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Federal Democratic Republic of Nepal

Country Strategy and Programme Evaluation

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Contents

Acknowledgements **ii**

Executive summary **iii**

Appendices

- | | | |
|-----|--|---|
| I. | Agreement at completion point | 1 |
| II. | Main report – Country Strategy and Programme Evaluation of the Federal Democratic Republic of Nepal | 6 |

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Executive summary

A. Background

1. Covering the period 2013–2019, this is the third Country Strategy and Programme Evaluation (CSPE) conducted in the Federal Democratic Republic of Nepal by the Independent Office of Evaluation of IFAD (IOE). Previous CSPEs were completed in 1999 and 2013. The main objectives of this evaluation are to: (i) assess the results and performance of IFAD’s strategy and programmes in Nepal; and (ii) generate findings and recommendations for a future partnership between IFAD and Nepal that achieves greater development effectiveness, improved rural poverty eradication and increased rural transformation.
2. Since the beginning of its operations in Nepal in 1978, IFAD has approved 17 projects for a total of US\$284 million (mostly concessional, with some grants from the Debt Sustainability Framework). Including counterpart funding worth US\$84.7 million from the Government, and external cofinancing amounting to US\$270.2 million, these operations total US\$639 million.
3. This CSPE assesses the performance and results of IFAD-funded operations since the 2013 country strategic opportunities programme (COSOP), covering eight projects (WUPAP, LFLP, PAFP-II, HVAP, KUBK/ISFP, ASHA Project, SRERP and ASDP)¹ and a sample of regional and global grants.
4. **Country background.** Nepal has a population of 29.3 million (2017), of whom 81 per cent live in rural areas. It is a low-income country with a per capita gross domestic product of US\$960. Between the mid-1990s and mid-2000s, Nepal witnessed internal unrest and armed conflict, concluding in 2006 with a comprehensive peace agreement followed by the end of the ruling monarchy in 2008. In 2015 a new constitution introduced a three-tier federal system (central level, states and municipalities, or *Palikas*).
5. Migration has a very important role in the Nepalese economy. An estimated 2 million Nepalese work outside the country. Remittance inflows account for 25–30 per cent of GDP, representing a major source of foreign exchange and income for households.
6. Nepal has witnessed a rapid fall in poverty during the past three decades. Absolute poverty decreased from 42 per cent in 1995 to slightly under 22 per cent in 2015. Poverty is more prevalent in rural areas, at 33.2 per cent, compared to urban areas (7 per cent). Child stunting (below age 5) stands at 36 per cent (2016), which is high but is down from 49.2 per cent in 2006.
7. Nepal's economy is heavily dependent on agriculture, which represents 27 per cent of GDP (2017). Average landholding is low (0.7 ha per household), with 52 per cent of total agricultural households farming less than 0.5 ha. Transitioning to higher-value products (crops but also livestock) per unit of land is crucial for agricultural development. Nepal's agriculture sector is governed by the Agriculture Development Strategy 2015-2035. Value chains and agricultural modernization and commercialization have a significant role in this strategy, along with improved governance.

B. Project portfolio performance

8. **Relevance.** The objectives of the projects were well-aligned with the Government’s stated policies, as outlined in the relevant five-year plans and the

¹ Western Uplands Poverty Alleviation Project (WUPAP), Leasehold Forestry and Livestock Programme (LFLP), Poverty Alleviation Fund Project II (PAFP-II), High-Value Agriculture Project in Hill and Mountain Areas (HVAP), Kisanakalgi Unnat Biu-Bijan Karyakram/Improved Seeds for Farmers Programme (KUBK/ISFP), Adaptation for Smallholders in Hilly Areas Project (ASHA), Samriddhi-Rural Enterprises and Remittances Programme (SRERP) and Agriculture Sector Development Programme (ASDP).

Agriculture Development Strategy. Key thematic areas of the portfolio address rural poverty reduction and agricultural development in Nepal. For instance, the portfolio has focused on *higher-value crops* such as spices, fruit and off-season vegetables, and seed production. All of these have potential markets in Nepal as well as abroad. Of special interest is seed production, for which there is unmet demand nationally. *Livestock development* is also a pathway to increasing farm productivity. Projects such as LFLP and KUBK have mostly focused on improved goat breeds for meat production. But while ideally suited to beneficiaries' needs, increasing livestock numbers, if not properly managed, can have adverse effects on the environment. *Leasehold forestry* for very poor households is a relevant approach to restore degraded forest and enable greater fodder production to support livestock-rearing and the production of saleable non-timber forest products.

9. *Marketing and value chain development* are part of the strategy for increasing the profitability of smallholder farms. The focus on value chain development was important in HVAP and its successor, ASDP. KUBK's focus was on both production and marketing support (the latter particularly for seeds, less so for livestock). SRERP was initially designed for rural enterprise support but is now refocusing on value chain development.
10. However, the portfolio presented several instances of complex and non-integrated project design, which later required lengthy and costly amendments. In the case of WUPAP, the original five components, featuring multiple activities, required technical service delivery from different district line agencies, including agriculture, forestry, livestock and local development. SRERP also had a complex design, bringing together issues of migration, remittances, investment in value addition and in more sophisticated processing and marketing. Project staff requirements at the local level were often under-estimated, which led to the need for major redesign. Overall, the portfolio relevance is assessed as moderately satisfactory.
11. **Effectiveness.** The project portfolio effectiveness is rated as satisfactory, given that achievements of targets were relatively high despite adverse external factors (e.g. the 2015 earthquake). The leasehold forestry model has proved to be effective in natural resource management. LFLP handed over a total of 20,450 ha of degraded forest land (target 31,000 ha) to 4,101 groups (88 per cent of target) involving 40,638 households (92 per cent of target). About 60 per cent of households adopted improved forage cultivation techniques, with half growing either Stylo, Napier, Molasses or other forage crops.
12. Cereal seed production (truthfully labelled seeds) generated higher revenues (about 30 per cent) for smallholder farmers, compared to grains for animal feed. Sizeable grants (US\$93,000 or higher) were provided to five agribusinesses that agreed to purchase seeds from smallholder farmers. It is not clear whether these companies will continue purchasing after project completion.
13. HVAP supported high-value products. Some 13,357 households (83.7 per cent of beneficiaries) reported increases in the productivity of high-value agriculture crops, such as apples, ginger, turmeric, timur, off-season vegetables and vegetable seeds. This was achieved thanks to the use of quality seeds, improved on-farm management practices and irrigation. Under both HVAP and KUBK, multi-stakeholder platforms have helped promote business linkages and trust between agribusinesses, traders and farmers' organizations. The platforms have helped negotiate fixed prices, thus protecting farmers (but also buyers) from seasonal fluctuations.
14. Projects were generally effective in reaching women, low-caste populations, indigenous peoples and other disadvantaged groups, through a combination of inclusive community targeting, direct targeting based on household assets and food self-sufficiency levels, and self-targeting. However, some implementation practices,

such as requesting upfront financial contributions from beneficiaries (KUBK and ASHA projects) can make it difficult for the poorest to participate.

15. **Efficiency** is assessed as moderately satisfactory. There have been delays at start-up and early on in implementation. Delays stemmed from adjustment to project design, staff shortages, major policy changes (e.g. federalization), natural disasters (the 2015 earthquake) and turnover of IFAD and government staff. However, implementation accelerated after the midterm review and projects had achieved most of their targets on completion. Programme management cost ratios were within IFAD standards. Taking into account the difficulties in accessing project sites (due to remoteness and limited infrastructure), this represents a considerable achievement.
16. **Impact on rural poverty** is assessed as satisfactory. Available data suggest a generally positive impact on household income and net assets, with significant increases for groups raising livestock, producing seed or engaged in value chains (ISFP, HVAP, WUPAP). Moreover, increased access to group-based or cooperative financial services has reduced household indebtedness to moneylenders (PAFP-II, HVAP, ISFP).
17. Projects have also helped improve human and social capital. For example, a 2014 LFLP impact study showed an increase in the literacy rate of programme households from 49 per cent in 2006 to 86 per cent in 2013, probably thanks to adult literacy and numeracy initiatives. PAFP-II interventions generated social empowerment among members, particularly women and the marginalized Dalit, increased self-esteem and reduced discrimination and abuse. Greater access to infrastructure reduced drudgery, particularly in water collection by women and children.
18. As for LFLP, data on increased food security are impressive but precise attribution is unclear. The proportion of households experiencing hunger during the lean season declined from 64 per cent in 2007 to 22 per cent in 2012, but this followed a fall in poverty rates nationally. On the other hand, it is possible to attribute to LFLP the increase of the vegetation cover in the leasehold plots and the increase in fodder availability. Over 75 per cent of the leasehold groups reported needing less time to collect fodder and firewood. Food insecurity (months with insufficient food to eat) has decreased among beneficiaries of KUBK, notably during the first lean season, which occurs in various months between March and September depending on the district.
19. **Sustainability of benefits** is assessed as moderately satisfactory. Leasehold forestry is now an established approach in Nepal for the implementation of community-based forest management and is embedded in national policies.
20. For many community-based organizations supported by the projects, conversion into cooperatives or federations of cooperatives has proved a key step towards sustainability. It has provided them legal status, which in turn enabled them to access additional resources, including funds from rural development banks.
21. In several projects, the maintenance of infrastructure is a matter of concern due to lack of adequate engineering expertise. In some cases (KUBK), the maintenance of equipment and infrastructure is not clearly planned with the users.
22. **Innovation** is assessed as moderately satisfactory across the portfolio. The projects did not support major technological innovations but introduced new organizational approaches. Multi-stakeholder platforms for value chain development were new in the Nepalese context. Promoted by the Netherlands Development Organisation (SNV), they linked producers with service providers, agribusinesses and traders and helped negotiate contractual conditions.

23. Community breeding of improved goats, as opposed to traditional breeding in research stations, is also a novelty in Nepal. Several breeder-herd members had previously migrated for employment to India, Malaysia and Gulf countries, but are now able to stay in Nepal thanks to additional income from goat-rearing. However, there is an urgent need to rotate the bucks to prevent inbreeding.
24. The introduction of “payment for service” mechanisms (e.g. PAFP-II) for grass-roots communities can be considered a novelty in a country where community development has been heavily dependent on the external support of NGOs and other partners. Grass-roots groups are now introducing charges for their services (e.g. in the form of loan interest) in order to pay service providers such as financial service facilitators.
25. **Scaling up** is assessed as moderately satisfactory. The continuation and expansion of leasehold forestry activities by District Forest Offices (out of their own resources) is an example of scaling up. The leasehold forestry concept has also been scaled up by other programmes not funded by IFAD, notably in eight Terai districts by the Biodiversity Sector Programme for Siwalik and Terai, and in three hill districts by the Livelihoods and Forestry Programme and the Multi-Stakeholder Forestry Programme.
26. In the case of inclusive value chain development, the fact that the Government of Switzerland will provide cofunding to ASDP (successor project to HVAP) and that HVAP provided inputs to the development of Nepal’s Agricultural Development Strategy are examples of scaling up.
27. **Gender equality and women's empowerment.** Participation of women in project activities and in decision-making has generally been high — between 44 and 80 per cent. But women have heavy workloads in rural Nepal and are already putting in long hours, due in part to male migration. Addressing household workload is a prerequisite for women’s engagement in income-generating activities.
28. Village fodder nurseries in support of dairy production improvement (KUBK) and small ruminant rearing (LFLP, WUPAP, KUBK) have helped reduce women’s workload. Small ruminant and dairy enterprises are particularly popular with women since they provide regular income. Women have also successfully engaged in several value chain enterprises, seed production and irrigated agriculture.
29. Women’s engagement in economic activities, group leadership and technical training, as well as their involvement in markets and enterprises, have increased their confidence and ability to generate income from activities outside their home. As a result, they are less dependent on their husbands and other male family members. Their financial contribution to the household has also gained them respect from their relatives.
30. The rating for gender equality is satisfactory, given the strong focus on several dimensions of women's empowerment in project design and the progress made in financial and social equality during implementation. However, a clear area for improvement is achieving better gender balance in the project teams.
31. **Natural resource management** is assessed as moderately satisfactory. Leasehold forestry interventions proved to be an effective pro-poor model for environmental conservation and poverty reduction and had a positive environmental impact. Degraded forestland was reclaimed and used for fodder and firewood production, and as a source of timber and non-timber products. This also increased water retention of soil and protection of steep slopes.
32. The long-term environmental consequences of livestock expansion, combined with a corresponding increase in demand for feed and fodder, are difficult to predict. All projects are promoting increased stall-feeding, which is beneficial to the

environment, but there are no clear data on fodder cultivation and for how many months stall-feeding is practiced. There may also be environmental risks if the number of livestock exceeds carrying capacity. This risk needs to be regularly monitored.

33. Water management interventions in the form of small-scale irrigation canals, irrigation water ponds and recharge ponds had positive outcomes on the environment. However, in several projects, clear arrangements for water management (and maintenance of community infrastructure) are lacking within user groups.
34. **Climate change adaptation** is assessed as moderately satisfactory. The promotion of leasehold forestry can generate benefits in terms of the greenhouse gas balance. A study by the Food and Agriculture Organization of the United Nations in 2012 estimated that leasehold forestry could lead to a reduction in greenhouse gas emissions through carbon sequestration averaging 4.6 tons of carbon dioxide per ha per year.
35. The ASHA project is devoted to climate change adaptation and is expected to work with different government and non-governmental organizations in preparing and implementing Local Adaptation Plans of Action. However, the majority of the activities selected by ASHA are similar to those of other projects, focusing on crop production, drip irrigation, polytunnels, improved livestock sheds and farmer field schools, among others.
36. Although they do not directly address climate change adaptation, other projects have some environmentally smart interventions, such as polytunnels, water storage and micro-irrigation that can increase the ability of farmers to withstand climate shocks.

C. Assessment of non-lending activities

37. **Knowledge management.** The projects applied different types of knowledge dissemination mechanisms, such as workshops/seminars and meetings. For example, HVAP organized annual, district-level workshops to bring together all communities and to discuss innovation and new technologies. It has also developed a "How-to-Do" note on multi-stakeholder platforms as a step-by step manual for producer organizations and private sector service providers. All projects have started using electronic media (websites, videos, etc.) for sharing and disseminating knowledge.
38. Knowledge management initiatives during the 2013 COSOP cycle produced project-level products and processes. But little effort or resources were devoted to preparing knowledge products based on the portfolio experience that could have contributed to national policy dialogue or to an IFAD regional knowledge repository. Other international organizations produced country-based working papers, research papers or monographs, that contributed to national policy-level discussion or for use by donor forums. With a few exceptions, IFAD has not taken advantage of such opportunities, which could have been pursued in collaboration with other partners.
39. **Partnerships.** Partnerships with government entities have been strong in terms of coordination. Federal government officials highly appreciate IFAD's work and the Fund's sustained support to the country. IFAD's programme is fully aligned and coherent with government strategies in agriculture and rural economic planning (i.e. commercialization, agricultural modernization and value chain approaches).
40. Partnerships at provincial and local government (Palika) levels are evolving in the light of changes in the constitution and federalization. The IFAD-financed projects are developing working relationships with these new, decentralized structures. There have been delays in implementation in the absence of a clear delineation of authority between different tiers of the government and due to shortages of staff.

41. IFAD has a long-standing cofinancing partnership with the World Bank. IFAD partnered with the Bank to cofinance PAFP, and they effectively supported the programme through two financing cycles, from 2008 to 2018. The relationship enabled an outreach and coverage that would have been impossible had IFAD been acting alone. During most of the 2013 COSOP period, beyond PAFP, the partnership with the World Bank was at a low ebb, lacking new common ground for joint activities. In the context of the next COSOP, discussions are underway to reinvigorate the partnership and cofinance a rural enterprise project.
42. The partnership with SNV provided IFAD with technical expertise. SNV played a vital role in turning value chain concepts into practical plans and arrangements, and in developing manuals. This positive partnership experience generated a collaborative initiative with Swiss Agency for Development and Cooperation (SDC), which is funding technical assistance support to ASDP. However, SDC is now requesting that ASDP more explicitly support the new federal system and this may require some renegotiation with SDC and the Government.
43. IFAD has had little collaboration with United Nations agencies and Rome-based agencies during the 2013 COSOP period due to limited Country Office staffing. IFAD is a signatory of the United Nations Development Assistance Framework (UNDAF) and is committed to supporting the Sustainable Development Goals in Nepal. However, its level of participation with the relevant UNDAF coordination groups and United Nations Country Team is infrequent.
44. Partnerships have begun with the private sector in IFAD-funded projects. Working partnerships were developed by HVAP, ISFP/KUBK and SRERP with private agribusiness companies as buyers of produce from small farmers. Some have exported to international markets. However, in the case of seeds (KUBK), private sector collaboration has been tied to sizeable grants and without any clear commitment to continue after project closure.
45. **Engagement in policy dialogue.** At the national level, IFAD and the Asian Development Bank provided financing for the implementation of Nepal's Agricultural Development Strategy, joined later by 11 other development partners. IFAD is a member of the Local Donor Group and a core member of the National Portfolio Performance Review. Individual projects included some policy support initiatives. The latest amendment to the Forest Policy, incorporating the provision of shared benefits to leaseholders, is an example of policy input through IFAD's experience in leasehold forestry.
46. Engagement in policy processes in the country is severely constrained by the resources of the Country Office (a single national staff member). Policy engagement is a relatively long-term process, needing regular dialogue and interactions at various levels of the government and with development partners. IFAD country programme managers (CPMs) have a pivotal role to play in bringing proven project successes to the attention of the Government and in advocating for their scaling up with policymakers. Frequent CPM rotations have created a critical void in policy engagement with national authorities and partners.

D. Country programme strategy performance

47. **Relevance.** The 2013 COSOP was formulated following a consultative process with the government, with the participation of a wide range of stakeholders. While emphasizing the commercialization of agriculture, it maintained a focus on the inclusion of poor and disadvantaged groups such as the Dalit, Janajati and women. However, in spite of their good overall performance the COSOP put less emphasis on "traditional" approaches supporting basic needs and services in more remote areas.
48. The 2013 COSOP was prepared before federalization, which challenges the modus operandi of IFAD and other development organizations. IFAD's current strategy as

well as the design and implementation of its projects is guided by a centrally driven mindset, as was the case with most development agencies.

49. **Effectiveness.** Under Strategic Objective 1, *Promoting rural income diversification and stimulating employment*, the programme helped increase the productivity of high-value agricultural crops and seeds. It promoted linkages between small-scale producers of fruits, spices, vegetables and high-value crops with aggregators, processors and exporters. Promotion of market linkages was less strong for livestock. Projects recorded a generally upward trend in beneficiaries' household incomes and net assets.
50. Under Strategic Objective 2, *Strengthening food security and resilience to climatic and other risks*, projects contributed to an increase in crop and livestock productivity and incomes, which made a positive impact on food availability. Overall, projects paid moderate attention to climate change adaptation. One project, ASHA, was in principle fully dedicated to climate adaptation, but to date has supported productive activities similar to those of other projects.
51. Under Strategic Objective 3, *Promoting inclusive, accountable and sustainable rural institutions*, projects across the board supported community-level savings and credit institutions, which had varying degrees of sustainability. Those groups that could consolidate into cooperatives gained access to further financing from rural banks and government initiatives. LFLP helped institutionalize leasehold forestry through the establishment of a Leasehold Forestry Division in the Department of Forests. HVAP and KUBK introduced multi-stakeholder platforms to make the governance of value chains more inclusive. So far, these platforms have consisted in a single annual meeting and there is no sign as yet of moving to more regular exchanges. However, the approach has attracted the interest of the District Chambers of Commerce, which plan to continue their support.
52. IFAD's engagement in non-lending activities was foreseen as an instrument to achieve all three strategic objectives. The performance of these activities improved compared to the previous CSPE, thanks to initiatives funded by the projects. However, they have been undercut by several factors, including: (i) IFAD's limited country presence, with only one resident staff member; (ii) blurred lines of responsibility in IFAD for pursuing non-lending activities; and (iii) the regional and global nature of grants, which do not promote strong linkages with the loan portfolio.

E. Conclusions

53. The programme's overall effectiveness and impact on rural poverty has improved compared to the previous CSPE in Nepal. The progressive emphasis on high-value products and the inclusive commercialization of agriculture has been relevant in the context of rural poverty in Nepal and to national strategies and initiatives. As farm fragmentation and low productivity of staple crops challenge the economic viability of traditional farming systems, the emphasis of the IFAD-funded programme on higher-value products contributes to increasing the value and profitability of farm production.
54. Linking small-scale farmers with value chains was important in order to create greater economic opportunities, and the IFAD-funded programme has made significant progress here. It has improved farmers' access to markets, including international outlets, but has also contributed to transparency in contracting and to the predictability of prices.
55. Interventions on value chain governance are still at an early stage but have generated interest from local institutions such as the District Chambers of Commerce. They have promoted the engagement of private sector actors such as traders, agribusinesses and processors. In the case of cereal seed commodities,

producer-buyer linkages are still dependent on sizeable project subsidies to selected agribusinesses and these are yet to result in long-term engagement.

56. The IFAD-funded programme also recorded positive experiences in traditional community-based and integrated rural development in more remote areas. However, attention to this approach has decreased significantly in spite of its good track record. Interventions in marginal areas were effective in creating basic welfare and production conditions, which could have been built on through more market-oriented approaches. However integrated rural development has tended to disappear from the portfolio since the completion of PAFP-II.
57. There is a contrast between the significant results achieved to date and the implementation delays and challenges faced by most projects. The serious challenges of working in rural Nepal with isolated communities and underdeveloped infrastructure (notably roads and potable water) cannot be overstated. At the same time, design complexity and underestimation of project staffing needs at local level also contributed to the delays.
58. The current strategy and organizational arrangements of the IFAD-funded programme in Nepal, as well as those of several other development agencies, were devised before the introduction of the new federal system. The challenge is not only to adapt IFAD project design to this system, but also to help develop the capacity of the new system – particularly at the state (Province) and Palika levels – to support smallholder agriculture, rural poverty reduction and rural transformation.
59. IFAD’s Country Office in Nepal is under-resourced and has received limited corporate support. The office has been run by a single but qualified and committed staff member. However, the increasing portfolio size and the number of corporate requests have severely constrained strategic knowledge management and higher-level partnership and policy engagement, nationally and regionally.

F. Recommendations

60. **Recommendation 1. Support federalization as an integral part of the preparation of the new COSOP and project design.** The focus should not only be on how to adapt the project architecture (e.g. budgeting, transfer of funds, monitoring and evaluation, fiduciary controls) to the new system, but also on how to support local governments in promoting rural development, including local infrastructure, extension and advisory services, and economic opportunities. IFAD will need to collaborate with other like-minded development agencies.
61. **Recommendation 2. Continue the support to value chain development with renewed emphasis on the inclusion of very poor groups.** IFAD and the Government need to place continued emphasis on the inclusion of poor and very poor small-scale producers (e.g. the Dalit, Janajati, women) and youth by making special provisions for them in project design. The current pre-financing requirements for beneficiaries, which create disincentives for very poor producers, need to be revisited. Another priority is to strengthen consultation forums between value chain stakeholders (e.g. multi-stakeholder platforms) so that they can become instruments to improve value chain governance in a more inclusive manner.
62. **Recommendation 3. Bring back to the spectrum of IFAD funding the support to community development, basic infrastructure and services as a preparatory step for further economic opportunities.** In areas where commercialization of agriculture has not yet emerged, working on local infrastructure (e.g. feeder roads, bridges, potable water), services and functional literacy can create the basis for further economic development. This can then be built on through a more pronounced market and value chain focus in a follow-up project phase.

63. **Recommendation 4. Integrate natural resource management and climate change adaptation in all project designs.** The Government and IFAD can build on their experience in leasehold forestry and low-input agriculture. It may be more effective and efficient to include climate change-proofing elements in all projects, rather than funding a single dedicated project. Given the portfolio's ubiquitous investment in livestock, the environmental impact on forests and grasslands needs to be monitored systematically.
64. **Recommendation 5. Strengthen partnerships for specialized technical support and for cofinancing.** IFAD should explore further cooperation opportunities with development agencies, NGOs and other development partners that have demonstrated technical experience in crucial portfolio areas (e.g. value chain development, support to decentralization, community-based development). This would not only enhance quality and innovation in project design and implementation, but also create opportunities for policy engagement and for scaling up results.
65. **Recommendation 6. Enhance portfolio management and implementation preparedness.** IFAD could aim to approve a single new project (excluding loans for project top-up) in any given performance-based allocation cycle so as to keep the number of ongoing projects in check. Project design will require a more proactive role for the Government in the formulation process and in validating technical proposals. In order to enhance implementation preparedness, IFAD could make use of its newly introduced instruments for pre-financing project implementation and for building implementation capacity.
66. **Recommendation 7. IFAD should strengthen its Country Office in Nepal and its corporate support to the country programme.** The staffing of the Country Office needs strengthening and should preferably include a resident country director. In addition, thematic support from the subregional hub and headquarters, combined with country-specific grants, could help IFAD engage in higher-level knowledge management and policy engagement.

Agreement at Completion Point

A. Introduction

1. This is the third Country Strategy and Programme Evaluation (CSPE) conducted by the Independent Office of Evaluation of IFAD (IOE) in the Federal Democratic Republic of Nepal. The previous CSPEs were completed in 1999 and 2013, respectively. The main objectives of this CSPE are to: (i) assess the results and performance of the IFAD-financed strategy and programmes in Nepal; and (ii) generate findings and recommendations for the future partnership between IFAD and Nepal for enhanced development effectiveness, rural poverty eradication and rural transformation.
2. The present CSPE assesses the performance and results of the IFAD-funded operations in the period 2013-2019. This CSPE covers the full range of IFAD support to Nepal, including: (i) the lending portfolio; (ii) the non-lending activities; (iii) the performance of the main partners (the Government and IFAD); (iv) country programme management and strategic performance.
3. This agreement at completion point (ACP) contains the recommendations based on the evaluation findings and conclusions presented in the CSPE report, as well as the proposed follow-up actions as agreed by IFAD and the Government. It will be signed by the Government of the Federal Democratic Republic of Nepal, represented by the Ministry of Finance; and by IFAD Management, represented by the Associate Vice President, Programme Management Department.
4. The signed ACP is an integral part of the CSPE report in which the evaluation findings are presented in detail, and will be submitted to the IFAD Executive Board as an annex to the new country strategic opportunities programme for Nepal. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.

B. Recommendations

5. **Recommendation 1. Support federalization as an integral part of the preparation of the new COSOP and project design.** The new strategy and programme need to focus on supporting the federal system, including the federal, state and local governments but with special emphasis on the latter.
6. The focus should be not only on how to adapt the project architecture (e.g., budgeting, transfer of funds, monitoring and evaluation and fiduciary controls) to the new system, notably State and Palika governments, but also on how to support local governments in promoting rural development, including local infrastructure, extension and advisory services and economic opportunities. Key strategic challenges are how to help local government plan, implement and assess development interventions for smallholder farmers and small-scale producers (with priority for poor and marginalized groups).
7. In doing so, IFAD will need to collaborate with other like-minded development agencies to support in particularly the capacity building for Palikas.

Proposed follow-up

8. The new country strategy (COSOP 2021-2026) will address, among other important issues, the way in which IFAD's ongoing interventions, namely the Agricultural Sector Development Program (ASDP) and pipeline interventions, namely the Value Chain for Inclusive Transformation of Agriculture (VITA) will support the government to adopt federal system and smooth transfer of management capacity and tools to provincial governments and municipalities (new COSOP is planned for

approval in September 2020). IFAD will collaborate with like-minded development agencies in this regard.

9. IFAD and the government will support capacity-building of local governments where IFAD interventions will be implemented to introduce rule-model for implementation under federalism and facilitate policy dialogue to strengthen the role of local authorities in promoting and implementing rural development projects (start by mid-2020).
10. The pipeline project (VITA) will support the development of infrastructure for value chains, from production to marketing, including water harvesting, storage and irrigation facilities, drinking water facilities, feeder roads and market infrastructure.

Partners responsible for follow-up: IFAD and the Government.

11. **Recommendation 2. Continue the support to value chain development with renewed emphasis on the inclusion of very poor groups.** The continuation of IFAD's support to pro-poor value chain development is well justified, given the good progress made by HVAP, and to some extent KUBK, and the priority of value chains for the Agricultural Development Strategy 2015-2035. IFAD needs to continue emphasizing the inclusion of poor and very poor small-scale producers (e.g. Dalit, Janajati and women) and the youth, by making special provision for them in the project design. In particular, the current pre-financing requirements for beneficiaries, that create disincentives for very poor producers, need revisiting.
12. Another priority is to strengthen the consultation fora between value chain stakeholders (e.g. multi-stakeholder platforms) so that they can become instruments to improve the value chain governance in a more inclusive manner. There is also a need to create incentives for longer-term engagement of private entrepreneurs and agribusinesses, relying less on lump-sum subsidies provided by projects and more on co-investment by agribusinesses and functional upgrading of cooperatives of small-scale producers.

Proposed follow-up

13. IFAD will continue to focus on the inclusion of small-scale poor and very poor producers by designing and implementing tailor-made activities, pro-poor targeting strategy, special financial services products and graduation pathways for them. The project design will ensure that these community segments will be heard in an inclusive multi-stakeholder platforms for value chains (design is underway).
14. Co-investments by agribusiness and functional improvement of small producer cooperatives will be mainstreamed to reduce agricultural subsidies in line with government policy (starting with VITA design to be approved in September 2020).

Partners responsible for follow-up: IFAD and the Government

15. **Recommendation 3. Bring back into the spectrum of IFAD funding the support to community development, basic infrastructure and services as a preparatory step for further economic opportunities.** Projects such as WUPAP, LFLP and PAFP II are testimony to IFAD's experience and overall positive results. In areas where commercialization of agriculture has not yet emerged, working on local infrastructure (e.g. feeder roads, bridges, and drinking water), services and functional literacy can create the basis for further economic development. These can be further built upon, through a more pronounced market and value chain orientation in a follow-up project phase.
16. While some elements of IFAD 'traditional' support can be retained, such as intra-community targeting and empowerment of marginalized groups, group-based financial savings initiatives and fee-based social facilitation, the whole mechanism needs to be adapted to the new federal set-up, with greater involvement of local governments. Moreover, plans need to be prepared for management and

maintenance of infrastructure by the users and with the support of Palikas for major maintenance and rehabilitation.

Proposed follow-up

17. IFAD will design and implement a new generation of projects that follow an integrated rural development approach based on smart agricultural interventions. The construction and development of local and last mile infrastructure will be sufficiently considered as the case of the current VITA design which will have dedicated component to rural infrastructure development.
18. Communities in the target provinces that do not benefit adequately from value chain development and commercialization will continue to be served by rural infrastructure services. The capacity of local authorities will be strengthened as part of IFAD's new interventions for participatory rural planning, implementation, operation and maintenance by communities and municipalities under the supervision of gradually capacitated provincial ministries (VITA implementation from 2021).

