



Report No: RES00192

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF

Nepal Livestock Sector Innovation Project

APPROVED ON 07-Dec-2017

TO
Government of Nepal

Agriculture and Food
South Asia

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ABBREVIATIONS AND ACRONYMS

FMD:	Foot and Mouth Disease
IDA:	International Development Association
LSD:	Lumpy Skin Disease
MoALD:	Ministry of Agriculture and Livestock Development
MoF:	Ministry of Finance
NLSIP:	Nepal Livestock Sector Innovation Project
PDO:	Project Development Objective
PPR:	Pestel des Petits Ruminants



BASIC DATA

Product Information

Operation ID P156797	Operation Name Nepal Livestock Sector Innovation Project
Product/Financing Instrument Investment Project Financing (IPF)	Geographical Identifier Nepal
Approval Date 07-Dec-2017	Current Closing Date 30-Jun-2024
Original EA Category Partial Assessment (B) (PAD Approval Package-02 Apr 2018)	

Organizations

Borrower Government of Nepal	Responsible Agency Ministry of Agriculture and Livestock Development
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OPERATION STATUS

Project Development Objective (DO)

Original Development Objective
The Project Development Objectives (PDO) are to increase productivity, enhance value addition, and improve climate resilience of smallholder farms and agro-enterprises in selected livestock value-chains in Nepal.

Disbursement Summary (in USD million)

Source of Funds	Net Commitment	Disbursed	Balance	% Disbursed
IBRD	--	--	--	0
IDA	46.26	36.32	9.94	78.50



Grants	--	--	--	0
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Policy Waivers

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

No



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I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Status

1. Nepal Livestock Sector Innovation Project (NLSIP) was approved by the Board on December 7, 2017, and declared effective on February 28, 2018. The project is financed by a credit from International Development Association (IDA). Original IDA allocation was SDR56,700,000 (equivalent to US\$80.0 million as of approval), which was reduced to SDR 38,866,500 in January 2022 and further reduced to SDR32,304,295 (equivalent to US\$42.26 million as of June 25, 2024) in June 2023 through two project restructurings. Government of Nepal's original contribution was US\$10.0 million, which decreased to US\$5.9 million.
2. The project development objective (PDO) is to increase productivity, enhance value addition, and improve climate resilience of stallholder farmers and agro-entrepreneurs in selected livestock value chains in Nepal. The PDO remains relevant. There is no pending audit report under the project.
3. The project is scheduled to close on June 30, 2024. Most of the activities under the project have been already completed. Key achievements under three main components are as follows.
4. Component A - Strengthening Critical Regulatory and Institutional Capacity: Activities under this component are focused on two main pillars: (a) policies and regulatory framework; and (b) institutional capacity strengthening. Out of the four policies supported by the project, the National Livestock Breeding Policy (2022) and the National Animal Health Policy (2022) were approved by the Cabinet in January 2022 and are now being disseminated at provincial levels. Other regulatory works including Infectious Animal Disease Control Act, Animal Welfare Act, Animal Nutrition Strategy, and Animal Identification and Traceability Strategy, have been drafted with support from the project and submitted to Ministry of Agriculture and Livestock Development (MoALD). Other notable achievements include: (a) development of laboratory protocol and standard operating procedure for Veterinary Standard and Drug Regulatory Laboratory; and (b) completion of prototype for livestock management information system currently under piloting in Gandaki Province.
5. Component B - Promoting Sector Innovation and Modernizing Service Delivery: Activities under this component focus on: (a) supporting producer groups; (b) modernizing animal health and breeding services; and (c) training of farmers and extension service staff. The project has supported 1,354 groups reaching 87,985 farmer members. Supported by the project, the cumulative number of vaccinations against Pestel des Petits Ruminants (PPR) has reached 45.5 million heads, 16.0 million for against Foot and Mouth Disease (FMD), and 1.1 million for Lumpy Skin Disease (LSD). Other notable achievements include: (a) constructing of 28 livestock service centers which are equipped with basic modern tools and instruments; (b) equipping central and regional veterinary laboratories with modern equipment such as ultrasound sonography, X-ray machines, and automatic semen analyzers; (c) introducing cold equipment at various locations including central and regional veterinary laboratories that contributed to the logistics for COVID-19 vaccines during the pandemic period; and (d) establishing the pedigree performance recording system as part of the livestock genetic improvement program.
6. Component C - Promoting Inclusive Value Chains for Selected Livestock: Activities supported by this component are to: (a) develop productive partnerships between producers and buyers and provide food safety services; and (b) provide matching grants for investments. The project supported 446 sub-projects through the matching grant program and mobilized US\$18.6



million in private capital (beneficiary contribution of US\$5.95 million and loans from financial institution of US\$12.66 million). Other notable achievements under this component include the construction/completion of five livestock markets.

