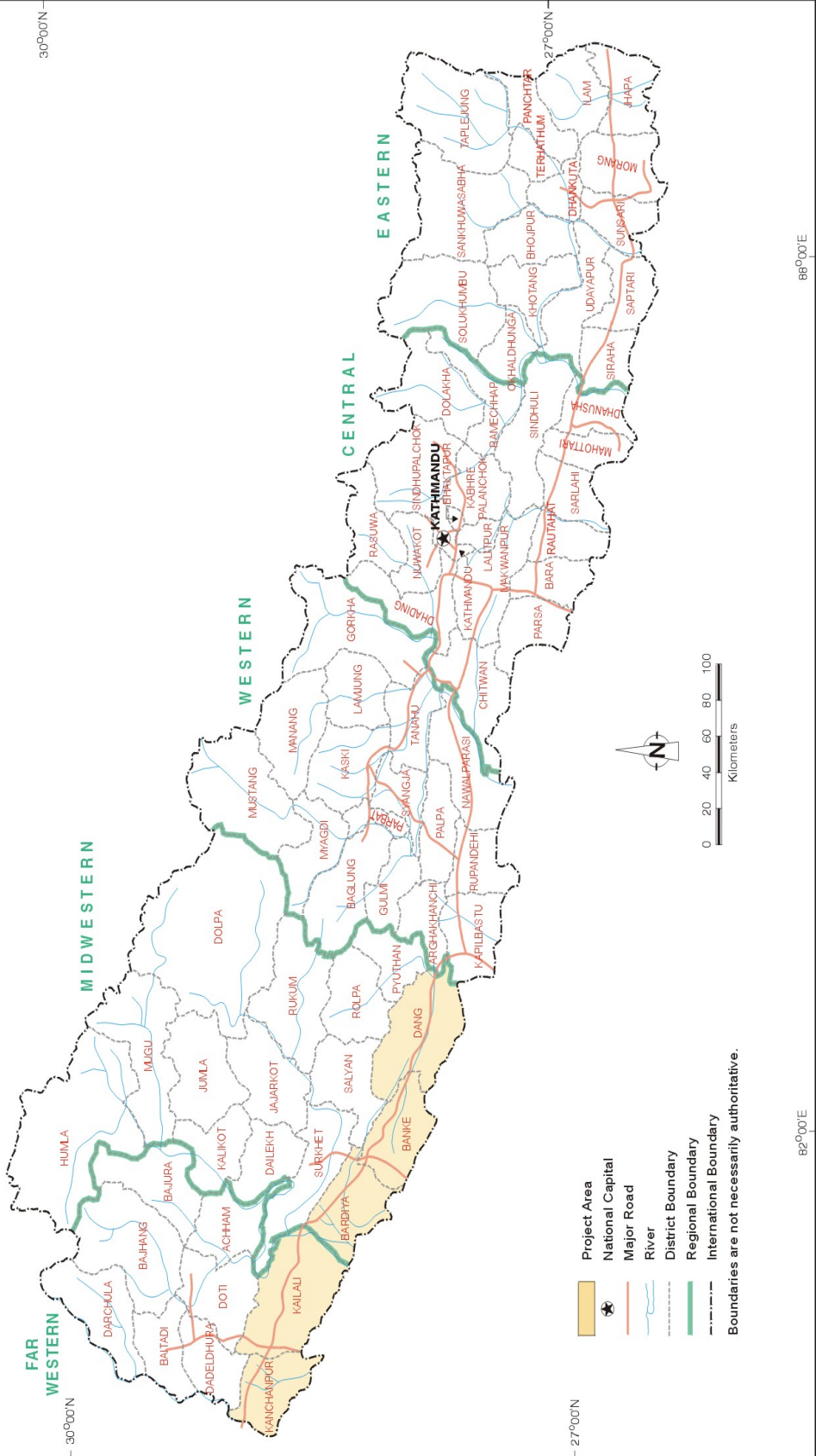
- (i) The fiscal year (FY) of the Government ends on 15 July. FY before a calendar year denotes the year in which the fiscal year ends. For example, FY2000 begins on 16 July 1999 and ends on 15 July 2000.
- (ii) In this report, "\$" refers to US dollars.