Partners responsible for follow-up: IFAD and the Government

19. **Recommendation 4. Integrate natural resource management and climate change adaptation in all project designs.** The Government and IFAD can build upon their collaboration experience in leasehold forestry and low external input agriculture. Based on the recent portfolio experience, two items need special attention. First, it may be more effective and efficient to include climate change proofing elements in all projects, in synergy with agricultural productivity supporting components, rather than funding a single dedicated project on this topic: this could avoid additional operational and administrative costs. Second, given the portfolio ubiquitous investment in livestock, the environmental consequences on forests and grasslands need to be monitored systematically.

Proposed follow-up

20. IFAD and the Government will not design standalone projects focusing solely on climate change resilience and environmental concerns, as in the case of the Adaptation for Smallholders in Hilly Areas Project (ASHA). On the contrary, VITA's current design takes into account value chain development with mainstreaming of climate change resilience and environmental conservations, among other IFAD mainstreaming themes (design is underway).

Partners responsible for follow-up: IFAD and the Government

21. **Recommendation 5. Strengthen partnerships for specialized technical support and for cofinancing.** IFAD should explore further cooperation opportunities with development agencies, non-governmental organizations and other development partners that have demonstrated technical experience in crucial portfolio topics (e.g. value chain development, support to decentralization, community-based development). This would enhance the quality and innovativeness of project design and implementation, but also build up opportunities for policy engagement and for scaling up of results. To facilitate these partnerships, IFAD could use country-specific grants as a funding modality.

Proposed follow-up

22. IFAD will continue the dialogue and cooperation with the development partners to support interventions implementation in the context of federalism, focused on the implementation of the ASDP, and with NGOs for community mobilization and value chain development for both the ASDP and VITA implementation, building on their proven track record and success in decentralization support, community mobilization and value chain development (ongoing).

Partners responsible for follow-up: IFAD and the Government

23. **Recommendation 6. Enhance portfolio management and implementation preparedness.** The Government and IFAD should take measure to make portfolio management and project design more realistic, knowing that with federalization interactions with local governments will be more frequent. IFAD could aim at approving a single new project (excluding loans for project top-up) in any given Performance-based Allocation cycle, so as to keep the number of ongoing projects in check. Moreover, at any point of time, the overall portfolio geographical coverage could be restricted to two or three States (Provinces) to avoid dispersion.
24. Project design will require a more pro-active role of the Government in the formulation process and in validating the technical proposals. In order to enhance implementation preparedness, IFAD could use of its newly introduced instruments for pre-financing project implementation and for building implementation capacity.

Proposed follow-up

25. IFAD's aim is to design a new single project per performance-based allocation cycle, using all or most of the allocation for more effective, efficient and focused management, covering a maximum of three provinces. The current design of VITA for IFAD11 is an example; it will be implemented in provinces 2, 3 and 5 (design is underway).
26. The project design, for example, again, the current case of VITA, is jointly carried out between IFAD's mission and a committee established by the lead implementing agency and line authorities; the committee fully participated in the concept development and currently in the design preparation (ongoing).
27. All IFAD instruments for project jump start-up will be used with particular regard to the pre-financing instrument.

Partners responsible for follow-up: IFAD and the Government

28. **Recommendation 7. IFAD should strengthen its country office in Nepal and its corporate support to the country programme.** The staffing of the country office needs strengthening, including, preferably, a resident country director.
29. In addition, thematic support from the sub-regional hub and the headquarters, combined with country-specific grants, could help IFAD engage in higher-level knowledge management and policy engagement. These activities need to be highlights, rather than subsidiary points.

Proposed follow-up

30. IFAD is strongly committed to strengthening its support to the Nepal country programme. The decentralized staffing structure is guided by the current corporate decentralization plan under which the Country Director for Nepal has been posted from headquarters to the sub-regional hub in New Delhi. The sub regional hub has also been significantly strengthened making it one of the largest of the IFAD hubs with a critical mass of operational and technical staff who can provide closer and regular support to the country programmes managed by the hub including Nepal. In addition, the sub regional hub model encourages cross-country cooperation and knowledge exchange within the region. As recommended, IFAD is also working on developing a country grant to support the new programme VITA. Strengthening country level policy engagement is a priority for IFAD and will be reflected in the new COSOP that will be developed in 2020. IFAD is confident that through the closer proximity of the Country Director and technical staff to Nepal, it will be able to strengthen its policy engagement and deliver on the COSOP policy objectives at the country level. Nonetheless, any potential future revisions to the staffing level of the ICO in Nepal will be informed by the learning of this evaluation and will be done as part of the corporate decentralization approach.

Partners responsible for follow-up: IFAD and regional development partners and institutions

Signatures

For Ministry of Finance



Shreekrishna Nepal
Joint Secretary
Ministry of Finance of the Federal
Democratic Republic of Nepal

Date: Feb 10, 2020



For IFAD



Donal Brown
Associate Vice President
Programme Management Department of
IFAD

Date: 18/2/20

Federal Democratic Republic of Nepal

Country Strategy and Programme Evaluation

Main report

Contents

| | |
|--|-----------|
| Currency equivalent | 7 |
| Weights and measures | 7 |
| Abbreviations and acronyms | 7 |
| Map of closed projects | 9 |
| Map of ongoing projects | 10 |
| I. Background | 11 |
| A. Introduction | 11 |
| B. Objectives, methodology and processes | 11 |
| II. Country context and IFAD's strategy and operations during the CSPE period | 15 |
| A. Country context | 15 |
| B. IFAD's strategy and operations for the CSPE period | 22 |
| III. Project portfolio | 28 |
| A. Project performance and rural poverty impact | 28 |
| B. Other performance criteria | 51 |
| C. Overall portfolio achievement | 58 |
| IV. Assessment of non-lending activities | 60 |
| A. Knowledge management | 60 |
| B. Partnerships | 62 |
| C. Policy engagement | 65 |
| D. Grants | 67 |
| V. Performance of partners | 71 |
| A. IFAD | 71 |
| B. Government | 73 |
| VI. Synthesis of Country Programme Strategy performance | 76 |
| A. Relevance | 76 |
| B. Effectiveness | 78 |
| VII. Conclusions and recommendations | 82 |
| A. Conclusions | 82 |
| B. Recommendations | 84 |
| Annexes | |
| I. Definition of the evaluation criteria used by IOE | 86 |
| II. Ratings of IFAD investment portfolio in Nepal ^a | 88 |
| III. Final ratings of the country strategy and programme in Nepal | 89 |
| IV. CPE 2013 conclusions, recommendations and follow-up | 90 |
| V. IFAD-financed investment projects in Nepal | 93 |
| VI. IFAD-funded grants covering Nepal approved after 2013 | 95 |
| VII. Mapping of the 2013 COSOP Framework and Key Assumptions | 97 |
| VIII. Satellite images | 98 |
| IX. Mission itinerary | 102 |
| X. List of key persons met | 106 |
| XI. Selected references | 108 |

Currency equivalent

US\$1 = NPR 109.12 (end-June 2019)

Weights and measures

1 ton = 1,000 kg
1 hectare = 2.47 acres

Abbreviations and acronyms

| | |
|--------------|--|
| ADB | Asian Development Bank |
| ADS | Agricultural Development Strategy |
| ASDP | Agriculture Sector Development Programme |
| ASHA Project | Adaptation of Smallholders in Hilly Areas Project |
| CLEAR | Centers for Learning on Evaluation and Results |
| COSOP | Country strategic opportunities paper/programme |
| CPM | Country programme manager |
| CPE | Country programme evaluation |
| CPO | Country programme officer |
| CSPE | Country strategy and programme evaluation |
| DSF | Debt Sustainability Framework |
| EU | European Union |
| FAO | Food and Agriculture Organization of the United Nations |
| FFS | Farmer Field School |
| GDP | Gross domestic product |
| GESI | Gender equality and social inclusion |
| GIS | Geographic Information System |
| GRIPS | Grants and Investment Projects System |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit |
| HDI | Human development index |
| HVAP | High value agricultural project in hill and mountain areas |
| ICARDA | International Center for Agricultural Research in the Dry Areas |
| ICIMOD | International Centre for Integrated Mountain Development |
| IFI | International financial institutions |
| IOE | Independent Office of Evaluation of IFAD |
| IT | Information technology |
| KUBK/ISFP | Kisankalagi Unnat Biu-Bijan Karyakram/Improved Seeds for Farmers |
| LAPA | Local Adaptation Plan for Action |
| LFLP | Leasehold Forestry and Livestock Programme |
| LFUG | Leasehold forestry user group |
| M&E | Monitoring and evaluation |
| MIS | Management Information System |
| MSP | Multistakeholder platform |
| MTR | Mid-term Review |
| NARC | Nepal Agricultural Research Council |
| NPR | Nepali Rupee |
| ODA | Official Development Assistance |
| PAFP-II | Poverty Alleviation Fund Project II |
| PBAS | Performance-based Allocation System |
| PCRVR | Project completion report validation |
| PPE | Project performance evaluation |

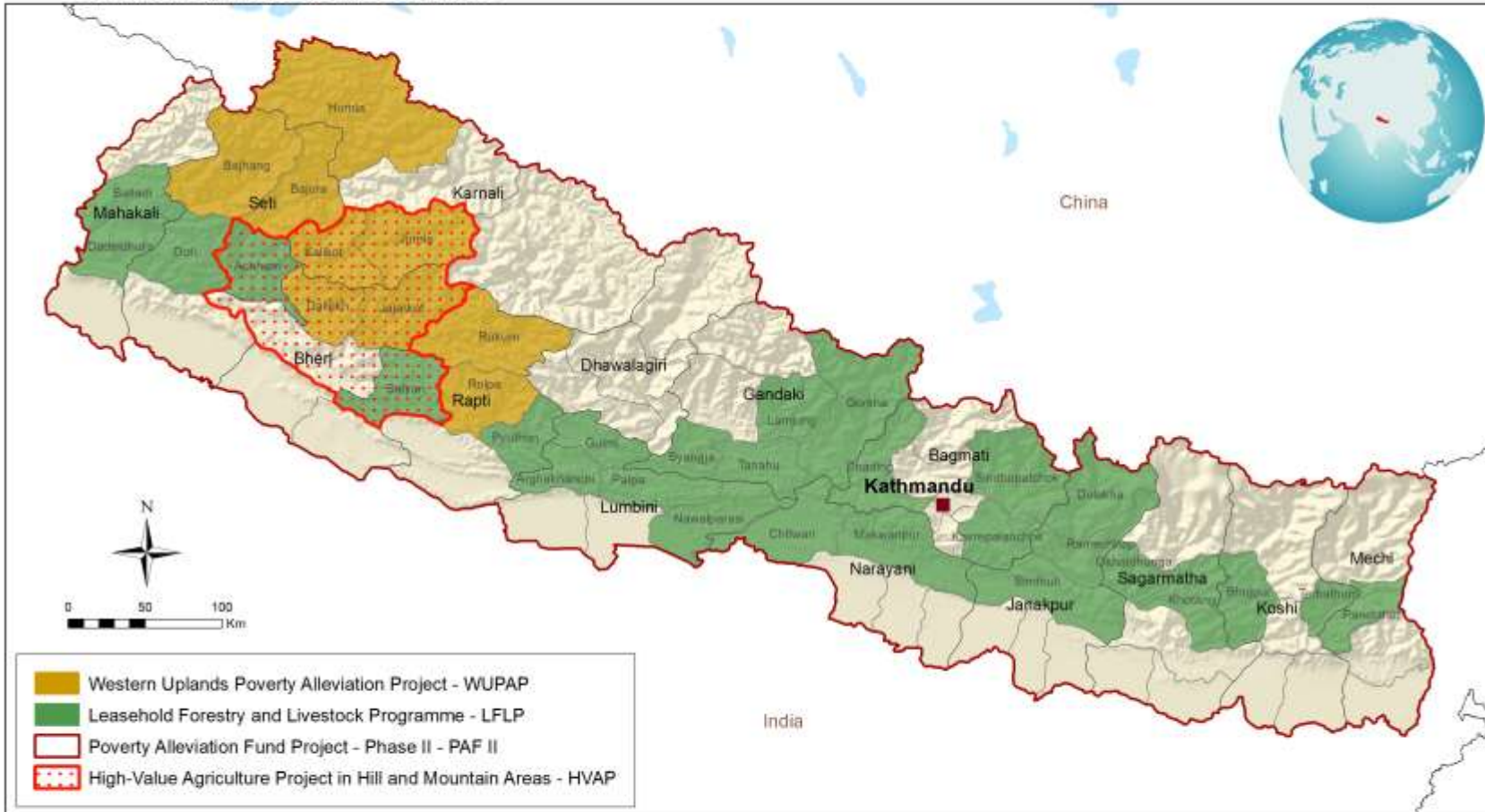
| | |
|-------|---|
| RIMS | Results and Impact. Management System |
| SAARC | South Asian Association for Regional Cooperation |
| SDC | Swiss Agency for Development and Cooperation |
| SO | Strategic objective |
| SRERP | Samriddhi-Rural Enterprises and Remittances Programme |
| SNV | Netherlands Development Organisation |
| UNDAF | United Nations Development Assistance Framework |
| UNDP | United Nations Development Programme |
| WFP | World Food Programme |
| WUPAP | Western Uplands Poverty Alleviation Project |

Map of closed projects

Federal Democratic Republic of Nepal

IFAD-funded closed operations

Country strategy and programme evaluation



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

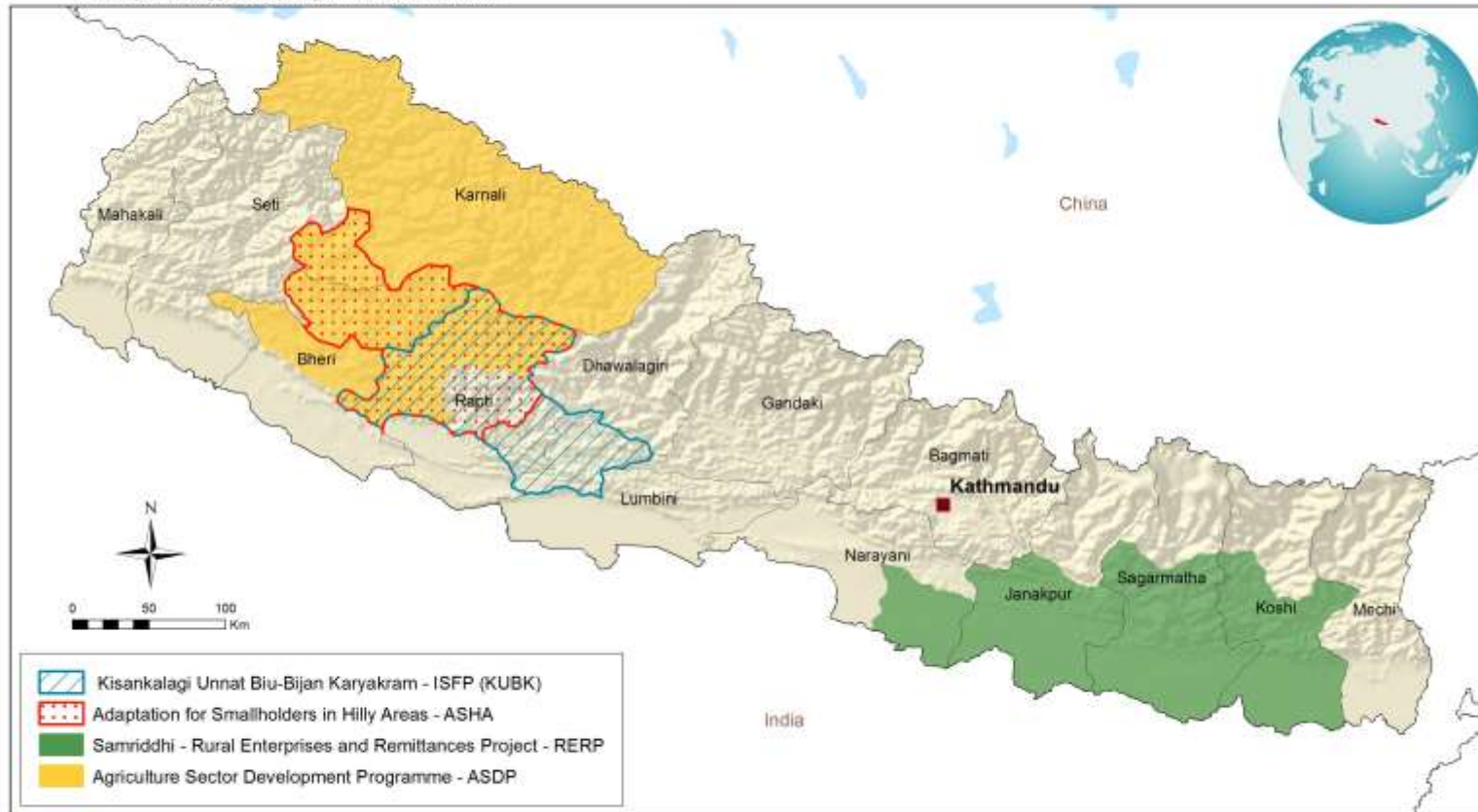
Map compiled by IFAD | 05-09-2019

Map of ongoing projects

Federal Democratic Republic of Nepal

IFAD-funded ongoing operations

Country strategy and programme evaluation



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 05-09-2019

Federal Democratic Republic of Nepal

Country Strategy and Programme Evaluation

I. Background

A. Introduction

1. In line with the Evaluation Policy of the International Fund for Agricultural Development (IFAD)¹ and as approved by the 125th Session of the IFAD Executive Board in December 2018, the Independent Office of Evaluation (IOE) has undertaken a Country Strategy and Programme Evaluation (CSPE) in Nepal. This is the third such evaluation in Nepal. The first was completed in 1999 and the second in 2013. The CSPE follows the IFAD Evaluation Manual (second edition 2015).² The approach paper for this CSPE served as further guidance.

B. Objectives, methodology and processes

2. The main objectives of this CSPE are to: (i) assess the results and performance of the IFAD-financed strategy and programmes in Nepal; and (ii) generate findings and recommendations for the future partnership between IFAD and Nepal for enhanced development effectiveness and rural poverty eradication. The findings, lessons and recommendations from this CSPE will inform the preparation of a new country strategic opportunities programme (COSOP) in 2020. This 2019 CSPE also provides an opportunity to: (i) review the extent to which the recommendations of the 2012 Country Programme Evaluation (CPE) have been followed up; and (ii) assess the extent to which programme performance has improved.
3. **Scope.** The CSPE assesses the results and performance of the activities conducted since 2013 – that is, after the conclusion of the previous CPE³ and since the approval of the 2013 COSOP. The CSPE covers the full range of IFAD support to Nepal, including: (i) the lending portfolio results; (ii) non-lending activities; (iii) the performance of the main partners (the Government and IFAD); (iv) country programme management and strategic performance.
4. In terms of **lending operations**, the eight projects reviewed are presented in table 1: (i) two are closed and were assessed by IOE through a Project Completion Report Validation (PCR) and a Project Performance Evaluation (PPE), respectively (*Leasehold Forestry and Livestock Programme – LFLP*; and *Western Uplands Poverty Alleviation Project – WUPAP*) and this CSPE draws from their findings; (ii) two have recently been completed (*Poverty Alleviation Fund Project II – PAFP-II* and *High value agricultural project in hill and mountain areas – HVAP*); and (iii) four are ongoing (*Improved Seeds for Farmers Programme – KUBK/ISFP*; *Adaptation of Smallholders in Hilly Areas Project – ASHA Project*; *Samridhhi-Rural Enterprises and Remittances Programme – SRERP*; and *the Agriculture Sector Development Programme – ASDP*).
5. The evaluability of the lending operations depends on their stage of implementation. Five projects are assessed according to the entire set of evaluation criteria (table 1). For three projects, given their implementation stage, the CSPE assesses the relevance of project objectives and design and reviews selected effectiveness and efficiency issues.

¹ <https://www.ifad.org/en/web/ioe/policy>

² http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf

³ <https://www.ifad.org/en/web/ioe/evaluation/asset/39825041>

Table 1
Evaluability of individual projects reviewed by the present CSPE

| <i>Project name</i> | <i>Project acronym</i> | <i>Project status</i> | <i>Disbursement level IFAD loan</i> | <i>Evaluability CSPE 2019</i> |
|--|------------------------|-----------------------|-------------------------------------|--|
| Western Uplands Poverty Alleviation Project | WUPAP | Closed | 97.6% | All criteria PPE available |
| Leasehold Forestry and Livestock Programme | LFLP | Closed | 94% | All criteria PCRVR available |
| Poverty Alleviation Fund Project II | PAFP-II | Completed | 71.52% | All criteria |
| High value agricultural project in hill and mountain areas | HVAP | Completed | 97.59% | All criteria |
| Kisankalagi Unnat Biu-Bijan Karyakram/Improved Seeds for Farmers Programme | KUBK/ISFP | Ongoing | 80.97% | All criteria |
| Adaptation of Smallholders in Hilly Areas Project | ASHA Project | Ongoing | 13.27% | Relevance and selected effectiveness and efficiency issues |
| Samridhi-Rural Enterprises and Remittances Programme | SRERP | Ongoing | 10.57% | Relevance and selected effectiveness and efficiency issues |
| Agriculture Sector Development Programme | ASDP | Ongoing | 0% | Relevance |

Source: IOE elaboration on data from Flex Cube (Jun 2019)

6. **Criteria for loan portfolio analysis.** For the performance of the lending portfolio, the CSPE adopts internationally recognized criteria (relevance; effectiveness; efficiency; impact on rural poverty; sustainability of benefits) as well as IFAD-specific ones (gender equality and women's empowerment; innovation; scaling up; environment and natural resources management; and adaptation to climate change). Definitions of these criteria are presented in Annex I.
7. The CSPE also assesses the performance of **non-lending activities**: (i) knowledge management; (ii) partnership building; and (iii) policy engagement. The analysis of non-lending activities focuses on their goals set by the 2013 COSOP as well as other achievements that may have materialized that were not initially foreseen in the COSOP.
8. During the evaluated period, IFAD approved 14 global and regional grants (Annex VI). Taking into account their diverse activities (e.g. applied agricultural research, crop management, support to farmer organizations, contribution to policy engagement, knowledge management) a sample of five grants has been selected for review.⁴
9. **Assessment of partners' performance.** This relates to the performance of IFAD and the Government: (i) at project level; and (ii) at the level of overall country programme management. It includes an assessment of the implementation of the respective responsibilities, in design, implementation support, monitoring and evaluation (M&E), assessment, and use of experience, as well as partnership and

⁴ These were: (i) the Asian Farmers' Association for Sustainable Rural Development for a *Medium Term Cooperation Programme With Farmer's Organizations In Asia And The Pacific Region (Phase II)*; (ii) International Centre on Integrated Mountain Development on *Improving Livelihoods And Enhancing Resilience Of The Rural Poor In The Hindu Kush Himalayas To Environmental And Socio Economic Changes*; (iii) the International Center for Agricultural Research in the Dry Areas on *Enhancing Food And Nutritional Security, And Improved Livelihoods Through Intensification Of Rice Fallow System With Pulse Crops In South Asia*; (iv) Bioversity International on the *Use of Genetic Diversity & Evolutionary Plant Breeding for Farmer Resilience to Climate change, Crop Productivity & Nutrition*; and (v) the South Asian Association for Regional Cooperation (SAARC) Agriculture Centre for the *Consortium For Scaling Up Climate Smart Agriculture In South Asia*.

policy engagement, taking into account the specific challenges of Nepal. Fiduciary aspects of Government performance are also reviewed, drawing from findings from supervision reports and supplemented by interviews with IFAD staff, project managers and other stakeholders.

10. Building on the analysis of the above-mentioned three dimensions, the CSPE assesses **the relevance and effectiveness at the country strategy level**, i.e. how IFAD has defined and implemented its strategies to contribute to rural poverty reduction in partnership with the Government and in coherence with governmental strategies (relevance) and what results it has achieved and how (effectiveness).
11. The performance in each of the above areas is rated on a scale of 1 (lowest) to 6 (highest).⁵ While the ratings for the above topics and criteria are viewed individually, the synergies between the components are considered as well.
12. **Sources of information and data** for this evaluation included:
 - (i) a desk review of relevant COSOP documents and project documents, documentation and studies from international organizations and from the socio-economic literature; existing IOE evaluative material (e.g. CPE 2012, PCRV of LFLP, PPE of WUPAP);
 - (ii) a self-assessment conducted by the Country Office of IFAD in Nepal and by project management teams, based on guidelines developed by IOE;
 - (iii) impact assessments available for: PAFP-II, KUBK/ISFP and HVAP (in these cases conducted by the Research and Impact Assessment Division of IFAD);
 - (iv) key informant interviews and focus groups in the capital and in the field (Government representatives at federal, provincial and local levels, IFAD staff and consultants, NGOs, research institutions and private entrepreneurs;
 - (v) field visits to selected projects sites guided by checklists (LFLP, HVAP, PAFP-II, KUBK/ISFP, ASHA Project, SRERP and ASDP) in the districts of Achham, Arghakhanchi, Dankuta, Dhanusa, Kalikot, Mohottari, Pyuthan, Rolpa, Rukum, Salyan, Siraha and Sunsari Surkhet; and
 - (vi) analysis of satellite images (Landsat mission 8) of the areas surrounding sites visited by the evaluation team in order to triangulate with qualitative observations from the field.⁶
13. **Evaluation process.** A preparatory mission was fielded from 2 to 12 April 2019 to discuss the evaluation with key stakeholders and selected international organizations. The team also took the opportunity to visit sites of SRERP. The main country mission took place from 22 May to 14 June 2019. At the end of the mission, a wrap-up meeting was held with Government officials to discuss the emerging findings. The report was drafted and peer-reviewed in IOE in September 2019, shared with the Government of Nepal and IFAD Management in October 2019, revised taking into account the comments received, and finalized in November 2019. A national stakeholder workshop was held in the week of 16-20 December 2019 to discuss the CSPE findings and recommendations, to agree on key points to be included in the Agreement at Completion Point and to reflect on strategic issues that will inform the forthcoming Nepal COSOP.
14. **Limitations.** Compared with past evaluations in other countries, for the Nepal portfolio there is no dearth of documentation on progress made by projects, and some impacts studies are available. However, there are some quality issues and

⁵ The standard rating scale adopted by IOE is: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory.

⁶ For Nepal, it was difficult to find high-resolution images of sites with high gradient, which is very often the case of IFAD-funded project sites.

information gaps. For example: the attribution of changes to projects leaves some open questions, even when data were collected from control groups; Nepal has experienced significant poverty reduction in the past years and part of it can be related to remittances sent home from migrants, to general economic growth and to public and donor-funded programmes; other development projects had operated in the same area as IFAD-funded projects; and without full clarity on the sampling strategy and without the triangulation between qualitative and quantitative findings, even the application of statistical techniques (that take into account only “observable” data) may not be able to account fully for external factors.

15. In the Nepali context, the remoteness of project areas and the limited transportation infrastructure represented a special challenge for the evaluation mission: remoteness also means that project performance and results can vary widely between provinces or districts. This CSPE is aware of these limitations and triangulates evidence from different sources to arrive at a plausible and balanced assessment.

Key points

- This is the third country strategy and programme evaluation in Nepal. The first evaluation of this type was completed in 1999 and the second in 2013. The CSPE assesses the results and performance of the activities conducted since 2013. In particular, it reviews the 2013 COSOP, eight loan-funded projects and a sample of regional and global grants.
- The evaluation is based on the triangulation and mutual validation of many sources, including qualitative and quantitative data analysis. The findings, lessons and recommendations from this CSPE will inform the preparation of the new COSOP in 2020.

II. Country context and IFAD's strategy and operations during the CSPE period

A. Country context

16. **Introduction.** Nepal is a landlocked country located in the South Asia region between China (to the north) and India (to the south). Nepal has a population of 29.3 million people (2017), of whom 81 per cent live in rural areas. It is a low-income country with a per capita gross domestic product (GDP) of US\$960 (current US\$; World Bank, 2018). In the past, Nepal witnessed internal unrest between the Government and the communist party of Nepal (Maoist), concluding in 2006 with a comprehensive peace agreement and the end of the ruling monarchy.⁷

A.1 Economy

17. The GDP growth rate has been variable over the past decade (table 2), averaging 4.3 per cent, and is estimated to have grown by 5.9 per cent in 2017-18. In recent years, Nepal's economy has experienced shocks in correspondence with the turnover of governments. In addition, the devastating earthquake in March 2015, preceded and followed by political unrest, had negative repercussions for all three sectors. The Nepalese economy experienced volatile inflation scenarios over the past decade, reaching a high of 11 per cent in 2009 and 3.6 per cent in 2017.⁸

Table 2
GDP growth rate at constant price (by sector)

| Sector | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|-------------------------|---------|---------|---------|---------|---------|---------|
| Agriculture | 4.63% | 1.11% | 4.64% | 1.12% | -0.01% | 5.32% |
| Industry | 2.95% | 2.69% | 6.92% | 1.42% | -6.45% | 10.97% |
| Services | 5.01% | 5.73% | 6.22% | 4.63% | 2.06% | 6.9% |
| Overall GDP growth rate | 4.63% | 3.76% | 5.72% | 2.97% | 0.01% | 6.94% |

Source: Economic Survey 2016-17, Ministry of Finance, Nepal

18. **Trade.** Nepal's trade balance is structurally in deficit. The country mainly exports carpets, beverages, textiles, tea and plastic. Its main export partners include India, the United States, Bangladesh and Germany. It mainly imports fuel, apparel, gold, iron and steel, machinery and equipment. India, China, the United Arab Emirates, Indonesia and Thailand are the main import partners. It is a member of Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation, the South Asian Association for Regional Cooperation, and the World Trade Organization.⁹ India accounts for about two-thirds of the foreign trade of Nepal.¹⁰ This is due to the geographic proximity, an open border and the terms of trade between the two countries.¹¹
19. **Migration and remittances.** Migration has a very important role in the Nepalese economy, with an estimated two million Nepalese working outside the country.¹² Remittance inflows account for about 25-30 per cent of GDP, acting as a major source of foreign exchange as well as income for many households (table 3). Historically, India was the primary destination due to geographic proximity, cultural

⁷ United Nations High Commissioner for Human Rights (2012). Nepal Conflict Report: https://www.ohchr.org/Documents/Countries/NP/OHCHR_ExecSumm_Nepal_Conflict_report2012.pdf

⁸ Source: World Bank Databank, <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=NP>

⁹ Nepal, Country Brief, International Trade Center: <http://www.intracen.org/country/nepal/>

¹⁰ Economic Survey 2016-17, Ministry of Finance, Nepal.

¹¹ However, per the last estimate from 2001-2, the size of informal trade is said to be as large as formal trade.

