

## Adapting Local Agricultural Services to Federalized Nepal: 4



## Mobilizing Resources for Agriculture in *palikas*

This is the fourth Briefing Note in a series drawing on the experiences of the Nepal Agriculture Services Development Programme or Prayas (January 2016 - November 2020), a bilateral initiative of the Governments of Nepal and Switzerland (Swiss Agency for Development and Cooperation, SDC) with technical support from Helvetas Nepal. The project covered 61 selected *palikas* in provinces 1, 3 - Bagmati and 6 – Karnali (the latter in collaboration with the ASDP, Agriculture Sector Development Project).

Briefing Notes 2 and 3 have outlined the challenges of establishing a policy and legal framework for agriculture within *palikas*, and then developing an institutional mechanism for their implementation. Yet implementation requires resources – both human, in terms of adequately skilled and knowledgeable people, and funding. Both were in very short supply in the first financial year (FY) of *palika* establishment (2017/18); although both remain a challenge today, the situation has improved. In the first FY, funding mechanisms were a significant challenge. Many *palika* activities were stalled and there was considerable frustration about how to move forward. Inter-governmental fiscal transfer mechanisms were shrouded in uncertainty, and there was confusion over what should be funded through the different types of grants (equalization, conditional and others). Ways to raise internal revenue were also unclear and poorly studied. This Briefing Note outlines how Prayas supported *palikas* in mobilizing resources for agriculture from this early, difficult period and then onwards to the project end in late 2020.

## What did the project do?

Prayas staff worked with the *palikas* to enhance their understanding of fiscal federalization and inter-governmental fiscal transfer mechanisms. They first supported *palika* staff in understanding what internal and potential external sources of funding existed, and then facilitated a process of consolidated financial planning for agricultural service provision. The funding available for *palika* agriculture activities is set out in more detail in Briefing Note 7; the most obvious source are conditional and equalization grants from the federal treasury (Prayas funds are also channeled via this means, as conditional grants). However, Prayas also supported the *Palika* Agriculture Development Committees, PADCs (see Briefing Note 3) to explore ways to leverage funds from other sources, notably special provincial and federal programs; development organizations operating within the *palika* jurisdiction; and the private sector - linking to agricultural enterprises and farmer-led innovations.

## Key achievements

- PADCs have started to advocate for resource allocation in the agriculture sector and to conduct systematic outcome monitoring on how these resources have been used.
- *Palikas* have begun organizing “investment workshops” to attract private investment in agriculture.
- Through supporting *palikas* in advocating for a relaxation of the federal government’s strict conditions attached to federal funding in FY 2018/19 (see section on challenges), *palikas* have now greater local flexibility in the use of conditional funds allocated for agriculture.
- Some *palikas* (one example being Belaka, see box) have begun developing a loose platform of development partners in agriculture under a Programme Support Unit.
- *Palikas* have recognized the potential of returnee migrants as investors in agriculture and are creating an enabling environment for them to do so – such as through grants in cash or kind and training programs in business planning, new crops or techniques.
- *Palikas* have been able to leverage and mobilize resources effectively by avoiding duplication and administrative hurdles.
- With their improved capacity and better understanding of fiscal federalization processes, most *palikas* are effectively accessing and managing their own funds, conditional and specialized grants from the federal and provincial governments, as well as from development partners. They have also developed plans to increase and diversify internal revenues.

### Box: Belaka *nagarpalika* (municipality) Programme Support Unit

The Programme Support Unit of Belaka *nagarpalika* was established to synergize, co-ordinate and collaborate with development partners. The partners comprise government, I/NGOs and private sectors working in different thematic areas of development, including - but not limited to - agriculture, nutrition, health, and education. The scope of collaboration extends from technical, non-technical, financial and advisory services. The forum currently consists of about twenty members and is chaired by the Mayor (who also chairs the PADC in Belaka). They meet every trimester; the agriculture section acts as secretariat.

## Challenges

- The different federal government funding mechanisms for *palikas* caused some confusion in the first FY (2017/18) of *palika* operations. Conditional grants, as the name implies, are allocated on the condition that they are spent on specific sectors; equalization grants (effectively matching funds) are also allocated by sector. Not realizing this, some *palikas* used equalization funds that were intended for agriculture for other purposes (usually infrastructure). To control this practice, in the next FY (2018/19) the federal government attached strict conditions to the use of grant funding for agriculture. This meant that *palikas* had no flexibility

to respond to the local needs and interests of farmers. Prayas supported the *palikas* in advocating to the Ministry of Agriculture and Livestock Development (MoALD) and the Ministry of Finance (MoF) to rectify this matter. As a result, the detailed conditions were lifted, and a block budget allocated for *palika* agriculture services provided through Prayas.

- *Palikas* are still facing the challenge of bringing together all the different development stakeholders within their territory so that all adhere to one plan, avoiding duplication and the waste of resources. Unfortunately, many development actors are skeptical about the motivation of government bodies and do not trust them to handle funds. In this respect, Prayas was able to act as an “honest broker” to secure the engagement of significant actors. In Belaka, for example, a Project Coordination Committee has been formed for joint facilitation and coordination of activities.

### Lessons learned

- If provided with suggestions for policy improvement based on clear field evidence, federal government ministries are open to changing their procedures.
- Consolidated plans alone are not enough to help *palikas* secure funds from other development partners. Planning needs to be followed by concerted *palika* efforts to reach out to potential investors and to apply for funds from other spheres of government.



“Prayas supported Sunkoshi *gaunpalika* and provided grants. It also helped us to develop agriculture pocket areas. This year we allocated Rs 20,00,000 from the *gaunpalika*. This is a result of Prayas educating our officials. Generally, it is perceived that development is through infrastructure (road) development. Nonetheless, we were taught that allocating a budget for agriculture is crucial as this is the way to sustainable development. A proper mechanism to keep the system organized has also been developed. Additionally, every activity related to agriculture such as recommendations and registration, amongst others, is tax free. Our main learning from the development partnership has been to develop an agriculture strategy plan.... There have been many development partners working with us; they coordinate and spend the budget as they feel is necessary. However, the grant brought by Prayas was credited in the *gaunpalika*'s official account, and the *gaunpalika* was made accountable and responsible for the working mechanism. We had to report on how we implemented and utilized the budget, but they gave us the responsibility to execute and made us accountable for our actions.”

Bikas Sundas, Chief Administrative Officer (CAO), Sunkoshi *gaunpalika*, Sindhuli



Photos:

(first page) Tej Narayan Shrestha, a returnee migrant of Siddhicharan *nagarpalika*, ploughing his field with a power tiller. The *palikas* - Prayas collaboration to promote mechanisation in agriculture was successful in attracting youth and returnee migrants to agriculture.

(third page) Bheri *nagarpalika* in coordination with the Ministry of Land Management, Agriculture and Cooperative of Karnali Province facilitated on a call basis an agriculture produce collection and transport mechanism in June 2020, when the COVID 19 pandemic hit hard.

(last page) Optimum utilization of the nearby irrigation canal by Khelmati and Bhabiraj Ranamagar to grow vegetable crops in Lekbeshi *nagarpalika*.