



Partnering with Local Governments for Agriculture Commercialisation

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Executive Summary

The Nepal Agricultural Market Development Programme (NAMDP II), also called Sahaj, was a swiss funded project implemented by swisscontact and CEAPRED.

Recognising the constitutional role of local governments (LGs) in agricultural extension and development, NAMDP II partnered with provincial and local authorities to promote public-private partnerships (PPPs) as a key strategy for agricultural commercialisation. These collaborations aimed to foster investment, strengthen institutional capacity, and create an enabling environment for small and medium agribusinesses (SMEs). The engagement process involved identifying suitable municipalities, consulting with stakeholders, developing work plans, and implementing interventions jointly with private actors.

NAMDP II's support to LGs focused on four areas: development of agricultural market infrastructure,

formulation of policy frameworks, capacity building, and enhancement of agricultural extension services. These interventions led to the establishment and operation of markets, cold storages, collection centres, and processing units across municipalities such as Kankai, Duhabi, and Birtamod. The programme also facilitated the endorsement of 16 local policies, improved municipal service delivery, and mobilised significant investments—NPR 149 million from local governments, NPR 18 million from private actors, and NPR 64 million from NAMDP II. Key lessons learned highlight that while local governments are crucial actors in driving agricultural commercialisation, challenges persist due to limited technical capacity, competing priorities, and insufficient feasibility planning. Strengthening PPP frameworks, enhancing technical expertise, ensuring financial sustainability, and improving access to credit are vital to sustaining the momentum of agricultural commercialisation at the local level.



Introduction

Nepal Agricultural Market Development Programme (NAMDP II)

The Nepal Agricultural Market Development Programme (NAMDP II), also called Sahaj, was a flagship initiative to bring systemic changes in Nepal's agricultural markets. Funded by the Swiss Agency for Development and Cooperation (SDC) and implemented by Swisscontact and CEAPRED with

local partners, NAMDP II aimed to make smallholder farmers and agribusinesses more competitive by removing key market barriers. Using market systems development principles, NAMDP II improved value chains, strengthened services, and promoted sustainable farming practices.



1,670+
new full-time equivalent jobs created against a target of 1,000 (68% above target)



with
40%
discriminated group (DG) men



and
30%
women employed, driving inclusive local economic growth.



40,000+
farmers achieved increased income against a target of 20,000 (105% above target)



with
46%
discriminated group (DG) men



and
46%
women benefiting, demonstrating strong and inclusive economic impact.



NPR 957 million

increase in farm income against a target of NPR 300 million (219% of target), more than double the expected impact.

Role of Local Government and NAMDP II Partnerships

According to Nepal's 2015 Constitution, the three spheres of government - federal, provincial, and local - have concurrent and exclusive rights in agricultural development. The federal government has the exclusive right to formulate national policies, laws, standards, and regulations on matters related to research, international coordination and trade. The exclusive rights of the provincial governments include formulation of provincial policies, laws, regulations and their implementation, with regard to production, sale and use of inputs, micronutrients, and pesticides. Agricultural extension is the exclusive right of local governments (LGs).

Supporting the provincial and local governments in Koshi Province to achieve their objectives in agricultural commercialisation was a key focus for NAMDP II. LGs are an important partner in shaping the local economy, supporting agricultural commercialisation and incentivising the private sector for service delivery. Therefore, for spearheading agriculture commercialisation, NAMDP II identified public-private partnership as an effective mechanism for identifying, establishing and operating various market services for agribusiness (SMEs) at the local level. NAMDP II supported 18 pre-public-private partnership initiatives, with an aim to create an environment at the local level for future public-private partnerships (PPP) collaborations. NAMDP II partnered with the public sector (provincial and local governments) to foster transformation in the agriculture sector, mainly through technical assistance in policy formulation, operation of market infrastructures, co-investment in agri-market

infrastructure and creation of platforms and an environment to bring together public and private sector actors for sustainable collaboration. At the local level, the PPP initiatives increased investment in market operation, collective marketing and branding, and access to finance services to name a few, which stirred the growth of agribusiness (SMEs) through collaborative investment and management of agri-market infrastructures in the agricultural sector from both the public and private sector and strengthened the capacity of local governments to effectively engage with the private sector.