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# NEPAL

## SUPPORTING POOR AND DISADVANTAGED FARMERS THROUGH CIVIL SOCIETY ORGANIZATIONS UNDER JAPAN FUND FOR POVERTY REDUCTION



## I. INTRODUCTION

1. In response to the request of His Majesty's Government of Nepal, the Asian Development Bank (ADB) provided a loan for the Crop Diversification Project (CDP)<sup>1</sup> to increase farmers' income by promoting production and marketing of agricultural crops with particular focus on secondary crops in potential areas. CDP primarily aims at contributing to poverty reduction in the poverty-stricken Midwestern and Far Western development regions of the country.<sup>2</sup> ADB's Appraisal Mission for CDP in July 2000 had extensive field consultations with local nongovernment organizations (NGOs) and community-based organizations (CBOs) in these development regions, and identified a strong need for directly supporting the catalytic role of these organizations in conjunction with CDP to improve the living standard of the poor and disadvantaged groups of farmers, including formerly bonded agricultural laborers. In July 2000, the Government formally decided to make bonded labor practice illegal in the country in line with its international commitment to the elimination of forced labor. The role of local NGOs and CBOs is particularly important in strengthening the individual capacity of the formerly bonded laborers and making them self-reliant. To address these issues, this Project was formulated and proposed for grant financing under the Japan Fund for Poverty Reduction (JFPR) to enhance the CDP's impact on poverty reduction. The Project was designed after discussions with the relevant Government agencies, NGOs and CBOs involved in programs raising awareness of formerly bonded laborers, and major external funding agencies in Nepal. ADB had follow-up discussions with key stakeholders during loan inception for the CDP in February 2001 to work out the details of the Project. The Government endorsed the Project on 28 February 2001, and the Government of Japan approved JFPR financing on 3 April 2001. The project framework is in Appendix 1.

## II. BACKGROUND AND RATIONALE

2. High incidence of poverty is the primary development concern in Nepal. Recent estimates indicate that 42 percent of the country's total population are living below the poverty line.<sup>3</sup> According to the Human Development Report of the United Nations Development Programme in 2000, Nepal is in the low human development category with its human development index of 0.474, ranked as 144th out of 174 countries. Against this background, poverty reduction is the primary objective of the Government's Ninth Plan (FY1998-FY2002) and the long-term Agriculture Perspective Plan.

3. Poverty incidence varies significantly across geographic regions and is particularly high in the CDP's project area in Midwestern and Far Western development regions. Poverty incidence in these regions is estimated at about 60 percent.<sup>4</sup> To reach poor farmers in these regions so as to promote group formation, leadership development, basic rights awareness, and literacy, the catalytic role of local civil society organizations is important before CDP provides support for increased agricultural production and marketing. During the first two years of CDP implementation, activities to strengthen and form farmer groups will be carried out mainly in hilly districts. Initial social mobilization programs under JFPR funding in the lowland districts will enhance the impact of activities when CDP starts in these districts.

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<sup>1</sup> Loan 1778-NEP: *Crop Diversification Project*, for \$11 million, approved on 9 November 2000.

<sup>2</sup> Nepal's five development regions are designated as administrative regions.

<sup>3</sup> The poverty line is officially defined as the income required to purchase the minimum requirement of 2,124 calories per capita per day (*Nepal Living Standard Survey, 1996*. Central Bureau of Statistics, Kathmandu).

<sup>4</sup> United Nations Development Programme. 1998. *Nepal Human Development Report, 1998*. Nepal South Asia Center, Kathmandu.

4. The important characteristic of poverty in the lowland (*terai*) districts of the two development regions is the social exclusion of agricultural laborers, who were bonded labor for a number of decades (Appendix 2). According to unofficial estimates, more than 20,000 households of formerly bonded agricultural laborers (*ex-kamaiyas*) are in five lowland districts. Following the Government's decision in July 2000, a number of these laborers left their landlords and temporarily settled in unused public land. Others, particularly in Kailali and Bardiya districts, were expelled from their huts by the landlords. The homeless families of formerly bonded agricultural laborers have been increasing and are now estimated to be about 5,000 in 19 temporary camps. They are living in extremely difficult conditions without adequate access to drinking water, health, and education. These laborers are socially and economically disadvantaged, and cannot find suitable off-farm employment opportunities for wages.

5. At present, socially oriented international NGOs and other social welfare organizations are providing these homeless families with short-term relief measures until they obtain the promised land rights from the Government. It is important now to consider the provision of longer term assistance for the formerly bonded agricultural laborers in uplifting their livelihood through increased awareness and better access to income-generating opportunities in a changed environment.

6. JFPR funding is required to address these needs and enhance the sustainable impact of the activities of local NGOs and CBOs supporting poor and disadvantaged farmers. Under the counterpart CDP, the Government cannot provide this kind of direct grant support for local NGOs and CBOs to strengthen their social mobilization programs.

