



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
NEPAL LIVESTOCK SECTOR INNOVATION PROJECT
APPROVED ON DECEMBER 7, 2017
TO
NEPAL

AGRICULTURE AND FOOD

SOUTH ASIA

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ABBREVIATIONS AND ACRONYMS

FMD	Foot and Mouth Disease
GON	Government of Nepal
NLSIP	Nepal Livestock Sector Innovation Project
NVC	Nepal Veterinary Council
PDO	Project Development Objective



Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

BASIC DATA

Product Information

Project ID P156797	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 07-Dec-2017	Current Closing Date 30-Jun-2023

Organizations

Borrower Government of Nepal	Responsible Agency Ministry of Agriculture and Livestock Development
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Project Development Objective (PDO)

Original PDO

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.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Commitment	Net Disbursed	Undisbursed
IDA-61490	07-Dec-2017	21-Jan-2018	28-Feb-2018	30-Jun-2023	80.00	14.94	64.47

Policy Waiver(s)

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

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Introduction

This Project Paper seeks the approval of the Country Director to restructure the Nepal Livestock Sector Innovation Project (NLSIP) to cancel US\$ 25 million (IDA) from original allocation of US\$ 80 million as requested by the Government of Nepal (GON) in their January 12, 2022 letter. The restructuring also reflects changes in project activities and targets for certain indicators that were agreed with GON during the August 2021 mid-term review.

B. Project Development Objective

The project development objective of the Nepal Livestock Sector Innovation Project is to increase productivity, enhance value addition, and improve climate resilience of smallholder farmers and agro-enterprise in selected livestock value chains in Nepal.

C. Project Status and Rationale for Restructuring

Progress towards achievement of Project Development Objective (PDO) is rated as Moderately Satisfactory. The PDO continues to remain relevant and achievable during the remaining implementation period. The August 2021 Mid-term Review noted substantial progress in implementation, and all indicators were rated as Moderately Satisfactory except Implementation Progress which would be confirmed as Moderately Satisfactory with the completion of this restructuring. Component-wise progress is briefly summarized below.

Component A: Strengthening Critical Regulatory and Institutional Capacity. Activities were to focus on three main pillars: (a) developing and operationalizing policies and acts affecting the sector; (b) strengthening government agencies' capacity; and (c) developing a Livestock Information Management System.

Regarding (a), the Animal Health Policy and the Livestock Breeding Policy and Strategy have been approved by the Cabinet. The following acts, strategies and policies are under review by GON: (a) Infectious Disease Control Act; (b) Road Maps for the prevention and control of FMD and PPR; (c) Animal Nutrition Strategy; (d) One Health Action Plan; and (e) Animal Identification and Traceability Strategy. Under (b), a Capacity Enhancement Needs Assessment (CENA) has been completed and a total of 4,202 farmers/producers were trained on various skills through 147 events, in addition to 3,450 staff members through 118 events. Regarding the Livestock Information Management System, due to its complexity and shortage of time, the project was to first develop and test a prototype and upscale it based on the experience. This activity is seriously delayed and has been proposed to be dropped.

Component B: Activities under this component were to: (a) mobilize and strengthen producer groups and develop business plans for investment; (b) modernize livestock extension services through infrastructure upgrade; and (c) develop extension training curriculum and strengthen extension agency staff capacity.



A total of 1,048 groups (768 farmer groups (FG) and 280 cooperatives) have been formed. Under (b), the project has completed 12 livestock service centers; constructed the Nepal Veterinary Council (NVC) building, bull mother sheds in Pokhara and Lahan, goat sheds in Buditoda farm, several veterinary laboratories and quarantine offices; developed standard operating procedures for semen collection center, milk collection stations, and slaughterhouse facilities; established cold rooms in all the seven provinces for storage of vaccines; and vaccinated 2.65 million cattle against Foot and Mouth Disease (FMD) and 7.86 million small ruminants against PPR in FY 2020-21. The project's support on *chyangra* value chain could not progress due to the COVID 19 pandemic induced travel ban to Mustang and Manang districts where *chyangra* goats are raised. The extension staff curriculum developed by the Agriculture Information and Training Center has been found to be adequate.

Component C: Activities were to: (a) develop productive partnerships between producers and buyers, and providing food safety services; and (b) provide matching grants for investments.

About 250 agreements have been signed following Calls for proposals 1 and 2 under the matching grant scheme. The first instalment of about US\$ 15 million is anticipated to be released by end-February 2022. For Call 3, the selection process is on-going which is expected to be completed by March 7, 2022. Rolling out food safety activities is delayed.

