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Seed Production and Input Storage Project
Issues Paper

Project Description

The purpose of the project, as stated in the Project Paper, is to help the Ministry of Food, Agriculture and Irrigation (MFAI) establish a labor intensive system, ultimately to be based on private growers, for producing, testing, processing, storing and distributing seed of the major food crops and of storing and distributing all inputs used in the production of these crops cheaply and effectively to small farmers. This is to be accomplished by helping the MFAI and the Agricultural Inputs Corporation (AIC) establish a system for producing good seed and distributing all inputs that are compatible with Nepalese culture and which can be conducted under the physical and economic conditions that exist in the country.

Project Background and Accomplishments

The Project Grant Agreement for Seed Production and Input Storage (SPIS) project was signed on August 31, 1978. The host country contract for the implementation of the project was signed by the International Agricultural Development Corporation (IADS) on December 18, 1979 and by AIC, on behalf of HMG, on January 14, 1980. The IADS Contract Team Leader arrived Kathmandu on February 7, 1980, to assume his duties, which was over 17 months after the signing of the Project Grant Agreement, and the SPIS project office became operational on April 15, 1980, in three rooms supplied by AIC in their Central Office Building.

The project has two components: the technical assistance and the constructions of up to 69 buildings of various sizes and at various locations within Nepal for the processing, storage, and distribution of seeds and other agricultural inputs. On the technical assistance side, the project has made the following major accomplishments:

1. HMG appointed Dr. Badri N. Kayastha as Project Coordinator on February 5, 1980.

2. IADS Contract Team Leader arrived Kathmandu on February 7, 1980.

3. HMG appointed a Project Coordination Committee on March 28, 1980 to ensure coordination of activities of the various HMG agencies concerned with the implementation of the project, and to identify and remove any constraints impeding its progress.

4. SPIS project office established and became operational on April 15, 1980.

5. Preliminary Projection of Specialists Requirements for the project during 1980 - May 1983 was made and submitted to the Project Director.

6. Procurement orders for vehicles, motorbikes, Crippen Cleaner, Office equipment and publications placed some of which already received (4 vehicles and 10 motorbikes) by the project.

7. Proposed Preliminary Itinerary for an Observation Tour for four Nepali Administrators and/or Technicians to accompany the Contract Team Leader to visit seven countries to determine potential locations for Nepali overseas training, observe project related matters in other countries, etc. prepared and submitted to the Project Director.

8. One PCV assigned to the project.

9. Annual Program of Work for Balance of FY 1980 prepared and the Five Year Program of Work being prepared.

10. Conducted in-country Seed Production Training Course, dealing primarily with wheat and corn, in Blue Star Hotel for approximately 25 people.

On the construction side, the following accomplishments have been made:

1. Two extensive trips were made to different parts of Nepal by the Contract Team Leader in the company of the Project Coordinator and others to observe several existing modern seed processing facilities and to assess the needs for warehouses and/or seed processing facilities in several potential areas of Nepal.

2. Scope of Work and Design Drawings for Mini Seed Processing and warehouse Facilities and for Small Warehouses prepared and transmitted to the Project Director.

3. Field visits were made to locate potential sites for Mini Seed Processing and Warehouse facilities and for Small Warehouses to be constructed by the project.

4. Locations for the first batch of following eight constructions under the project identified:

<u>Small Warehouse</u>

Waling, Syangja District
Damauli, Tanahu District
Ghorahi, Dang District

<u>Mini Seed House</u>

Galkot, Baglung District
Arughat, Gorkha District
Trisuli, Nuwakot District
Dhading Besi, Dhading District
Sundar Bazar, Lamjung District

5. Under the first construction schedule of the project, the advertisement inviting the sealed tenders for construction of three small warehouses and five mini seed houses was published in 'Gorkhapatra' daily of 17th, 19th and 20th February 1981. The opening of the sealed tender forms have taken place and the contracts for two sites have been awarded.