For NAMDP II, the public-private partnership initiative refer to effective collaboration between the public and private sectors in identifying, establishing, and operating agribusiness services along the value chain. It beyond infrastructure financing by combining policy guidance, technical assistance, co-investments, and dialogue platforms to create a business-enabling environment and strengthen forward market linkages.



The Engagement Process

The partnership initiative with the LGs is divided into five stages.

- **Exploration of potential LGs in consultation with the provincial government:**
The initial phase involved identifying potential LGs in Koshi Province based on business opportunity, market infrastructures, willingness and capacity of leadership.
- **Development of a work plan in collaboration with LGs and private actors.**
- **Implementation of the work plan.**
- **Consultation with LGs on the scope of work.**
- **Identification of actors:**
(private companies, cooperatives, Market Management Committees) interested in investing and operating alongside local governments.



NAMDP II

Support

NAMDP II's partnerships with the LGs could be broadly categorised into four types.

Support for the agriculture market infrastructure

This kind of support was for the establishment of new agricultural market infrastructure, including physical marketplaces and cold chambers. The support was

complemented by operational assistance such as policy development, training, exposure opportunities, expert technical services, and business meetings. Sahaj provided support for the agriculture market infrastructure to the LGs of Kankai, Birtamod, Duhabi, Chulachuli and Chaudandigadhi.

Sahaj's Partnership with Kankai Municipality for Agri-Market

The Kankai Municipality, with grant assistance from the provincial government and co-investment support from NAMDP II, constructed a new agricultural market and a cold storage facility. The successful operationalisation of the newly constructed agri-market was the primary focus of the municipality.

The agri-market was handed over to the newly formed Kankai Agri-Market Management Committee (MMC). Sahaj provided technical assistance to facilitate this transition. This included hiring technical experts to develop operational procedures, enhancing the capacity of MMC members, and co-investing in market facilities for improved infrastructure management. These policies and capacity enhancement programs have paved the way for the formation of an inclusive MMC with representation from female and marginalised communities while also ensuring private participation.

One of the key challenges faced by the Kankai municipality was persuading market players to relocate to the newly constructed market. This required broad stakeholder participation and was achieved through exposure visits to various operational agri-markets across Nepal, orientation on operating agri-markets, and training on forming sustainable business plans.

By the end of this intervention, the Kankai Municipality had successfully operationalised the agri-market, which is now being run by private sector actors under the purview of an inclusive MMC. Currently, the market facilities are being used by 63 wholesale traders daily and also host up to 250 retail traders from neighbouring municipalities every week. The market sells produce of the 1100 farmers associated with 36 farmers groups from 9 wards of the municipality, and plans to include an additional 500 farmers by forming new farmers groups.

Saksham Multipurpose Cooperative, which is a female-led cooperative, has also set up its office within the market and encouraged 5 of its female members to set up a vegetable processing industry in the marketplace. The municipality is currently expanding the market through NPR 10 million assistance from the federal government and plans to begin operation of additional sheds, office space and a warehouse. The relocation of the market to the current location had a positive impact on the economy of the new location, which saw an increase in commercial activities. This expanded the Surunga market with many commercial spaces opening near the marketplace. The marketplace has also seen an increasing numbers of food vendors, e-rickshaws and street vendors in the area, which has increased the footfall in the area. This success story is an example of collaboration and innovation in driving agricultural progress.

Business enabling environment through Federal State Building: Policy development

Technical support was provided to develop 26 policies, of which 16 policy documents had been finalised (as of June 2025) and officially endorsed by the local governments for sustainable agricultural practices. These policy documents are now being effectively implemented by the local governments, guiding agricultural activities within the municipalities.

Some examples of initiatives supported by NAMDP II include the Agriculture Development Strategy, the Agriculture Act, the Agribusiness Promotion Act, agri-market operation procedures, cold storage operation protocols and guidelines, the Agriculture Subsidy Promotion and Implementation Act, the Agriculture Mechanisation Promotion Guideline, and the minimum support price mechanism procedure.