B. Rational for restructuring

7. The project has realized savings as a result of competitive bidding for the procurement activities, foreign exchange rate variation, and a reduction in the matching grant program. No further activity is planned for the project and US\$4.5 million is projected to remain undisbursed at project closing. The Government of Nepal wants to commit the undisbursed balance to supplement other activities, and a letter dated June 25, 2024 to cancel US\$4.5 million from Ministry of Finance has been received by the Bank. The proposed restructuring is in response to this MOF cancellation request.

II. DESCRIPTION OF PROPOSED CHANGES

A. Description of proposed changes

8. The only change proposed through this restructuring is the cancellation of US\$4.5 million from the IDA credit. Table 1 below shows the reallocation of commitment across components.

Table 1: Category wise cancellation amount and revised allocation (US\$ million)

	Allocation before restructuring	Proposed cancellation	Revised allocation
Category 1 (Goods and works)	16.51	0.72	15.79
Category 2 (Consulting, non-consulting, Training and workshop)	5.91	0.54	5.37
Category 3 (Incremental Operating Cost)	2.52	0.00	2.52
Category 4 (Matching Grant)	18.00	3.24	14.76
Refund of Preparation Advance	0.06	0.00	0.06
Total	43.00	4.50	38.50



III. PROPOSED CHANGES

Operation Information	Proposed Changes	Operation Information	Proposed Changes
Disbursements Estimates	Yes	Loan Cancellations	Yes
Development Objective	No	Reallocations	Yes
Safeguard Policies Triggered	No	Loan Closing Date Extension	No
ISDS	No	Financial Management	No
MFD/PCE	No	Procurement	No
Results	No	Institutional Arrangement	No
Risks	No	Implementation Schedule	No
Legal Covenants	No		
Conditions	No		
Implementation Modalities	No		
Disbursements Arrangements	No		
DDO	No		
Clients	No		
Appraisal Summary	No		
Components	No		

IV. DETAILED CHANGE(S)

COSTS & FINANCING

Private Capital Facilitation

Is this an MFD-Enabling Project (MFD-EP)?

Is this project Private Capital Enabling (PCE)?

LOANS

Cancellations



Loan/Credit/ Trust Fund	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellati on
IDA-61490-001	Disbursing & Repaying	XDR	32,304,295.00	3,416,000.00	25-Jun-2024	28,888,295.00	LOAN RESTRUCTURING, COST SAVINGS

Reallocations

IDA-61490-001

Currency: XDR

Cancellations (if any):
3,416,000.00

New Allocation:
28,888,295.00

Category No.	Expenditure Category	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
					Current	Proposed
1	Gds wrk Prt A B C (excl C.2a) D;	12,445,663.00	10,025,740.45	11,899,163.00	85.00	85.00
2	NCS CS Tng Wrp Prt A B C(ex C.2a) D;	4,386,140.00	3,583,694.17	3,976,340.00	85.00	85.00
3	IOC Prt A B C (excl C.2a) D;	1,897,200.00	1,529,053.51	1,897,200.00	72.00	72.00
4	Matching Grants - part C.2a;	13,531,003.00	10,885,855.32	11,071,303.00	50.00	50.00
5	PPF REFINANCING;	44,289.00	40,319.91	0.00	0.00	0.00
6	CERC;	0.00	0.00	44,289.00	100.00	100.00
Total		32,304,295.00		28,888,295.00		

DISBURSEMENTS

Operation Dates & Projection Details

Reasons to change the full Disbursement date and/or the projection

Restructuring

Implementation Start Date

07-Dec-2017

Operation Closing Date

30-Jun-2024

Projected Date for Full Disbursement

31-Oct-2024



Expected Disbursements (in US \$) (Absolute)

Year	Original Estimation at Preparation (Approval Package – 02 Apr 2018)	Revised Estimation	Actual
FY2018	1,467,566.10	2,000,463.02	2,000,463.02
FY2019	8,133,274.80	1,731,541.38	1,731,541.38
FY2020	14,047,425.00	2,960,353.32	2,960,353.32
FY2021	13,450,657.50	4,703,404.69	4,703,404.69
FY2022	10,025,637.30	6,252,651.24	6,252,651.24
FY2023	0.00	14,903,309.30	14,903,309.30
FY2024	0.00	5,948,277.00	3,705,394.57
FY2025	0.00	0.00	0.00
FY2026	0.00	0.00	0.00