N Taneja. India's Informal Trade with Sri Lanka and Nepal: An Estimation (2004):

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.860.1502&rep=rep1&type=pdf>

¹² World Bank (2018). Migration and Remittances.

similarities, the porous border between the two countries and the freedom of movement afforded by Indo-Nepal friendship treaty of 1950. Since the 2000s, East and South East Asian countries as well as Gulf countries have emerged as alternative destinations.¹³

Table 3
Remittance inflows to Nepal

| Indicator | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|--|---------|---------|---------|---------|---------|
| Remittance inflow (in billion Nepali Rupees) | 543.3 | 617.3 | 665.1 | 695.5 | 471.9* |
| Growth rate of remittances | 25% | 13.6% | 7.7% | 4.6% | 4.9% |
| Remittance to total GDP ratio | 27.7% | 29% | 29.6% | 26.3% | - |

Source: Ministry of Finance of Nepal (2018) Economic Survey 2017-18

*For first eight months of the period.

20. **Agriculture.** Nepal's economy is heavily dependent on agriculture, with 27 per cent of GDP (2017) and 72 per cent of workforce employment dependent on this sector.¹⁴ The share of agriculture in GDP reduced from 38.7 per cent in 1997.¹⁵ In turn, Nepal's agriculture sector depends heavily on the annual monsoon rains. The agriculture sector has seen a variable growth rate over the years. One of the consequences of the population increase has been the decline in average landholding to a mean of 0.7 hectares (ha) per household¹⁶, with 52 per cent of total agricultural households having less than 0.5 ha, including 9.3 per cent of landholdings below 0.1 ha.¹⁷
21. In Nepal many farmers see agriculture as an insufficient source of livelihood. This contributes to emigration from rural areas.¹⁸ The high trend of outward migration and the resulting volume of inward remittances has fuelled growth in the service sector, with high demand for a variety of services, while both agriculture and manufacturing sectors are trailing. Agricultural income shrunk nationally by 12 per cent in last two decades. For this reason, transitioning to more high-value agricultural products (crops but also livestock) is a key element in national strategies for agricultural development.
22. Rice, maize, millet, wheat, barley and buckwheat are the major staple food crops. Similarly, oilseeds, potato, tobacco, sugarcane, tea, cardamom, turmeric, ginger, jute and cotton are the important cash crops whereas lentil, gram, pigeon pea, blackgram, horsegram and soybean are the important pulse crops.¹⁹ Livestock is one of the important sources of cash income of the farm households. The cash needs of farm families are mainly met through the sale of milk, yoghurt, cheese, ghee, meat, eggs, and live animals and poultry. Generally, farm families in mountain areas raise yak or *chauri* (Himalayan breed of cow) and sheep; in hilly areas they raise cows, sheep, goats and poultry and in Terai buffalos, cows, goats and poultry.

A.2 Natural resources and climate change

¹³ Demographic and Health Survey (2016): <https://www.dhsprogram.com/pubs/pdf/fr336/fr336.pdf>

¹⁴ World Bank Databank: <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS> .

¹⁵ World Bank Databank, <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=NP>

¹⁶ CIAT; World Bank; CCAFDS and LI-BIRD (2017). Climate smart agriculture in Nepal.

<http://sdwebx.worldbank.org/climateportal/doc/agricultureProfiles/CSA-in-Nepal.pdf>

¹⁷ National Sample Census of Agriculture (2013):

http://www.fao.org/fileadmin/templates/ess/ess_test_folder/World_Census_Agriculture/Country_info_2010/Reports/Rep_orts_5/NPL_EN_REP_2011-12.pdf

¹⁸ "Envisioning Nepal 2030: Contributions to a Policy Framework" - Framework document written for National Planning Commission, April 2018.

¹⁹ FAO Country Page, Nepal: <http://www.fao.org/nepal/fao-in-nepal/nepal-at-a-glance/en/>

23. There are diverging estimates of the forest cover in Nepal. According to the World Bank's World Development Indicators, about 25 per cent of the land area of Nepal was covered with forests as of 2016, implying a reduction from the 33.7 per cent forest cover in 1990.²⁰ Instead, according to a 2016 survey report of Nepal's Department of Forest Research and Survey and the National Forest Products Survey Project, forest cover represented 40.4 per cent of the total land area of the country (or about 5.9 million ha), with signs of increased forest cover in the latest decade. The wide discrepancy may have to do with different definitions of forest cover and updating of data sources.
24. Between the 1950s and 1990s, Nepal experienced a major loss of forest cover, after the nationalization of forest management. Later, policymakers realized the important role of communities in protecting forests and considered options to devolve forest resources back to the communities.²¹ Two types of forestry paradigm have focussed on local communities: community forestry and leasehold forestry.
25. **Community forestry** was launched in the mid-1970s as an effort to curb the crisis of Himalayan forest degradation and received support from many donors. The Forest Act of 1993 recognized this approach and the role of forest-dependent communities, organized into community forest user groups.²² As of June 2018, there were an estimated 22,266 such user groups covering 2.23 million ha.²³ While community forestry has mobilized collective action to protect forests and regulate community members' use of forestry products (notably non-timber ones), one of the common concerns has been the equity of this approach and sharing of benefits with low-caste, tribal groups and other marginalized groups.²⁴
26. The paradigm of **leasehold forestry** emerged later in the 1990s, supported by the Food and Agriculture Organization of the United Nations (FAO) and IFAD. It was a major innovation at that time. Leasehold forestry responds to the "common access problem" by securing user rights on areas of degraded forest for a period of 40 years to poor households. The differences from community forestry are that leasehold rights are individual (rather than collective) user rights, that the forest area is to be restored after degradation (community forestry works on protecting existing forest before it degrades) and that leasehold forestry is targeted to the very poor (community forestry is not targeted).²⁵ This new approach initially faced the opposition of community forestry supporters but was later recognized officially by national policies.²⁶ In 2015, there were about 7,642 leasehold forestry user groups (LFUGs) (in 40 out of the 77 districts in Nepal).
27. Nepal has five major **climatic zones** (table 4), influenced by altitude and precipitation. Various environmental risk indices place Nepal among the environmentally most vulnerable countries in the world. The University of Notre Dame Global Adaptation Initiative index, which measures a country's vulnerability to climate change and other global challenges in combination with the country's ability to improve resilience, ranks Nepal 130th out of 181 countries.²⁷ Of particular

²⁰ However, this figure has been unchanged since 2005 in the World Bank database. World Bank Databank:

<https://data.worldbank.org/indicator/AG.LND.FRST.ZS>

²¹ Pathak, B. et.al, Community Based Forestry in Nepal: Status, Issues and Lessons Learned, International Journal of Sciences, Volume 6, March 2017.

²² Ministry of Forests and Environment: http://dof.gov.np/dof_community_forest_division/community_forestry_dof

²³ Environment Statistics of Nepal 2019, Central Bureau of Statistics: <https://cbs.gov.np/wp-content/uploads/2019/04/Environment-Statistics-of-Nepal-2019.pdf>

²⁴ International Food Policy Research Institute (2009). Community Forestry in Nepal.

²⁵ See also Devkota, Naba Raj and Fabrizio Felloni (2005): "Forest Management Innovations, Forage Development Practices and Livestock in the Hills of Nepal", *Tropical Grasslands*, vol. 39, pp.152-159.

²⁶ Such as: (i) the 2002 Leasehold Forestry policy; (ii) the Forestry Sector Strategy (2016-2025), which vows to double the area covered by leasehold forest from 0.7 per cent of the forest area in 2015 to 1.5 per cent by 2025; and (iii) the 2019 Forest Policy. See also Kafle, G.P. and Pokharel, K. (2017), Pro-poor Leasehold Forestry: A Community-based Tenure Regime in Nepal, *Journal of Forest and Livelihoods* 15 (1), September 2017.

²⁷ <https://gain.nd.edu/our-work/country-index/rankings/>.

concern is the potential for changes to the flow and quality of water derived from glaciers, snowmelt and rainfall, leading to excess water at certain times of the year and prolonged dry periods and extreme drought in others.²⁸

28. Nepal has a National Adaptation Programme of Action (2010) for **climate change**, which hinges upon community-based initiatives (such as integrated management of agriculture, water, forest and biodiversity; community disaster management; sustainable management of water resources; and clean energy supply). The National Adaptation Programme is to be articulated in Local Adaptation Plans for Action (LAPAs), starting at the ward level and to be aggregated by district. The LAPAs aim to: (i) enable communities to understand the changing and uncertain future climatic conditions and effectively engage communities in developing adaptation priorities; (ii) implement climate-resilient plans that are flexible enough to respond to changing and uncertain climatic conditions; and (iii) inform sectoral programmes, and catalyse integrated approaches between sectors and subsectors. These plans adopt a bottom-up process to identify the activities to be implemented, such as agriculture, livestock, forestry, infrastructure, public health, water and sanitation, watersheds and microfinance. LAPAs form the basis for one of the IFAD-funded projects (ASHA Project).²⁹

Table 4

Ecological zones of Nepal

| <i>Region</i> | <i>Elevation (in mts)</i> | <i>Climatic zone</i> | <i>Average annual precipitation (in mm)</i> | <i>Average annual temperature (in Celsius)</i> |
|--------------------------|---------------------------|---------------------------|---|--|
| High Himalaya | Above 5 000 | Tundra and arctic climate | 150-200 | < 3-10 |
| High Mountains | 3 000-5 000 | Alpine and Sub-alpine | | |
| Middle Mountains | 1 000-3 000 | Cool to warm temperatures | 275-2 300 | 10-20 |
| Siwalik | 500-1 000 | Sub-tropical | 1 100-3 000 | 20-25 |
| Terai (low-lying plains) | Below 500 | Tropical | | |

Source: Nepal's National Adaptation Plan Process, Ministry of Forests and Environment, 2018

A.3 Nepal policy and development framework

29. Nepal's long-term development goals are outlined in the 25-year Long Term Vision 2100 (2043 in Gregorian calendar). Medium-term planning is guided by multi-year plans, prepared by the National Planning Commission of Nepal; the plans used to be five-year plans, with the exception of plans 11 to 14 which had a three-year duration. The 14th plan concluded in 2018 and the 15th five-year plan was under preparation at the time of this CSPE field mission. The 15th five-year plan will be the first to be implemented under the decentralized, federalism-oriented system. For the agriculture sector, the plan lays out three goals: (i) ensuring food security and nutrition; (ii) increasing employment and income by developing agro-based industries; and (iii) increasing agriculture sector exports through competitive capacity development and commercialization.
30. **Governance and evolving federalism.** In 1951, Nepal introduced parliamentary governance, which was then halted under the panchayat system (direct rule by the king with local advisory bodies) and restored only in 1990. The governance system underwent a series of changes in the run up to 2002 when the legislature was

²⁸ Ministry of Forests and Environment (2018), Nepal's National Adaptation Plan Process:

<http://napglobalnetwork.org/wp-content/uploads/2018/07/napgn-en-2018-nepal-nap-process.pdf>

²⁹ LAPA preparation is assisted by GIS-based sub-watershed-level assessments to identify vulnerability hotspots, analyse land use–land cover change, and provide recommendation.

dissolved. After a 10-year insurgency, in November 2006, a 12-point agreement was signed with the Communist Party of Nepal (Maoist) which eventually led to the end of monarchy in 2008.³⁰

31. After years of protracted negotiation, a political compromise was reached between the major political parties and the Constituent Assembly of Nepal approved the country's new Constitution in 2015. Nepal is now a **federal country**, divided into seven states (also called provinces), and further subdivided into 293 urban municipalities and 460 rural municipalities (Palika) as determined by the Local Level Restructuring Commission.³¹ Provincial and local-level elections, under the aegis of the new constitution, were undertaken in 2017. The Constitution vests the local governments with significant new authority: the power to make local laws. Schedule 9 of the new Constitution features agriculture as a subject that falls in the concurrent list, under all three levels of government. Broadly speaking, the federal level has retained the power to formulate strategic directions and some exclusive rights (e.g. quarantine), state (provincial) governments have rights on quality control and higher-level expert service provision, while local governments are responsible for extension.³²

A.4 Poverty and socio-economic development

32. **Socio-economic development.** Nepal has witnessed an improvement in its human development index (HDI), from 0.279 in 1980³³ to 0.574 in 2017, positioning it at 149 out of 189 countries. In terms of child and women's well-being, the infant mortality rate stands at 32 per 1,000 live births, which is lower than the average of 40 for South Asian countries.³⁴ Acute respiratory infections and diarrhoea are the main causes of child mortality in Nepal. These conditions often relate to malnutrition, poor sanitation and poor early childcare practices. In 2016, the child stunting rate stood at 36 per cent (under age 5), which was high by international standards but showing a decrease from 49.2 per cent in 2006. However, there is a difference between provinces on the prevalence of stunting, as shown in table 5. At the national level, the proportion of children who are underweight decreased from 39 per cent in 2006 to 27 per cent in 2016. The rates of wasting decreased from 13 per cent to 10 per cent between 2006 and 2016.³⁵

Table 5

Province-wise prevalence of stunting

| Province | Stunting rate |
|-------------------------|---------------|
| Province 1 | 33% |
| Province 2 | 37% |
| Province 3 | 29% |
| Province 4 /Gandaki | 29% |
| Province 5 | 39% |
| Province 6/Karnali | 55% |
| Province 7/Sudurpaschim | 36% |
| National average | 36% |

Source: Demographic Health Survey, 2016

³⁰ Asia Foundation (2012). A Guide to government in Nepal: Structures, Functions and Practices:

<https://asiafoundation.org/resources/pdfs/AGuidetoGovernmentinNepal.pdf>

³¹ Before the new Constitution, Nepal was divided into five development regions – Eastern Development Region, Central Development Region, Western Development Region, Mid-Western Development Region and Far-Western Development Region (with 14 administrative zones within) – and 77 districts.

³² Diagnostic study of local government in Federal Nepal 2017: <https://asiafoundation.org/wp-content/uploads/2018/07/Diagnostic-Study-of-Local-Governance-in-Federal-Nepal-07112018.pdf>

³³ UNDP Human Development Report (2016).

³⁴ Population Reference Bureau (2018).

³⁵ A child is described to be stunted if height for age < -2 standard deviation of the WHO Child Growth Standards median. A child is described as underweight when weight for age < -2 standard deviations of the WHO Child Growth Standards median. A child is known to be wasted when weight for height < -2 standard deviations of the WHO Child Growth Standards median.

33. The United Nations Development Programme (UNDP) estimates that the **maternal mortality** rate in Nepal is 258 per 100 000, which is the second highest among the South Asian countries (following Afghanistan). A more comprehensive measure, the **Gender Development Index**,³⁶ is calculated at 0.925 for 2017, which signifies “medium to low equality in HDI achievements between women and men”. Nepal has one of the highest rates of child marriage in Asia – for both girls and boys. Although the legal age of unions for both genders is 20, more than one-third of young women aged 20-24 report that they were married by the age of 18, and just over one in ten by the age of 15.
34. According to an estimate of the World Bank, about 83 per cent of the women in Nepal work in agriculture.³⁷ This is the highest rate of participation in agriculture in the world and is a marginal decrease from the 90 per cent participation recorded in 1991. The Nepal Labour Force Survey 2017/18 states that 61.3 per cent of women’s work is in subsistence agricultural production and processing as compared to 47.2 per cent of men.³⁸ One of the main drivers for the feminization of agriculture is the outmigration of men to urban centres as well as to foreign countries for employment. Such migration has also resulted in the proportion of female-headed households increasing from 14.9 per cent to 25.7 per cent between 2001 and 2011.³⁹ This increase in women's involvement in agriculture has raised women's workload.⁴⁰ Male outmigration leads to changes in farming practices, as increasing numbers of women left behind to manage the farm choose to adopt less labour-intensive crops, reduce the diversity of crops they grow, and even abandon agricultural land.⁴¹
35. Nepal has a **weakly developed basic infrastructure**, notably transportation infrastructure. A World Economic Forum ranking places Nepal 127th out of 136 countries for availability and quality of roads. Combined with the mountainous characteristic of the country, this means that many rural areas have particularly difficult access.⁴² Moreover, according to the World Bank Development Indicators, as of 2015 (most recent statistics) only 26 and 25 per cent of households nationally and in rural areas, respectively, had access to safely managed sources of water. Instead, very significant progress has been made in the percentage of households with access to electricity. Between 2000 and 2017, this increased from 27 to 97 per cent nationally and from 18 to 95 per cent in rural areas.
36. **Poverty.** Nepal is a low-income country but has witnessed a rapid fall in poverty during the past three decades. Absolute poverty decreased from 42 per cent in 1995 to slightly under 22 per cent in 2015.⁴³ Poverty headcount ratio is much higher in rural areas at 33.2 per cent as compared to urban areas at 7 per cent.⁴⁴ There is variability in poverty level by province as well. Poverty headcount is the highest in Province 2 (plains) and Province 6 (mid-hills and mountains) (table 6). Poverty has been typically higher in the mountains than in the hills or Terai, among the Dalit (scheduled caste) and to some extent the Janajati (indigenous groups).

³⁶ The Gender Development Index is the ratio of female HDI to male HDI. Gender Development Index: <http://hdr.undp.org/en/composite/GDI>. Accessed on 17 January 2019.

³⁷ World Bank Databank: <https://data.worldbank.org/indicator/sl.agr.empl.fe.zs>

³⁸ Nepal Labour Force Survey 2017/18: <https://cbs.gov.np/wp-content/uploads/2019/05/Nepal-Labour-Force-Survey-2017-18-Report.pdf>

³⁹ National population and housing census 2011, Central Bureau of Statistics, Nepal.

⁴⁰ Lokshin, M. and Glinskaya, E. (2009), The Effect of Male Migration on Employment Patterns of Women in Nepal, World Bank Economic Review.

⁴¹ Feminization of agriculture in the context of rural transformation, What is the evidence: <http://documents.worldbank.org/curated/en/790991487093210959/pdf/ACS20815-WP-PUBLIC-Feminization-of-AgricultureWorld-BankFAO-FINAL.pdf>

⁴² <http://reports.weforum.org/global-enabling-trade-report-2016/enabling-trade-rankings/#series=ETI.C.04.04>

⁴³ UNDP Nepal Country Programme 2018-22.

⁴⁴ Nepal's Multidimensional Poverty Index, 2018: https://www.npc.gov.np/images/category/Nepal_MPI.pdf

Income inequality in rural Nepal increased from 1996 to 2004 as measured by the Gini coefficient (from 0.31 to 0.35) but declined in 2011 (0.31).⁴⁵

Table 6
Multidimensional poverty by province, 2014

| <i>Subnational region</i> | <i>Population share</i> | <i>Poverty headcount ratio</i> |
|---------------------------|-------------------------|--------------------------------|
| Province 1 | 17.6% | 19.7% |
| Province 2 | 18.4% | 47.9% |
| Province 3 | 22% | 12.2% |
| Province 4/Gandaki | 11.6% | 14.2% |
| Province 5 | 16.5% | 29.9% |
| Province 6/Karnali | 5.4% | 51.2% |
| Province 7/Sudurpaschim | 8.5% | 33.6% |

Source: National Planning Commission (2018), Nepal's Multidimensional Poverty Index

37. Nepal's agriculture sector comes under the purview of the **Agricultural Development Strategy** 2015-35 (ADS). The formulation process of the strategy was supported by multilateral donors, such as the World Bank, Asian Development Bank (ADB), IFAD and the European Union (EU), among others. The ADS presents a 20-year strategic plan for the sector, with a 10-year practical action plan and roadmap.⁴⁶ The strategy refers to four outcomes: (i) improved governance; (ii) higher productivity; (iii) profitable commercialization; and (iv) increased competitiveness. The ADS envisages a national economy that is less reliant on agriculture and hinges on industry and services. However, in order to achieve this, the agriculture sector is expected to grow, particularly in the agro-based export subsectors. Within 20 years, the expectation is to reach full food grain self-sufficiency (from a 5 per cent deficit in 2015) and a 700 per cent increase in agricultural exports.
38. **Value chains** occupy an important role in the ADS, as is evident in the third outcome on smallholder commercialization. The ADS lays out 15 priority value chains (maize, dairy, vegetable, tea, lentil, rice, goat, poultry, potato, wheat, ginger, cardamom, oilseed, coffee and lowland fish). Nepal is a food importer with an agricultural trade deficit. This is mainly because domestic production has not kept pace with demand (with growth strongest in urban areas). However, even in cases where domestic output could cover demand, commodities are imported. The reasons are low volumes marketed, as well as high rates of food waste between the farm and the consumer.⁴⁷

A.5 Overseas Development Assistance

39. Official Development Assistance (ODA) accounts for a substantial amount of the economy, accounting for 12 per cent of the GDP in 2016-17. The total disbursement reached US\$1,394.6 million in financial year 2016-17 (table 7).⁴⁸ The World Bank Group was the largest source of development financing in 2016-17, with a level of disbursement of US\$345 million, followed by ADB (US\$253 million), USAID (US\$134 million), the United Kingdom (US\$128.3 million), the UN Country team (US\$120.7 million), the EU (US\$83.8 million), Japan (US\$77.65 million), India (US\$59.2 million), China (US\$41.2 million) and IFAD (US\$11.5 million).

⁴⁵ Asian Development Bank, Country Poverty Analysis, Nepal (2018).

⁴⁶ How to fit the ADS, developed just prior to the introduction of federalism, into the new structures is a major task currently being undertaken by the Ministry of Agriculture and Livestock. An expert team, supported by the EU, is looking into the implications for the strategy, particularly the need for new laws and regulations at different levels of Government. In broad terms, the palikas will deal with production, the provinces with marketing, and the central level with policy.

⁴⁷ Project Document of Value Chain Development of Fruit and Vegetables in Nepal, UNDP.

⁴⁸ The financial year in this case is 16 July 2016 to 15 July 2017.

Table 7
ODA to Nepal between 2010-11 and 2016-17

| Year | Aid disbursement (in US\$ millions) |
|---------|--|
| 2010-11 | 1 079.71 |
| 2011-12 | 1 045.30 |
| 2012-13 | 959.95 |
| 2013-14 | 1 036.65 |
| 2014-15 | 1 020.76 |
| 2015-16 | 1 074.06 |
| 2016-17 | 1 394.60 |

Source: Development Cooperation Report, 2016-17, Ministry of Finance

40. In volume, and as a share of the total, the five main funded sectors were: (i) education with US\$127.24 million (9.1 per cent); (ii) local development US\$123.00 million (8.8 per cent); (iii) housing US\$112.16 million (8.0 per cent); (iv) drinking water US\$110.1million (7.9 per cent); and (v) policy and strategy US\$101.75 million (7.3 per cent). Agriculture received 5.2 per cent of ODA.⁴⁹ The Nepal Planning Commission estimates that ODA will need to double over 2016-30 for the Government to meet its public sector investment targets.
41. **Major donor operations in agriculture and rural development.** In the 10-year period of 2009-18, the World Bank financed 20 projects in rural infrastructure and rural livelihoods, including 11 active projects as of July 2019. The largest project in this 10-year period was PAFP-II, which was financed mainly by the World Bank (circa US\$220 million) and IFAD (US\$9 million), for a total amount of US\$245 million, when funds from the Government and Japan are included.⁵⁰ This project supported the Government in reaching poor and excluded communities. It aimed to improve access to income-generating activities and community infrastructure for the groups that have been excluded by reasons of gender, ethnicity and caste, as well as for the poorest groups in rural communities. Since 1996, ADB has financed projects worth US\$1200 millions in the fields of agriculture, rural development and natural resource management in Nepal, accounting for 18.8 per cent of ADB financing to Nepal.⁵¹

B. IFAD's strategy and operations for the CSPE period

Overview of IFAD country strategy

42. IFAD started its operations in Nepal in 1978. Since then, it has approved 17 projects for a total financial volume of US\$284 million. These were financed for most of the time by highly concessional loans, but between 2007 and 2014 Nepal was also eligible for 50 per cent financing via the Debt Sustainability Framework (DSF) and 50 per cent through highly concessional loans. Since 2015, Nepal has returned to 100 per cent highly concessional loan financing. Taking into account the counterpart funding from the Government of US\$84.7 million and external cofinancing of US\$270.2 million, the estimated cost of these operation was US\$639 million (table 8).
43. The eight projects assessed under this evaluation (see Chapter I) were financed by a mix of highly concessional loans and DSF for a total of US\$206.7 million (72.8 per cent of the total IFAD allocations to Nepal since 1978), a national

⁴⁹ Development Cooperation Report, 2016-17, Ministry of Finance:

<http://mof.gov.np/uploads/document/file/20171231154547.pdf>

⁵⁰ World Bank, Nepal country page:

http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=NP

⁵¹ ADB Nepal Factsheet: <https://www.adb.org/sites/default/files/publication/27783/nep-2018.pdf>

counterpart contribution of US\$56.71 (67 per cent of total counterpart financing) and external cofinancing for US\$230.2 million, mainly thanks to the World Bank US\$220 million financing of PAFP-II.

44. According to IFAD's performance-based allocation system (PBAS), for Nepal the allocations for IFAD 9 (2013-15) were US\$41.8 million; for IFAD 10 (2016-18) US\$30 million⁵² and for IFAD 11 (2017-19) US\$78.8 million.

Table 8

Snapshot of IFAD operations in Nepal since 1979

| | |
|--|--|
| First IFAD-funded project | 1978 |
| Number of approved loans | 17 |
| Ongoing projects | 4 |
| Total amount of IFAD lending | US\$284 million |
| Counterpart funding (Government and beneficiaries) | US\$84.7 million |
| Co-/parallel financing amount | US\$270.2 million |
| Total portfolio cost | US\$639 million |
| Lending terms | Highly Concessional, DSF |
| Main cofinanciers | World Bank, SDC, (ADB in the 1980s-1990s) |
| COSOPs | 2006, 2013 |
| Country Office in Nepal | Yes |
| Country programme managers | Tarek Kotb (from April 2019); Louise Macdonald (July 2018-March 2019); Lakshmi Moola (2015-2018); Benoit Thierry (2012-2015) |
| Main government partners | Ministry of Finance (borrower), Ministry of Agriculture Development, Ministry of Forests and Soil Conservation, Ministry of Industry, Ministry of Local Development (currently Ministry of Federal Affairs and General Administration), Ministry of Cooperatives and Poverty Alleviation (currently Ministry of Land Management, Cooperatives and Poverty Alleviation) |

Source: IOE elaboration on data from Flex Cube (June 2019)

45. IFAD produced its first COSOP for Nepal in 2000, following the 1999 CPE. The 2000 COSOP focused on community-based natural resource management and on microenterprises in remote zones of the hills and mountains in the Mid- and Far-Western Development Regions.
46. The second COSOP was prepared in 2006 and covered IFAD operations up to 2012. This COSOP brought in more attention to commercialization of agriculture and high-value crops, and integrating farmers into markets. It aimed at concentrating support in selected growth clusters and market corridors, in poor areas of the hills and mountains. It also aimed at reaching more isolated communities through basic infrastructure investments.
47. IOE conducted a CPE in 2012 which covered the 2000 and 2006 COSOPs. It found that both COSOPs were relevant, although they had different emphases. It argued that both COSOPs had underestimated the challenges of supporting development projects in areas affected by conflicts or in post-conflict situations and had not sufficiently taken into account the weak capacity of local government to implement development interventions. Resources available for knowledge management, policy dialogue and partnership-building were considered insufficient. The overall portfolio achievement was assessed as moderately satisfactory. The highlights of the portfolio were the improved performance of projects supporting leasehold forestry and the satisfactory performance of the Poverty Alleviation Fund. While appreciating progress made under a challenging situation, the 2012 evaluation

⁵² Under IFAD 10, the allocation to Nepal was capped.

identified two broad limitations: (i) projects established large numbers of beneficiary groups but did not endow them with resources and capacity to thrive after project closure; and (ii) projects were effective at alleviating rural poverty but did not enable poor people to move out of poverty.

48. Among the main recommendations of the 2012 evaluation, the key ones were to: (i) develop a two-pronged approach to poverty reduction, on the one hand, in areas with better established economic potential, develop commercial agriculture and profitable small and medium-sized enterprises and involve them in various agribusiness activities; on the other hand, in remote and isolated communities with difficult market access, focus on more basic needs; (ii) pay greater attention in project design to the conflict dimension and its effects and to the country's political instability and institutional fragility; (iii) set a more focused agenda for policy dialogue in consultation with the Government and with earmarked resources; and (iv) hire external technical support (specialized private sector service providers and civil society organizations) for projects to better address the demand of end-clients and enhance financial management and M&E.
49. The 2013 COSOP embraced the two-pronged strategic directions recommended by the 2012 CPE. The COSOP had the overall goal of promoting inclusive growth in the rural areas and contributing to peace consolidation. It stated three main strategic objectives:
 - Strategic Objective 1. Promote rural income diversification and stimulate employment (this included the promotion of service providers to small producers and the use of information and communication technologies, as well as the development of market linkages);
 - Strategic Objective 2. Strengthen food security and resilience to climatic and other risks;
 - Strategic Objective 3. Promote inclusive, accountable and sustainable rural institutions (this included ensuring that design expectations were better aligned with the capacity of rural institutions) by preparing tailor-made capacity-building measures for participating rural institutions, and building exit strategies.
50. The 2013 COSOP proposed increasing the geographic focus on areas with higher population density and better economic potential, while not abandoning remote areas. In terms of social targeting, it identified two main groups: (i) vulnerable households with sufficient land to develop on-farm activities as a main livelihood source; and (ii) land-poor households and unemployed/underemployed youth who could develop off-farm enterprises as a means of income diversification. A secondary target group would include less vulnerable farmers and small entrepreneurs who could generate employment and local economic dynamism. Table 9 provides more details on the main characteristics of the latest two COSOPs.

Table 9
Main features of the 2006 and 2013 COSOPs

| | COSOP 2006 | COSOP 2013 |
|----------------------------|---|--|
| COSOP Objectives | <p>Increasing access to economic opportunities</p> <p>Improving community infrastructure and services</p> <p>Reducing gender, ethnic and caste-related disparities</p> | <p>Stimulating income diversification and productive employment in both the agriculture and off-farm sectors</p> <p>Reducing the vulnerability of the poor to climate and other shocks to unleash their investment in market-oriented activities</p> <p>Strengthening rural institutions for accountable and inclusive services to on- and off-farm producers</p> |
| Geographic priority | Hill and mountain areas; no provinces or development regions specified | Eastern, Western and Far-West Terai and the Central Hills; areas without donor saturation |
| Subsector focus | Market access and value chains, Rural and community infrastructure, Gender and social inclusion | (i) Crop and livestock improvements; (ii) access to financial and non-financial support services; (iii) youth employment and development of off-farm (rural) enterprises; (iv) engaging migrant workers and their household remittances for productive uses; (v) rapid assessment of IFAD investment options in the light of climate change and climate-smart options |
| Main partners | <p>National Planning Commission, Ministry of Local Development, Finance, Agriculture and Cooperatives, and Forests and Soil Conservation, District Development Committees and Village Development Committees</p> <p>World Bank, Asian Development Bank, Danish International Development Assistance, SNV Netherlands, Japan International Cooperation Agency, Food and Agriculture Organization</p> | Ministry of Finance and other line ministries |
| Main target group | Destitute, extreme poor, moderate poor and near poor | <p>Primary target group:</p> <p>(i) Vulnerable farm households with sufficient land to develop on-farm activities as their main source of livelihood; and</p> <p>(ii) land-poor households and young unemployed/ underemployed men and women, including migration returnees, who cannot earn a living from agriculture</p> <p>Secondary target group: the less vulnerable farmers and small entrepreneurs, who can be important drivers of change and job creation</p> |

Source: COSOPs 2006 and 2013

51. IFAD opened a Country Office in Nepal in 2008 which is currently hosted in the World Food Programme (WFP) complex in Kathmandu. The office has only one national staff member, the country programme officer (CPO). The country programme manager (CPM) was based in Rome until late 2018, when the position was assigned to the subregional hub of India. At present, the CPM for Nepal is also in charge of Sri Lanka. In New Delhi, he is supported by a programme officer who is responsible for six countries.