Minimum Support Price Mechanism Birtamod

Birtamod, a strategic commercial hub in Jhapa, has long been a vital centre for the production and marketing of agricultural produce. However, its proximity to the Indian border presented a unique and persistent challenge. While the city is home to one of the region's largest agricultural markets, the sheer volume of vegetable imports often caused drastic price drops, demoralising local farmers who struggled to compete.

Recognising this, the Birtamod municipality partnered with NAMDP II to strengthen local commerce by establishing a Vegetable Production and Marketing Committee (VPMC). This committee, comprising representatives from the municipality, farmers, and traders, successfully launched six vegetable sales outlets. But a new problem quickly became clear: for these outlets to succeed, they needed a robust and consistent supply of local produce, and farmers needed the confidence to provide it.

To address the root cause of production and inconsistent supply from farmers, the municipality took a crucial next step by introducing a Minimum Support Price (MSP) system. This follow-up intervention was designed as a vital safety net, ensuring local farmers could cover their production

costs and receive a fair price, even when the market was flooded with cheaper imports.

The process of defining this safety net was a collaborative one. With technical support from NAMDP II, the municipality first developed an operational procedure for implementing the minimum support price, followed by a workshop on MSP. The objective was to transparently calculate the production costs for 16 priority vegetables. A total of 57 participants, including agricultural officers and leading farmers from Birtamod and seven surrounding municipalities like Kankai and Bhadrapur, actively participated. The resulting cost analysis was then officially validated by the Chief of the Agriculture Knowledge Centre, Jhapa, lending them strong technical credibility.

Putting this plan into action, Birtamod Municipality allocated NPR 1.5 million to implement the MSP for the 2081/82 fiscal year. This commitment provided farmers with the financial security needed to invest confidently in their crops. So far, by June 2025, the farmers have received NPR 1.28 million in minimum price support. The enthusiastic reception from farmers has already prompted the municipality to plan for an expansion of the program in the upcoming fiscal year.

Capacity Development

Capacity development support provided by Sahaj included learning/exposure visits; equipment and hardware support for strengthening the market information system and value addition; capacity enhancement training on skills like quality certification, R&D, administration and management; and technical assistance like setting up an online agri-portal.

NAMDP II has co-invested to set up market information systems in the agri-market infrastructures

of Duhabi, Kankai, Birtamod, Rautamai, Chaudandigadhi, Jalpadevi Agricultural Cooperative in Dhankuta and Kiyachu Cold Storage in Myanglung. NAMDP II provided different types of capacity development support. These included visits to various agricultural markets across Nepal; training on book-keeping, market management, and business planning; B2B meetings between farmers, traders and SMEs; and training and counselling on quality certification and management.

Capacity Development Support

- *LGs of Kanepokhari RM, Chaudandigadhi Municipality and Rautamai RM received training focused on agro-processing and production skills such as gundruk and turmeric processing.*
- *LGs of Dhankuta, Kankai, and Rautamai received workshops on financial literacy, business planning and strategic market management to support agri-SMEs.*
- *Training in Damak, Rautamai and Rong emphasised record-keeping for traders, cooperatives and MMC members to help improve transaction efficiency.*
- *Business-to-business meetings and exposure visits facilitated connections between farmers, traders and SMEs in Duhabi, Kankai, Birtamod, Siddhicharan, Halesi Tuwachung, Chaudandigadhi, Rautamai, Chulachuli, and Dewangunj.*



Agriculture Extension Services

Technical assistance was provided targeting the agricultural extension service delivery of the municipalities. These initiatives included collective trade facilitation efforts in municipalities such as Dhankuta, Rong, Halesi Tuwachung, and Kanepokhari. Agricultural cooperatives such as Jalpadevi Agriculture Cooperative, Dewanchhap Agriculture Cooperative, Halesi Mahila

Agricultural Cooperative, and Sanakishan Agricultural Cooperative benefited from these endeavours.

Sahaj supported Arjundhara municipality to provide agri-extension services through an online agri-portal (please see box below). Collaboration between municipalities and cooperatives for product development (e.g., gundruk, turmeric, processed vegetables) was also supported by the project.

