

1. INTRODUCTION

1.1 Background

Agriculture is the mainstay of the Nepalese economy. It employs more than 80 percent of the economically active population and accounts for about 39 percent of gross domestic product (GDP). Apart from being a major source of food, this sector is vital for the growth and development of the country's industrial and export sectors, which are primarily agriculture-based. Attaining food self-sufficiency and rapid industrial and export sector growth thus depends crucially upon the progress of the agriculture sector. The importance of the sector to the overall development of the country has been recognized since the beginning of planned development efforts, with the formulation and implementation of the first five-year development plan in 1955/56. The importance placed on the sector has been reflected in succeeding development plans in terms of allocation of development expenditures.

Despite continued emphasis on the agriculture sector, performance in terms of increased sector productivity and production has not been satisfactory. As a result, poverty has been widespread and growing over time¹ while the food security situation has visibly worsened². Poor performance of the agriculture sector is associated mainly with lack of appropriate sector strategies required to tap local potentials. Major factors behind the dismal performance of the sector in the country include the scattering of scarce development resources to all the geographical regions irrespective of their potentials; improper pricing policies and distribution systems of agricultural inputs; lack of farmer responsive technology generation and dissemination systems; and the habit of ignoring farmers in the development of the irrigation sector (AsDB, 1997).

Recognition of these shortcomings in agriculture development planning and implementation by the government in the Eighth Plan period led to the implementation of the Agriculture Perspective Plan (APP) in the country in 1997. This plan provides a long-term focus and framework for development, prioritizing policy actions and public investments within the agriculture sector. It aims to accelerate growth and thus reduce poverty by directing priority inputs such as irrigation, fertilizers, irrigation and technology towards priority outputs (e.g. crop production in irrigated areas, livestock, high value commodities, agribusiness and forestry).

The implementation strategy of APP is based on coordinated investment packages of agricultural inputs and policy and institutional reforms. It relies on the following: expansion of year-round irrigation schemes and increased participation of farmers; rapid growth of fertilizer distribution through the involvement of the private sector; streamlining of agriculture research and extension towards the needs and problems of farmers; and institutional strengthening to facilitate construction and maintenance of rural infrastructures. Donor assistance has now been streamlined along with APP priority inputs and

¹ Poverty incidence in Nepal is estimated at 42 percent of the population (44 percent rural and 23 percent urban). This is an official estimate; the unofficial estimate is even greater.

² The growing incidence of the food insecurity problem is reflected by the increase in the number of food deficit districts and also by its present position as a regular food importing country as against a net food exporting one in the past.

outputs. The plan has been perceived as having a positive and significant long-term impact on poverty reduction and enhanced food security at the household and national levels.

The objectives, strategies and priorities of APP are well reflected in the current Ninth Plan. In fact, poverty reduction has been adopted as the main objective of the plan, which has targeted to reduce poverty from 42 percent to 32 percent by the end of the plan period. Through a 6 percent annual growth in the agriculture sector, it also envisages increasing per capita food availability to 420 kg (from the existing level of 270 kg) thereby enhancing the food security situation in the country during the plan period (NPC, 1998).

Weak performance of the agriculture sector is the main reason for the growing incidence of poverty and deteriorating food security in the country. Despite its crucial role in generating employment, increasing income and enhancing food security for the masses, the real growth of the sector from 1992 to 2000/01 averaged around 2.6 percent, slightly higher than the rate of population growth and with only a marginal effect on the growth rate in per capita terms. It has remained at subsistence level and is characterized by low input use and low productivity.

Past experience indicates that environmental degradation and difficult agronomic conditions were the major physical constraints to productivity growth in Nepal. Low productivity growth, in turn, was the result of a failure to address policy distortions and institutional weaknesses and to commit to the implementation of policies and strategies. These weaknesses limit farmers' access to key agricultural inputs – i.e. fertilizer, irrigation, marketing, rural infrastructure, research and extension.