Summary information on the loan-funded projects reviewed by this evaluation

52. The next paragraphs briefly describe key project characteristics. Chapter III discusses their relevance to the 2013 COSOP and their thematic contents.
53. **WUPAP** was approved in December 2001 (under the erstwhile "flexible lending mechanism", which foresaw multiple implementation phases) and closed in March 2017. The cost was US\$29.77 million, financed by an IFAD loan of US\$22 million, an IFAD grant of US\$0.6 million and contributions from the national and local governments. The project was initially under the Ministry of Local Development and

later under the Ministry of the Cooperatives and Poverty Alleviation. The project goal was "to have more resilient livelihoods and basic human dignity of the poor and socially disadvantaged people" in the uplands of the Far and Mid-Western regions. It was an integrated community-based project. Activities included a mix of labour-intensive community infrastructure development, leasehold forestry and non-timber forest products, crop and livestock production, microfinance, and marketing and institutional support.

54. **LFLP** was approved in December 2004 and closed in June 2016. It had total costs of US\$16 million, of which US\$13.2 million was an IFAD loan and the rest was from Government counterpart funding and beneficiaries' contributions. Placed under the responsibility of the Ministry of Forestry and Soil Conservation, the project promoted the leasehold forestry approach introduced by the IFAD-funded Hills Leasehold Forestry and Forage Development project (evaluated in 2003). The objectives were to improve: (i) forage and tree crop production from secure and sustainable management of leasehold plots; (ii) household production of small livestock (goats); (iii) provision of microfinance services to leaseholders; (iv) the Government's capacity to implement leasehold forestry nationally.
55. **PAFPII** was approved in December 2007 and closed in June 2019. This was a follow-up to a World Bank project. It was financed by a US\$220 million DSF grant from the World Bank – International Development Association and a US\$9 million IFAD DSF grant.⁵³ The Poverty Alleviation Fund was a national institution, chaired by the Prime Minister. It was launched at the time of the internal conflicts. The main project development objective was to improve rural living conditions, livelihoods and empowerment with particular attention to groups traditionally excluded due to gender, ethnicity, caste or location. It was a community-driven development project, including community-selected and -managed subprojects on socio-economic infrastructure and group-based savings and credit.
56. **HVAP** was approved in December 2009 and closed in March 2019. It had total costs of US\$18.9 million, of which US\$7.6 was from an IFAD loan, US\$7.6 million from an IFAD DSF grant, US\$1.7 million from the Government, US\$6.1 million expected from private entrepreneurs, and the balance from the Dutch NGO Netherlands Development Organisation (SNV). The project was under the responsibility of the Ministry of Agriculture and Livestock Development. It supported agricultural production and value chain development, aiming to integrate the rural poor, especially women and marginal groups, in high-value agriculture value chains to increase income and employment opportunities.
57. **KUBK/ISFP** was approved in September 2012, with planned completion by December 2019. It has total estimated costs of US\$65.4 million, to be financed by a US\$14.5 loan from IFAD, a US\$14.5 million IFAD DSF grant, US\$7.9 million from the Government, US\$2.5 from Heifer International, and the equivalent of US\$10.9 million from beneficiaries' contributions. It is under the responsibility of the Ministry of Agriculture and Livestock Development. It supports production of high-value products (seeds, livestock, dairy) and market linkages.
58. **SRERP** was approved in April 2015, with completion planned by December 2022. The total estimated cost is US\$68 million, financed by an IFAD loan of US\$21.8 million and a DSF grant of US\$16.8 million, Government counterpart funding for US\$9 million, and US\$13.7 million foreseen from the private sector. It is under the responsibility of the Ministry of Industry, Commerce and Supplies. The project's development objective is to create viable rural micro, small and medium enterprises in the farming and non-farming sectors and provide sustainable sources of income to poor households, migrant families and returnees. It promotes: (i) self-

⁵³ Information on costs and contributions are not consistent throughout the available data and documentation.

employment and micro and small enterprises; and (ii) vocational training and apprenticeship.

59. The **ASHA Project** was approved in September 2014, with completion planned by March 2021. The total estimated cost is US\$37.6 million, financed by IFAD (US\$15.0 Adaptation for Smallholder Agriculture Programme (ASAP) fund and US\$10 million DSF grant), by the Government with US\$6.6 million, and beneficiaries' contributions of US\$5.9 million. It is under the responsibility of the Ministry of Forests and Environment, formerly the Ministry of Forests and Soil Conservation. The development objective is to reduce the vulnerability of local communities to climate-related risks and strengthen the institutional environment for climate change adaptation by introducing better climate-resilient production techniques.
60. **ASDP** was approved in December 2017 and its completion is scheduled by June 2024. It has total estimated costs of US\$68 million, financed by a US\$38.2 million IFAD loan, a US\$1.8 million grant, US\$11.4 million contribution from the Government, US\$3 million from the Swiss Agency for Development Cooperation, and the rest from local private sector and beneficiaries' contributions. It is under the responsibility of the Ministry of Agriculture and Livestock Development and is a successor project to HVAP. The development objective is to sustainably improve the income and food security of smallholders and disadvantaged rural groups involved in commercially oriented production and marketing systems in selected high-value agricultural value chains.

Key points

- The Nepal GDP growth rate has been variable over the past decade, averaging 4.3 per cent. Remittance inflows account for about 25-30 per cent of the GDP, acting as a major source of foreign exchange as well as income for many households. Fuelled by GDP growth and remittances, headcount poverty decreased from 42 per cent in 1995 to slightly under 22 per cent in 2015, and stunting prevalence from 49.2 per cent in 2006 to 36 per cent in 2016 (which remains high by international standards).
- Nepal's economy is heavily reliant on agriculture, with 27 per cent of the GDP (2017) and 72 per cent of workforce employment dependent on this sector. The average landholding is 0.7 ha per household, with 52 per cent of total agricultural households having less than 0.5 ha, highlighting the importance of increasing the value of farm production and its profitability.
- Nepal, with contribution from donors, successfully inverted a trend of deforestation. This was in part due to community forestry. Although small in terms of area covered, leasehold forestry, introduced by FAO and IFAD, has been an important innovative approach since the 1990s.
- The approval of the new Constitution in 2015 introduced federalism with three levels of government (federal, state and local), which is a great step beyond the past deconcentration and decentralization.
- IFAD started its operations in Nepal in 1978. Since then, it has approved 17 projects for a total financial volume of US\$284 million. Taking into account the counterpart funding from the Government of US\$84.7 million and external cofinancing for US\$270.2 million, the estimated cost of these operation was US\$681.3 million.
- The overall goal of the 2013 COSOP was to promote inclusive and resilient growth in rural areas and contribute to peace consolidation. It had three Strategic Objectives: (i) promote rural income diversification and stimulate employment; (ii) strengthen food security and resilience to climatic and other risks; and (iii) promote inclusive, accountable and sustainable rural institutions.

III. Project portfolio

A. Project performance and rural poverty impact

A.1 Relevance

61. Relevance considers the extent to which the objectives of development interventions are consistent with the beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives, including the relevance of the strategies and approaches applied to achieve the objectives.

A.1.a. Relevance to country development priorities

62. **Project objectives were aligned well with the Government's stated policies, as outlined in the relevant five-year plan and ADS**, which looks forward to the next 20 years.⁵⁴ The IFAD-funded project objectives mirror three of the five impact areas of the ADS, namely poverty reduction, food and nutrition security, and higher and more equitable income for rural households. The new 15th Five Year Plan (2019-2023) has added emphasis on transformation of the economy and agriculture from a production-focused orientation to a vibrant value-added (value chain), enterprise-infused and market-driven one. On the human development front, the plan will emphasize provision of basic services for human development in key areas of livelihood, education, health, security and inclusiveness. The country aims to elevate to middle-income status by 2030,⁵⁵ with emphasis on project implementation within the new federal structure.
63. **Relevance to COSOPs: the portfolio reviewed is a stratification of projects prepared under different strategies.** This CSPE focuses on the 2013 COSOP; however, the first two projects reviewed (WUPAP, LFLP) were prepared under the 2000 COSOP (table 10). The latter emphasized community-based natural resource management and microenterprises in remote areas. Three projects were conceived under the 2006 COSOP (PAFP-II, HVAP and KUBK). The 2006 COSOP had two parallel thrusts: (i) commercialization of agriculture and high-value crops and integrating farmers into markets; and (ii) reaching isolated communities through basic infrastructure investments. Only the latest three projects (ASHA Project, SRERP and ASDP) were prepared under the 2013 COSOP (table 10).
64. While the 2012 CSPE had recommended a two-pronged approach – develop commercial agriculture and profitable small and medium-sized enterprises; and focus on basic needs in remote communities with difficult market access – the COSOP 2013 did not utilize the distinction between the two prongs. It focused on the first prong, with attention to inclusiveness.
65. **Emphasis on isolated communities and basic services disappeared after PAFP-II.** As can be seen in table 10, the three "older" projects reviewed (LFLP, WUPAP, PAFP-II) were oriented to geographically isolated areas and focused on community development and basic infrastructure (e.g. potable water, latrines, bridges, culverts). Recent projects paid increased attention to inclusive agricultural commercialization. Attention to working with disadvantaged groups remained but emphasis on remote areas faded away. ASHA Project represents an atypical case in that it cannot be ascribed fully to any of the two above areas of emphasis.

⁵⁴ Agricultural Development Strategy 2015-2035 (2015), Ministry of Agriculture Development, Nepal.

⁵⁵ Economic Survey 2017/2018 Government of Nepal: https://mof.gov.np/uploads/document/file/forper cent20web_Economicper cent20Surveyper cent202075per cent20Fullper cent20Finalper cent20forper cent20WEBper cent20_20180914091500.pdf

Table 10
COSOP period, main thrust and key thematic areas of the projects reviewed

| <i>Project</i> | <i>COSOP period and main development thrust</i> | <i>Key Thematic Areas</i> |
|----------------|---|--|
| LFLP | COSOP 2000 – Isolated communities; basic services | Leasehold forestry; Livestock; Community savings and credit |
| WUPAP | COSOP 2000 – Isolated communities; basic services | Basic infrastructure; Community savings and credit; High-value crops; Leasehold forestry (minor extent) |
| PAFP-II | COSOP 2006 – Isolated communities; basic services | Community infrastructure; Community savings and credit |
| HVAP | COSOP 2006 – Agricultural commercialization and high-value products | High-value crops; Livestock; Value chain development |
| KUBK/ISFP | COSOP 2006 – Inclusive agricultural commercialization | High-value crops; Livestock; Value chain; Community savings and credit |
| ASHA Project | COSOP 2013 – Climate change adaptation | Climate change adaptation and climate-smart interventions; High-value crops; Livestock; Community infrastructure |
| SRERP | COSOP 2013 – Rural enterprises; transitioning to inclusive agricultural commercialization | Initially rural enterprises; currently High-value crops and value chain development |
| ASDP | COSOP 2013 – Inclusive agricultural commercialization | High-value crops; Value chain |

Source: CSPE elaboration, 2019

A.1.b. Selected portfolio thematic areas and their relevance to rural poverty reduction

66. **Leasehold forestry as an approach to natural resource management.** Previous evaluations showed that leasehold forestry is relevant to poor households.⁵⁶ It helps restore the natural resource basis of poor households. It enables greater fodder production to support livestock-rearing and production of saleable non-timber forest products. However, the design of LFLP over-estimated the availability of degraded forest (defined by the project design as land with less than 20 per cent cover), probably because the design used outdated statistics. With no adjustment to include land with higher levels of cover, average land leased per household was only 0.5 ha, half the intended amount.
67. **Community-based savings and credit services.** Most projects have included savings and credit groups, sometimes already formed (e.g. set up by an NGO or another development programme). Before the savings and credit groups, the poor often depended on moneylenders to fund productive investments or to meet educational, health and unforeseen expenses. Rates charged by informal moneylenders are high (according to field interviews, above 30 per cent per annum, compared to 16-18 per cent with banks, which often refused loans to small-scale producers, and 12-15 per cent for grassroots savings and credit groups) and generate a multiyear indebtedness problem. Capacity-building of members, growing functional literacy and financial acumen are important aspects in enabling sustainable development of groups and their federation into cooperatives. However, savings and credit groups mobilize very small amounts and grow slowly unless they receive external capital. In the medium term, slow growth may reduce members' interest and commitment.
68. To palliate this problem, two main options have been pursued in the portfolio: (i) trying to persuade specialized microfinance institutions to "branch out" to remote areas (so far, with limited success); and (ii) linking farmers and savings and credit groups with financial cooperatives such as the Small Farmer Agro

⁵⁶ See the Interim Evaluation of the Hills Leasehold Forestry and Forage Development Project evaluated by IOE in 2003: <https://www.ifad.org/en/web/ioe/evaluation/asset/39827818>

Cooperatives Limited (uptake has been encouraging, notably in KUBK/ISFP).⁵⁷ IFAD-funded projects have supported Small Farmer Agro Cooperatives (75 under KUBK/ISFP and 30 under WUPAP) both directly, by providing technical assistance and approving a line of credit to a microfinance company to make wholesale credit to these cooperatives, as well as indirectly, mainly by encouraging farmers to become members when these cooperatives were already well established.

69. **Transitioning to higher-value crops.** As noted in Chapter II, the trend of agriculture in Nepal towards farm fragmentation has affected the viability of agriculture. For this reason, increasing farm profitability is of paramount importance. The portfolio has given increasing attention to higher-value crops such as spices, off-season vegetables and fruits, as well as to seed production (for national markets and exports). All these have potential for marketing within Nepal as well as abroad. Of special interest is **seed production**, a relatively new commodity category in the IFAD-funded portfolio for which there is unmet demand nationally. In-country vegetable seed production is currently about 1,050 tons, while in country demand is some 2,269 tons.⁵⁸ There is also a wide and growing opportunity for international export to India, Pakistan, Sri Lanka and other neighbouring countries. Considerable support is required for smallholder producers because of the level of training required and effective links with certifying bodies, buyers and input supply.
70. **Livestock development as a pathway to increasing farm production value.** Livestock, particularly small ruminants, are very popular among the rural poor, because they involve a smaller investment, lower risks, can be grazed as well as kept stall-fed, and there are usually some communal resources of fodder with which to feed them. Projects have mostly focused on improved goat breeds for meat production (e.g. LFLP, KUBK and HVAP) and cows and buffalo for milk (KUBK/ISFP). The animal value can be readily realized through sale in case of an emergency, or scheduled need, and numbers can rapidly increase if the animals are bred. While ideally suited to beneficiaries' needs, increasing livestock numbers may have adverse effects on the environment if not properly managed.
71. **Marketing and value chain development** are part of the strategy to increase smallholder farm profitability. Focus on value chain development was pronounced in HVAP and its successor ASDP. KUBK/ISFP's focus was on production and marketing support (the latter particularly for seed, less so for livestock). SRERP was initially designed as rural enterprise support but is now transitioning towards value chain development, following the approach of HVAP. The latter mainly consisted in helping producers and aggregators/exporters sign contract-farming types of agreements, including some pre-financing schemes for the purchase of inputs. The project also promoted the establishment of multistakeholder platforms. These are discussion forums created for stakeholders in the value chain to build trust and facilitate discussions on economic transaction and signing of contracts.
72. **Three projects have addressed community infrastructure although none emphasized roads and transportation.** WUPAP, PAFP-II and ASHA Project have supported basic infrastructure (e.g. potable water, latrines, buildings for community meetings). Some irrigation infrastructure was also supported by these (notably ASHA Project) and KUBK/ISFP. Infrastructure is necessary for supporting minimum

⁵⁷ Small Farmer Agro Cooperatives Limited are the "successors" to the farmer cooperatives set up under the erstwhile Small Farmer Development Programme, funded in the 1990s by ADB and IFAD. They hinged upon subsidized interest rates and were not sustainable. The concept of Small Farmer Agro Cooperatives Limited was an attempt to make those cooperatives financially viable (they were expected to provide savings and credit services at a cost-recovery interest rate). The concept was supported by several donors, including GIZ.

⁵⁸ KUBK, Vegetable seed value chain study (2016), Friends for Peacebuilding and Development, Chitwan, Nepal.

welfare conditions, agricultural production and reducing transportation costs. As noted, PAFFP-II was the last to focus on community infrastructure and services.⁵⁹

73. **Climate change adaptation and resilience is the goal of ASHA Project.** It is clear that this project addresses a very important need in Nepal. It is less evident whether setting up a separate project for climate change was the optimal option (as opposed to providing additional funding for climate-proofing to existing projects). A separate project has more visibility but also implies additional project management costs and requires further efforts from the Government and IFAD to keep implementation on track. As further discussed in this report, many ASHA Project activities are in fact discrete agricultural development activities, and other “traditional” projects have similar initiatives. The degree to which a landscape approach is being taken, and the complementarity with the national Nepal Climate Change Support Programme, are not yet clear.

A.1.c. Relevance of targeting priorities

74. **The portfolio of projects followed the policies of the Government of Nepal and IFAD and had a strong focus on marginalized people.** Elements of social targeting are common among the projects. Project target groups included:
- (a) Women, notably female-headed households and socially marginalized groups such as Dalit (scheduled caste), Janajati (tribal groups) and youth, who tend to be under- or un-employed.
 - (b) Poorer households, often identified based on months of food sufficiency, size of landholding and number of livestock.
 - (c) Community organizations, as key entry points, starting with savings and credit activities, which remain core activities and an important connecting factor between all project components.
75. The current COSOP emphasizes the importance of helping groups become self-supporting and sustaining organizations, not just channels for project expenditure. This has led to greater engagement with existing community organizations, with the aim of helping with their capacity development and federation into cooperatives prior to project completion.⁶⁰
76. The preference for working with already established groups could generate a bias towards slightly better-off people. To counter this problem, IFAD-funded projects took “positive initiatives” in the form of social inclusion funds (rewarding groups for inclusion of previously marginalized groups, the mentoring of the Dalits to encourage participation within project activities (HVAP)). Positive action was also taken to engage previously geographically, or socially marginalized groups, by the limited formation of new groups (SRERP, WUPAP, and ASHA Project).
77. **Over the years, there has been concentration of geographic targeting in high-poverty regions but with some reduction in coverage of more remote areas.** For example, HVAP, ASDP and much of KUBK project activities were concentrated in the formerly Mid-Western Development Region, known to have the highest stunting prevalence in the country, now in Province 6. In the case of HVAP, seven of the project districts⁶¹ are among the ten poorest in the country. The ASDP project area covers six of the same districts (Surkhet, Dailekh, Salyan, Jajarkot, Kalikot, Jumla) with addition of Mugu, Dolpa, Humla and (western) Rukum districts

⁵⁹ PAFFP-II started in the late 2000s as a response to the Maoist insurgency and in a quest to reach the most marginalized groups in rural areas. The programme had no deconcentrated “project structure”. While a central fund was in charge of making financial allocation, implementation was left to NGOs. This was to make the programme more “neutral” so that the insurgents could accept it. It also resulted in limited controllability from the “centre” on the final use of funds, a concern expressed by the Government.

⁶⁰ This was in line with the finding that sustainability of groups was greatly enhanced when they were federated into cooperatives. Nepal COSOP 2013, p. 4.

⁶¹ Mugu, Kalikot, Jajarkot, Jumla, Humla, Dolpa and Dailekh – with an HDI of 0.381 or less; Nepal HDI is 0.471.

in Province 6 of Nepal. The target area of the first phase of KUBK, (years 1 to 3) encompassed four districts in the formerly Mid-Western Region (Rukum, Salyan, Rolpa and Pyuthan) and two districts in the Western Region (Gulmi and Arghakhanchi).

78. At the same time, more recent projects tended to target the mountains less, and the mid-hills of the formerly Mid-Western Development Region more, thus less remote areas.
79. While commitment to targeting is overall strong, during implementation some inconsistencies emerged. These are discussed under *Effectiveness*.

A.1.d. Complex design, sometimes requiring significant change of approach

80. **There are several instances of complex and non-integrated design in projects, which later required lengthy and costly interpretation and amendment.** In the case of WUPAP, the original integrated rural development project design was too complex for the fragile political context and remote mountain districts of the Far West and Mid-Western Regions. The five components, with multiple activities, required technical service delivery from different district line agencies, including agriculture, forestry, livestock and local development. The project was conceived and initially implemented during a challenging period, when Maoist insurgencies were at their peak in rural areas. Poor road networks and infrastructure further hampered WUPAP's achievements in the first two phases. WUPAP became a chronic problem project when it scaled out to additional districts in phase II. Streamlining of activities to three components in phase III, together with improved external conditions of greater political stability, improved infrastructure and access (2012-2016), helped to enhance implementation.⁶² Additional time was still required to socially and economically empower its very poor and vulnerable target group.⁶³
81. In the case of KUBK/ISFP, the initial design lacked a clear strategy on how to link the different value chain actors, while aiming to strengthen the capacity and performance of different value chain actors (producers, traders/collection agents, processors and sales points). This was addressed subsequently during implementation. The initial programme objectives also did not address some key value chain development elements, such as availability of road access and crop production technologies.
82. SRERP also had a complex design, which required revision and a change of approach. The design brought together issues of migration, remittances to participant families' incomes, investment beyond primary production to value addition, and investment in more sophisticated processing and marketing. While initially focusing on rural enterprise development, the project is now turning toward value chain development support, following the example of HVAP. The project works with: (i) primary producer groups, seeking to help them improve their production and business acumen; (ii) traders and processors, to improve efficiency of value addition and processing to help realize maximum returns to all those involved in the value chain; and (iii) migrants and their families, to address safety and the psychological impacts on both migrants and their support families (a serious and often neglected problem) and the issue of remittance repatriation and

⁶² WUPAP Project Performance Evaluation (2019), IOE, IFAD.

⁶³ WUPAP was designed with a Flexible Lending Mechanism, where specific triggers were set in order to move to the next phase. Approved in December 2001, it became effective in January 2003. Phase I met its triggers and moved to phase II in 2006. Phase II required a one-year extension to meet its triggers in 2012, and phase III had an additional redesign year plus three years for implementation. The project completed in December 2016, with a duration of almost 14 years rather than the planned 11 years. While the additional flexibility of the Mechanism allowed was of great assistance to the project, it was not sufficient to realize the social and economic empowerment of its very poor and vulnerable target group identified in phase III (see the PPE of WUPAP, 2019).

- use. Added to this was a large Technical Education and Vocational Training component managed by partner Helvetas, which received funding in June 2019.
83. In addition to complexity, SRERP staff requirements were under-estimated. The need for a major redesign was identified and carried out in May 2018. This addressed key issues of increased staffing, having provincial management and cost centres, and aligning the project with the new federated government structures. There are now provincial project offices, with provincial project managers in place. Recruitment of additional staff has taken longer than anticipated (over a year), but 81 staff were recruited and were to start work in July 2019.
 84. ASHA Project also suffered from under-estimation of field staff requirements, particularly of sub-engineers, given the extent of micro-irrigation structures.⁶⁴ The activities undertaken by the project (micro-irrigation, animal housing and protected cultivation within poly-tunnels) tend to be linked to agricultural production and irrigation.
 85. It is the considered opinion of many stakeholders interviewed that the involvement of those with local and institutional experience and knowledge and learning from performing practices in the countries was not optimized in project design. Many of the problems outlined above reflect to some extent the limited awareness of the reality on the ground. In some cases, they also reflect the limited awareness and internalization of what had proven to work in Nepal. For example, it took years to redesign SRERP so that it would follow the value chain approach of HVAP. Such an approach could have been taken from the beginning.
 86. In part, this also reflects the fact that project design was largely the output of consultants, who may be technically qualified but sometimes not fully exposed to the implementation context and conditions. Some of these problems (and costs to resolve them) could have been reduced, with greater reference to local and institutional knowledge, greater engagement of government staff in project design, and greater review and adoption of known good practices in Nepal.
 87. **Summary – relevance.** Overall, the portfolio relevance is assessed as moderately satisfactory (4). This CSPE appreciates the unwavering focus on reaching poor groups in remote areas and the efforts made to keep projects relevant in spite of changes in context and of implementation issues. At the same time, there have been design gaps, affecting implementation readiness.

A.2 Effectiveness

88. Effectiveness – that is, progress against project objectives – can be analysed according to the following thematic areas: (i) leasehold forestry; (ii) rural infrastructure; (iii) higher-value crops; (iv) smallholder livestock; (v) promotion of income-generating activities and market linkages; and (vi) targeting.

A.2.a. Leasehold forestry as an approach to natural resource management (LFLP, WUPAP)

89. **The leasehold forestry model has proved to be successful when it was part of a broader package with incentives to groups (LFLP).** LFLP handed over a total of 20,450 ha of degraded forestland (target 31,000 hectares) to 4,101 groups (88 per cent of the target) involving 40,638 households (92 per cent of the target). This falls short of the initially planned area of up to 1 ha per household, as there was less degraded forestland than initially estimated. About 60 per cent of households adopted the improved land management and forage cultivation techniques, with half growing either Stylo, Napier, Molasses or other forage crops.⁶⁵ A few engaged in commercial cultivation of forage seeds and broom grass. In over half of the handed-over forest area, free-grazing was stopped. Group members

⁶⁴ Findings from field visits of mission, CSPE, 2019.

⁶⁵ LFLP, Project Completion Report, 2015.

also received support in adult literacy, health and sanitation. The livestock component of LFLP, which provided two adult female goats to each member and a breeding buck to each group, was an attractive part of the package.

90. **Without continued group support, the leasehold approach was dropped (WUPAP).** WUPAP had leasehold forestry activities in phases I and II. It established LFUGs in collaboration with the District Forest Office, with training, fencing, and a supply of goats, non-timber forest products, medicinal and aromatic plant seedlings as support. About 1,332 ha of forestland were brought under cultivation (more than three times the target of 400 ha) and 919 user groups established (92 per cent of the target of 1,000). Leasehold forestry activities reached 12,699 households (41 per cent women and 24 per cent Dalit and Janajati). A significant number of both group members (6,860) and government staff (1,012) received training.⁶⁶ Leasehold forestry was discontinued under phase III: key factors were the absence of forest rangers (who were to support the groups) in 75 per cent of locations and insufficient consideration of the selection of suitable plots and their potential for upgrading.

A.2.b. Community infrastructure (WUPAP, PAFP-II, ASHA Project)

91. **Infrastructure was broadly useful but with issues in ensuring quality of construction.** Within WUPAP, 1,327 community infrastructures were built by an equal number of user groups (almost double the target of 750). WUPAP supported the construction of 12 trails and wooden bridges and irrigation in 244 leasehold forestry activities. There was high variation in the quality of structures and insufficient attention given to establishing appropriate community-led operation and maintenance arrangements.⁶⁷
92. In PAFP-II, 317,404 households benefited from increased access to community infrastructures (almost double the target), through 4,449 subprojects (4,000 target).⁶⁸ Federation of groups into cooperatives also increased funds available, enabling investment in larger infrastructure, which included water supply and sanitation, irrigation, rural access, rural energy and community buildings. In response to the 2015 earthquake, with IFAD funding, PAFP-II supported the rehabilitation of 219 community infrastructures in the earthquake-hit areas.
93. Within ASHA Project, the Mid-term Review (MTR) claims that community infrastructure had generated clear benefits to communities and enhanced climate resilience.⁶⁹ However, communities expressed concern over the quality of some of the infrastructure. This CSPE shares with the MTR concern for strengthening the M&E system and engineering capacity of project teams. On the positive side, some municipalities are taking up ASHA Project and have added cofinancing to infrastructure projects, showing ownership of climate-resilient investments.
94. Under ASHA Project, there was high interest among households in the improved livestock housing, as it greatly reduced the work and dirtiness of the jobs of milking and of cleaning the animals. As a primarily female task, it was particularly favoured by women. In the case of goats, it also made it easier to bring them in from grazing. However, the up-front financing required in ASHA Project, whereby the household had to pay for material and construct the goat house before receiving the 50 percent grant, made accessing the activity difficult for poorer households.⁷⁰ A further issue in ASHA Project was the low ceiling on grants: NPR 15,000 (US\$137); on a case basis, the ceiling can be increased to NPR 30,000 (US\$274), which required significant further funding from the beneficiary.

⁶⁶ WUPAP Project Performance Evaluation, May 2019, IOE, IFAD.

⁶⁷ Ibid.

⁶⁸ PAFP-II Draft Implementation Completion Report, 2019, World Bank.

⁶⁹ ASHA Project Mid-term report, 2018, Programme Management Department, IFAD.

⁷⁰ Findings from field visits of CSPE, 2019.

A.2.c. Higher-value crops

Seed production (KUBK/ISFP)

95. As noted, seed production, particularly in vegetables, is a low-volume, high-value activity, well suited to intensively managed smaller areas of land. KUBK supported the production (and sale) of truthfully labelled cereal seeds of maize, wheat and rice, as well as vegetable seed.
96. **Producing for seeds rather than for grains successfully fetched better net incomes to smallholder farmers. A further step could have been to focus on certified seeds.** The purer the seed, the greater the price paid by buyers.⁷¹ As an example, during interviews with the National Agricultural Research Centre of Nepal and with farmers, prices for breeder seed for maize were reported at NPR 100 (US\$0.92) per kg, for maize foundation seeds at NPR 75 per kg and for truthfully labelled seeds at 47-50 per kg. All these were higher than producing the grain, e.g. for animal feed (NPR 35-40 per kilo). Annual income from seed production is estimated on average to be NPR 36,000 (US\$329), although the CSPE mission did not have access to the full estimation exercise.⁷²
97. **The design of KUBK focused on truthfully labelled seeds** because these do not require a certification laboratory, which is instead necessary for certified seeds. However, some cooperatives supported by the project are also engaged in foundation seed production with the National Agricultural Research Centre.⁷³ Over four years across the project, this has amounted to some 415 tons of cereals and 5 tons of vegetable seed (table 11).⁷⁴ Foundation seed is two levels above truthfully labelled seed (foundation seeds are used to produce certified seeds, which are in turn used to produce truthfully labelled ones). If farmers can produce foundation seed, they can then produce certified seeds (with higher prices and incomes than with truthfully labelled seeds). If certification laboratories were missing at the time of design, they are now already present in Nepal Agricultural Research Council (NARC) centres (which are processing the foundation seed); and a suitable laboratory was seen at the Lumbini Seed Company, recently installed with grant support from KUBK. Thus, the project helped farmers obtain higher prices but could have been even more ambitious by supporting certified seeds, even if it was not foreseen in the design.