The rationale for restructuring stems from: (a) Proactive cancellation of US\$ 25 million IDA allocation following a request from the Government of Nepal to support the national level COVID-19 recovery initiative; and (b) the recommendations of the August 2021 Mid-term Review based on an exhaustive assessment of project performance. The restructuring therefore involves changes to the Results Framework, including in the PDO indicators and targets to some of the indicators, and dropping some activities as a result of the reduction in funds available for project activities. There is no change in the PDO.

II. DESCRIPTION OF PROPOSED CHANGES

Description of proposed changes

The proposed restructuring involves following:

- (a) Partial cancellation of US\$25 million.
- (b) Revision to the project Results framework:
 - i. PDO indicator 1, sub-indicator 1.2: revise end target for 'percentage increase in offtake rate expressed as carcass weight for goats' from 40 to 20 percent.
 - ii. PDO indicator 1, sub-indicator 1.3: Drop the sub-indicator on 'percentage increase in *chyangra* wool production'.
 - iii. Intermediate Results Indicator A.1: Drop indicator A.1 'development of master plan for livestock sector'.
 - iv. Intermediate Results Indicator A.3: Drop indicator A.3 'development of LMIS'.
 - v. Intermediate Results Indicator B.1: Revise end target for number of producer groups to be strengthened or mobilized from 3,000 to 1,700.
 - vi. Intermediate Results Indicator C.2: Revise end target of financing 500 business plans to 350 business plans.



- (c) Reducing the area to be covered under fodder and forage production from 30,000 ha to 10,000 ha, and the number of nurseries to be established from 70 to 40.
- (d) Creation of online information system, which was to be embedded into LMIS (on market, price, services, and financial products) is proposed to be reduced in scope to installation of digital market information boards in the livestock markets developed by the project.
- (e) The number of stakeholder dialogue platforms to be established and operational at the national, provincial and district levels would be 34 platforms as follows: 1 at the center, 1 per province in the five provinces supported by the project and one per district in the 28 districts covered by the project.

III. SUMMARY OF CHANGES

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



Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component E: Contingency Emergency Response Component	0.00	No Change	Component E: Contingency Emergency Response Component	0.00
Component A: Strengthening Critical regulatory and Institutional Capacity	5.00	Revised	Component A: Strengthening Critical regulatory and Institutional Capacity	0.50
Component B: Promoting sector innovation and modernizing service delivery	40.00	Revised	Component B: Promoting sector innovation and modernizing service delivery	21.79
Component C: Promoting Smallholder Inclusive Value Chains for Selected Livestock Commodities	30.00	Revised	Component C: Promoting Smallholder Inclusive Value Chains for Selected Livestock Commodities	27.81
Component D: Project Management and Knowledge Generation	5.00	Revised	Component D: Project Management and Knowledge Generation	4.90
TOTAL	80.00			55.00

CANCELLATIONS

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IDA-61490-001	Disbursing	XDR	56,700,000.00	17,833,450.00	12-Jan-2022	38,866,550.00	BORROWER'S REQUEST FOR



COUNTRY REASONS

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IDA-61490-001 Currency: XDR					
iLap Category Sequence No: 1		Current Expenditure Category: Gds wrk Prt A B C (excl C.2a) D			
	23,000,000.00	6,034,194.77	13,381,636.00	85.00	85.00
iLap Category Sequence No: 2		Current Expenditure Category: NCS CS Tng Wrp Prt A B C(ex C.2a) D			
	13,450,000.00	2,351,725.07	5,668,909.00	85.00	85.00
iLap Category Sequence No: 3		Current Expenditure Category: IOC Prt A B C (excl C.2a) D			
	2,150,000.00	779,260.92	2,031,443.00	72.00	72.00
iLap Category Sequence No: 4		Current Expenditure Category: Matching Grants - part C.2a			
	17,700,000.00	0.00	17,700,000.00	50.00	50.00
iLap Category Sequence No: 5		Current Expenditure Category: PPF REFINANCING			
	400,000.00	40,319.91	84,562.00		0
iLap Category Sequence No: 6		Current Expenditure Category: CERC			
	0.00	0.00	0.00	100.00	100.00
Total	56,700,000.00	9,205,500.67	38,866,550.00		

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes



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Nepal Livestock Sector Innovation Project (P156797)

Year	Current	Proposed
2017	0.00	0.06
2018	0.00	2,000,000.00
2019	0.00	3,460,000.00
2020	8,000,000.00	8,950,000.00
2021	0.00	28,390,000.00
2022	0.00	12,200,000.00