Project Schedule

The project is not on schedule according to the CPI Description noted in the PP because of the late start-up of the project. The Specialists Requirements for the project through May 1983 have not been finalized, the participants have not departed for training, and the construction under the project has also not started yet. The project is making a very slow progresswhich will result in shortage of construction funds because of inflation.

Implementation Problems

1. The Project Coordinator has other responsibilities besides running the project and is therefore not always available for the advice/guidance needed in implementing the project smoothly. This is further complicated by the fact that the AIC authorities having responsibilities on project matters seem on practice to be shifting their responsibilities, thus making the project work performance more difficult than before.

2. The HMG annual contributions for the project have so far been less than necessary for project implementation, thereby presenting difficulty in making a Five Year Program of Work broken down annually. Also related is the problem of prioritizing needs for building construction for preparing the Five Year Program of work. Since the project construction work is presently divided into three phases (Phase I, the Central and Western Regions; Phase II, the Far Western Region; and Phase III, the Eastern Region), it is quite essential to prioritize the available funds in a proper manner at this time so that the project does not end up having no funds for the Phase III Construction, thus not fully fulfilling its objectives.

3. The slow progress of the project has been attributed to: a) IADS contractor's lack of administrative comptency to make the project fully operational after this long period; b) HMG's inability to identify the locations for physical constructions for the five year period; c) HMG's failure to come up with budget projections indicating adequate contributions for the physical construction that will allow preparation of the Five Year Program of work broken down annually; and d) AIC's inability to work out detailed procedures required for the operation of the project.

4. The Specialists Requirements, including short-term ones, have not been firmly identified. However, the contract Team Leader determined that instead of one long-term Seed Processing Specialist, several tours of duty of from two to four months each directed more to field work will more effectively match the pace of project progress than having a long term advisor. Accordingly, this change was approved by a contract amendment on September 28, 1980.

5. The need for a Social Research person has been felt but to date no work has started yet in this connection.

6. The training, in-country as well as out-of-country, and the commodity plans (broken down by annual Nepal, India & U.S. procurement schedules) have not

been finally prepared. On the training side, the preference is being felt for more third country training than U.S. training which means that the funds set aside for the U.S. training may be diverted for more third country training. On the Commodities side, the funds programmed for procurement of equipment for four large storage complexes may either not be required or may have to be diverted for more small size construction because HMG seems not to be in favour of constructing large size complexes at this moment. The contract Team Leader has determined that sufficient seed drying facilities are available at Bhairawa and Rampur. He has also decided that the Butwal Technical Institute can produce the seed processing and ventilation equipment required for the mini seed processing and warehouse buildings. Consequently, it has been determined that the two small seed drying buildings cited in the PP need not be constructed. The change in the equipment list will, however, not be made until a determination is made as to whether or not the actual equipment can be locally produced.

7. The PP shows a total of $2,252,000 (AID $1,418,000 and HMG $834,000) for the construction element of the project. HMG's contribution probably represents land and AIC engineering services and not cash for actual construction costs. This means that the funds available for construction is actually only $1,418,000. The present estimate is that with 25% contingency/inflation factor included, AID's contribution of $1,418,000 will probably cover only 59,500 sq. ft. (Estimated construction cost/sq. ft. is Rs 200/sq. ft. X 59,500 = Rs 13,090,000 + 25% contingency/inflation factor = Rs 16,362,500 plus Rs 511,500 ($43,000) for A&E work, totals Rs 16,874,000 or $1,418,000) of building construction as opposed to the following 136,840 sq. ft., representing current revisions to PP estimate:

Construction Elements:	Total Square Ft.
25 Mini Seed houses, 1000 sq' each	25000
2 Small Seed drying buildings, 750 sq' each	(deleted)
25 Small warehouses, 3000 sq' each	75000
1 Cold Storage building 330 sq' (building recently added to list)	330
1 Seed Lab. 1500 sq'	1300
3 Regional Labs, 1750 sq' each	5250
4 Large Warehouse complexes, each consisting of 3 buildings 2480 sq' each totaling 7440 sq.	29760
	136,840

The above indicates that the PP scope of work for the construction element of the project has to change significantly to conform with the availability of project funds; this suggests a 57% reduction in construction.