Table 11

Foundation seed production KUBK/ISFP in collaboration with NARC

| | Year 2013/14 | | Year 2014/15 | | Year 2015/16 | | Year 2016/17 | | Total | |
|-----------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|-----------|------------|
| | Area (ha) | Yield (mt) | Area (ha) | Yield (mt) | Area (ha) | Yield (mt) | Area (ha) | Yield (mt) | Area (ha) | Yield (mt) |
| Cereal | 15 | 30.16 | 111.5 | 197.45 | 244 | 106.64 | 68 | 80.9 | 438 | 415.15 |
| Vegetable | 3.5 | 1.41 | 4 | 1.78 | 5.5 | 1.94 | 8 | NA | 21 | 5.13 |
| Total | 18 | 31.57 | 115.5 | 199.23 | 249.5 | 108.58 | 76 | 80.9 | 459 | 420.28 |

Source: KUBK Status Report, March-April 2018

⁷¹ Commonly used classes of seed are: (i) nuclear seed, 100 per cent genetically pure seed with physical purity and produced by the original breeder/institute /State Agriculture University; (ii) breeder seed, the progeny of nucleus seed multiplied in large area by public agencies, plant breeder. This is also 100 per cent physical and genetic pure seed for production of foundation seed; (iii) foundation seed, progeny of breeder seed produced by recognized seed-producing agencies in the public and private sectors, under supervision of seed certification agencies; (iv) registered seed, progeny of foundation seed that is so handled so as to maintain its genetic identity and purity according to standards; (v) certified seed, progeny of foundation seed produced by registered seed growers under the supervision of seed certification agencies; and (vi) truthfully labelled seeds, produced by private growers or companies that guarantee quality but are not certified by an agreed agency. See, for example, The Tamil Nadu Agricultural University Agritech Portal.

⁷² Self-assessment of KUBK to the CSPE mission, April 2019.

⁷³ Madichaur site, Liwang municipality, 5 June 2019.

⁷⁴ KUBK Annual Outcome Survey, 2017-2018.

98. **Only a part of KUBK seed production goes through formal trade**, as shown in table 12, and this is higher for wheat and vegetable seed but lower for paddy and maize seed. According to seed companies, while they were offering significantly higher prices,⁷⁵ producer groups were not selling them all the seed that they had been contracted to produce.⁷⁶ Seed producers have a different perspective: they avoid monopsony (a single buyer) as a form of risk reduction. They prefer selling to several buyers, in case any of them withdraws, or delays the purchase or payment and; they are also aware that local buyers (agrovet service providers) can sometimes offer higher prices than those agreed with seed companies.

Table 12

Distribution of truthfully labelled seeds to formal markets – cumulative

| <i>Cereals</i> | <i>Target (mt)</i> | <i>Production (mt)</i> | <i>Achievement (%)</i> | <i>Formal seed trade (mt)</i> | <i>Production going through formal trade (%)</i> |
|----------------|--------------------|------------------------|------------------------|-------------------------------|--|
| Paddy | 760 | 836 | 100 | 327.6 | 39 |
| Maize | 830 | 2 043.9 | 100 | 691.4 | 34 |
| Wheat | 1660 | 423 | 25.5 | 313.3 | 74 |
| Vegetable | 500 | 168.2 | 33.6 | 145.4 | 86 |
| Total | 3,750 | 3471 | 92.5 | 1477 | 43 |

Source: KUBK database, July 2017

99. **Under KUBK, there are some equity considerations when comparing financial support provided to seed companies with that provided to farmers.** Seed companies that bought seeds from farmers received a total of NPR 61.23 million (US\$561,000) in grants for improvements in their processing, laboratory and storage facilities. The Lumbini Seed Company alone received some NPR 19.97 million (US\$183,000) (the company also received a similar amount in a grant from a World Bank-funded project).⁷⁷ When it comes to farmers, the project supported beneficiaries with a total of NPR 22.82 million to 78 subprojects in six districts, an average of NPR 292,564 (US\$2,680) per subproject.
100. This CSPE does not dispute the principle that some investment in fixed capital is necessary to expand companies' collaboration with smallholder producers and some project grant funding can create an incentive to do so. However, it raises two issues. The first relates to the size of project grants provided to agribusinesses. Interviews with one of these companies suggest that the expansion in storage and processing equipment was entirely financed through the project grant. Should a private company not be expected to mobilize its own equity and bank loans as well? The second issue pertains to the commitment that private companies make to continue buying from farmers after project closure. The agreement signed between the project and the companies was for three years, which brings them to the project closure time. From the CSPE interviews, it is not clear whether these companies will continue buying after the project ends.⁷⁸

Other high-value crop production (WUPAP, HVAP, KUBK-ISFP)

⁷⁵ In the case of truthfully labelled maize seed, this was NPR 47 compared to NPR 41; seed companies say they buy similar seed from elsewhere. Production costs on larger-scale, lowland farms tend to be lower.

⁷⁶ Discussions with Lumbini Seed Company, 6 June 2019.

⁷⁷ Other companies that received a total grant from KUBK/ISFP were: Pahandchashakti Seed Company NPR14.11 million (US\$129,300); New Shree Ram Bijbridhi Company NPR 17.00 million (US\$155,790); Rukmeli Agro Seeds Center Tulsipur NPR10.15 million (US\$93,000). Source: KUBK PMU Bhutwal, Component 1 Overview.

⁷⁸ One of these companies is expanding its own capacity to produce certified seeds and plans to enter maize hybrid seed production, which would lead them to compete with smallholder producers.

101. **HVAP supported the production of high-value products.** Some 13,357 households (83.7 per cent of 15,965 beneficiaries) reported an increase in the productivity of high-value agricultural crops, such as apple, ginger, turmeric, timur, off-season vegetables and vegetable seeds, thanks to the use of quality seeds, adaptation of improved on-farm management practices, and irrigation.⁷⁹ Under HVAP, post-harvest losses were reduced but continue to be significant. The post-harvest loss at farm gate was found by the project to have decreased by over half (56 per cent), significantly more than the targeted third. However, a more independent impact assessment found reduced losses only in the dry season, not in the wet season.⁸⁰
102. **WUPAP reached approximately 48,600 farmers with crop-related support,** such as improved seed provision and multiplication of vegetables, wheat, paddy and maize, crop demonstrations, compost-making and improved production of potato. In addition, 243 plastic tunnels and seed nurseries were built. These activities enhanced the productivity of crops in general and vegetables in particular.⁸¹ Growing demand for vegetables and their higher returns, compared to cereal production, makes vegetable cultivation attractive. Commercial vegetable farming was supported on 70 ha (141 per cent of the target), fruit cultivation on 147 ha (147 per cent of the target), and 376 vegetable nurseries and 64 fruit nurseries were established (289 per cent of the target). Two years after project completion, vegetable gardens were still in good condition, plastic tunnels were in use, and compost was still produced and used.
103. Under WUPAP, crop and livestock activities were not effective up to phase II. In phase III, the Farmer Field School (FFS) approach was adopted to strengthen good agricultural practices and move towards a low external input regime using integrated pest management. WUPAP supported 65 FFS sessions attended by 1,625 farmers (189 farmers have taken up replication) and trained 205 government agricultural and livestock staff. Two years after project closure, beneficiaries reported continued use of integrated pest management and an increase in the quality and quantity of vegetable production.

A.2.d Small livestock development (LFLP, WUPAP, KUBK)

104. **In LFLP, the programme increased the size of beneficiaries' goat herds and sought to improve the quality and productivity of animals kept,** through the introduction of improved breeding bucks. Overall, the Programme distributed over 83,000 female goats to members (two each) and breeding bucks to farmer groups.⁸² Some 86 per cent of groups reported increased goat herd size, from fewer than four to more than six per household. Regular exchange of breeding bucks to avoid inbreeding was reported by 60 per cent of groups.⁸³ It is less clear how production quality (meat component per carcass weight) was improved.
105. **In KUBK, two Boer buck breeding herds are producing 50 per cent Boer offspring,** which sell for NPR 1,000 per kg live weight, enabling households to earn on average per year some NPR 63,340 (about US\$580).⁸⁴ Several breeder herd members had previously migrated for employment to India, Malaysia and Gulf countries, but now are able to stay in Nepal due to income from goat-rearing. The 50 per cent bucks are kept in multiplier herds (12 within the project) where 25 per cent offspring, with good feeding, are ready for sale from six months. This is three to six months earlier than local goats. However, as groups have had their

⁷⁹ HVAP self-assessment presentation to the CSPE, based on M&E data.

⁸⁰ HVAP Impact Assessment Study, Research and Impact Assessment Division of IFAD.

⁸¹ WUPAP Project Performance Evaluation, May 2019, IOE, IFAD.

⁸² LFLP Project Completion Report, 2015.

⁸³ LFUG Stratification Study 2012, quoted in LFLP Project Completion Report, 2015

⁸⁴ Self-assessment to CSPE mission by KUBK, April 2019.

bucks for over nine months, there is an urgent need to rotate the bucks to prevent inbreeding.⁸⁵

106. **Under KUBK, a significant increase in milk production (to over 10 litres a day) has been achieved by introducing improved cow breeds.** A marginal increase in buffalo milk is also recorded.⁸⁶ Improvement in cows and buffalo through artificial insemination (some 14,000) and provision of Murrah buffalo bulls (99) have led to the breeding of improved milking animals (6,851).⁸⁷ There are 17 dairy pockets, and estimated income per household from milk sales is NPR 61,550. KUBK also supported animal health by holding health camps (52) and establishing village animal health workers (50). On the marketing side, it supported one milk company, one meat company and 27 butchers. It formed 16 cooperatives.
107. **Under KUBK, increased cultivation of fodder and forage by beneficiaries has enabled an increase in stall-feeding, which is greatest for buffalo, significant for cattle, but only marginal for goats.** Uptake of stall-feeding for large ruminants has been greater than for smaller ruminants (table 13), which is of concern, given the much larger numbers of small ruminants distributed. The project has supported the establishment of forage and fodder nurseries (56), which provide planting materials to encourage stall-feeding.

Table 13

Animal feeding practices (% of households) KUBK/ISFP

| <i>Practices</i> | <i>Common Baseline</i> | <i>Ex-post Treatment</i> | <i>Ex-post Control</i> | <i>Difference between Treatment & Baseline</i> | <i>Difference between Ex-post Treatment & Control</i> |
|-----------------------|------------------------|--------------------------|------------------------|--|---|
| Buffalo Stall-Feeding | 70.4% | 92.13% | 91.39% | 21.73% | 0.74% |
| Cow Stall-Feeding | 56.9% | 69.88% | 49.37% | 12.98% | 20.51% |
| Goat Stall-Feeding | 50.4% | 52% | | | |

Source: Annual Outcome Survey, 2018

108. **The NGO Heifer International had a different approach to livestock improvement, but its support to KUBK was discontinued** due to government concerns over use of loan-funding for NGOs. Heifer international's work in support of the livestock sector has shifted from introducing imported breeds to improving the management, feeding and health of local breeds. This includes the avoidance of inbreeding, which is endemic in small ruminants managed as grazed herds. Fodder and forage are also a key focus of its programmes, identifying different species and mixtures of species for different micro-environments in order to minimize negative environmental effects. Improvement in marketing mechanisms and in the abattoir facilities available are current areas of expansion.⁸⁸ This more comprehensive approach could have enriched KUBK.

A.2.e Promotion of income-generating activities and market linkages

109. **Under HVAP, there has been substantial increase in both sales volume and sales value of the commodities.** Absolute production increased to 15,067 MT against the baseline production of 4,214 MT. Sales volume increased six times for off-season vegetables but only 2.5 times for apples. Sales volume increased for

⁸⁵ Bucks need to be rotated according to their breeding lines. According to the Ministry of Agriculture and Livestock Development, the provincial governments plan to continue the goat-breeder programme and intend to take care of the inbreeding problem.

⁸⁶ KUBK Annual Outcome Survey, 2018.

⁸⁷ Self-assessment to CSPE mission by KUBK, April 2019.

⁸⁸ Discussions with Director of Operations at Heifer International, Kathmandu, 12 June 2019.

turmeric, goat and ginger by 5.2, 4.2 and 3.2 times, respectively, whereas sales value has increased only by 2.7, 1.5 and 1.3 times. The total sales value at completion is estimated at NPR 870 million, almost four times the baseline sales value of NPR 224 million.⁸⁹ HVAP has helped establish rural, district and regional collection and market centres and supported agribusinesses that have established market linkages within the country and abroad. Timur is exported to France and Germany, ginger is exported to Germany, and carrot seeds on an experimental basis to Bangladesh.⁹⁰

110. **Under both HVAP and KUBK, multi-stakeholder platforms (MSPs) have been instrumental in helping farmers negotiate prices but so far have had moderate effects on value chain governance.** MSPs were to promote business linkages and trust between agribusinesses/traders and people's organizations and cooperatives. MSP meet only once per year and are organized by the Business Advisor in the District Chambers of Commerce and Industry, a partner to both HVAP and KUBK. The exact dynamic varies by commodity, but the common denominator is that price-fixing happens at the time of harvest, when prices are typically at their lowest, and is fixed for the whole production season. The projects, through the District Chambers of Commerce, help farmers negotiate prices. Farmers do not have a legal obligation to sell to agribusinesses, but the latter have to buy from farmers.
111. Compared to high-value crops and seeds, there has been less support to the marketing of goats: traders are key buyers of 25 per cent of the Boer goats. Local governments are emerging as buyers of breeding stock. Outside the IFAD portfolio, Heifer International has started supporting (through functional upgrading) small-scale abattoirs owned by cooperatives of producers, which may be worth reviewing.
112. MSPs have been instrumental in increasing producers' profits and negotiating fixed prices, thus in part protecting farmers (but also buyers) from the vagaries of seasonal fluctuations. Smallholder producers appreciate the volume that the larger seed companies are willing to take, although they are aware that some short-term opportunities for selling at higher prices to local agrovet dealers may come. Under KUBK, seed companies will honour their agreement to buy from smallholder farmers until the project ends. After that, the future is less certain.
113. **Availability of hands-on technical assistance was fundamental for linkages with value chains.** This is the case of SNV, which collaborated with HVAP using its own funds and helped introduced MSPs. SNV identified and analysed value chains, developed strategies and action plans, trained and mentored the Agro-Enterprise Centre, project staff and seven District Chambers of Commerce and Industry, to support the project in conducting MSP workshops and in establishing market linkages.⁹¹ While project design may outline some principles for working on value chains, it is crucial that a technical service provider with hands-on knowledge turn them into concrete actions. Project teams often lack staff with such experience. This is why technical assistance is crucial, a finding highlighted also by the 2019 IFAD Corporate-level Evaluation on Value Chains.

A.2.f. Effectiveness of targeting

114. **Projects were generally effective at reaching women, Dalit, Janajati and other disadvantaged groups and categories.** Projects followed different approaches:
- (i) inclusive targeting by extending project activities to all interested community members (WUPAP-first two phases), which worked well in remote

⁸⁹ HVAP Project Completion Report, 2018, Programme Management Department, IFAD.

⁹⁰ Kafle, K., Krah, K. and Songersermsawas, T. (2018) Impact Assessment Report: High Value Agriculture Project in Hill and Mountain Areas (HVAP), Federal Democratic Republic of Nepal. IFAD, Rome.

⁹¹ HVAP Project Completion Report, 2018, Programme Management Department, IFAD.

communities where poverty was pervasive and the main point was to avoid conflicts over project resources;

- (ii) targeting based on household assets and food self-sufficiency (PAFP-II, WUPAP-third phase), which worked well in establishing community-based savings and credit associations;
 - (iii) self-targeting but with specific activities, training and funds reserved for disadvantaged groups (HVAP, KUBK), which worked well when projects were developed around specific commodities. Certain activities such as community savings and credit groups were particularly favoured by women. Small livestock development was viable also for those with little access to land or labour force (notably women, including from Dalit and Janajati groups).
115. **However, some implementation practices can hinder outreach to very poor households and communities (KUBK, ASHA Project).** The practice of requesting upfront financial contributions from beneficiaries, as practiced in KUBK and ASHA Project, can challenge the participation of the poorest, who are typically cash-constrained.⁹² Also, the decision to support drinking-water provision only in association with the use of waste water for irrigation may also lead to excluding poorer, landless groups for whom irrigation is not possible or is not a major need.⁹³ Where drinking water supply has not been addressed, women and youth have very limited spare time/energy to engage in new livelihood opportunities. No official statistics have been compiled on this but interviews with project staff suggest that there have been missed opportunities to reach even poorer communities and households.
116. Another item deserving attention is the situation of multiple support to the same groups. During CSPE visits, cases were observed of cooperatives that had been supported by two or three public programmes or international agencies (e.g. buildings, machinery, grants, subsidized credit) before an IFAD-funded project arrived. While development deserves long-term support, it is important to preserve the principles of equitable opportunities and avoiding duplications.
117. **Summary – effectiveness.** Project portfolio effectiveness is rated as satisfactory (5), given that achievements of targets are relatively high and in spite of exogenous adverse factors (e.g. 2015 earthquake); and attention to outreach to the poor and very poor was overall maintained. Some qualifications are raised on technical aspects of the delivery. An important caveat is that effectiveness can be assessed only for projects that are closed or nearly completed, while it is too early to do so for more recent ones (ASHA Project, SRERP).

A.3 Efficiency

118. The criterion of efficiency assesses how economically resources are converted into results. This section explores factors that can affect such conversion, positively or negatively – such as timeliness in start-up and implementation, management cost ratios and internal returns, -- and their proximate causes.
119. **There were frequent delays in start-up and early-year implementation, followed by more rapid progress.** Disbursement of IFAD funds can be correlated to the pace of implementation of project activities and hence, taken in conjunction with other indicators, as an indicator of project efficiency. Similar to other evaluations, this CSPE found low disbursements in the initial project years; the exception is PAFP-II (table 14). Disbursements picked up sharply for HVAP and

⁹² It is important to note that the criteria for pre-financing have been applied in different ways by different local implementers. As an example, ASHA Project has a provision for up to 80 per cent upfront payment by the project. However, this was not observed in the field. The CSPE found cases where ASHA Project users had convinced local shopkeepers to sell the required material (pipes for drip irrigation and steel and polythene for the polytunnels) on credit at zero-interest rates, knowing that ASHA Project, a government project, would help them to pay back. But this observation cannot be generalized.

⁹³ Decision at MTR by ASHA Project.

KUBK/ISFP only in their final three years. As can be seen from the limited data points available thus far, ASHA Project and Samriddhi (SRERP) have followed a similar trend. In fact, each of these four projects has seen its disbursement below 20 per cent of the allocated amount as of the MTR. IFAD has classified both ASHA Project and SRERP as "problem projects", mainly due to delays in implementation and disbursement.

Table 14
Disbursement schedule of projects

| Year | WUPAP | LFLP | PAFP-II | HVAP | KUBK/ISFP | ASHA | SRERP |
|--------------------------|--------|--------|---------|--------|-----------|--------|--------|
| 1 | 2.48% | 6.67% | 0% | 0% | 6.45% | 0.1% | 0% |
| 2 | 4.31% | 12.84% | 18.81% | 10.67% | 9.17% | 8.75% | 8.39% |
| 3 | 5.36% | 26.64% | 58.27% | 16.05% | 13.58% | 11.15% | 10.57% |
| 4 | 9.21% | 29.03% | 94.29% | 27.11% | 23.45% | 23.35% | - |
| 5 | 12.95% | 52.76% | 94.29% | 39.89% | 36.8% | - | - |
| 6 | 16.74% | 72.98% | 41.9%* | 57.75% | 80.97% | - | - |
| 7 | 25.14% | 76.19% | 41.9% | 73.68% | - | - | - |
| 8 | 29.1% | 82.75% | 51.5% | 94.91% | - | - | - |
| 9 | 40.57% | 86.23% | 70.3% | - | - | - | - |
| Project end disbursement | 95.03% | 92.74% | - | 99.9% | - | - | - |

Source: Oracle Business Intelligence, Flexcube

*The sudden reduction here is due to the fact that there was a supplementary loan, which was approved for the project, which brought down the disbursal rate of the project as a whole.

120. **Delays have been linked to a number of factors, including adjustment to project design, staff shortage, major policy changes (e.g. federalization), natural disaster and turnover of IFAD and government staff.** The start-up time taken for projects in Nepal has been affected by project designs, which are complex and take time for project staff to internalize, as discussed under *Relevance*. These delays result in the projects having less time to implement their activities, as witnessed in the spike in disbursements towards the end (with implications for quality of delivery and sustainability).
121. SRERP's and ASHA Project's start-ups were delayed also because of the earthquake in 2015 and federalization after the release of the new Constitution in 2017. Another problem under ASHA Project was that, in order to operate, it was necessary for the local government to approve a LAPA on climate change. Since the approval of many of these plans took time, implementation was delayed. CSPE field visits and interviews provided a more encouraging perspective on these projects. Under SRERP, funding for technical assistants has been approved and related staff recruited and, under ASHA Project, most of the LAPAs have been approved. This may expedite implementation in the near future.
122. Other factors for implementation delays were, for SRERP and ASHA Project, scarcity of technical staff and, for ISFP and HVAP, initially limited staff capacity. Moreover, the country portfolio has witnessed substantial turnover in the IFAD CPMs (four in the latest seven years). Turnover was noted in the government counterpart ministries and public agencies as well. This has affected the speed of decisions taken by IFAD and the Government. In the case of ASHA Project, there were also changes in the composition of supervision missions, leading to inconsistent feedback to the project team.
123. **Programme management cost ratios were within IFAD standards.** Only the LFLP ratio was significantly higher than initially estimated (table 15). In the case of

HVAP, the planned management cost ratio (26 per cent) was only slightly exceeded (27.3 per cent, table 15). As for WUPAP, the actual management cost ratio was lower than planned. Taking into account the difficult accessibility of project sites (Nepal presents extreme cases of remoteness), these ratios represent a considerable achievement.

124. **Investment per beneficiary household** was found to vary, from US\$284 for WUPAP to US\$1,950 (table 15). While, *prima facie*, this may appear to be on the higher side by IFAD standards, this is not surprising, considering, for example, the cost of reaching remote communities and the weak transportation infrastructure.

Table 15

Project management costs

| Project | Project management cost ratio | | Project cost per household | |
|--------------|-------------------------------|-------------------|----------------------------|---------|
| | Planned ex ante | Ex post | Ex ante | Ex post |
| LFLP | 12% | 20% | 288 | 360 |
| WUPAP | 13.5% | 9.4% | 284 | 306 |
| PAFP-II | 5% ^a | 7.7% ^a | 687 | 261 |
| HVAP | 26% | 27.3% | 1 398 | 1 070 |
| KUBK /ISFP* | 14% | - | 393 | - |
| SRERP | 13% | - | 779 | - |
| ASHA Project | 8% | - | 377 | - |
| ASDP | - | - | 1 949 | - |

a. Using "administrative costs" to allow for comparability.

Source: IFAD Grants and Investment Projects System (GRIPS) (as of end-June 2019)

125. **Internal rate of return.** Generally, internal rates of return of projects are provided at project design, with the exception of HVAP (table 16). In HVAP, while no internal rate of return is provided at design, it is calculated at 14 per cent at project closure. In ASHA Project, the ex-ante internal rate of return was 22 per cent at design, in ISFP it is estimated at 23 per cent and in SRERP at 26 per cent. However, each of the three projects has experienced substantial delays in start-up of project activities, which might negatively affect the actual. In fact, the MTR of ASHA Project estimates that in light of the delays and the lack of implementation of some of the originally planned activities such as milk collection centres, the project will possibly achieve an internal rate of return of 13 per cent in the best-case scenario and of 9 per cent in the most likely scenario.
126. In PAFP-II, the internal rate of return is estimated at 20-25 per cent at design. At completion, there are varying estimates for different types of activities. In infrastructure, it is estimated at 73 per cent for micro-hydro power, 36 per cent for irrigation, 33 per cent each for water supply and water mill, and 24 per cent for rice mill. In income-generating activities it is estimated at 65 per cent for horticulture, 43 per cent for piggery, 19 per cent for goat farming, 18 per cent for milking cow, and 14 per cent for poultry farming.

Table 16

Internal rate of return of projects

| Project | Internal rate of return at design | Internal rate of return at closure |
|--------------|-----------------------------------|------------------------------------|
| PAFP-II | 20-25% | Varying by activity |
| HVAP | - | 14% |
| KUBK/ISFP | 23% | - |
| SRERP | 26% | - |
| ASHA Project | 22% | - |
| ASDP | 24.1% | - |

Source: IFAD GRIPS (as of end-June 2019)

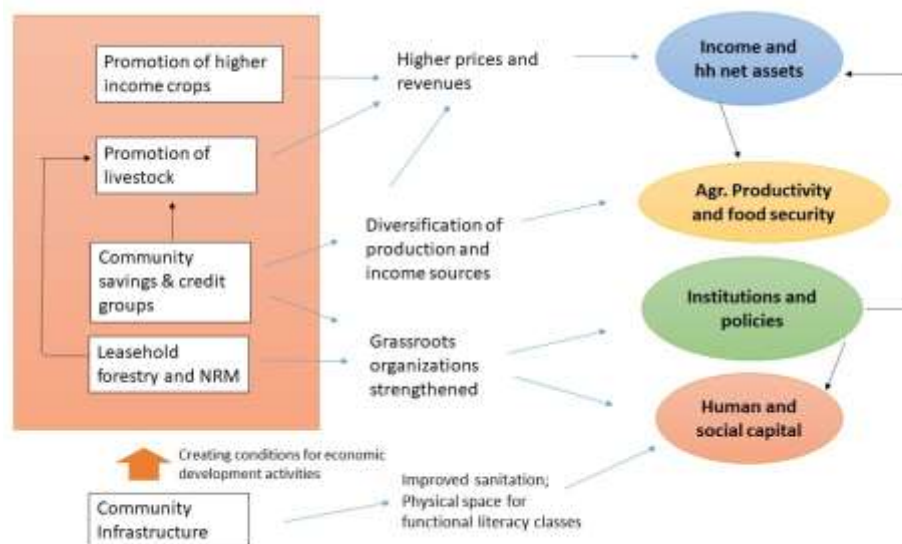
127. **Summary – efficiency.** Efficiency is overall rated as moderately satisfactory (4). While projects experienced slow initial implementation, they eventually managed to deliver and control their costs, including management costs. The recent SRERP and ASHA Project have experienced serious implementation challenges and it remains to be seen whether implementation pace will recover in the future. In providing the above rating, this CSPE acknowledges the challenging context of Nepal (e.g. remoteness and underdeveloped infrastructure, staffing and capacity of staff) and exogenous events such as federalization and the 2015 earthquake.

A.4 Rural poverty impact

128. This section provides an assessment of the country programme's impact on rural poverty of five projects (LFLP, WUPAP, PAFP-II, HVAP, KUBK) that have made sufficient implementation progress. The assessment relates to the following impact domains: (i) household income and net assets; (ii) human and social capital and empowerment; (iii) food security and agricultural productivity; and (iv) institutions and policies. While there are several sources of information on project impact, content and quality are uneven, and sampling strategies are sometimes not completely explained. Determining project contribution to the observed changes is a challenge as: (i) poverty and malnutrition prevalence declined in Nepal during the evaluation period; (ii) many project-supported households received remittances; and (iii) other programmes funded by the Government, donors and NGOs have been active in the project areas. The impact assessment of HVAP and the World Bank-funded impact study of PAFP-II attempted to deal with sampling bias but even these approaches invite questions.
129. While the next sections will illustrate findings on impact according to the four main domains of the IFAD methodology, figure 1 provides a schematic representation of the impact pathways, based on the findings presented under "Effectiveness".

Figure 1

Impact pathways



Source: CSPE elaboration (2019)

Household income and assets

130. **Overall, data suggest a generally positive impact on household income and net assets,** with significant increases for groups raising livestock, producing seed and engaged in enhanced value chains (ISFP, HVAP, WUPAP). Moreover, increased access to reasonably priced credit has helped to free beneficiaries from debt to moneylenders (PAFP-II, HVAP, ISFP, SRERP). This is explained below.

131. For PAFP-II, a 2018 comprehensive impact evaluation funded by the World Bank estimates differences between two treatment subsamples of PAFP-II users ("group II – very poor"; and "group III- less poor") and comparison groups. Group II households experienced higher total expenditures (+22 per cent), higher productive investments (+103 per cent), but also higher debt-related expenditures (+169 per cent) than comparison households. They report higher prevalence of ownership of a radio and phone (+27 and 35 per cent, respectively). Group III households had no higher total expenses but had higher productive investments (+89 per cent) and lower debt expenditures (-96 per cent) than comparison households. They also reported higher prevalence of ownership of a radio and phone (+8 per cent).⁹⁴ Differences between groups II and III are not easy to interpret (the PAFP-II impact report does not offer a conclusive explanation) but these data suggest an overall improvement in incomes and assets against the comparison group. A caveat is that the presence of other development programmes in the PAFP-II area complicates attribution.
132. **The data presented with regard to impact on assets within LFLP are notable but need to be interpreted with caution.** Over the period of LFLP, Nepal experienced a large increase in remittances and increased funding for water and sanitation projects. These external factors may also have had an effect on assets, including: 6 per cent of households bought land; 94 per cent of households used toilets (61 per cent previously); 76 per cent had improved water sources; and 16 per cent of households used improved cook-stoves compared to 4 per cent before joining the programme.⁹⁵ The LFLP impact study noted a significant increase in the number of households using corrugated sheets in place of thatch for roofing and having other physical assets such as mobile phones, radios, televisions, electric fans, refrigerators and motorcycles.
133. **According to the WUPAP project completion report, household incomes had increased from NPR 8,627 to 42,790 in real terms. This fivefold increase is unlikely to be due only to project activities.** Increased remittances and the presence of other development projects such as PAFP-II may be additional factors. The PPE of WUPAP found anecdotal evidence in terms of economic empowerment (increased incomes), better food consumption and increased assets (livestock, agricultural equipment, sewing machines, and savings).
134. **In HVAP, significant increases in income have occurred for households engaged across all value chains.** Three value chains comprising apple, timur and off-season vegetables are estimated to have provided additional average annual income of more than NPR 30,000 (US\$275). Ginger, goat, turmeric and vegetable seed have reportedly yielded an average annual increase in income of less than NPR 30,000, ranging between NPR 16,900 to NPR 21,000. The impact assessment report estimates a reduction in poverty prevalence of some 8 per cent, through an increase in household income of some 37 per cent (table 17).⁹⁶ HVAP interventions are correlated with lower migration (lower remittances) matching qualitative evidence collected by the CSPE mission. Growth in household income is driven by income increases through crops (50 per cent) and livestock (93 per cent).
135. Under HVAP, poverty reduction indicators show greatest impact on poverty reduction among male-headed households and non-marginalized groups. While the project has been inclusive in terms of involvement of all social groups and women, the impact on poverty levels was lower for marginalized groups. Increases in

⁹⁴ PAFP-II, Comprehensive Impact Evaluation, 2018, World Bank.

⁹⁵ LFLP, 2014 impact study.