Arjundhara's Leap Towards Digitisation: From Fragmented Farms to a Connected Future

Arjundhara municipality invested NPR 15 million in a new agricultural market and processing centre and established the Arjundhara City Development Multipurpose Cooperative (ACDMC) to empower local producers. The municipality realised that to make its agricultural services more effective, it needed to complement physical infrastructure with a digital tool that could improve market access for both farmers and traders and support the development of sustainable strategies through enhanced traceability and demand-supply forecasting. Hence came the vision of Arjundhara Krishi Portal. The goal was to create a centralised, transparent, and efficient digital system that could support the municipality's ambitious agricultural strategy.

The initial phase focused on understanding the landscape through a feasibility study and laying the groundwork for an online agri-portal. The first objective was to build a comprehensive "Digital Agriculture Profile" - an online database that would, for the first time, create a clear picture of Arjundhara's agricultural ecosystem. This meant meticulously listing individual farmers, farmer groups, cooperatives, and local firms, creating a digital map of who was doing what, and where.

The portal was designed as a service platform by integrating key services that turned it into a one-stop digital office for farmers.

- **Online Application for Services:** Farmers no longer needed to make long trips to a municipal office for basic procedures. They could now apply online for crucial services.
- **Business Plans at their fingertips:** Business plans, including a customised financial plan based

on the information provided by the farmer, can be generated through cloud-based systems with minimal effort.

- **Soil Testing and Fertiliser Recommendations:** A farmer can request a soil test through the portal and receive a digital "soil health card" with tailored fertiliser recommendations, promoting scientific farming and improving yields.
- **Support for Farm Infrastructure:** The portal streamlined the process for farmers to get official recommendations needed to apply for agricultural electricity meters.
- **Insurance and Relief Claims:** A system was established for farmers to file claims for agricultural insurance and seek relief for crop damage caused by wildlife, making the process faster and more transparent.
- **A Voice for Farmers:** A grievance and complaint filing system was integrated, giving farmers a direct and documented channel to communicate their issues to the municipality.

Currently, the portal is a bustling digital hub that has registered 2,315 farmers, 54 cooperatives, 192 farmer groups, and 389 local firms. It has already processed 255 soil testing requests leading to scientific fertiliser recommendations, facilitated 76 electricity meter recommendations, and handled insurance and damage claims, bringing municipal services directly to the farmer's fingertips.

This digital transformation is creating a powerful synergy with the municipality's physical investments. The new, organized agri-market infrastructure now has a digital backbone to support its operations.

Results Achieved

Following NAMDP II's intervention, the Kankai agriculture market began operations, with 63 wholesale traders using the facility daily and over 250 retail traders and farmers participating weekly. Similarly, the Duhabi agriculture market and cold storage are now operational, serving more than 300 retail traders. The cold storage, run by a private trader, supports wholesale traders from Morang and Sunsari. Both market committees include women, as per local government guidelines.

Key infrastructure supported by Sahaj - agricultural markets in Duhabi and Kankai, sales outlets in Birtamod and Damak, collection centres in Dhankuta and Rautamai, cold storages in Duhabi and Kiyachu, and Gundruk processing plants in Rong and Kanepokhari are operational, and their clientele is growing.

Birtamod Municipality has reimbursed NPR 1.28 million to the farmers through their minimum support price programme for the fiscal year 2081/82. NAMDP II supported the development of 26 local government policies to foster collaboration with the private sector for market infrastructure and services to agri-SMEs and farmers. Of these, 15 have been endorsed by 7 local governments, 6 are in draft form, and 3 are in preparation. A feasibility study for a newly constructed agricultural market infrastructure has been completed in Arjundhara, with another planned for Damak Municipality.

The partnerships led to a significant mobilisation of both government and private sector funds for the development of the agricultural sector. For the 18 interventions at 14 local governments, NPR 18 million was invested by private partners, and NPR 149 million was invested by local governments in the form of co-investments in agri-market infrastructures. Additionally, NAMDP II contributed NPR 64 million.