### III. THE JFPR PROJECT

#### A. Objectives

7. The ultimate goal of the Project is to reduce rural poverty in the poor regions of the country. To contribute to this ultimate goal, the Project aims at strengthening local NGOs and CBOs providing socioeconomic services for poor and disadvantaged farmers in the project area, who include formerly bonded agricultural laborers. A farmer group approach will be adopted under the Project in line with the approach of the counterpart CDP.

#### B. Scope

8. The Project will (i) strengthen and provide social mobilization programs for poor and disadvantaged farmers; and (ii) build the capacity of local NGOs and CBOs. The Project will be implemented in five lowland districts (Kanchanpur, Kailali, Bardiya, Banke, and Dang) in Midwestern and Far Western development regions. In view of the need for district-level consultation meetings and a gradual uplifting of project beneficiaries, the Project will be implemented over a period of three years.

9. Under the first component, support to local NGOs and CBOs will improve and expand social mobilization and awareness programs for the poor and disadvantaged farmers in the project area, including formerly bonded agricultural laborers. The local NGO and CBO programs aim at building farmers' individual absorptive capacity and raising their self-confidence by providing support for literacy, social services, and skills improvement to initiate their own income-generating activities. The Project will have a special program for the formerly bonded agricultural laborers to address the specific social problems long inherent in this group in the lowland districts.

The programs will also have women-specific, needs-based interventions. In line with the counterpart CDP, at least 35 percent of group members at each project site will be women.

10. Under the second component, local NGOs and CBOs will receive technical and material support to improve their operational and financial management capability and training skills in participatory rural appraisal and monitoring. The programs will enhance the catalytic role of these organizations in effective and direct support for improving the quality of life among poor and disadvantaged farmers.

### **C. Costs and Financing**

11. The total cost of the Project is estimated at \$942,000 equivalent. ADB will administer \$800,000 equivalent to be financed on a grant basis by the Government of Japan. His Majesty's Government of Nepal will finance the remaining cost, amounting to \$142,000 equivalent, from its own resources to cover office accommodation, counterpart staff support, training facilities, and other administrative expenses at the central and local levels, including costs for performance monitoring. It is estimated that about 80 percent of the project cost will be for the first component and the remaining cost for the second component. The cost estimates and financing arrangements are presented in Appendix 3.

### **D. Implementation Arrangements**

#### **1. Executing and Implementing Agencies**

12. The Department of Agriculture (DOA) will be the Executing Agency (EA) for the Project, with responsibility for overall coordination and monitoring of JFPR activities. Before project inception, DOA will establish a JFPR project desk as part of the project coordination unit (PCU) of the counterpart CDP, and assign at least one full-time counterpart staff to the Project. The project coordinator of CDP will concurrently act as the project manager for the JFPR Project to ensure effective project implementation and coordination with CDP. The project implementation unit of CDP established in Banke District and DOA's concerned district offices will provide necessary field support for project activities, and maintain adequate liaison with relevant agencies of the Government and local administrations.

13. The selected national and district NGOs<sup>5</sup> will be the Implementing Agencies (IAs). They will (i) provide through local NGOs and CBOs social mobilization and awareness-raising programs for the poor and disadvantaged groups of farmers, including formerly bonded agricultural laborers; (ii) provide technical and material support for capacity building of local NGOs and CBOs; (iii) ensure proper implementation of participatory rural appraisal and monitoring; and (iv) assist DOA's district extension staff in conducting regional training programs in the project area. The general terms of reference for the IAs are in Appendix 4. The IAs will be selected jointly by ADB and the Government based on the technical proposals submitted by the shortlisted NGOs. An association of more than one NGO can also be considered for inclusion in the shortlist. The criteria for selecting IAs will include (i) registration for more than five years with either the Social Welfare Council under the Social Welfare Act or the concerned district administration under the Organizations Registration Act; (ii) practical experience in social mobilization activities

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<sup>5</sup> In Nepal, national-level NGOs are generally defined as those widely operating in a number of districts in the country with well-established regional administrative structures. District-level NGOs are those operating from certain district headquarters and often work in more than one district. Local NGOs are the ones with more locally focused area of operations in villages of a specific area usually in one district only.

in the project area; and (iii) adequate and proven capacity in managing similar projects. ADB and the EA have identified some capable NGOs, but will contact others during the district-level consultation meetings (para. 14).

14. At project inception, the EA will organize district-level consultation meetings in all the districts in the project area, inviting representatives of district development committees, other local administrations (village development committees as required), NGOs, CBOs and other stakeholders, to assess the current social conditions and develop specific work plans for district-level activities under the Project. Women's needs will be particularly explored and identified at these meetings. National and district NGOs will be invited to submit proposals on the basis of specific terms of reference and work schedule prepared through the district-level consultations.