⁹⁶ Kafle, K., Krah, K. and Songsermsawas, T. (2018), Impact Assessment Report: High Value Agricultural Project in Hill and Mountain Areas (HVAP), Federal Democratic Republic of Nepal. IFAD, Rome.

income, assets and market access were slightly lower for female-headed households (34 per cent compared to 38.9 per cent) and well below for Dalit, Janajati and other ethnic minority households (16.4 per cent compared to 41.2 per cent).⁹⁷

Table 17
HVAP impact on income indicators

| | <i>IPWRA</i> | <i>IPW</i> | <i>NN</i> | <i>PSM</i> | <i>RA</i> | <i>Control mean</i> |
|--|--------------|------------|-----------|------------|-----------|---------------------|
| Total household income (Log, NPR) | 0.368*** | 0.364*** | 0.346*** | 0.371*** | 0.368*** | 153,440.4 |
| Crop income (Log, NPR) | 0.499*** | 0.499*** | 0.465*** | 0.489*** | 0.499*** | 30,728.55 |
| Livestock income (Log, NPR) | 0.929*** | 0.938*** | 0.898*** | 0.919*** | 0.932*** | 20,701.72 |
| Wage income (Log, NPR) | 0.269 | 0.387** | 0.209 | 0.270 | 0.271 | 26,614.857 |
| Self-employment and self-enterprise income (Log, NPR) | -0.132 | -0.143 | -0.128 | -0.137 | -0.133 | 19,085.22 |
| Sales of products and goods, and service income (Log, NPR) | -0.0536 | -0.0657 | -0.0606 | -0.0594 | -0.0551 | 21,777.32 |
| Remittance income (Log, NPR) | -0.315* | -0.334* | -0.402** | -0.321* | -0.309* | 28,607.55 |
| Number of observations | 2,874 | 2,874 | 2,874 | 2,874 | 2,874 | 1,457 |

Level of significance *** p<0.01; ** p<0.05; and * p<0.1. Standard errors are in parentheses. IPWRA denotes Inverse Probability Weighted Regression Adjustment, IPW denotes Inverse Probability Weighting, NN denotes Nearest Neighbourhood matching, PSM denotes Propensity Score Matching, and RA denotes Regression Adjustment
Source: Kafle, K., Krah, K. and Songersersawas, T. (2018), Impact Assessment Report: HVAP

136. **KUBK contributed to income increases for both the seed producers and the livestock keepers, although data are not always consistent.** According to the RIMS survey, seed producers have increased incomes by more than 200 per cent (in nominal terms) over baseline levels. For goat keepers an average income of NPR 90,925 (US\$833) from total sales of goats of NPR 17 million (US\$155,791) is recorded. Instead, data on milk production are contradictory: the 51,428 litres of milk produced annually after the project was about one-third less than baseline figures. However, average income from selling milk and milk products was reported as NPR 69,459 (US\$637), nearly three times greater than at baseline (no precise data are reported on prices). Increased assets were found in association with KUBK-assisted households but tended to be in group ownership (power tiller, chaff cutters, tractors). Individual household asset scores were not higher than the control group, although they were 38 per cent higher than the baseline.⁹⁸

Human and social capital and empowerment

137. In LFLP, human capital was improved thanks to training. For example, local **group members were trained to become "village livestock assistants"** (basic animal husbandry and health care practices) and to provide services on a fee basis to other group members. Village livestock assistants later received more advanced training to become "village animal health workers". LFLP commissioned an impact study in 2014, which showed an increase in the average literacy rate of programme

⁹⁷ Source: Kafle, K. et al (2018). There is no full explanation as to why this happened. This CSPE conjectures that it may simply be the more limited experience that women and DJEM had with project-supported activities (production and marketing). Initially the project worked with farmer groups that were already connected with aggregators and agribusinesses and then it focused on more disadvantaged people. A similar observation was made in the 2018 case study of the corporate-level evaluation on value chains.

⁹⁸ KUBK, RIMS Final Survey Report 2017.

households from 49 per cent in 2006 to 86 per cent in 2013, probably thanks to adult literacy and numeracy initiatives.⁹⁹

138. **In HVAP specific efforts led to the inclusion of women and the socially disadvantaged.** Of the 5,266 households able to increase their net income by NPR 30,000 or more (about one-third of the total beneficiary households), some 17 per cent were Dalit and 15 per cent Janajati.¹⁰⁰ Women held almost half (49 per cent) of leadership positions in the groups and cooperatives.¹⁰¹ There was specific mentoring and encouragement for the inclusion of Dalits.
139. **Qualitative findings indicate that PAFP-II interventions have created social empowerment among members** and in particular among women, Dalit and other marginalized groups.¹⁰² However, some members were also involved in other external social mobilization activities. Such impacts are observed as increased level of self-confidence and self-esteem among women and Dalit members, improved social cohesion and reduced incidences of discrimination and abuse.
140. Under PAFP-II, improved access to infrastructure reduced drudgery, particularly in water collection by women and children. This had the positive effect of allowing children, particularly girls, to attend school more regularly. It also increased the time available to adults, particularly women, for income-generating activities. Better infrastructure, such as roads and bridges, enabled community members to have timely access to medical attention and improved their access to the market. Similarly, better access to community infrastructure such as multi-purpose halls and schools enhanced opportunities for interactions between village members.

Food security and agricultural productivity

141. **Under LFLP, data on agricultural productivity and food security increase are impressive, but the degree of attribution varies between indicators.** The findings that, between 2007 and 2012, the proportion of households experiencing the first hungry season declined from 64 per cent to 22 per cent and the proportion of those experiencing the second hungry season declined from 7 per cent to 4 per cent¹⁰³ occurred during a period of decreasing rates of poverty nationally. Similarly, the finding that the incidence of chronic malnutrition (height for age) among children declined marginally followed national trends (see Chapter II).
142. On the other hand, findings that 30 per cent of programme households (against 25 per cent of control households) reported food sufficiency from their own production¹⁰⁴ can be attributed more plausibly. Full attribution is plausible for the increase in cover on leasehold forest plots and fodder (75 per cent of groups) and grass cover (80 per cent).¹⁰⁵ About 60 per cent of groups reported availability of sufficient fodder for over three months from the plots. Over 75 per cent of the groups reported reduced time required for the collection of fodder and firewood, while about 28 per cent had surplus for sale (grass/grass seeds) from their plots.
143. **In PAFP-II, 63 per cent of beneficiaries improved their food security in terms of months of food sufficiency** (slightly less than the target of 68 per cent).¹⁰⁶ In terms of livestock assets, beneficiaries from PAFP-II increased the total value of livestock more than the control population. Households that accessed the

⁹⁹ LFLP Project Completion Report Validation (2016).

¹⁰⁰ Baseline data on proportion of population identified as Dalit and Janajati is difficult to find. Less than 0.6 per cent identified as Dalit Nationwide in the 2011 Census <https://unstats.un.org/unsd/demographic-social/census/documents/Nepal/Nepal-Census-2011-Vol1.pdf>.

¹⁰¹ The HVAP Approach: Lessons from the Value Chain Project, PMU, Ittram, Surket. September 2018.

¹⁰² PAFP-II Comprehensive Impact Evaluation, 2018.

¹⁰³ LFLP Impact Study, 2014.

¹⁰⁴ Ibid.

¹⁰⁵ LFLP Project Completion Report, 2015.

¹⁰⁶ PAFP-II Comprehensive Impact Evaluation, 2018, World Bank.

PAFP-II revolving fund showed positive and statistically significant effects on food expenditure, with total expenditure 22 per cent higher than control households.

144. **Beneficiaries of WUPAP reported improved agricultural productivity in terms of crop production and small livestock**, but as far as this could be assessed by a dedicated project performance evaluation, it was a moderate improvement and not fivefold as per the project completion report.¹⁰⁷ It is likely that WUPAP contributed to diversification of income and hence to better resilience of very poor households. However, access to food in the hungry season did not change (field visits of project performance evaluation team and RIMS data). Overall for WUPAP, food availability increased, but in the lean season a high proportion of people remained hungry (75 per cent). The situation was less challenging for beneficiaries with better access to markets, such as in the district of Rukum, than for those in more remote areas, such as Kalikot.
145. **In the case of HVAP, effects on cropping patterns and on dietary diversity are modest**, even when statistically significant. For example, the number of crops cultivated per year in the wet season (May to October) increased for participants by 0.5 per cent relative to the control group. From the nutrition security side, dietary diversity scores of treatment households are found to be significantly higher than those of comparison households but the difference ranges from 1.4 to 1.9 per cent (depending on the estimation used). Limited market access remains a development challenge among vulnerable groups, including female-headed households and socially marginalized groups.¹⁰⁸
146. **Food insecurity, as measured in months with insufficient food to eat, has decreased among beneficiaries of KUBK** since the start of the project and in relation to communities not involved in the project.¹⁰⁹ This impact is particularly clear for the first hungry season, which occurs in different months between March and September in different districts. While still of concern, food-insecure time had been reduced by two-thirds of a month, on average.

Institutions and policies

147. **Community organizations for savings and credit, improved production and improved marketing were supported successfully in all projects.** However, the sustainability of these groups is in question until and unless they are able to consolidate into cooperatives or other institutions with legal standing. The federation of community organizations into legally recognized organizations such as cooperatives or companies enables them to gain access to further financing from rural banks and government initiatives. Successful examples of such cooperatives were seen during CSPE field visits. Indeed, this became a key exit strategy for LFLP, WUPAP and PAFP-II, with NGOs hired for a further three months after closure to continue formation.¹¹⁰
148. **LFLP contributed to the institutionalization of leasehold forestry** by supporting the establishment of a Leasehold Forestry Division within the Ministry of Forests and Environment and capacity development of its staff. LFLP also federated LFUGs, although in most cases it did not create formal organizations.
149. **HVAP's main institutional contribution has been to promote commercial agreements between smallholder producers and buyers/traders.** According to the project completion report, thanks to the project capacity development, the

¹⁰⁷ WUPAP Project Performance Evaluation, 2019.

¹⁰⁸ In HVAP sale of crops by participants through a trader was found to increase in the wet season for male-headed households and non-DJEM households by 5.5 and 5.8 per cent, respectively, compared to their control groups. During the dry season, this increase was slightly greater at 6.4 per cent for both groups. Female-headed households only showed higher likelihood to sell to traders in the dry season (3 per cent). Kafle, K., Krah, K. and Songsermsawas, T. (2018) Impact Assessment Report: High Value Agricultural Project in Hill and Mountain Areas (HVAP), Nepal. IFAD, Rome.

¹⁰⁹ KUBK, RIMS Survey Final Report, 2017 p. 44.

¹¹⁰ Discussion with NGO in the field.

proportion of people's organizations and cooperatives classified as "weak" declined from 87 per cent to 39 per cent. HVAP also provided inputs to policy dialogue, in the context of the preparation of the ADS and by organizing dialogue forums at the federal level on topics such as multilayer tax in agriculture and forest products, and insurance policies for ginger and turmeric.

150. **KUBK supported business agreements and the capacity of financial cooperatives.** Similar to HVAP, KUBK facilitated purchasing agreements, notably for seeds between smallholder farmers and seed companies but also local agrovets. Another important contribution was capacity development of Small Farmer Agricultural Cooperative Limited (see *Relevance*). According to the 2018 Outcome survey, between 2017 and 2018, savings in these cooperatives supported by KUBK increased by 72 per cent and loans by 74 per cent. Moreover, out of six credit cooperatives surveyed, five were financially self-sufficient (i.e. able to cover all expenditures, operational and financial, net of all operational and financial subsidies), although part of this progress may have taken place before KUBK.
151. **Summary – rural poverty impact.** Overall, rural poverty impact is rated as satisfactory (5). While quality of data and clarity of attribution are uneven between indicators and projects, there is convincing evidence of the changes supported by projects in the well-being of households and communities and in grassroots institutions.

A.5 Sustainability of benefits

152. Sustainability refers to the likely continuation of net benefits from a development intervention beyond the phase of external funding support, and resilience to future external risks.¹¹¹

Leasehold forestry

153. **Leasehold forestry has now cemented strong institutional support.** Currently, around 7,642 LFUGs with 76,482 household members function in 40 of the 77 districts in Nepal.¹¹² Leasehold forestry is now an established component (one of six modalities in Nepal) for the implementation of community-based forest management. As noted in Chapter II, the 2019 Forest Sector Strategy sets a target for forests under community-based management at 60 per cent of Nepal's forest area by 2025, from the 39.7 per cent of Nepal's forest area under community-based management (all modalities) in 2015.¹¹³ The target for leasehold forests is to double its coverage. The CSPE mission observed leasehold forestry schemes instituted after the closure of LFLP.¹¹⁴
154. Some of the **threats to sustainability** of leasehold forestry in Nepal have to do with: (i) resources available to the District Forest Offices that provide financial and social mobilizing support to the leasehold forestry groups; (ii) long-term ecological sustainability of the demand for livestock fodder; and (iii) continued functioning of savings and credit groups. These are discussed later in this report.

Rural infrastructure and equipment

155. **In a number of projects, there is concern about the quality, operation and maintenance of infrastructure (PAFP-II, WUPAP, KUBK, ASHA Project).** In some cases, this relates to the lack of adequate engineering advice. As an

¹¹¹ It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.

¹¹² Kafle, G.P. and Pokharel, K. (2017) Pro-poor leasehold forestry: a community-based tenure regime in Nepal.

<https://pdfs.semanticscholar.org/2ddc/c951584870249845b698e26b75bfa8c4bee2.pdf>

¹¹³ <http://erg.com.np/wp-content/uploads/2014/09/leasehold-policy-2002.pdf> p. 21.

¹¹⁴ Field visit in Pyuthan (23-30 May 2019), the District Forest Office has grouped LFUGs in terms of their institutional robustness and need for further support and is taking action to make the non-functional LFUGs functional through the provision of a revolving fund and other technical support in a *Palika* cluster, where 32 LFUGs are functioning.

example, with a large number of infrastructure sub-projects approved, the one sub-engineer per district in ASHA Project is very stretched to cover all activities. In the case of WUPAP, the PPE field visits show variable quality.¹¹⁵ In KUBK, the issue is about maintenance, with incipient signs of deterioration already visible around some outlet points in micro-irrigation channels. Across these projects, a wider concern is the lack of an operation and maintenance plan and funds being set up at the time of construction for regular checking and repair of the structures and machinery to keep them in working condition.¹¹⁶

156. On a more positive note, a study of PAFP-II estimated that 69 per cent of the infrastructures are sustainable, with adequate operating and maintenance funds established by groups, while 30 per cent are labelled as "fairly sustainable", with "nearly adequate" funds (which can be interpreted as non-sustainable).¹¹⁷ However, the CSPE could not verify these numbers.

Community-based savings and credit services

157. **The continued functioning of savings and credit groups beyond project inputs and closure (LFLP, PAFP-II) is associated with the members' need for working capital.** The alternatives (moneylenders) would be too costly. Savings and credit groups require facilitation and support, and in several cases this was financed out of the interest earned on loans (PAFP-II, KUBK).
158. According to PAFP-II surveys, at least 80 per cent of the groups which have received the Revolving Fund and Savings Fund are able to continue their activities without project support.¹¹⁸ These funds are crucial: they provide capital to increase the size of loans and of the number of clients.
159. **Conversion of groups into a cooperatives or federations was a key step towards sustainability of community organizations.** Conversion provides legal status that enables access to further resources, including funds from rural development banks. Without this refinancing boost, groups may stall, as available credit is not sufficient to meet members' needs, thus requiring them to look elsewhere for credit. The experience of the Small Farmer Agricultural Cooperatives Limited as a community-owned financial institution deserves attention, given that the KUBK 2018 outcome survey found five out of six cooperatives to be financially self-sufficient and CSPE field visits suggested that they were able to enforce good credit discipline and cover the costs through active loan interest.

Smallholder livestock

160. **The long-term environmental consequences of livestock expansion due to a corresponding increase in demand for feed are difficult to predict.** Projects are supporting livestock-stocking, particularly for goats. This will increase the demand for feed and fodder and could have detrimental effects on the environment, if not well managed. All projects have supported fodder and forage nurseries to increase fodder supply. HVAP supported six fodder nurseries for goat farmers¹¹⁹ and KUBK supported 56 fodder nurseries.¹²⁰ All projects are promoting increased stall-fed feeding and ultimately a shift to fully stall-fed systems for goat raising. This goes in the right direction. However, there are not always clear data on the uptake of fodder cultivation, areas grown, and the months during which

¹¹⁵ WUPAP PPE, May 2019, IOE, IFAD.

¹¹⁶ This is the typical case of machinery such as hand tractors and threshers. As observed by CSPE field visits to KUBK, cooperatives or groups of farmers lacked a maintenance and amortization fund and an agreement with a local repair shop, which meant that after two or three years, machinery was no longer functional.

¹¹⁷ A sustainability study of community infrastructure conducted by PAFP-II in 2014, quoted in PAFP-II Draft Implementation Completion Report, 2019, World Bank.

¹¹⁸ PAFP-II Comprehensive Impact Evaluation, 2018.

¹¹⁹ HVAP Project Completion Report, 2018.

¹²⁰ KUBK, RIMS Final Survey Report, 2017.

stall-feeding is practiced. Within HVAP, progress in the shift from a grazing-based feeding system to a stall-feed system continues to be far slower than expected.¹²¹ Outside IFAD's portfolio, the NGO Heifer International has taken a holistic view of livestock development, including fodder availability, stall feeding and grazing control. Such experience deserves to be reviewed.

161. **A priority is to prevent inbreeding**, notably for goats, through buck management, so that the improved traits can be maintained. Project livestock technicians have the necessary information on buck lineage but the information needs to be disseminated to end-user groups (which was not always happening, e.g. in Rolpa district).

Promotion of income-generating activities and market linkages

162. In HVAP, the agribusinesses are expected to continue their trading/processing activities after project completion. According to the project documentation and the CSPE interviews with project staff, there are good expectations about the long-term engagement of agribusinesses. They also state that the systems of fee collection for maintenance and the availability of service providers in the main value chains for inputs and technical advice to the producers bode well for the continuation of these services.¹²² At the same time, the project completion report warns that nearly half of these service providers were still supported by the project during 2017-18, raising concerns about their dependence on project support.
163. According to the 2018 outcome survey and the KUBK self-assessment, KUBK beneficiaries are now receiving services of agro-vets for advice on and supply of agricultural inputs, and of para-vets for services related to animal health and artificial insemination. Formation of and support to farmer cooperatives has developed legally recognized entities able to access additional finance from rural banks, as well as attract support from government initiatives. Capacity-building of government line agencies, such as the District Agricultural and Livestock Offices, has encouraged and enabled their closer engagement with farmers.
164. **Market linkages have been established nationally and abroad.** HVAP and to some extent KUBK have supported the establishment of rural, district and regional collection and market centres and also supported agribusinesses that have established market linkages within the country and abroad. Timur is exported to France and Germany, ginger is exported to Germany, and carrot seeds on an experimental basis to Bangladesh.
165. The new ASDP will be implemented in 10 districts, covering six out of seven HVAP districts (except Achham). While ASDP does not provide direct support to HVAP beneficiaries, it may be able to support them to enable linkages with service providers and credit institutions, and provide assistance in the development of new agribusinesses/traders.
166. **The continuation of multistakeholder platforms and the commitment of all actors will require close review.** The District Chambers of Commerce and Industry, which have managed the stakeholder platforms, may not have sufficient human and financial resources to continue doing so beyond project closure. In the case of seeds (KUBK), the commitment of agribusinesses to continue buying from smallholder farmers after project closure is unclear, in spite of the high subsidies received from the project.
167. **Empowerment through the formation and further development of beneficiary groups can support sustainability.** Engagement in economic activities, involvement in markets and enterprises, value chain analysis and

¹²¹ HVAP Project Completion Report, 2018.

¹²² Ibid.

technical trainings have all served to increase women's and socially marginalized groups' confidence, capacity and ability to engage with the wider society.

168. **Summary – sustainability.** Overall, sustainability of benefits is assessed as moderately satisfactory (4). Progress made in empowering communities and establishing linkages with markets, agribusinesses and also with service providers is noted as well as in cementing approaches at the institutional and policy level. On the other hand, varying quality of infrastructure and little work done to elaborate maintenance and repair plans pose significant threats.

B. Other performance criteria

B.1 Innovation

169. To be considered innovative, according to IFAD's definition, an intervention, idea, technology or process needs to be: (i) new to its context of application (with reference to the country context, scale, domain, discipline or line of business); (ii) useful and cost-effective in relation to a goal, with positive value for its users (e.g. empower the rural poor to overcome poverty better and more cost-effectively than previous approaches); and (iii) able to "stick" after pilot testing.¹²³
170. In Nepal, leasehold forestry was an important innovation in the 1990s and 2000s but cannot be considered an innovation at present. The approach is now being scaled up under government community-based forestry legislation (next section).
171. **Multistakeholder platforms for value chain development.** These platforms were new in the Nepali context and introduced by SNV to link producers with service providers and agribusinesses and traders and help with produce marketing. In practice, this involved the identification of business opportunities among village community stakeholders and the development of buy-back arrangements, both formal and informal, between producers and agribusinesses and traders. Contracts were also developed between producers and service providers, with price-fixing through negotiation. Spearheaded by HVAP, this approach is now replicated within SRERP, KUBK/ISFP and ASDP. A limitation is that these platforms consist of annual meetings on price-setting. It is not clear whether these platforms would evolve towards a more sophisticated stage such as inter-professional organizations.
172. **Community Boer goat breeder herds.** It was an innovation in Nepal to introduce the rearing of improved goat breeds in the communities (rather than in research stations only). Under KUBK, some breeders kept purebred Boer goats and produced 50 per cent offspring, earning some NPR 1,000 (US\$9.2) per kg live weight, over twice the NPR 350-450 per kg paid to producers for meat.¹²⁴ Other multiplier herders kept 50 per cent Boer buck to produce 25 per cent offspring, ready for market at six to nine months, some three months earlier than local breeds. As already noted, managing the risk of inbreeding is now a priority.
173. **Self-developing community organizations.** The establishment of groups as a part of community development projects is certainly not new in Nepal. The novelty is that under some IFAD- and World Bank-funded projects, groups are encouraged to conduct needs assessments, identify the facilitation and training inputs that they require, and then find suitable service providers and pay them out of their own resources. The facilitators and training providers are trained by NGOs with project funding. The groups can hire them and finance this through a portion of the interest rates paid for group loans by the members.¹²⁵ In LFLP and PAFP-II, group self-development is occurring after the projects have closed. In a country where

¹²³ IFAD Innovation strategy, 2007: <https://webapps.ifad.org/members/eb/91/docs/EB-2007-91-R-3-Rev-1.pdf>.

¹²⁴ Interview with Jalkada Boer Breeding herd group, 28 May 2019.

¹²⁵ Examples of this were encountered during the mission field trip to PAFP-II. Out of 12 per cent interest rates on group loans, 3 per cent was used to cover the fees for group facilitators.

community development has been heavily dependent on external support (NGOs, donors), this is an important change.

174. As for the portfolio, there have not been major technological innovations. ASHA's design underlined innovative approaches and technologies to be applied to climate change adaptation. The CSPE mission observed poly-tunnels for vegetable-growing and irrigation or water-harvesting which can be effective for increasing income and enhancing water use efficiency. Rather than a pure innovation, this can be considered as a good practice. In some sites, ASHA Project has also sought to introduce permaculture by training leading farmers.¹²⁶ It is too early to assess the results of this technique and how it will spread out.
175. Overall, the portfolio is assessed as moderately satisfactory (4) for innovation.

B.2 Scaling up

176. According to IFAD's definition, scaling up is when the government, another donor, private sector or other stakeholders mobilize resources to increase the results of an activity initially funded by IFAD. Instead, the term "replication" is used when a new IFAD-funded project includes approaches already tested by the Fund. There may be cases where both scaling up and replication are undertaken.
177. **The continuation and expansion of leasehold forestry activities by District Forest Offices**, together with funding provided for support to social mobilization and additional funding for group activities, **is an example of scaling up.** Leasehold forestry activities have been included within community forestry all over the country, under a programme called "Land allocation to the poor households among the Community Forest User Groups". Leasehold forestry has become a tested model to achieve the twin objectives of environmental conservation through reforestation and poverty reduction through increased production and sale of forest and livestock products. The leasehold forestry concept has also been scaled up in eight Terai districts by the Biodiversity Sector Programme for Siwalik and Terai and in three hill districts by the Livelihoods and Forestry Programme and Multi-Stakeholder Forestry Programme.
178. Central government funds have been assigned for leasehold forestry support, enabling District Forest Offices to assign social mobilizers to livestock forestry pockets and provide incentives to groups to continue activities and to re-engage with activities if they have lapsed.¹²⁷ The policy directions are clear and favourable but two caveats apply: (i) local governments may have different priorities and provide little funding to leasehold forestry (e.g. as observed in Surkhet); and (ii) leasehold forestry represents a very small fraction of total forested areas in Nepal.
179. **IFAD's work on inclusive value chain development contains elements of both scaling up and replication.** The scaling-up element is that the new ASDP (successor project to HVAP) includes cofunding from Switzerland. Moreover, IFAD-supported HVAP has been used as a model to inform the discussions on the ADS. On the other hand, the fact that HVAP approaches to value chain development, including the multistakeholder platform, have been taken up by IFAD-funded projects such as KUBK and SRERP is closer to the "replication" typology.
180. The rating for scaling up is moderately satisfactory (4), given the uptake of the leasehold forestry approach (even if its coverage remains small in absolute terms) and the beginning of scaling up of approaches to value chain development.

¹²⁶ Permaculture is a particular agricultural concept whereby several vegetative layers, from canopy down to the rhizosphere, interact in a way that is respectful of the environment, healthy for the plants, does not produce waste, and is self-sufficient. Bill Mollison and David Holmgren (1978). *Permaculture One: A Perennial Agriculture for Human Settlements*. Melbourne: Transworld.

¹²⁷ Interview with District Forest Office staff in Salyan during this CSPE mission.

B.3 Gender equality and women's empowerment

181. Migration has been part of Nepal's economy for generations, including in remote, rural areas. Men have migrated both within Nepal and abroad, while women have traditionally tended to migrate within Nepal. Male migration has increased significantly in the last 10 to 20 years, with female-headed households increasing from 16 per cent in 2001 to 31.3 per cent in 2016.¹²⁸ There has been a marked feminization of agriculture, with women increasingly taking on traditional male roles, including ploughing (rarely observed some 20 years ago).
182. **Women and women heads of households are specifically mentioned as key target beneficiaries for IFAD-funded projects within most project designs.** All projects provide general guidelines on gender inclusion, and explicit gender equality and social inclusion (GESI)¹²⁹ strategies and action plans are present in seven out of the eight projects.¹³⁰ These strategies and action plans contain a number of shared activities including: gender-specific targets, quotas and indicators; gender sensitization training and awareness-raising (for beneficiaries, stakeholders, government officials and project staff); composition of group committees; women's engagement in entrepreneurial activities; access to savings and credit; and training and capacity-building for women in leadership positions.
183. In the case of SRRP, a qualification is that project design was not sufficiently "granular" to address varying gender contexts in different geographic areas. There were different levels of women's engagement in community meetings, ease of movement outside the home and ease of speaking in company between groups in Province 2 compared to those in Province 1.¹³¹ Less freedom for women to meet and engage in activities outside the home in Province 2 means that more social mobilizers are needed and more time required for mobilization and awareness raising among both men and women before women are able to participate effectively in project activities.
184. **Despite differences in design, the participation of women in project activities and in decision-making roles has generally been high.** Participation by women in projects has been between 44 and 80 per cent, with 44 per cent women beneficiaries receiving grant support in ASHA Project; and 80 per cent women beneficiaries in KUBK. In LFLP, 52 per cent of those holding key positions in groups (chair, treasurer and vice-chair) were women and in WUPAP 62 per cent.
185. **Addressing workload as a way to support women's empowerment.** Women have heavy workloads and are already engaged in long workdays in rural Nepal. Addressing existing household workloads is consequently a prerequisite to their engagement in income-generating activities. Women are primarily responsible for drinking water provision. Until problems in this area are addressed, women will not have the time and freedom to engage in other major activities. The largest number of subprojects undertaken in PAFP-II were in water supply and sanitation (1,808).

¹²⁸ <https://data.worldbank.org/indicator/SP.HOU.FEMA.ZS?locations=NP>.

¹²⁹ In the documentation on IFAD's portfolio in Nepal, the acronym GESI does not describe a specific methodology but rather a process to be followed. It relates to: (i) reviewing ex ante that a project design has budget allocation for these activities; (ii) provision of a gender expert/focal persons with their explicit terms of references checked to ensure their roles and responsibilities; (iii) provision of capacity development of all project staff including training, and exposures are verified from the various progress reports, mission reports and study reports; (iv) representation and leadership position held by women, Dalits, Janajati and other disadvantaged groups (as documented in the MTR, final evaluation and project completion reports); and (v) disaggregated data to be collected.

¹³⁰ WUPAP, without an explicit gender strategy, contributed to time-saving activities for women, which included water collection, fodder collection and food processing. Almost half the project beneficiaries (49 per cent) were women.

¹³¹ In Province 2, due to cultural practices and the conservative society, women from middle-class and better-off households have restricted movement outside of the house compared to Province 1. In poorer households in Province 2 (the target group of IFAD projects) there is less restriction, as they are considered as wage earners. Overall, women from all classes in Province 2 face a high level of control and restriction on their movement compared to Province 1, which is a hill district. In hill districts, fodder availability and time-saving are key issues, whereas in Terai districts, child marriage, the dowry system and control over women's mobility are key issues.

