CASE STUDY | JUNE 2018

PROMOTING CLIMATE RESILIENT AGRICULTURE IN NEPAL

Building Climate Change Resilient Communities through Private Sector Participation

NEPAL'S PROMOTING CLIMATE RESILIENT AGRICULTURE OVERVIEW:

- **PROJECT COST*:**
  CIF-PPCR : 2,000,000 USD
  IFC : 290,000 USD
  CCCP : 200,000 USD
- **FUNDERS:**
  PPCR, IFC
- **PROJECT DURATION:**
  2013-2019
- **COUNTRY SERVED:**
  NEPAL

Development context:

Nepal has experienced significant changes in temperature and precipitation. Mean annual temperatures are projected to increase 1.3-3.8°C by 2060, while annual precipitation is projected to decrease 10 to 20 percent nationwide. These climate changes, compounded by non-climatic stressors like earthquake risk, compromise Nepal's ability to further increase human development, reduce poverty, and address people's basic needs.

Climate change affects Nepal's agriculture sector, which employs over two-thirds of the labor force and contributes to one-third of the country's GDP. Barriers that prevent Nepali farmers from making significant progress on climate change adaptation include limited access to knowledge, weather and climate information and early warning systems and high quality inputs. These barriers prevent significant private investment in adaptation within Nepal's agriculture sector, despite the enormous potential that private actors—large farmers, processors, and input suppliers—could unleash.

THE PROMOTING CLIMATE RESILIENT AGRICULTURE PROJECT:

To address this and other climate change vulnerabilities, Nepal developed a Strategic Program for Climate Resilience (SPCR) under the Pilot Program for Climate Resilience (PPCR), a dedicated program of the Climate Investment Funds (CIF). Nepal's strategic program features four key areas of intervention, including a three-pronged program on Building Climate Change Resilient Communities through Private Sector Participation. This case study focuses on one of those three projects: the

* This funding amount covers all three projects of the Building Climate Change Resilient Communities through Private Sector Participation Program, which focuses on agriculture, infrastructure (hydropower stations), and housing. This case study focuses on the agriculture project: Promoting Climate Resilient Agriculture Project.

"Promoting Climate Resilient Agriculture Project". The project was designed through two components: advisory and investment. The advisory component was envisioned to i) build capacity of farmers to adopt improved seeds and climate adaptive practices and technologies, ii) facilitate awareness and adoption of efficient and improved irrigation technologies for efficient water usage, iii) develop ICT-based products to disseminate climate information specific to farming operations through a Short Message Services (SMS)-based pilot project, and iv) develop innovative financial products for farmers and other agricultural supply chain members in association with commercial banks. The investment component was designed to work through intermediary banks to facilitate access to finance across the agricultural supply chain to meet investment requirements for adaptive capacity.

DELIVERY CHALLENGES AND SOLUTIONS:

The project faced several challenges, including expectations set in the SPCR itself, and during project delivery with respect to: i) Using a standardized approach for diverse commodities, ii) lack of well-defined support, in terms of knowledge and inputs, and iii) non-optimal solutions in some work streams. While some of these challenges were addressed in 2015, a more substantive restructuring of the project was carried out from 2016 to 2017. This included i) introducing additional crops to seasonal crop rotation and having a more crop-specific focus, ii) adopting a more comprehensive approach to support provided, iii) finding more suitable solutions in certain workstreams.

The restructuring was a complex process that took two years to complete. IFC leadership adopted a flexible and forward-thinking approach to ensure identified delivery challenges were addressed and emerging opportunities were considered, such as channeling investment resources through an equity fund.

The restructuring introduced changes to the project that improved its ability to deliver results. For example, new demonstration plots increased demand for training and adoption of climate-smart farming practices, therefore contributing to the climate resilience of smallholder farmers. In sugarcane, mechanization showed excellent results, and in maize, crop rotation with soybeans allowed for more continuous private firm and farmer engagement and interaction. These changes contributed to strengthening the links between private firms and farmers to improve farming output resilience, as originally sought. While restructuring afforded more time, financial resources, and flexibility to the project, these were all limited, as the project could not deviate from the original approved design and the broader SPCR.

EMERGING LESSONS:

1. **Refine the project scope.** It is important to understand the barriers and drivers for different objectives—such as climate resilience, increased productivity and gender equality—and the complementarities and trade-offs between the strategies to address them, and also understanding the specificities of particular value chains in particular locations. It seems reasonable to avoid having too many objectives (such as climate resilience, poverty, gender, food security, private sector investments etc.) in a pilot project that is dealing with an evolving body of knowledge. Focusing on one or two key objectives in greater depth would be more suitable for this type of project.

2. **Use realistic and strategic timeframes.** The project highlights the importance of promoting longer time frames to allow for unexpected circumstances. In Nepal, an earthquake caused delays, but it could have been an extreme weather event, the frequency and intensity of which are predicted to increase. A phased approach to project design and implementation could reduce the impact of the unexpected.

3**. Design adequate roles for stakeholders and service providers.** The implementation of the project also demonstrates the importance of clearly defining the roles of stakeholders, including those in the field. Moreover, if a project focuses on the private sector, it should link with the government, including the official climate change focal point (e.g., Ministry of Environment) and the relevant line ministries (e.g., Ministry of Agriculture) at the national, regional, and local levels. Bringing the government more on board would facilitate not only implementation but also sustainability, as it has a role to play in creating an enabling environment for private sector development.

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