15. The Government will establish a JFPR project coordination committee (PCC) within one month of project inception to (i) provide overall operational guidance in implementing the Project, (ii) resolve issues and conflicts that may occur during implementation, and (iii) facilitate coordination and liaison with other relevant projects. The PCC will meet at least semiannually in conjunction with ADB's review missions for the counterpart CDP. The PCC will be headed by the secretary of the Ministry of Agriculture and Cooperatives (MOAC), and include representatives of the project IAs, MOAC, DOA, Ministry of Land Reform and Management, National Planning Commission, and other relevant agencies of the Government as required. The representatives of the Federation of Nepalese Chambers of Commerce and Industry, and other civil society organizations will be invited to the PCC. The JFPR project manager will be the member-secretary of the PCC.

## **2. Linkage to the Counterpart Project and Other Activities**

16. The counterpart CDP includes the provision of agricultural extension and research services for farmer groups in Midwestern and Far Western development regions. The JFPR Project will provide the poor and disadvantaged groups of farmers with social mobilization programs before CDP activities are implemented in the lowland districts, and thereby enhance the positive impact of CDP on poverty reduction. The Project will also strengthen the institutional capabilities of local NGOs and CBOs, which are considered to be the most important private service providers participating in CDP to reach the poor. In relation to CDP, a small-scale activity was also started in the field in February 2001 for the social mobilization of women beneficiaries with financing of about \$15,000 from the Gender and Development Facility<sup>6</sup> in Surkhet District, one of the hilly districts in Midwestern Development Region covered by the CDP. The JFPR Project will build on the experience gained from this activity for women farmers.

## **3. Sustainability of the Project**

17. It is expected that the increased sense of self-reliance among the poor and disadvantaged groups of farmers, and the strengthened operational capability of local NGOs and CBOs, will enhance the sustainability of positive impact on poverty reduction generated under the Project and the counterpart CDP in the project area.

## **4. NGO and Community Involvement**

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<sup>6</sup> TA 5889-REG: *Gender and Development Initiatives*, for \$850,000, approved on 23 December 1999.

18. The Project will be directly implemented by civil society organizations in the project area. Such implementation structure will ensure a high level of NGO and community involvement. The IAs will select local NGOs and CBOs to participate in project activities based on the eligibility criteria developed for the Project. The criteria will include (i) operation within the concerned project district; (ii) proven track records in addressing the concerns of bonded agricultural laborers or people of occupational castes; (iii) fair representation of women volunteers or staff; (iv) experience in participatory project planning and implementation in the rural area; and (v) adequate transparency in financial management and performance monitoring.

19. The IAs, in close collaboration with the participating local NGOs and CBOs, and the concerned village development committees, will select the project beneficiaries among the poor and disadvantaged groups of farmers. The detailed selection criteria of project beneficiaries will be developed by the IAs in consultation with the EA and ADB, and in view of the specific local characteristics of the concerned areas.

## **5. Procurement, Consulting Services, and JFPR Fund Disbursement**

20. Contracts will be awarded in accordance with the agreed upon eligibility criteria and procedures satisfactory to ADB. Service vehicles (mainly motorcycles and bicycles) and office equipment will be procured in accordance with ADB's *Guidelines for Procurement*.

21. One domestic NGO management adviser will be recruited intermittently for a period of 12 months over the project period to assist the JFPR project desk and the IAs in ensuring good governance and effective management of project activities. Individual consultants will be selected and engaged in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants.

22. The disbursement of JFPR funds will be specified in the Letter of Agreement for the Project. The funds will be directly disbursed to the IAs from ADB, and deposited into their accounts separately established for the Project. Expenses less than \$10,000 may be liquidated and replenished under ADB's statement of expenditures procedures. The accounts will be subject to ADB reviews as required and should be annually audited by external auditors satisfactory to ADB.

## **6. Performance and Impact Monitoring Indicators**

23. Project area profiles based on participatory rural appraisals will be prepared during the initial period of social mobilization activities in the field. With the help of the IAs, the participating CBOs will set their own indicators, monitor at regular intervals, and evaluate success at the end of the Project. These monitoring and evaluation activities of CBOs will be reflected in the DOA's progress reports and examined by ADB's review missions. In addition, a gender-differentiated baseline survey will be conducted, looking especially into social indicators of these groups, including their health status and literacy, and their access to resources.