8. The funds programmed for the local logistic support of the IADS contract are suspected to be insufficient for the life of the project.

9. The project does not seem to have done any study in identifying locations where farmer seed producing groups might work and has not laid down in writing how the farmer systems to produce, process, store and distribute improved seed in the hills would work.

10. As originally planned under the PP, the project is to have the services of 6 PCVs. The project is having problem in getting 6PCVs. At present, there is only one PCV working for the project.

Project Issues

1. Is project progress being impeded by the Project Coordinator's failure to make adequate time available for the advice/guidance needed by the project for its implementation? Is the shifting of responsibilities by the AIC authorities indicative of their lack of interest/support for the project and is it impacting on project implementation/progress?

2. Is Project Coordination Committee taking its time to identify problems obstructing the smooth operation of the project and helping the project to solve them when there are such problems?

3. Due to operational time lost by the project because of its late start-up, a) should the project be extended for two more years, August 31, 1985? b) should additional funds be added to the project to complete the planned 69, or 59 as revised, building constructions which cannot be constructed without two years' time extension for the project and without additional funding? c) should the scope of the project be reduced in order to be compatible with the existing funds? d) should the project be terminated because of the slow progress of the project? and e) or should any other changes be made in project design?

4. If the project is to survive inspite of its current problems and slow progress, what actions and by what time frame will the followings issues be resolved: a) Adequate funding provisions by HMG to fulfill its commitment for the whole life of the project, and b) Identification and prioritization of all locations for project constructions, finalization of training, commodities and specialists requirements plans, all in an effort to help prepare the Five Year Implementation Plan for the project.

5. The long-term assignment of a Seed Processing Specialist has been decided as unnecessary. What does project experience show in terms of short-term/long-term requirement of the position? When will the services of the Social Research person be obtained and for how long? What is the problem in the recruitment of 6 PCVs for the project? How does the project suffer in light of these shortages?

6. The project training plan, in-country as well as out-of-country, for life of project has not been prepared in final and no out-of-country training has yet been provided. What is the problem in preparing the plan? Also,

in training it is understood that the project is considering substituting third country training for certain U.S. training. Is this change likely to obstruct the achievement of project purpose in any manner?

7. The commodities plan broken down by year and by Nepal, India and U.S. has not been prepared in final. Is this delay going to have effect in project construction work? The decisions making certain changes in the construction element of the project, including currently understood HMG preference for small buildings as opposed to large ones for this project, will have a good deal of effect in the actual funding requirements for commodities and in their type and source of procurement. How soon is the project going to resolve this so as not to adversely effect the construction schedule of the project? Can the savings, if any, in commodities be used for more construction?

8. The decision has been made to delete the construction of two small seed drying buildings based on the observation that adequate seed drying facilities are available at Bhairawa and Rampur. There 2 locations, plus Parwanipur, have foundation seed processing plants, constructed under ICP. How do these facilites relate to SPIS project?

9. Also, work is now in process to develop the local capability to produce the seed processing and ventilation equipment required for the mini seed processing and warehouse buildings. Will the locally produced equipment be adequate for project hill stationed operations?

10. Is shortage of local logistic support funds to the project an immediate concern and is it affecting project operation?

11. Have studies been made to identify locations where farmer seed producing groups might work as opposed to locations where the groups might not work? Should AIC work out detailed procedures and put in writing how the farmer systems to produce, process, store and distribute improved seed in the hills would work?

12. Is IADS Contract administration adequate?

13. The buildings to be constructed under the project should be such that they are simple, easy to maintain, not too much westernized so as to be too much out of context for the surrounding for which they are to be located, and such that the farmers feel confortable to use them. Since the above considerations have cost implications for the project during and after its life and the implication to the degree to which the farmers will use them, has design of buildings given attention to above factors.

PRM:RCSreetha:dds
April 14, 1981