186. The establishment of village fodder nurseries in support of dairy production improvement (KUBK) and small ruminant rearing (LFLP, WUPAP, KUBK) have increased cultivation of fodder, and the increased availability of fodder and bedding materials has helped reduce women's workload. Subprojects that improve living conditions and promote entrepreneurship are of benefit to all. However, women particularly value those that reduce risks involved in travel, such as improved foot trails and suspension bridges in mountainous regions. They also particularly value improved access to health posts and community buildings (which provide space for women to meet and interact), which are used for conducting literacy/REFLECT classes and group meetings as well as trainings (PAFP-II). Active participation of women within the community and as beneficiaries in identifying key interventions and implementing the project are crucial to support women's empowerment.
187. **Available documents mention reduction of women's workload although it is difficult to assess the net effects, given high and rising incidence of male migration.** In HVAP and ASHA Project, women are adopting vegetable cultivation and moving away from traditional crop plantation, which generates low income and is more time-consuming. In KUBK, agricultural tools (power tillers, husking machines, fodder cutters) were introduced to save time. In LFLP, the time spent each day to collect fodder and firewood was reduced from four to five hours to one to two hours over the project period. Similarly in WUPAP, almost all women reported reduction in drudgery (93 per cent) of just over two hours; specifically, time spent collecting fodder and water was reduced by two to three hours per day and improved water mills almost halved the time spent milling grain. Women's enthusiasm and continued involvement in project activities clearly indicates their positive experience.
188. **Women's empowerment through engagement in income-generating activities.** Small ruminant and dairy enterprises are particularly popular with women. Dairy provides a regular income. Small ruminants also do, although in more sporadic lump sums, as young goats can be raised, particularly with improved breeds, in six months. Women have also taken up several value chain enterprises, seed production and irrigated agriculture. Indeed, the majority of project activities are suited to women's engagement. Enhancement of social standing is seen as an important benefit alongside increased productivity and income.¹³²
189. **Engagement in economic activities and group leadership, involvement in markets and enterprises, and participation in technical trainings have increased women's confidence, capacity and ability to engage outside their home.** This empowerment aspect of engagement with the project is a major attraction for women, who now have money to meet household expenses, the education of their children, their own needs, and those of the family. It has reduced their dependency on their husbands and other male family members. The financial contribution by women to the family has also gained them respect from family members and developed their self-esteem. There are cases where women have paid off a loan taken from a local moneylender, through earnings from the project activities. Many women have taken leadership positions in self-help groups, inter-groups, cooperatives and community development initiatives.
190. **There is a stark contrast between women's presence as beneficiaries and women's presence as staff in projects.** Women's presence within the staff of

¹³² Women members of Sundari Devi Community Agriculture group and Laliguras Community group in Achham district reported that project interventions have given them skills, inputs, capacity and new concepts (knowledge/new ideas on cultivating off season vegetables using appropriate technology/and goat farming through improved shed management). This enabled them to earn money from goat rearing, off season vegetables and timur (forest fruit product) which gained them additional trust and respect from their families and community. The project introduced agriculture tools (drip and sprinkle irrigation, techniques for harvesting timur seed and equipment for timur harvesting) which helped reduce their workload. Women reported that they are consulted by their husband and in-laws for household decision, which did not happen before. They also reported the sale of small products (chicken, vegetables) on their own, which also did not happen before

projects is low, particularly at the technical and managerial levels. Women are found as social mobilizers in WUPAP (26 per cent) and PAFP-II and ASHA Project (50 per cent or more). However, within project office staff, they are found as office assistants, and as one or two technical staff (often the GESI specialist). For example, within ASHA Project, out of a total of 182 staff of the project and partner NGO, there are 37 officer-level staff. Of these, four are women (just over 10 per cent). As the project target groups are women and socially excluded groups, their under-representation among staff is not a progressive role-modelling. Moreover, members of excluded groups have direct experience of many issues and concerns and best relate to the target groups' issues and challenges.

191. **The presence of gender and social inclusion specialists within projects has helped take forward inclusion initiatives. However, a single staff member covering multiple initiatives within a large project faces challenges.**

Appointment of GESI staff within projects has raised the profile of gender inclusion in project implementation. Due to the remoteness of project locations, along with difficult road conditions and long distances, it is challenging for GESI staff to monitor and visit the large number of project sites. There is a general assumption in all IFAD projects that GESI staff should know everything related to gender and be solely responsible for furthering related activities. However, as GESI cuts across all project activities, it is crucial for GESI staff to work with other project staff in order to advance in project activities. Working with women and disadvantaged groups needs specific skills. One-off training for officers and groups is generally present, but ongoing professional development of staff is not.

192. The rating for gender equality is satisfactory (5), given the strong focus on several dimensions of women's empowerment in project design and progress made in financial and social equality at implementation. However, a clear area for improvement is achieving better gender balance in project teams.

B.4 Natural resource management

193. Most projects had natural resource management-related activities. The analysis of satellite images conducted in the context of this CSPE (14 sites covered by the following projects: LFLP, HVAP, KUBK, ASHA Project) does not show evidence of systematic depletion of the stock of natural resources.

194. **Leasehold forestry interventions (mainly LFLP) proved to be an effective pro-poor model for environmental conservation and poverty reduction.**

LFLP had a positive environmental impact through the conversion of unproductive degraded forest into forest-producing fodder, firewood and timber in ways that were combined with increased water retention and protection of steep slopes. Forests that were almost denuded at the time of handover have been developed into multiple-use forests dominated by fodder species, broom grasses and tree species such as walnut. It was also observed that about 40-50 per cent of the ground was covered with improved varieties of forage/grass species.¹³³

195. As noted, leasehold forestry has been incorporated by the Government as one of the priority programmes of the forestry sector. The leasehold approach has been replicated even in community forestry areas by making a provision of "land allocation to the poor households among community forestry user groups". **There is now a need to clarify legal rights over the leasehold forest**, as LFUGs have yet to be legally recognized in a way that is equivalent to community forestry user groups. Likewise, many of the leasehold forestry groups are midway through their

¹³³ Under WUPAP, ground coverage by forage species was found to have increased from 49 per cent pre-handover to 65 per cent post-handover, and hardwood plant density increased by about 4.5 times in 9 to 10 years of handover of degraded forestlands. About 1,332 ha of forest land was brought under non-timber forest product cultivation (WUPAP, Project Performance Evaluation Report, 2019).

40-year tenure period and are inquiring about their tenure security after the leasehold agreement expires.

196. **While stall-feeding of livestock protects the environment, emphasis on livestock-raising across the IFAD projects can lead to environmental risks** if the number of livestock heads goes beyond carrying capacity. All IFAD projects have interventions on stall-feeding of cattle and goats as good practice for protecting the environment, although these were prominent under LFLP and KUBK/ISFP. However, progress from a grazing-based feeding system to a stall-feed system continues to be slower than expected. As noted, satellite image analysis does not show signs of vegetation depletion, at least so far.¹³⁴ However, the risk exists and needs to be monitored.
197. **Projects have promoted good agricultural practices.** The FFS approach was used by WUPAP, ISFP, HVAP (and the MTR recommended it for ASHA Project) to strengthen good agricultural practices and move towards low external input using integrated pest management. The latter emphasizes the growth of a healthy crop with the least possible disruption to agro-ecosystems and encourages natural pest control mechanisms. It is popular and taken up well by the beneficiaries because of its cost-saving and production-inducing effects.
198. **Water management interventions in the form of small-scale irrigation canals, irrigation water ponds and recharge ponds have positive outcomes on the environment, but they lack clear use and maintenance plans.** KUBK/ISFP and ASHA Project have water management components with a focus on providing small-scale irrigation for agriculture, particularly for vegetable-growing and seed production in winter and the dry season. Water supply is provided through small-scale irrigation canals, using pipes from the intake and constructing water storage ponds. Rainwater is also harvested for domestic use and for irrigating vegetables in kitchen gardens. Adoption of drip systems enhances water use efficiency and irrigation intensity. The plantation of trees, fodder and forage along the newly constructed water system infrastructure helps control soil erosion. Plantation, fencing and controlling grazing around the water sources have been the common practices to protect water sources.
199. **Two limitations** were observed during the field visits. First, the **small budget allocated to groups** by KUBK/ISFP may result in only partial lining of the canals, meaning that the source of water is not fully protected. Second, **arrangements for water management** (e.g. rotation when water volume is limited) **and maintenance of the community infrastructure have not been set up clearly** within the user groups. This was particularly an issue in ASHA Project, where the duration of the activities was short (about one year), and in the long term may lead to suboptimal or discontinued use of infrastructure. Under ASHA Project, subprojects have a duration of only one year, after which activities are completed in a given site. However, farmers will need prolonged support, for example with the introduction of poly-tunnels, and in pest management, soil fertility management and water management.¹³⁵
200. Overall, natural resource management is rated as moderately satisfactory (4), balancing sound approaches introduced (e.g. leasehold forestry, integrated pest management) and some gaps and potential risks, such as potential detrimental effects of livestock increase on forest vegetation and the lack of clear arrangements for the maintenance of water management infrastructure.

B.5 Climate change adaptation

¹³⁴ As suggested by its field visits, this CSPE makes the hypothesis that one of the reasons is that some areas previously dedicated to cropping were converted to the production of fodder for livestock, probably reflecting both the scarcity of labour for ploughing and the increasing demand for fodder.

¹³⁵ Observations from field visits by CSPE, 2019. According to the Ministry of Forests and Environment, support will be provided to the sites even after subproject completion.

201. The projects that focused on this domain in a clearer manner were LFLP and ASHA Project. LFLP was about reforestation. ASHA Project was designed with an objective of putting the policies, plans and guidelines of climate change into actions identified by the National Adaptation Programme of Action and the preparation of LAPAs. Through LAPA implementation, ASHA Project supported both household- and community-level initiatives and some infrastructure.¹³⁶
202. **Promotion of leasehold forestry can generate benefits for the greenhouse gas balance and climate change adaptation.** Adaptation to climate change was not stated as an explicit objective of the leasehold forestry interventions. However, an analysis conducted by FAO in 2012 indicated several benefits, including those related to carbon sequestration: leasehold forestry led to a gross effect of reduced greenhouse gas emissions and carbon sequestration of an equivalent to an average of 4.6 tons of carbon dioxide per hectare per year. The growth of the forest, fruits and fodder species in community and private lands in project areas contributed to build the climate resilience of communities.
203. **Under ASHA Project, active participation of local governments in the LAPA could lead to increased ownership and funding.** The subprojects of the LAPA at the Ward level in the Palikas are identified through local planning and approved by the Palika Council. The subprojects are granted to the community organizations such as community forestry user groups, cooperatives and farmer groups on the recommendation of Ward Committee of Palika. Hence, the LAPA can become an interactive platform for the local government and the community organizations.
204. **Activities implemented are beneficial but not necessarily “unique” or specific to climate change adaptation and resilience.** The majority of the activities selected by ASHA Project are similar to those of other projects: a focus on crop production, drip irrigation, plastic tunnels, livestock-raising, low external input agriculture, goat and cattle pens, and FFS, among others.¹³⁷ While they can provide some contribution to adaptation, there is some incongruence between the broad ambition and scope declared by the project design and the activities promoted, particularly if undertaken in a scattered manner.
205. **Other projects have environmentally smart interventions.** HVAP and KUBK did not have a climate change adaptation framework but have some direct and indirect positive effects on climate change mitigation and adaptation. Nepal's existing hill farming system is traditional and relies heavily on rainfall. The projects have increased the ability of farmers to withstand climatic shocks through the interventions of irrigation, plastic tunnels and water storage. The use of poly-tunnels enables two to three crop cycles each year and has reduced the vulnerability to disruptions. Adoption of water-efficient practices (e.g. drip irrigation, mulching and small-scale irrigation source protection) can reduce the risks of climate change on rain-fed agriculture. In HVAP, turmeric is cultivated as intercrop, reducing soil erosion hazards. Timur trees, which are considered climate-resilient, are increasingly planted on marginal land, which helps conserve soil.
206. Overall, climate change adaptation is rated as moderately satisfactory (4). Although climate change was not always an explicit objective, most projects introduced some climate-friendly approaches. ASHA Project generates the attention of local governments and communities to climate change issues and established arrangements to implement LAPAs. It is early to fully appreciate its effects.

¹³⁶ E.g. drinking water supply system, irrigation canals, landslide control, flood embankments, solar-lifting, and water source protection, and agriculture production (forage plantation, stall-feeding, climate-resilient agricultural activities such as bio char, and integrated pest management, organic fertilizer technologies, and plastic tunnels).

¹³⁷ The MTR argued that some interventions promoting increased agriculture productivity, which are pursuing the objective of increasing income and self-sufficiency, might not necessarily be fully aligned with climate change adaptation and sustainable livelihood objectives (e.g. limited use of arable land by single-crop pattern in the case of tunnels; waste of organic fertilizer in the case of goat sheds without proper capture of the urine; limited access to markets; possible surplus production without adequate marketing).

C. Overall portfolio achievement

207. The ratings for the portfolio reviewed by this CSPE are in the “positive zone” (i.e. 4 or higher, table 18), indicating that the portfolio has been broadly successful at addressing rural poverty in Nepal. Among the stronger elements are effectiveness, impact and scaling up. As already noted, this CSPE concentrated on five projects that were closed or nearly completed, due to their evaluability, and less so on three more recent projects, two of which experienced a challenging implementation journey during their early years (SRERP, ASHA Project) and one that has just started (ASDP). Ratings of the individual projects are presented in Annex II. Ratings in the current 2019 are also equal to or higher than those in the CPE 2013, higher in the case of rural poverty impact, effectiveness, efficiency, sustainability, gender equality and innovation.

Table 18

Assessment of project portfolio achievement

| <i>Criteria</i> | <i>CPE 2013 rating</i> | <i>CSPE 2019 rating^a</i> |
|--|------------------------|-------------------------------------|
| Rural poverty impact | 4 | 5 |
| Project performance | 3.5 | 4 |
| Relevance | 4 | 4 |
| Effectiveness | 4 | 5 |
| Efficiency | 3 | 4 |
| Sustainability of benefits | 3 | 4 |
| Other performance criteria | | |
| Gender equality and women's empowerment | 4 | 5 |
| Innovation | 3 | 4 |
| Scaling up | - | 4 |
| Environment and natural resource management | 4 | 4 |
| Adaptation to climate change | - | 4 |
| Overall project portfolio achievement | 4 | 4 |

^{a)} Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided

Key points

- The projects reviewed were conceived under different COSOPs. Strategic emphasis progressively shifted from remote communities and basic infrastructure and services to inclusive agricultural commercialization, high-value products and value chain connectivity. At the same time, the portfolio maintained attention to the inclusion of poor and marginalized groups.
- Project subthematic areas are relevant to enable rural small-scale producers to alleviate poverty and contribute to rural transformation and move from subsistence to higher-value and commercialized agriculture. However, some of the project designs under-estimated the challenges of working in rural Nepal and the requirements of field staff.
- Projects were generally effective at reaching the poor and very poor, at supporting the production of higher-value products (e.g. vegetables, spices, fruits, meat, seeds, dairy), linking producers to value chain, and enticing some agribusiness to work with farmers. Work on value chain governance is still at an initial stage but has attracted the attention of District Chambers of Commerce and Industry.
- Because of design complexity, challenges in the field and exogenous factors (e.g. the 2015 earthquake and federalization), projects experienced a slow start-up phase and often required significant design changes. Implementation during the initial years was slow, but managers kept some discipline in controlling costs.
- The impact on poverty was overall strong, notably in terms of increasing incomes, and strengthening human and social capital and empowerment. There was progress in institutionalizing leasehold forestry and developing value chains.
- Sustainability is assessed as moderately satisfactory, thanks to progress made in empowering communities, and establishing linkages with markets, processors, exporters and service providers. The main threats may come from the uneven quality of infrastructure and insufficient attention given to its maintenance, limited progress made in value chain governance, the risk of inbreeding of improved goats, and pressure on forestland (due to rising demand for fodder).
- The portfolio is not rich in novel technical contributions but there are original approaches, such as multistakeholder platforms for value chains and community-level breeding for goats. There are encouraging examples of scaling up of project approaches through national policy (e.g. leasehold forestry, value chain development).
- Projects have promoted aspects of gender equality such as income generation for women, drudgery-reducing technology, and women's leadership in grassroots organizations. Still there is a problem of gender imbalance in the project management teams.
- There have been attempts to streamline climate adaptation interventions through an individual dedicated project. So far, it is not clear whether this was more effective and efficient than introducing climate-proofing approaches into other existing projects.
- Ratings in the current 2019 are also equal to or higher than those in the CPE 2013; higher in the case of rural poverty impact, effectiveness, efficiency, sustainability, gender equality and innovation.

IV. Assessment of non-lending activities

208. Non-lending activities refer to IFAD's engagement in and contribution to knowledge management, partnership-building and policy engagement in a country. IFAD treats them as integral element of the COSOP and IFAD's work within a country. The non-lending activities often form part of project activities and sometimes take place as opportunistic interventions at the periphery of projects funded by loans and grants.

A. Knowledge management

209. Over the years, knowledge management has gained recognition as a critical element in COSOPs. The 2013 Nepal COSOP articulated the intent of supporting the development of a "knowledge value chain", which would provide added value to the quantitative and qualitative information collected through project and programme M&E systems.¹³⁸ Since 2013, there has been visible enhancement in documenting new concepts, planning related activities in a structured way, and reaching out to beneficiary communities and a wider audience.

210. During the COSOP period, **practices and methodologies have been introduced from IFAD's global knowledge source**. An example is value chain development, which drew from IFAD-funded field experiences in Latin America (through SNV Nepal). Following the successful experience under HVAP, other projects (KUBK/ISFP and SRERP) have had exposure to and selective adaptation of such concepts. The concept of introducing a "Strategic Investment Plan" for each value chain in order to ascertain the economic and financial benefits was drawn from IFAD experiences in Viet Nam. The concept of MSP was enriched with knowledge from Ethiopia through SNV Nepal.

211. **Generation and dissemination of knowledge products, lessons and good practices at the project level**. The projects applied different types of knowledge dissemination mechanisms, such as workshop/seminars and meetings. For example, HVAP organized annual district-level workshops to bring together all communities and to discuss innovation and new technologies. It has also developed a repository related to various training programmes, publications and study materials. A "How-to-Do" note on MSPs was prepared as a step-by-step guide and manual for the producer organizations and private sector service providers.¹³⁹

212. KUBK/ISFP organized workshops on planning and progress and learning for local bodies and project stakeholders. It presented a paper in an international conference on "Doubling the Income of Farmers of SAARC [South Asian Association for Regional Cooperation] Countries: Extension Strategies and Approaches" held in Kathmandu. In addition, project personnel participated in international training and in workshops.

213. Print media and publications were the main vehicles for knowledge- and information-sharing used by projects.¹⁴⁰ All projects started using **electronic**

¹³⁸ The COSOP document articulated the sequence of actions required for realizing that goal: (i) processing and analyses of information to generate lessons learned and identify good practices, successful innovations and potential for developing synergies and scaling up; (ii) capturing of knowledge through appropriate instruments (case studies, business model canvases, manuals, maps and audio-visual tools) and uploading them in IFAD knowledge repositories (e-libraries, programme/project websites and the IFAD Asia platform); and (iii) sharing knowledge with different stakeholders according to interest. This was realized only in part and at the project level.

¹³⁹ HVAP also participated in exhibitions and trade fairs. It also organized a knowledge fair where farmers from all IFAD-funded projects in Nepal were brought together to showcase their products.

¹⁴⁰ Some major publications from project experience: HVAP published 'The HVAP Approach: Lessons from Value Chain Project' FAO published 'Regenerating forests and livelihoods in Nepal: a new lease on life', covering successful model experiences of LFLP. HVAP published training materials for value chain, business literacy and data management and GESI training manual in Nepali. The project also prepared M&E Guidelines, a "How-to-Do" note and a manual on Self-Assessment of Institutional Capacity Development. All publications and training material are in English and some have been translated into Nepali. LFLP disseminated annual progress and lessons learned through Hamro Ban – a regular publication of the Department of Forest. In addition, a report/book covering 20 years of Nepal's experience with leasehold forestry has been prepared awaiting mass dissemination. The publication of annual progress reports by the

- media** (websites, videos, uploading articles and how-to-do notes) for sharing and disseminating knowledge products and reaching out to larger audiences nationally. PAFP supported programmes on a national television programme, produced thematic documentaries and broadcast a radio programme on 55 radio stations in 40 districts.¹⁴¹ HVAP organized periodic media trips to report the successes of the project and reality on the ground in the newspapers and on the radio, national television and private channels.¹⁴² LFLP supported a special radio programme called “Ban Batika”, which aired the success stories of the project.
214. To support the 2006 COSOP objectives, the IFAD Country Office developed a knowledge management strategy in 2008.¹⁴³ Although not updated lately, over time it remained as the reference point for the Country Office for knowledge management activities. The first *IFAD Nepal Knowledge Event* held in October 2014 in Kathmandu, with about 100 participants, including high-level officials, offered a good platform for exchanges with high officials and stakeholders and showcase project successes.
 215. **Learning routes** are structured learning visits funded by IFAD grants to the Procasur Corporation. Their objective is to analyse and learn from best practices and successful strategies for poverty reduction. They are guided by an analysis of learning needs. Participants commit to apply what they have learned. One such learning route event at Chitwan in 2013 on “Women’s Empowerment, New Businesses and Sustainable Natural Resource Management in Nepal” addressed the experiences in the development of second-tier network organizations (cooperatives) supported by LFLP and PAFP-II. Attendees included IFAD-funded project staff in Nepal and Sri Lanka and Government staff from Thailand.
 216. Although these initiatives were noteworthy, **the Country Office lacked impetus and resources for a broad-based application of them in later years of the COSOP**. As the size of the portfolio increased, with various implementation-related challenges, and with human resource constraints, the Country Office was not able to repeat such events.
 217. **Knowledge management initiatives during the COSOP cycle have produced project-level products and processes, but there has been little effort to distil and position selective portfolio knowledge into IFAD’s corporate or regional knowledge repository**. At a strategic level, COSOP knowledge management initiatives at country level are expected to contribute and add value to IFAD’s corporate knowledge repository. IFAD’s cumulative experiences in Nepal in addressing multiple challenges – e.g. of declining livelihoods of poor and marginal farmers and the provision of access to new market and service opportunities – could be of enormous value elsewhere. There were no evident examples of IFAD Nepal’s contribution to corporate or regional knowledge repository.
 218. During interactions with the Government and practitioners, senior officials often underlined that their expectations go beyond the monetary value of IFAD’s loan programmes. IFAD is looked upon as a tested source of applied knowledge of and solutions to rural poverty and livelihood issues. There was a broad-based appreciation of IFAD’s efforts to introduce new knowledge and innovative practices through its projects (LFLP, HVAP, KUBK and as explained in Chapter III), which generated positive results for the people.

District Forest Offices and annual monitoring report by the Regional Directorate of Forests were a part of the knowledge management efforts adopted by LFLP. PAFP-II published 195 district annual reports and newsletters, and 5 thematic brochures to inform people about its programme’s success stories, modalities of operation and related matters.

¹⁴¹ Likewise, 86 episodes were broadcast on television and 125 episodes on national radio. By the end of the project, PAFP-II had produced and disseminated 616 success stories.

¹⁴² The project has also prepared two fulllength videos on the overall project achievements and a number of shorter versions on value chain technologies and project activities.

¹⁴³ “Knowledge Management Strategy and Action Plan for 2009”, IFAD Country Office, Kathmandu, January 2009.

219. **The majority of the project knowledge products were not customized for use in corporate knowledge repositories or higher-level policy forums. They are principally catering to frontline beneficiaries and working-level counterparts.** Inputs for higher policy fora and corporate knowledge repositories require an added layer of analytical refinement and sophistication, highlighting policy dimensions and ramifications, which are attractive to higher policy- and decision-makers. Some of the lessons from WUPAP, PAFPII, HVAP and ISFP have potential strategic content which, with additional effort, could be quality enhanced and tabled as policy inputs at a higher level, for the country and the region. Lack of IFAD corporate support and constrained resource and staffing capacity of the IFAD Country Office are clear hindrances to running this extra mile.
220. IFAD, besides project funding, is not visible in thematic or knowledge-based policy analysis or research in-country to contribute to and/or inform policymakers and development partners on pressing development issues related to its areas of expertise. During the formative years under the new federalization initiatives and the constitution, other international financial institutions (IFIs) (ADB, World Bank) and multilateral partners (FAO, UNDP, WFP), contributed through regular selective country-based working papers, research papers or monographs produced with corporate support.¹⁴⁴ These were often provided as inputs for national policy-level discussion or for donor forums. IFAD has not been active in availing itself of such opportunities to be a contributor in policy-level discussion. Key factors have to do with limited resources and staff and with focus, and are further discussed in this chapter and in Chapter VI.
221. **Summary.** Knowledge management is rated as moderately satisfactory (4). Since 2013, projects have devoted more attention to knowledge management and sharing of concepts and lessons, with evidence of generation of knowledge and information products. Some projects (HVAP, PAFP-II, ISFP) invested more in preparing knowledge products. Corporate-level support and guidance were low. The efforts were generally intra-project and client-focused, with limited efforts at cross-project exchanges. Efforts to contribute to knowledge enrichment of regional and corporate knowledge repositories were minimal or incidental. The COSOP's stated objective of developing a knowledge value chain remains partially fulfilled.

B. Partnerships

222. **Partnerships with governmental entities have been strong at the coordination level.** IFAD is working with a broad number of ministries at the federal level. These include the Ministry of Finance as the borrower, the National Planning Commission, and technical ministries for implementing the projects as the Lead Project agency (and the Ministry of Foreign Affairs for issues related to "Host Country: arrangements). Since the last CPE (2013), the country programme has been working with the following technical ministries:
- Agriculture and Livestock Development (HVAP, ISFP/KUBK and ASDP)
 - Forests and Environment (LFLP and ASHA Project)
 - Industry, Commerce and Supplies (SRERP)
 - Local Development (WUPAP Phases I and II)
 - Poverty Alleviation and Cooperatives (WUPAP Phase III)
223. The CSPE noted that across principal federal government functionaries, there was a high level of appreciation of IFAD's work and its historical and sustained support to the country. The CSPE team found that there was good understanding of IFAD's programme in the country and that the working relationships with the main counterpart ministries were generally professional and cordial. Highlighting the importance of the agriculture and rural sector in the economy and lives of people,

¹⁴⁴ Lists of country thematic studies and monographs are available on the websites of ADB, UNDP in Nepal, and World Bank.

- the senior government officials confirmed that IFAD's programme bears full alignment and coherence with government strategies in agriculture and rural economy (i.e. commercialization, modernization and value chain approach).
224. There are some distinctions in the case of the Ministry of Industry, which is collaborating with IFAD for the first time and still sorting out the challenges of the project approaches and implementation delays.
225. **Partnerships at provincial and local government (Palika) levels are evolving in light of the changes enshrined in the Constitution and new federalization decrees.** Before the enactment of the new Constitution in 2015, the country programme closely worked with the district-level (District Development Committee) and village-level (Village Development Committee) governments. Once the country effected the subnational level of governments in 2017, the IFAD-financed projects were engaged in developing working relationship with these new decentralized structures. There have been implementation slow-downs due to lack of clear delineations of authority among the tiers of the Government on operational issues and sometimes due to a shortage of competent local technical personnel.
226. **With the World Bank, IFAD had a longstanding cofinancing partnership. This promoted outreach but, in the later years, did not foster strong exchange of ideas or approaches.** IFAD was a cofinancing partner of PAFP with the World Bank, and the partnership effectively supported a national institution and national programme at a critical time. This was initiated in 2008 and continued until December 2018, through two financing cycles. The first IFAD cofinancing in 2008 was focused on the capacity-building of the community organizations and partner organizations (NGOs). The second was initially focused on knowledge management and later on the 2015 earthquake response support, helping project beneficiaries revitalize their livelihoods. The impact evaluation of the PAF programme commended its achievements in reaching the poor and most vulnerable across all provinces. IFAD's partnership with the World Bank proved to be a fruitful investment and afforded an outreach and coverage that would have been impossible for IFAD to accomplish single-handedly.
227. During most part of the 2013 COSOP period, beyond PAFP, the partnership engagement with the World Bank seemed to be at a low ebb, with a lack of new common ground to work as partners.
228. **There are talks to reinvigorate partnerships with the World Bank in the near future.** In the context of the next COSOP, discussions are underway between the World Bank and IFAD to cofinance (US\$60 million from IFAD and US\$100 million from the World Bank) a proposed Rural Enterprise and Economic Development Project. This theme is in line with IFAD's thrust on agricultural value chain development in agriculture. A concept note for this project was under consideration with the Ministry of Finance at the time of the CSPE main mission.
229. **Partnership with SNV is an example of infusion of technical expertise and experience.** Cofinancing and technical assistance have been mobilized from SNV Nepal for HVAP, from Heifer International for ISFP/KUBK, and from SDC for ASDP. HVAP maintained a steady partnership with SNV. The latter played a vital role in turning the value chain concepts into practical plans and arrangements and in the development of manuals.
230. The positive partnership experience generated a collaborative relationship with SDC, which is funding technical assistance support to ASDP, with Helvetas as the implementation agency. However, before approving the disbursement of funds, SDC is now requesting that ASDP more explicitly support the new federal system and directly work with state and local governments. This would imply significant design changes and may require ad hoc negotiation with SDC and the Government.

231. **The partnership with Heifer International was also inspired by the need for technical backstopping but constrained by bureaucratic impediments.** Funds to Heifer were to be drawn from IFAD's loan financing, which the Government eventually refused. This was unfortunate: Heifer has interesting technical approaches to improve livestock productivity (e.g. meat-goat) of native species as well as to improve marketing, such as group contracting with collectors based on live weight, cooperatives of small producers investing in abattoirs (i.e. functional upgrading).
232. **IFAD collaboration with UN agencies and Rome-based agencies has been weak.** IFAD is a signatory of the United Nations Development Assistance Framework (UNDAF) and is committed to supporting the goals of Sustainable Development Goals in Nepal. However, its level of participation with the relevant UNDAF coordination groups and UN Country Team is infrequent and without much substantive contribution. IFAD is rarely mentioned in UNDAF Annual Results Reports. The feedback from UN Country Team representatives indicated limited IFAD presence and visibility in larger donor coordination forums, and UN forums in particular. Despite common thematic areas of programmes and opportunities for programmatic partnership, IFAD's involvement in UNDAF joint programmes has been limited to only one initiative on rural women's economic empowerment. IFAD's substantial contribution to the rural poverty arena in Nepal is under-recognized in larger forums and in the reporting of the UN system.
233. **Partnerships have begun with the private sector in IFAD-funded projects.** Working partnerships were developed by HVAP, ISFP/KUBK and SRERP with private agribusiness companies, as buyers of produce from smallholder farmers. Some of them have started exporting the produce from the project beneficiaries to international markets (notably under HVAP). However, in the case of seeds (KUBK), private sector collaboration was tied to generous project grants and without clear commitment to work together in the long term. This type of incentive needs revisiting for the partnership to be sustainable.
234. HVAP engaged District Chambers of Commerce and Industry and the Agro Enterprise Centre (part of the Federation of Nepalese Chambers of Commerce and Industry) for facilitation of MSPs, business-to-business linkages and market information dissemination. District Chambers of Commerce and Industry are interested in playing leading roles in local value chain development. As an example, the officials of the District Chambers of Commerce and Industry in Surkhet appreciated the opportunity of working with producer groups in value chain development and MSPs and underlined that it was vital for the predictability, profitability and growth of agricultural-based businesses. This is now part of their current strategic plan (2018-2020) in Surkhet. The question is whether the Chambers will have funding and capacity without project support (the new project ASDP may continue financing MSPs in the near future).
235. The partnership opportunities to cooperate with local research organizations, think tanks and universities remained under-explored. WUPAP, LFLP, HVAP and ISFP/KUBK worked with research institutions such as NARC, the International Rice Research Institute, the International Centre for Integrated Mountain Development (ICIMOD), some CGIAR group of institutions, and with the NGO Local Initiatives for Biodiversity, Research and Development. Partnership with NARC turned out to be of a more sustained nature. Approaches and processes supported initially by KUBK/ISFP are being continued by NARC, such as Boer goat-breeding¹⁴⁵ and adaptive research for selected varieties of seeds (cereal and vegetable). Instead, partnerships with the international research institutions were more of a one-off grant-based nature.

¹⁴⁵ ISFP/KUBK supported around 12 Boer Bucks imported from Australia. NARC managed to obtain some Boers from its own resources and produced 100 per cent genetic materials to distribute to project and non-project districts.