## **7. Reporting**

24. The IAs will regularly submit quarterly progress reports on their activities to the JFPR project desk of DOA. The project desk will establish a performance and impact monitoring system in conjunction with the counterpart CDP, and in collaboration with the IAs.

## **E. Impact Assessment**

### **1. Sustainable Poverty Reduction Impact**

25. The Project is expected to generate a substantially positive impact on poverty reduction in regions of high poverty incidence and will contribute to the Government's primary development objective of poverty reduction. The Project will cover about 30,000 prospective beneficiaries of the counterpart CDP in the lowland districts, including about 10,000 formerly bonded agricultural laborers. As designed, the Project intends to provide the socially and economically excluded groups with better access to services provided by the Government, NGOs, and the private sector under the CDP. It will assist them in improving their living conditions in terms of education (specifically literacy training), health, and an increase in their bargaining power through awareness-building. The involvement of local NGOs and CBOs in project activities will ensure that the positive impact of the Project will reach the targeted beneficiaries. The expected impact of the Project on poverty reduction is described in Appendix 5.

### **2. Participatory Development Issues**

26. Selected NGOs as IAs will implement the Project and will adopt participatory approaches at all levels of project planning and implementation, with focus on the specific needs of the beneficiaries. The Project will provide capacity building support for the participating local NGOs and CBOs, which will further strengthen their capabilities in helping the poor and the socially disadvantaged farmers become more self-reliant in their livelihood. Through such support, the beneficiaries will have better access to opportunities, resources, and services provided under CDP once CDP starts its activities in the five lowland districts.

## **F. Risks, Assumptions, and Assurances**

27. The basic assumptions for effective project implementation include (i) Government's continued commitment to the involvement of private service providers in agricultural research and extension services in line with the Agriculture Perspective Plan, (ii) steady progress of the Government's policy to abolish bonded agricultural labor practices, (iii) adequate and timely provision of the Government's counterpart resources for the Project, (iv) active participation of farmers in project activities, (v) close monitoring of overall performance and impact of project activities, (vi) close liaison and collaboration with relevant external funding agencies, (vii) continued improvement in transport and communications facilities, and (viii) stable security situation in the project area.

28. During follow-up discussions with the Government, ADB reiterated the importance of these assumptions and obtained Government assurances on its continued commitment to the present policies for promoting the private sector's involvement in the agriculture sector and for eradicating bonded labor practices. The Government also assured ADB that, in conjunction with CDP activities, adequate counterpart staff and budget would be provided on time for effective project implementation.

29. The involvement of local NGOs and CBOs from the start of project planning and implementation, and the use of detailed eligibility criteria for selecting participating NGOs and CBOs, and project beneficiaries, will ensure the identification and participation of targeted beneficiaries. Under CDP, a central project performance monitoring system as part of the management information system will be established with assistance from the CDP's project implementation consultants. The monitoring activities of the JFPR Project will be carried out in

conjunction with the CDP's monitoring system with the use of performance and impact monitoring indicators developed for the Project. The JFPR project desk will ensure effective coordination with major external funding agencies and NGOs involved in the issue of bonded labor practices. ADB's review missions for CDP will also assist the JFPR project desk in facilitating this process of coordination and collaboration.

30. As considered during the processing of CDP, the rapid improvement in vehicular access to the project area through ADB-financed projects<sup>7</sup> is expected to further enhance the potential for producing and marketing secondary crops in these development regions. The security situation in Midwestern and Far Western development regions was fully considered during project preparation and will be closely monitored during implementation. ADB, through its Nepal Resident Mission, will expeditiously respond to any changes in the security situation of the project area in consultation with other external funding agencies.

#### **IV. THE PRESIDENT'S DECISION**

31. The President, acting under the authority delegated by the Board, has approved ADB administering grant assistance to His Majesty's Government of Nepal in an amount not exceeding the equivalent of \$800,000, to be financed from the Japan Fund for Poverty Reduction on a grant basis, for the purpose of Supporting Poor and Disadvantaged Farmers Through Civil Society Organizations, and hereby reports such action to the Board.

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<sup>7</sup> Including Loan 748-NEP: *Seti Zone Rural Development*, for \$20 million, approved on 31 October 1985; and Loan 1377-NEP: *Third Road Improvement*, for \$40 million, approved on 21 September 1995. Further improvements in road conditions are expected in Far Western Development Region under ADB's proposed Fourth Road Improvement Project.