Challenges of working with local governments for agricultural commercialisation

- Multiple responsibilities of municipalities with limited staff impact the time they can allocate for agriculture commercialisation, which affects the quality of agriculture services offered by the municipality.
- In most cases, feasibility studies are not carried out before making investments in market centres and cold storage. Return on investment is not the main focus for LGs. Supporting local initiatives of cooperatives, even if they do not appear economically attractive, is a bigger priority for some municipalities.
- Lack of technical capacity to design and operate cold storage and agri-market centres at the local level.
- Uncertainty surrounding budget allocation for multi-year plans and a lack of assurance from the private sector.
- Limited access to affordable credit for farmers and SMEs has impeded their ability to participate in PPP initiatives.
- Uncertainty about the return on investment has deterred private sector involvement. LGs and existing private players need to ensure a clear and achievable return on investment to improve public trust.



Learnings

The lessons from NAMDP II's experience are organised across political, policy and programme levels.

Political Level

Role clarity in the federal context: For federalism to function, elected representatives need to recognise their distinct mandates. Federal government is primarily responsible for setting national policies and standards, providing overall guidance, and ensuring coherence across provinces and local governments. Provincial governments act as regulators of inputs and provide oversight and coordination, while local governments serve as the primary authority for service delivery and local infrastructure. LGs need more support to use their legislative powers, plan and implement infrastructure, deliver services, and develop local-level policies and standards, while avoiding overlaps with provincial and federal roles. Clearly defining the roles of each level and strengthening their engagement can help minimise duplication of efforts and promote smooth coordination across federal, provincial, and local levels.

Political buy-in precedes PPP success: Markets in Kankai and Duhabi municipalities became operational once elected leaders publicly endorsed relocation, formed inclusive market management committees, and committed municipal support. Visible political leadership reassures private investors.

Intergovernmental coordination unlocks leverage: Provincial validation (e.g., AKC Jhapa validating MSP costs) and federal top-ups (e.g., NPR 10 million for Kankai expansion) amplified municipal efforts. Early alignment across all three spheres of government is key to scaling future programmes. While validation is one visible role, coordination, monitoring, guidance, and resource support are equally important aspects of provincial engagement.

Policy Level

Budget credibility and multi-year commitments matter: Market infrastructures are scaled only when backed by protected multi-year allocations (e.g., agri-market expansion, MSP funds). Frequent fund shifts delayed operations of cold stores and markets, which were only mitigated through political assurances tied to endorsed procedures.

Inclusive governance builds legitimacy: Mandating women and marginalised representation in market management committees broadened legitimacy and improved responsiveness to smallholders and street vendors, increasing marketing activities and local economic benefits (e.g., Kankai, Birtamod, Rautamai, Chaudandigadhi).

Predictable rules encourage private investment: Endorsement of 26 policy instruments (e.g., market operation procedures, cold storage SOPs, agribusiness guidelines, MSP rules) created clarity for SMEs and farmers, helping the private sector commit resources with more confidence.



Programme Level

Feasibility must come first: Many agri-market infrastructures were built without a proper feasibility study or planning for ROI. A feasibility study and business plan should be made as a precondition for capital expenditure approval, and their results should be published for proper allocation of public funds. These exercises also build the private sector's trust in the government.

Digital service delivery as public infrastructures: The adoption of digitalisation of agricultural services by the LGs has demonstrated potential to scale dozens of public services to thousands of farmers, traders and citizens by defining minimal viable

services that include registration, permits, grievances, and insurance, creating a roadmap for multiple LGs to adopt the services using a shared system.

Co-financing to boost private capital: Private investment (NPR 18 million) was mobilised by blending it with public (NPR 149 million) and donor funding (NPR 64 million). However, unclear ROI and lack of enforceable contracts due to weak legal frameworks and dispute mechanisms limited the scale of private investment. Introducing financing mechanisms such as performance-based grants, lease-to-operate models and escrow-backed fee collection is required to boost investor confidence.



Nepal Agricultural Market Development Programme

The Nepal Agricultural Market Development Programme (NAMDP II), also known as Sahaj, operated under a bilateral agreement between the Government of Switzerland and the Government of Nepal in Koshi Province. Sahaj is was a Swiss Agency for Development and Cooperation (SDC) project, implemented by a consortium of Swisscontact (as the lead agency) and the Centre for Environmental and Agricultural Policy Research, Extension and Development (CEAPRED).