The risk of failure to make APP national priorities operational at local levels with full people's participation may prove to be yet another futile exercise of the top-down approach. While the plan emphasizes the need for an implementation mechanism that operates at the district and national levels, not much information is available on the effectiveness of national-local-national linkages. Unless the above mentioned constraints are properly addressed and the required information generated, realization of APP and Ninth Plan objectives will remain to be wishful thinking. It is thus imperative that a critical analysis of agriculture sector performance in the first four years of APP implementation be carried out, focusing on how changes in the national policies and strategies affect actions at the farm level and on the impacts of these changes on the poverty and food security concerns at the national, regional and grassroots levels.

With a view to systematically analyse critical concerns relating to food security and agriculture at the national level and to assess food security issues at the district and household levels within the context of the APP, the Food and Agriculture Organization of the United Nations, Regional Office for Asia and Pacific (FAO-RAP) recognized the need to conduct a sector review for Nepal under the Support to Policy and Programme Development (SPPD) facility of the United Nations Development Programme (UNDP). To this effect, FAO assigned the National Labour Academy of Nepal (NLA-Nepal) to work as the national counterpart of its SPPD team. The overall objective of this exercise is to identify major issues and examine underlying causes, including the policy and institutional constraints, based on participatory assessments at selected mountain, hills and *Terai* districts. This exercise will look into how and to what extent macroeconomic policies and priorities are translated into actions at the meso and micro levels, the

impact of these policies on people's livelihood opportunities including food security, and the manner by which local level concerns are fed back to the policy-making levels.

Remaining well within this broad framework, this annex is devoted mainly to the assessment of agricultural concerns dealing with food security and poverty. Analytical emphasis, however, has been placed on the examination of the national-local-national policy linkages required for the formulation of a coherent and focused household food security strategy with appropriate policy framework and programmes to realize it.

1.2 Objectives

The broad objectives of this annex is to assess the performance of the agriculture sector with a special focus on the implementation status of the objectives and strategies of APP, relating such performance with food security and poverty concerns at the national, subnational and grassroots levels. More specifically, the objectives of this annex are:

- i) To review and analyse agriculture sector performance in the first four years of APP implementation with emphasis on changes in objectives and strategies as well as processes involved in the flow of policy from the centre to field levels and policy feedback mechanisms,
- ii) To identify critical agricultural concerns (i.e. constraints and opportunities) at the national, subnational and local levels as these relate to national, subnational and local food security and poverty concerns;
- iii) To review and make detailed participatory assessments of the local situation in specific districts where these concerns are most apparent in order to identify factors that affect sustainable food security at the household and intrahousehold levels; and
- iv) To recommend policy and programme options addressing critical food security and poverty alleviation concerns.

1.3 Methodology

1.3.1 Review study

This SPPD exercise has been based mainly on the review of documents published by government, the donor community and research organizations in both the public and the private sectors and among non-governmental organizations (NGOs). Secondary information (i.e. published work of the various institutions) has been heavily used. The findings of the review exercise have been discussed with government, the NGO sector and private sector stakeholders through both formal and informal means.

1.3.2 Selection of districts for field study

Field visits were conducted in two *Terai* districts and one district each in the hill and mountain regions to understand the processes and the channels through which national policies and programmes are coursed to subnational and local levels and also the effect of these policies at the more micro levels. The district selection procedure comprised the following steps:

Step 1: Selecting two districts with the lowest human development index (HDI) in each of the three ecological belts in the mid-western and far western regions

Considering the fact that the Far Western Development Regions (FWDR) and the Mid-western Development Region (MWDR) have lagged behind other regions in development activities, the UNDP directed the SPPD team to select appropriate districts in these two regions. All the districts in these two regions were thus listed in ascending order of the Human Development Index (HDI) by ecological belts. Two districts selected from each of the three ecological belts in the FWDR and the MWDR are presented in Table 1 with full listing in Appendix 1.