**APPENDIXES**

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## PROJECT FRAMEWORK

Design Summary	Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
<b>Goal</b>			
Reduction in rural poverty in the poor regions of the country	<ul style="list-style-type: none"> <li>• Poverty incidence in Midwestern and Far Western development regions decreases from their respective figures of 59 percent and 65 percent.</li> <li>• Access of project beneficiaries to income-generating opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Living standard surveys for the two development regions</li> <li>• Participatory project monitoring mechanism</li> <li>• Quarterly progress and impact reports of the Project</li> <li>• Asian Development Bank (ADB) review missions</li> <li>• Regular interactions with key stakeholders such as farmers, local administrations, nongovernment organizations (NGO) and community-based organizations (CBO)</li> </ul>	<ul style="list-style-type: none"> <li>• Continued Government commitment to its market-oriented policy for agriculture and increased private sector participation</li> <li>• Stable security situation in the project area</li> </ul>
<b>Purpose</b>			
Improved access of poor and disadvantaged farmers to socioeconomic services	<ul style="list-style-type: none"> <li>• Quality of life among project beneficiaries in the rural area</li> <li>• Increased number of participating farmer groups in the five lowland districts in Midwestern and Far Western development regions</li> <li>• Expansion of outreach of the participating local NGOs and CBOs</li> </ul>	<ul style="list-style-type: none"> <li>• Participatory project monitoring mechanism</li> <li>• Quarterly progress and impact reports of the Project</li> <li>• ADB review missions</li> <li>• Regular interactions with key stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement in transport and communications with the project area</li> <li>• Increased involvement of the private sector in project activities</li> <li>• Appropriate selection of participating local NGOs, CBOs and farmer beneficiaries</li> <li>• Active participation of farmers in project activities through their groups</li> <li>• Increase in the proportion of women's independent income contributing to their families' welfare</li> </ul>

Design Summary	Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
<b>Component/Outputs</b>			
1. Social mobilization programs conducted for poor and disadvantaged farmers in the project area	<ul style="list-style-type: none"> <li>Numbers of poor and socially disadvantaged farm households (about 30,000 households, including 10,000 formerly bonded laborers) provided with social mobilization programs</li> </ul>	<ul style="list-style-type: none"> <li>Participatory project monitoring mechanism</li> <li>Quarterly progress and impact reports of the Project</li> <li>ADB review missions</li> <li>Regular interactions with key stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate selection of participating farmer beneficiaries</li> <li>Steady progress in implementing the Government's policy for eradicating forced labor practices</li> <li>Effective coordination with the Crop Diversification Project</li> </ul>
2. Institutional capability of local NGOs and CBOs strengthened for providing support to poor and disadvantaged farmers in the project area	<ul style="list-style-type: none"> <li>Establishment of basic operational and financial guidelines</li> <li>Training programs provided on specific subjects relevant to the activities of local NGOs and CBOs</li> <li>Effective public-private partnership developed in the field</li> </ul>	<ul style="list-style-type: none"> <li>Participatory project monitoring mechanism</li> <li>Quarterly progress and impact reports of the Project</li> <li>ADB review missions</li> <li>Regular interactions with key stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Needs assessments properly conducted for the participating NGOs and CBOs</li> <li>Close collaboration with projects of other external funding agencies</li> </ul>

Activities	Performance Indicators	Inputs	Assumptions and Risks
1. Establishment of JFPR project desk, and appointment of project staff	<ul style="list-style-type: none"> <li>Before project inception</li> </ul>	<p><b>Total Project Cost: \$942,000 equivalent</b></p> <p>JFPR Financing: \$800,000, Government contribution: \$142,000 equivalent</p>	<ul style="list-style-type: none"> <li>Adequate and timely provision of counterpart financial and human resources</li> </ul>
2. Establishment of a JFPR project coordination committee	<ul style="list-style-type: none"> <li>Within one month of project inception</li> </ul>		<ul style="list-style-type: none"> <li>Close liaison and collaboration with relevant external funding agencies</li> </ul>
3. Commencement of district-level consultation meetings	<ul style="list-style-type: none"> <li>Within one month of project inception</li> </ul>	1. Contract with the implementing NGOs, including the provision of social mobilization programs for farmer beneficiaries, capacity-building programs for local NGOs and CBOs	<ul style="list-style-type: none"> <li>Close monitoring of implementation progress and project impact</li> </ul>
4. Procurement of vehicles and equipment	<ul style="list-style-type: none"> <li>Within three months of project inception</li> </ul>		
5. Establishment of a project performance and impact monitoring system	<ul style="list-style-type: none"> <li>Within three months of project inception</li> </ul>	2. Office accommodation	
6. Selection of participating local NGOs, CBOs, and farmer beneficiaries	<ul style="list-style-type: none"> <li>Within three months of project inception</li> </ul>	3. Counterpart staff support	
7. Provision of social mobilization programs for farmer beneficiaries and capacity building programs for local NGOs and CBOs	<ul style="list-style-type: none"> <li>Initiated within six months of project inception</li> </ul>	4. Training facilities	
8. Progress and impact reporting	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>	5. Performance monitoring	
		6. Administrative expenses	