Results framework

COUNTRY: Nepal

Nepal Livestock Sector Innovation Project

Project Development Objectives(s)

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.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
Productivity of targeted livestock commodities (milk, goat meat, chyangra) among beneficiaries			
Percentage increase of average milk production per cow/buffalo (Percentage)		545.00	40.00
Percentage increase of average milk production for cow (Percentage)		450.00	40.00
Percentage increase of average milk production for per buffalo (Percentage)		640.00	40.00
Percentage increase in offtake rate expressed as carcass weight for goats (Percentage)		0.00	20.00
Action: This indicator has been Revised	<p>Rationale: <i>Baseline value was not available at the time of appraisal. The baseline value of 5, expressed in kg, is based on the household survey taken in December 2020. Using that figure as baseline, the progress of 3.90 kg is lower than the baseline. It was not possible to add negative value, hence the actual above is presented in kgs (3.90). The low progress is due to late implementation of project support, the project interventions had not started by the time the actual value was calculated. The MTR recommended downward revision of the end target from 40 percent (7 kg if 5 kg as used as the new baseline) to 20 percent (6 kg over the baseline of 6 kg) as the project interventions are starting now with delays due to COVID and the project will not have sufficient time to record 40 percent progress. Hence, the revision.</i></p>		



Indicator Name	PBC	Baseline	End Target
Percentage increase in Chyangra wool production (Percentage)		150.00	80.00
Action: This indicator has been Marked for Deletion			
Increased sales of value added products in targeted value chains through increase in production			
Increased sales value in targeted value chains (Percentage)		0.00	30.00
Farmers Adopting Climate Smart Agricultural Technology by target farmers			
Farmers adopting improved agricultural technology (CRI, Number)		0.00	75.00
Farmers adopting improved agricultural technology - Female (CRI, Number)		0.00	45.00
Farmers reached with agricultural assets or services			
Farmers reached with agricultural assets or services (CRI, Number)		0.00	200.00
Farmers reached with agricultural assets or services - Female (CRI, Number)		0.00	45.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component A: Strengthening Critical regulatory and Institutional Capacity			
Livestock Master Plan updated and endorsed (Yes/No)		No	Yes
Action: This indicator has been Marked for Deletion			
Client days of training provided (of which female) (Percentage)		0.00	5,500.00



Indicator Name	PBC	Baseline	End Target
Client days of training provided (female) (Percentage)		0.00	1,925.00
Livestock Management Information System (LMIS) developed and operational (Yes/No)		No	Yes
Action: This indicator has been Marked for Deletion			
Component B: Promoting sector innovation and modernizing service delivery			
Number of Producer Organizations/Cooperatives newly established or formalized and offering an increased range of services to members. (Number)		0.00	1,700.00
Action: This indicator has been Revised			
Number of animals vaccinated against PPR and FMD through the project - PPR for small ruminants (Number (Thousand))		0.00	14,600.00
Action: This indicator has been Revised	Rationale: Change in the definition to make reporting easier, the project will report the actual numbers of animals vaccinated each year. The progress on FMD and PPR will be reported in terms of number of animals vaccinated as per year wise target in thousand. The year wise target is well aligned with Nation's RBSP of FMD and National PPR Control Program.		
No of cattle vaccinated with FMD (Number (Thousand))		0.00	5,000.00
No of small ruminants vaccinated against PPR (Number (Thousand))		0.00	9,600.00
Beneficiary satisfaction rate with relevance, timeliness and effectiveness of services provided by the project for the livestock sector (Percentage)		19.00	75.00
Of which Female (Percentage)		0.00	75.00
Component C: Promoting Smallholder Inclusive Value Chains for Selected Livestock Commodities			



Indicator Name	PBC	Baseline	End Target
Dialog platform between actors of the targeted value chains established and operational at national, provincial and district level (Number)		0.00	34.00
Action: This indicator has been Revised	Rationale: <i>The numbers of the platforms have been increased to cover the ones at national (one in number), provincial (five in number) and districts (28 in number).</i>		
Number of business plans financed by the project on a matching grant basis (Number)		0.00	350.00
Action: This indicator has been Revised	Rationale: <i>Given the delay in rolling out of the matching grant schemes due to COVID induced travel restrictions and project team members being infected, the target has been reduced from 500 to 350.</i>		
Share of project beneficiaries with a livestock risk insurance policy (Percentage)		0.00	60.00
Component D: Project Management and Knowledge Generation			
Grievances registered related to delivery of project benefits satisfactorily addressed. (Percentage)		0.00	75.00



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