Table 1.1: Ranking of districts in the MWDR and FWDR based on HDI

Districts in Ecological Belts								
Mountains			Hills			<i>Terai</i>		
District	HDI	Rank	District	HDI	Rank	District	HDI	Rank
Mugu	0.147	1	Jajarkot	0.210	5	Kailali	0.299	24
Bajura	0.173	2	Achham	0.235	8	Dang	0.299	23

Source: ICIMOD, 1997

The districts selected were Mugu and Bajura in the mountains, Jajarkot and Achham in the hills and Kailali and Dang in the *Terai*. The districts selected in the mountains had among the lowest HDI in the country. Similarly, districts selected in the hills ranked fifth and eighth lowest in HDI in the country while the districts selected in the *Terai* ranked 23 and 24 lowest overall in HDI.

Step 2: Selecting one district each in the three ecological belts after discussion with the UNDP and the FAO-Nepal office.

After selecting two districts from each of the three ecological belts in the FWDR and MWDR, the SPPD team met with officials of the UNDP and FAO-RAP and subsequently recommended choosing Mugu in the mountains, Jajarkot in the hills and Kailali in the *Terai*. Although UNDP had no objections over the selection of districts, it suggested replacing Achham with Jajarkot. This was done considering other programmes of the UNDP that are either ongoing or are being planned for these developments regions. Accordingly, Mugu, Achham and Kailali were selected for the field study. After completing the field study in Kailali district and after having organized district and regional level consultations in the

Kailali and Banke districts, respectively, the field study was extended to include Sunsari district of the Eastern Development Region (EDR)³.

1.3.3 Methods used for field study⁴

A field study was conducted in one Village Development Committee (VDC) in each of the selected districts. Methods used for field study consisted of the following steps:

Step 1: Participatory Rural Appraisal (PRA) in the selected location.

Required information on different aspects of the study (e.g. the poverty situation, agriculture and food security and institutional concerns) was collected using different research tools. In general, VDC level analysis covered a general description, preparation of profiles, analyses of seasonal dimension of food availability, gender dimensions of poverty and nutrition, coping strategies and institutional analysis. The Participatory Rapid Appraisal (PRA) in each of the VDC took two to three days.

Step 2: District and regional consultations.

The major findings of the VDC level PRA exercise were presented to concerned district and regional level authorities⁵. The main purpose of such presentations were to validate and refine the study findings, explore possibilities for extrapolating the results to district, regional and national levels and to seek answers to pertinent issues related to rural poverty and households food security with special focus on the processes of policy flow and feedback systems.

1.3.4 National level workshop

In order to present the findings of the study to a wider group of audience representing government, public sector, civic society, NGOs and the donor community, the draft report was presented in a workshop in Kathmandu. Comments and suggestions on the draft report were incorporated in the final report.

1.4 Organization of the Report

This annex report has been organized into seven chapters. This chapter presents the background, objectives and methodology of the study while the next deals with the agricultural resource base and resource distribution. The third chapter then provides an overview of the strategy, policies and programmes of the agriculture sector with special focus on the major agricultural concerns of the APP and the Ninth Plan. The fourth chapter presents an assessment of the implementation status and the

³ The study initially had field study provisions in the three districts of FWDR and MWDR. Since these regions are the most underdeveloped regions of the country, it was considered inappropriate to generalize issues identified in field studies of other regions, which are relatively better off. Sunsari district was selected from the EDR.

⁴ Methodological details of field study are presented in Annex 4 of the main report.

⁵ District and regional consultations were held separately in Kailali district. Only district level consultations were held in Mugu. It was not possible to have district level consultations in Achham due mainly to inaccessibility. For the Sunsari site, however, district and regional consultations were combined.

performance of the agriculture sector with special emphasis on input priorities of APP. The fifth chapter discusses the implementation status and performance of the agriculture sector with special emphasis on output priorities set by APP as reflected in the Ninth Plan. The sixth chapter presents an analysis of the impacts and major shortcomings of APP implementation at the macro, meso and micro levels. The seventh and the last chapter deals with the strategic thrusts required to mitigate shortfalls in APP implementation and to address food security and poverty alleviation concerns of the plan.