## BONDED AGRICULTURAL LABOR PRACTICE IN NEPAL

1. Bonded agricultural laborers, called *kamaiyas*, are concentrated mainly in the lowland (*terai*) districts of Midwestern and Far Western development regions in Nepal. The practice of using bonded laborers expanded in the early 1950s in these districts with the eradication of malaria and migration of settlers from the hilly area, and has resulted in a socially tight relationship between the bonded laborer and the landlord based on a yearly contract. Such contract is usually made as a verbal agreement that binds the entire family of the laborer to the landlord.
2. Bonded labor practice may take various forms of interlinked contracts, including debt bondage. The laborer may be paid in two ways, either with a fixed wage in kind (grains, lentils, oilseeds, or salt) or with a share of crops from allocated land. Under the form of share-cropping, the laborer will have one third of the output while the remaining two thirds go to the landlord, who usually provides all nonlabor agricultural inputs.<sup>1</sup>
3. The laborer's wife is expected to work in the landlord's house and, during the planting and harvesting seasons, also participates in on-farm activities. Her annual wage is provided in kind and is usually equivalent to one tenth of her husband's. The laborer's children, both male and female, work as babysitters for the landlord when they are less than 10 years old, and later as animal herders. Boys will usually become agricultural laborers while girls are requested to work as housemaids for their landlord from about the age of 12. These children commonly earn a meager meal or two per day and some old clothes. Due to their low income and the lack of freedom to move, the bonded laborer often borrows cash from the landlord. As the loans accumulate over the years, mobility becomes more unlikely. Some bonded laborers have been under debt bondage for generations.
4. Families of bonded laborers have long lived under extreme poverty and have been socially handicapped due to their illiteracy and the tight bondage to their landlord. They are often highly exploited working long hours and harassed by the landlord in various ways. Following the Government's decision in July 2000 to make bonded labor practice illegal in the country, a large number of bonded laborers and their families left their landlords and temporarily settled in vacant public land. Interviews with them confirmed their strong hope to become independent from bondage to their landlords.<sup>2</sup> However, a significant amount of support is required for increasing their social awareness and access to basic services for self-reliance.
5. A draft bill for rehabilitating formerly bonded agricultural laborers is being discussed at the Parliament and is expected to be enacted in 2001. The Government established a senior-level committee to address this issue through consultations with representatives of these laborers. The district rehabilitation committees of the five lowland districts in Midwestern and Far Western development regions have been entrusted with specific measures for their rehabilitation. The Government's support to provide these laborers with social services and income-generating opportunities through the district committees has not functioned effectively. In this situation, local nongovernment and community-based organizations are considered to have an important catalytic role in making the formerly bonded laborers self-reliant.

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<sup>1</sup> Shiva Sharma. 1998. *The Kamaiya System in Nepal*. SAAT Working Papers, ILO, New Delhi.

<sup>2</sup> Information gathered by ADB's Inception Mission for Loan 1778-NEP: *Crop Diversification Project*, for \$11.0 million, approved on 9 November 2000.

**COST ESTIMATES AND FINANCING PLAN**  
(\$)

Item	Total Cost
<b>A. JFPR Financing</b>	
1. Support for Social Mobilization and Awareness <sup>a</sup>	
a. District-Level Consultation Meetings	30,000
b. Basic Training Programs	320,000
c. Special Awareness-Raising Programs	130,000
d. Supplies	20,000
2. Institutional Strengthening for Local NGOs and CBOs	
a. Civil Works	20,000
b. Equipment and Vehicles	60,000
c. Supplies	10,000
3. Consulting Services	60,000
4. Project Management	72,000
5. Contingency	78,000
<b>Subtotal (A)</b>	<b>800,000</b>
<b>B. Government Financing</b>	
1. Office Accommodation	18,000
2. Counterpart Staff	18,000
3. Training Facilities	34,000
4. District Office Expenses	72,000
<b>Subtotal (B)</b>	<b>142,000</b>
<b>Total</b>	<b>942,000</b>

CBO = community based organization, JFPR = Japan Fund for Poverty Reduction, NGO = nongovernment organization.

<sup>a</sup> Including contracts with NGOs covering incremental staff salaries and procurement of necessary materials related to their program activities.

Sources: The Department of Agriculture, and staff estimates.

## **GENERAL TERMS OF REFERENCE FOR IMPLEMENTING AGENCIES**

1. Qualified national and district nongovernment organizations (NGO) will be selected to act as Implementing Agencies (IAs) for the Project. These IAs will carry out project activities under the general supervision of the JFPR project manager of the Department of Agriculture (DOA), which is the Executing Agency (EA) for the Project. The IAs will

- (i) prepare a specific work plan and schedule within three weeks of the start of project activities, for discussion with the EA and the Asian Development Bank (ADB);
- (ii) carry out social benchmark surveys in the concerned project area to assess and record the current situation of potential project beneficiaries;
- (iii) identify potential local NGOs and community-based organizations (CBO) in the project area for participation in project activities, and assess their operational experience, staff qualifications including gender awareness, and financial and managerial capability;
- (iv) based on the agreed-upon eligibility criteria, select suitable local NGOs and CBOs for participation in the Project;
- (v) provide the selected local NGOs and CBOs with detailed orientation seminars on overall project organization, objectives, scope of activities, specific terms of reference, and procedural requirements;
- (vi) develop the detailed selection criteria for project beneficiaries, in consultation with the local NGOs and CBOs, the EA, and ADB, considering the specific local characteristics of the concerned project area, and the need for a special strategy and program for women beneficiaries;
- (vii) using the developed criteria, select eligible farmers to participate in project activities;
- (viii) based on the agreed-upon work plan, prepare and provide the required social mobilization and awareness-raising programs for the poor and disadvantaged groups of farmers, including formerly bonded agricultural laborers, and special programs for other members of local communities, including landlords;
- (ix) provide technical and material support for building the capacity of local NGOs and CBOs, and ensure proper implementation of participatory rural appraisal and monitoring;
- (x) assist the DOA's district extension staff in providing regional training programs in the project area;
- (xi) maintain close liaison with the relevant Government agencies, local administrations, international NGOs, other national and district NGOs, external funding agencies, and other important stakeholders during project implementation; and
- (xii) ensure regular reporting to the JFPR project desk through submission of quarterly progress reports on project activities.

2. The IAs should (i) be registered for more than five years, with either the Social Welfare Council under the Social Welfare Act or the concerned district administration under the Organizations Registration Act; (ii) have practical experience in social mobilization activities in the project area; and (iii) have adequate and proven capacity in managing similar projects.

## EXPECTED IMPACT ON POVERTY REDUCTION

1. The Project aims at strengthening/providing the social mobilization programs of local nongovernment organizations (NGOs) and community-based organizations (CBOs) for poor and disadvantaged farmers in the five lowland (*terai*) districts of the poverty-stricken Midwestern and Far Western development regions in Nepal. Project activities will be implemented in the districts prior to the implementation of the Crop Diversification Project (CDP) so that about 30,000 prospective beneficiaries in the lowland districts will be better prepared for participating in CDP. Thus, the Project is expected to enhance the CDP's impact on poverty reduction. The five project districts are home to formerly bonded agricultural laborers (*ex-kamaiyas*). Of the 30,000 prospective beneficiaries, about 10,000 are expected to be formerly bonded agricultural laborers and participate in the special programs to be covered under the Project.
2. The poor and disadvantaged groups of farmers are trapped in multiple deprivations leading to a sense of powerlessness and a lack of choice and action. They have limited or no access to land and basic public services, and their capabilities are weak because of illiteracy and lack of information, skills and confidence. Thus, their livelihoods are extremely precarious, and they suffer from perpetual feelings of insecurity.
3. The project approach is innovative and is intended to encourage the Government and NGOs to collaborate to better serve the needs of the poor and disadvantaged groups of farmers. The Project envisages that the experience gained in the field will enable the Executing Agency to be more responsive to local realities, and make it more accountable to these farmers. The Project will build the operational capability of local NGOs and CBOs in delivering services to the target beneficiaries and facilitate partnership between the Government and civil society organizations.
4. Social preparation activities under the Project are expected to increase the capacity of the target population to organize around shared issues; and improve their access to economic opportunities and decent wages, and to information and public services, including schools and health facilities. Focused activities for women will increase women's willingness and confidence to participate in public forums directly contributing to greater gender equity and more equitable distribution of project benefits. Through its multifaceted interventions, the Project will directly contribute to (i) improving the quality of life of the targeted populations by increasing the social strength of the poor, and (ii) enhancing their sense of well-being through more responsive operations of locally based NGOs and CBOs.