236. **Federalization poses new challenges and opportunities.** It is anticipated that the transformed governance structure in Nepal would create some opportunities as well as challenges in terms of operational modality to the Country Programme. Project implementation experiences in the COSOP period are already facing and adjusting to these challenges with efforts for better working alignment.
237. The reality is that the subnational governments are much closer to the ground and are more directly accountable to people. This partnership opportunity would facilitate realistic planning and implementation with better prospects of generating concrete results with more coordinated efforts, frequent monitoring, pragmatic decision making. The transformed governance structure also poses challenges requiring complex balancing of cordial relationship, communication and expectations with all the structures, aligning the priorities. This would significantly increase the transaction costs and workload for the Country Office and the projects.
238. **Summary.** Partnerships during the 2013 COSOP period can be assessed as moderately satisfactory (4), in terms of assuring core support to the implementation of the country programme under a pre-federalization scenario. Partnerships with the Government have been strong at the central level and with districts. Since 2018, after the advent of federalization, partnerships with states and Palikas are still a work in progress. Cofinancing partnership with the World Bank, the major IFI partner in PAFP-II, came as a legacy of the previous COSOP and somehow stagnated until the most recent cofinancing proposal on rural enterprise and economic development, currently under discussion. Partnerships started with private entrepreneurs, through projects and with Districts Chambers of Commerce on value chain development. The partnership with SNV under HVAP is a good example of collaboration for technical expertise. Instead, dialogue and collaboration with UN agencies were very limited. As further discussed in the next chapter, under-staffing in the Country Office is a major constraining factor.

C. Policy engagement

239. **The 2013 COSOP stated that policy-relevant issues emerging from project operations would form the basis for policy engagement. However, the follow-up to this intent was uneven.** Although the COSOP-identified policy issues (table 19) were broadly relevant, there was not much indication of follow-up steps and processes pursued at the national and subnational levels.
240. **At a strategic level, IFAD engaged in support for the ADS and rural poverty alleviation.** At the national level, IFAD and ADB financed the ADS process, for which IFAD provided a total of US\$0.5 million grant. The ADS process was joined by other 11 development partners at a later stage. Resources were also provided through ISFP/KUBK to strengthen the ADS Unit. Another policy support initiative was under WUPAP, for developing the mechanism/system for identifying poor households in the country in order for the Ministry of Poverty Alleviation and Cooperatives to issue "poverty identity cards".
241. IFAD is a member of the Local Donor Group and a core member of the National Portfolio Performance Review. Both groups are convened by the Ministry of Finance. The Government constituted various thematic groups which contribute to the policy processes in the country and where IFAD is an active member (e.g. Agriculture and Rural Development Thematic Group, Technical Advisory Committee for livestock development, ADS Joint Review Committee).
242. There are donor groups on thematic areas such as Donor Food Security Group, UNDAF outcome groups and Kathmandu Migration Group. IFAD is also a member of these groups. However, it has been difficult for the IFAD Country Office to contribute actively in all meetings, due to human resource constraints. Based on interactions with the Government and development partners, the extent of IFAD's

substantive contribution to deliberations and agenda-setting in these forums was perceived to be small.

Table 19
COSOP 2013 proposed areas for engagement

| <i>Indicated areas/issues for policy engagement</i> | <i>CSPE comments linkage/dialogue</i> |
|--|--|
| Facilitating the participation of poor rural people in policy processes by promoting platforms of dialogue at local and national levels, where they can be represented | Various projects (PAFP, HVAP, ISFP, WUPAP) formed and created community/producer groups which provided platforms for dialogue at local levels. There has been little evidence of efforts to facilitate participation in national-level platforms (with the exception of a regional grant to the Asian Farmers' Association, which was tangential). |
| Building the capacity of national and district policymakers to mainstream recognized good practices in their regular activities | There were many capacity-building initiatives at project level for government functionaries at district and Palika levels, including mainstreaming efforts of good practices. It is not clear how this would be turned into a policy engagement agenda. |
| Project-supported producers' organizations will be encouraged to participate in policy dialogue and to liaise with major national organizations | This is an open-ended statement without clear details of how this policy engagement is to materialize. |
| Identified areas with potential policy engagement from COSOP strategic objectives (SOs): - inclusive business partnerships for accessing services and markets (SO1); - use of migration remittances for productive investment (SO1); - adaptation to climate variability through climate-smart investments and natural resource management arrangements (SO2); and leasehold forestry (SO2) | The areas identified were legitimate and some good work was carried out with concrete results under HVAP, LFLP and ISFP, and partial results under SRERP. Only private sector service access of HVAP and legislation under LFLP achieved some degree of policy success in terms of recognition of the concepts. |

Source: CSPE elaboration (2019)

243. **Individual projects had some policy support initiatives.** The latest amendments in the Forest Policy incorporating the provisions of shared benefit to leaseholders is an example of policy input. Shared benefits relate to the revenues obtained by the leaseholder when the Government harvests trees on the leased plot. In the past, leaseholders had no rights to a quota of revenues from the sale of trees. With the new 2019 Forest Policy, they have right to a share of half of the revenues. The issue of benefit-sharing was raised by several LFLP supervision missions in the past, and LFLP commissioned a study, which identified the areas for amendments and advocated for such policy reform.
244. IFAD also made an effort to influence the revision of the policies relating to agriculture once the new Constitution was adopted in 2015, by utilizing ISFP/KUBK funds, with FAO as the executing agency for the new proposal. However, this could not happen, as the Government was reluctant to provide specific project funds to FAO since it was not an agency cofinancing the project.
245. Some concrete efforts to facilitate the participation of poor rural people in policy processes could be found in the regional Medium Term Cooperation Programme Phase 2, which helped create a national platform for farmer organizations in Nepal to engage in policy discussions with the Government. It was cofinanced by an IFAD grant and SDC (see also section on Grants).¹⁴⁶
246. **Effective engagement in policy processes in the country is severely constrained by the resources of the Country Office.** There are some perceptible constraints in IFAD's engagement in policy processes and dialogues in the country. Policy engagement is a relatively longer-term process, which needs regular dialogue and interactions at various levels of the government and with the

¹⁴⁶ COSOP Results Review Aide Memoir, 30 September 2018.

donor partners. IFAD CPMs¹⁴⁷ have a pivotal role to play in bringing proven project successes to the Government's attention and advocating to government policymakers for their scaling up. Frequent CPM rotations, the CPM location being out of the country, and single-person Country Office created a critical void in policy engagement with national authorities and development partners.

247. **Summary.** The rating for policy engagement is moderately satisfactory (4). There is some evidence of IFAD's project-level efforts culminating in policy-level outcomes. However, there was no systematic effort in policy engagement at a strategic level through the articulation of analytical products and regular participation in and contribution to policy forums. The COSOP agenda for policy engagement was relevant to the context but there was no clear thinking or plan on which policy reform processes IFAD should engage in and which working groups and task forces IFAD would participate in (and with what resources). Certain issues generated from completed projects were elevated to national policy-level discussion with some outcomes, such as legislation on leasehold forestry and the adoption of HVAP as a "flagship project". Policy engagement was a lower priority due to other pressing issues during the period, and the CPM/Country Office lacked resources to engage in policy-level forums beyond project level.

D. Grants

248. The CSPE has traced 14 grants, approved between 2013 and 2019, all of which are global/regional in nature and had activities in Nepal. The CSPE selected a sample of five grants (table 20) for more in-depth review, based on a mix of thematic areas and grantee institutions (research organizations, regional federations of farmer organizations, inter-governmental organizations). There are mainly three kinds of activities undertaken by these grants within the context of Nepal: applied and action research, capacity-building and policy dialogue.
249. **Applied and action research.** The grants to Bioversity and the International Center for Agricultural Research in the Dry Areas (ICARDA) are ongoing and have worked on participatory research and extension for the target population. To this end, the Bioversity grant has concentrated on diversifying the varieties of seeds used in the planting of crops. The efforts were focused mostly on rice in high-mountain areas, and on trying to bring back planting of local varieties. ICARDA, on the other hand, has used participatory research and extension to educate farmers on the importance of using fallow period after rice harvest for planting pulses. This is expected to be beneficial for soil health as well as for nutrition intake of the target groups. Both grants focused on training on farming practices, seed selection and availability (especially the Bioversity grant), building networks of input vendors, and knowledge-sharing with other countries. There is no information on any further uptake of the technologies developed by Bioversity and ICARDA beyond the direct target groups.
250. **Capacity building.** The Medium Term Cooperation Programme Phase 2 is cofinanced by IFAD and SDC and is a continuation of the previous such grant to the Asian Farmers Association, the umbrella body of national-level farmer organizations in Asia and the Pacific. In Nepal, the All Nepal Peasants' Federation acted as the national implementing agency. The grant worked to bring together various farmer organizations onto a common national platform and build the capacity of individual member farmer organizations in Nepal. It helped the national platform to increase its membership and bring concerns from wide segments of the farming community onto the platform through national consultative meetings. As a result of this policy advocacy, the Government of Nepal formed the National Farmers Commission,

¹⁴⁷ IFAD corporate document "Country Level Policy Engagement" notes: "A fundamental principle is that policy engagement must be led by the CPM, within the context of the country programme."

which is tasked with conducting studies and preparing policy papers on issues pertaining to smallholders and contributing to government policies.

251. The grant to ICIMOD was provided to pilot-test new approaches to livelihood enhancement in the mountain areas and methodologies for poverty and vulnerability analysis. This grant was the third in a series to ICIMOD which worked with ASHA Project to enhance its capacity in producing a baseline for the LAPA. To this end, ICIMOD trained the staff of ASHA in Geographic Information System (GIS) analysis for vulnerability within watersheds and provided its poverty and vulnerability assessment methodology.

Table 20

Sample of grants selected for review

| <i>Title</i> | <i>Countries included</i> | <i>Date of effectiveness and closing</i> | <i>Amount (US\$ millions)</i> | <i>Recipient</i> |
|--|---|--|-------------------------------|--|
| Medium Term Cooperation Programme With Farmers' Organizations In Asia And The Pacific Region Phase II | Bangladesh, Cambodia, China, Fiji, India, Indonesia, Lao People's Democratic Republic, Myanmar, Nepal, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Timor-Leste, Tonga, Vietnam, Vanuatu | 04/09/2013 31/12/2019 | 2.0 | Asian Farmers' Association for Sustainable Rural Development (AFA) |
| Improving Livelihoods And Enhancing Resilience Of The Rural Poor In The Hindu Kush Himalayas To Environmental And Socio-Economic Changes | Bangladesh, India, Myanmar, Nepal | 17/03/2014 31/10/2017 | 1.2 | International Centre on Integrated Mountain Development (ICIMOD) |
| Enhancing Food And Nutritional Security, And Improved Livelihoods Through Intensification Of Rice Fallow System With Pulse Crops In South Asia | Bangladesh, India, Nepal | 23/05/2016 30/09/2020 | 2.5 | International Center for Agricultural Research in the Dry Areas (ICARDA) |
| Use of Genetic Diversity & Evolutionary Plant Breeding for Farmer Resilience to Climate Change, Crop Productivity & Nutrition | Bhutan, Ethiopia, Iran, Jordan, Nepal, Uganda | 18/05/2018 31/12/2022 | 3.5 | Bioversity International |
| Consortium For Scaling Up Climate-Smart Agriculture In South Asia | Bangladesh, India, Nepal | 31/01/2019 25/10/2022 | 1.5 | SAARC Agriculture Centre |

Source: IFAD Grips (June 2019)

252. **Policy dialogue.** The grant to the SAARC agriculture centre was inspired by a similar grant to the Association of South East Asian Nations secretariat in 2018. The grant has only recently been approved. It is seen as a way for IFAD to improve visibility in SAARC. The grant is expected to support exchange of knowledge and plant genetic material. The steering committee of the grant consists of representatives of SAARC member states and the Asian Farmers' Association, which was also the recipient of previous IFAD grants, and is expected to bring farmers' voice to the forum. The SAARC agriculture centre will focus on supporting policy dialogue, knowledge-sharing and cooperation among national agricultural research and extension centres, while the International Food Policy Research Institute will facilitate access to global technological and policy solutions in collaboration with the Consultative Groups for International Agricultural Research global programme on climate change, agriculture and food security.

253. **Mixed results on interaction with IFAD projects.** As all the grants were global/regional in nature, the activities were not necessarily tailored to Nepal but were a part of similar set of activities undertaken in other countries. They tended to work at the country level in isolation from the broader loan portfolio. As an example, the grants to Bioversity and ICARDA worked on providing improved production practices, including availability of seeds through the establishment of community seed banks. However, neither of the projects had contacts with KUBK/ISFP, which was also working on seeds.
254. On the other hand, the grant to ICIMOD was an example of the knowledge of a partner directly feeding into the broader programme. ASHA Project was able to benefit from a poverty and vulnerability assessment methodology, which was developed over a decade through successive IFAD grants to the organization. In addition, ICIMOD was able to use its knowledge to train and backstop the project, using its expertise in GIS. While the intervention to support ASHA was directly within the realm of competence of ICIMOD, the same is not evident in its support to KUBK/ISFP, where ICIMOD supported the value chain analysis of the cereal seed, goat and dairy subsectors by reviewing and fine-tuning the terms of reference of service providers and inception reports.
255. The support by the Asian Farmers Association to the Nepal Peasants' Federation and in turn its advocacy for the formation of the National farmers' commission were appropriate in light of the then existing institutional gaps in Nepal.
256. **Summary – non-lending activities.** In assessing IFAD's engagement in non-lending activities in Nepal, a number of issues need to be noted which impinged on the scope and performance of non-lending activities during this period. They include: (i) the evolving political scenario and federalization, which did not provide a facilitating environment for policy engagement and partnership proposition; (ii) IFAD's country presence with one person (CPO) during this period and with a high volume of ongoing projects, which afforded marginal opportunity for strong presence and voice in government dialogue platforms and development partners' forums; and (iii) unclearly defined lines of responsibility in IFAD (between the country programme manager, Country Office and projects), and lack of resources and oversight for pursuing non-lending activities. There is stark dissonance between the corporate priority and expectations on non-lending activities and their actual ramification at country and project levels in Nepal in terms of implementation, accountability and resource allocation.
257. Considering the performance assessment in the three areas of non-lending activities, and the constraints stated above, the overall rating is moderately satisfactory (4). The ratings are higher than in the previous CSPE for non-lending activities, mostly reflecting progress and achievements made at the project level.

Table 21

Assessment of non-lending activities

| <i>Non-lending activities</i> | <i>CSPE 2013 Rating</i> | <i>CSPE 2019 Rating</i> |
|-------------------------------|-------------------------|-------------------------|
| Knowledge management | 3 | 4 |
| Partnership building | 4 | 4 |
| Policy engagement | 3 | 4 |
| Overall | 3 | 4 |

Source: Nepal CSPE 2019

Key points

- **Knowledge management.** Selected projects prepared knowledge products. However, efforts were generally intra-project and client-focused, with limited efforts for cross-project exchanges. Contributions to knowledge enrichment for regional and corporate knowledge repositories were limited. During the period, the COSOP objective of developing a knowledge value chain remains partially fulfilled.
- **Partnerships** have been functional to the implementation of projects, under a “traditional” pre-federalization scenario. They have been strong with the federal government and are works in progress at the subnational level (states and Palikas). With the World Bank, legacy cofinancing arrangements have continued through the COSOP 2013, although they did not entail strong exchanges of approaches and experiences in the recent years. The partnership with SNV on value chain development was a good example of technical expertise infusion in the portfolio. There is room to increase the visibility and “weight” of IFAD's participation in interagency and UN system forums. Partnerships with the private sector made a promising inroad in project implementation, with some financing arrangements to be revisited in the case of the seed subsector.
- **Policy engagement.** Some projects made their way to policy outcomes. This was the case with IFAD's support to leasehold forestry in the past and, more recently, HVAP's contribution to the ADS. However, there was no systematic effort in policy engagement at a strategic level through articulation of analytical products and regular participation in and contribution to policy forums. Policy engagement was a lower priority due to other pressing issues during the period, and the CPM/Country Office lacked time and resources to accord adequate preparedness and attention to engage in policy-level forums beyond project level.
- **Grants** were in principle relevant to the portfolio activities but their multi-country nature constrained customization to the Nepal programme in several instances and missed some opportunities (e.g. seeds).

V. Performance of partners

258. This section assesses the performance of partners. IFAD's main responsibilities extends from maintaining optimal quality standards at design, to managing and responding to emerging changes in a project's context and operating environment, to helping solve problems and implementation bottlenecks, to rallying technical support when situations demand. As for the Government, the CSPE assesses the degree of ownership of and responsibility for implementation of operations, policy guidance, mobilization of human and material resources, implementation management, and responsiveness to supervision recommendations and fiduciary aspects.

A. IFAD

259. **IFAD's consultative approach in country strategy development and project formulations has enabled programme ownership by the Government and other stakeholders.** The CSPE noted the appreciation by the Government and project counterparts for the consultative approach and inclusive process (PAFP-II, HVAP, ISFP, and ASHA Project).

260. The CSPE mission observed that consultations at state (provincial) and local (Palika) levels were constrained by evolving constitutional changes and the associated lack of clarity on functional delegations. This consultative dimension for enhancing ownership of the main stakeholders at the project level remained an ongoing effort by project management. Conveying full clarity on the scope and detailed requirements of the projects, and enabling the projects to be appropriately situated in the new subnational public management system, remain a challenge. Establishing effective interaction with provincial and local governments will remain a priority for the coming years.

A.1 Design of interventions

261. **IFAD maintained emphasis on capacity development of community organizations, women's empowerment and social inclusion.** Attaching priority emphasis to capacity-building of communities and community organizations instead of being simply technical output-driven has been a feature of project design.

262. **In spite of the consultative approach and long track record of project formulation in the country, design gaps were experienced.** Reviews of project supervision reports of PAFP-II, ASHA, ISFP and SRERP pointed to certain common tendencies: (i) over-optimism on time frame and implementation feasibility; (ii) under-appreciation of the complexity of context and implementation modalities; and (iii) under-estimation of time required for funds to be released.

263. Most of the time, the assumptions also tended to be optimistic regarding the level of preparedness and capacity of the government implementing agencies, and the availability of staff of the project implementation units. Part of the reasons may be that project design was led by consultants, while the Government did not take full leadership in validating the technical proposals and their adaptation to the very challenging context and national procedures.

A.2 Supervision and implementation support

264. **The CSPE mission found the process, composition and quality of the supervision and implementation support missions generally of good professional standing.** This also resonated in the positive feedback of senior government officials and other stakeholders. IFAD fielded supervision and implementation support missions regularly and, in spite of the challenging circumstances prevailing in the country, rarely did any mission slippage occur. MTRs for projects were undertaken in a timely manner, even advanced in some cases, based on the needs of the project.

265. **The supervision and implementation support missions were responsive and generally well versed in subject matters.** The only qualification is that, with the reduction in mission budgets and additional emphasis on new thematic areas such as climate change, nutrition, youth and gender, it became difficult for IFAD to cater to all required support to the projects as requested. The CSPE noted selected cases of lack of consistency between supervision missions (notably for ASHA Project) regarding their assessment and their recommendations. Problems may arise when few or no members of one mission have attended previous missions. When supervision and implementation support missions come with different messages, it may cause some disorientation in the project teams. Another challenge is to find the right balance between intensity of implementation support and “empowerment” of project teams. When implementation support missions are very frequent, project teams are literally left with little time to implement. Issues of this type were reported in the case of ASHA Project and SRERP.
266. With frequent delays in start-up and a slower pace of implementation, IFAD adopted a flexible stance in responding to extension requests of projects based on valid justifications (e.g. HVAP, ASHA, ISFP).

A.3 Support from the Country Office, IFAD headquarters and the subregional hub

267. **The IFAD Country Office ably supported programme management but is under-resourced.** The Country Office comprises only one staff member, the CPO. The Country Director/CPM is currently based in New Delhi with concurrent responsibility for Sri Lanka. Working remotely, he undertakes periodic visits to Nepal to perform oversight functions.
268. The coordination and support role of the Country Office in programme design and implementation is acknowledged by the Ministry of Finance, Ministry of Agriculture and other counterpart ministries as well as the project authorities spread all across the country. The CSPE mission found that the CPO is professionally competent, highly knowledgeable about the design and implementation issues of the portfolio, and forthcoming in his approach to problem-solving. However, the multiple functions and the workload were overwhelming for a single staff member.
269. Functional areas of the Country Office included:
- i. *liaison and coordination with key government agencies and counterparts.* The CPO participated in various coordination forums organized by the Government and the donors. However, the Country Office was less effective with regard to maintaining partnerships with subnational levels (states and Palikas) due to human resources constraints and dispersment of the subnational structures all over the country;
 - ii. *participation in IFAD country strategy development.* The Country Office was fully engaged in the COSOP development process and organized consultations with the government agencies, development partners, farmers’ organizations, civil society organizations and organizations of indigenous peoples;
 - iii. *participation/support in design, appraisal and supervision missions.* The Country Office prepared terms of reference for the missions and supported design, appraisal and supervision aspects. The CPO participated in most formulation, supervision and implementation missions while the CPM usually joined in the kick-off or wrap-up meetings in the capital.
270. **Support from IFAD headquarters has not always been consistent. Support is just emerging from the subregional hub.** The country portfolio has witnessed substantial turnover in the IFAD CPMs: four during this seven-year evaluation period (the CPO counted eight CPMs during his 13-year tenure). In a

challenging country such as Nepal and where turnover of government and project staff is frequent, high turnover of the CPM can be disruptive.

271. While until 2018 the CPM was based in Rome, the post was then assigned to the subregional office in New Delhi where there is also a programme officer who is at present responsible for six countries. Administrative assistance is provided from Rome, although some help is obtained from the host organization (WFP) in Nepal. The CPM for Nepal is also responsible for Sri Lanka and does not reside in either of the two countries (there is no IFAD Country Office in Sri Lanka). This is an outcome of the change in CPM that took place in April 2019. The CSPE notes that, in the past, off-country location and multiple-country responsibility of the CPM had a limiting effect on IFAD's partnership development in country.
272. A recent area of corporate support from IFAD has been the Programme in Rural Monitoring and Evaluation, to provide training to M&E specialists in project teams. This is funded by IFAD through a grant to the Centers for Learning on Evaluation and Results (CLEAR), a consortium of research and training centres supported by IFIs to improve M&E practices.
273. **Summary.** IFAD maintained its strategic direction while aligning with the government policies. It managed the heavy supervision and implementation support workload reasonably well and in a timely fashion. The design weaknesses were evident in some cases. The Country Office role was a crucial support to the programme despite limitations in human resources. COSOP implementation could have benefited from more corporate attention/support. While the performance of the Country Office (i.e. of the CPO) was strong, taking into account other limitations, the overall IFAD performance is assessed as moderately satisfactory (4). In addition, IFAD's reliance on the strong performance of an individual staff member raises the issue of continuity of support in case of future staff turnover.

B. Government

B.1 Project-cycle management

274. While the Government has the responsibility for project implementation, this CSPE argues that such responsibility starts from the project design, where the Government has the right and duty to assess the feasibility of the proposal. In assessing the different issues related to implementation, the CSPE observed that the Government did not exercise its discretion and assessment role proactively and sufficiently to validate the technical proposals made by the IFAD consultants.
275. **Slow implementation and disbursement of funds have been a persistent problem in the portfolio.** Most projects have suffered from slow implementation and slow disbursement of funds. Slow pace was especially observed at the start-up phase of all projects. Recruitment of project staff started only after project approval by both IFAD and the Government, and it usually took about six to nine months. Historical information suggests that implementation pace accelerates mostly from year 4 or after the MTR. The hiatus between end of design and recruitment of the project implementation team is a cause for concern. IFAD has recently introduced instruments to finance pre-implementation preparation work and capacity-building (Project Pre-financing Facility; and Non-reimbursable Technical Assistance for Project Start-up Facility), to be considered in the future.¹⁴⁸

B.2 Monitoring and evaluation at the project level

276. **M&E is a responsibility of the Government and traditionally has been a weak area in portfolio management, but there are encouraging signs of improvement.** The CSPE mission noted the repeated observations in supervision reports¹⁴⁹ on limitations in project M&E systems. However, some improvements are

¹⁴⁸ <https://webapps.ifad.org/members/eb/125/docs/EB-2018-125-R-38.pdf>

¹⁴⁹ Supervision reports PAFFP, ASHA Project, HVAP, ISFP, RERP (2014-2018).

visible. Baselines for all projects were carried out at the initial stage of implementation. Some projects conducted annual outcome surveys (e.g. KUBK), which is a sign of progress. These surveys would be strengthened with larger samples, further attention to the choice of indicators, and more detailed statistical analysis. However, there is no need to run these surveys annually. A survey every two years or three times during the project cycle (baseline, mid-term and before completion, as suggested by IFAD's current guidelines) could be a valid alternative. Quality, rather than frequency, is the priority.

277. Projects are putting in place an information technology (IT)-based monitoring system, and the familiarity and usage have increased during this COSOP period. Capacity building for M&E stands out as a prime need in the first few years of implementation. Some projects (HVAP, ISFP, ASDP) procured the services of specialized professionals (as staff or as retainer consultants) to secure support in this regard.
278. HVAP took a lead in using tablets to collect data and transfer them real-time in the PMO-managed server. Projects from Bhutan, Cambodia and India have embarked on the same direction. KUBK has finalized M&E guidelines, developed a software-based Management Information System (MIS) and prepared a user manual for the MIS. All the staff members, including the field technicians, have been trained on M&E and MIS. Training of the M&E Officer under CLEAR initiatives – a regional grant project by IFAD – has helped the project improve the quality of M&E and the MIS. ASDP, shadowing the experience of HVAP, has set up an IT-based M&E system with an IT and an M&E professional in place.

B.3 Capacity at project management and implementation levels

279. The federal level demonstrated some capacity over the years to implement the projects, but capacity of the Government on the whole, including the subnational strata, shows limitations. The capacity of the federal ministries also varies considerably. This clearly signals the need for the donor community and the Government to invest more in capacity enhancement. The country has fully enforced the decentralized governance structure with the promulgation of a new Constitution in 2015, and the new elected structures emerged only in 2017. Elections for the municipal level were held after 20 years and for the State (Province) level for the first time in the country's history. It is not a surprise that these structures are relatively weak in terms of implementation capacity and would require focused support to develop the capacity and skills for implementation.
280. The oversight role exercised by the Government through annual portfolio reviews was discontinued. There was no record of such reviews having been conducted with the borrower and the lead implementing agencies since 2015. The Nepal Portfolio Performance Review, a forum jointly organized by the development partners (IFAD is a core member) before 2015 had also come to a halt in recent years.

B.4 Fiduciary responsibilities: financial management and audit

281. **Government performance on fiduciary responsibilities has been moderately satisfactory at the macro level of compliance. Financial management needed more attention and due diligence at the project level.** The central government adopted a single treasury system and all payments are made from the Treasury and Controllers' Office. All the projects use the accounting software that generates the required level of data and information for reporting.
282. However, supervision reports (2018) for HVAP and ISFP contain a trail of critical comments, such as "Correctness of the actual expenditures reported by the M&E Section cannot be cross-verified to establish their veracity". Also, the corrective actions taken by projects fell short in a number of recommendations made by Supervision reports (e.g. ASHA Project, SRERP). Audit reports were submitted by

the Government with some delays, and there has been no record of issuing legal notice to the Government for non-submission of these reports.

283. The government system has been undergoing software and IT changes (accounting and management), which had a ripple effect of delays on the project accounting systems as they follow the government system. The extended fiduciary system has not yet been operational at state and Palika levels. If in the future the project responsibilities are decentralized, lack of a compatible financial structure at subnational levels could create severe implementation bottlenecks.
284. IFAD is providing technical assistance in support of project's fiduciary responsibilities. In addition to providing regular support through supervision missions, the Country Office has contracted a financial management specialist on a retainer basis to provide hands-on support to the project when required and to review withdrawal applications before submission to IFAD.

B.5 Government promotion of scaling up

285. **The Government showed commitment to scale up successful experiences.** There are several examples of the Government promoting scaling up in the past. Old-generation projects such as *Small Farmer Development* and *Production Credit for Rural Women* are two examples in the previous COSOP periods. During this COSOP period, LFLP has been mainstreamed with required policies in place and continuation of funding from the Government on its own resources. Activities implemented by KUBK/ISFP on seed production, breed improvements on goat and dairy products are being promoted by the subnational governments, whereas the promotion of agricultural cooperatives is being financed by the federal government.
286. The approach of inclusive value chains implemented by HVAP has been one among the main programmes under the Ministry of Agriculture and Livestock Development. Tools like the MSP developed under HVAP are being adopted by other development partners.
287. **Summary.** The Government's commitment was overall strong. Due to governance and institutional changes, activities were not implemented at the planned pace. Yet outputs resulted and positive outcomes were achieved. Issues arose consistently on matters of financial management and accountability, M&E issues and project staffing, which the Government started to address. The rating on government performance is moderately satisfactory (4).

Key points

- IFAD had a consultative approach with the Government. However, design assumptions were often not congruent with the reality on the ground. IFAD was responsive to implementation issues (although sometimes supervision missions did not convey consistent messages). The performance of the CPO was high, but Country Office resources were meagre for the tasks. Given the transitional time and major shifts in governance, Nepal could benefit from more corporate support, including more time of the CPM in the country for programme quality oversight, policy engagement and partnership-building.
- The Government displayed overall good motivation although it could have been more proactive in assessing implementation readiness of project design. Capacity varies between ministries, and there is a deficit of capacity and staffing at the local level. The federalization and natural disasters have made the situation more complicated in the short run, although federalization can bring decision-making closer to people. Improvements are emerging in the way to conduct M&E. The Government showed commitment to scale-up the results of successful experiences.

VI. Synthesis of Country Programme Strategy performance

288. The assessment of COSOP relevance covers the alignment of its strategic objectives and direction, its geographic priority and its thematic focus, with the Government and IFAD's strategies, as well as with the national priorities. It also covers the coherence of the main elements in the COSOP. COSOP effectiveness looks at the progress made against the COSOP objectives and other significant achievements. While COSOP 2013 is the main reference in this chapter, it is useful to acknowledge consistency and continuity of thrust from previous COSOPs.

A. Relevance

289. **Successive COSOPs supported a progressive shift to address the challenge of agricultural and rural transformation in Nepal from subsistence-based to a higher-value market-driven productive sector** in a way that generates equitable benefits for poor rural people and disadvantaged groups. As observed in Chapter II, improving the profitability of increasingly fragmented farms is of paramount importance for agricultural development in Nepal. In addition, national policies are now underlining the priority of commercialization and exports for agriculture. Applying these principles to smallholder farmers is necessary so that they are not left behind.
290. The 2000 COSOP targeted the marginalized upland poor in remote communities with a "traditional" approach that comprised basic services, income-generating activities, group-based savings and credit schemes. The 2006 COSOP focused on commercialization of agriculture in growth nodes along the road corridors in the hills, while retaining partial attention on interventions in remote communities via the traditional community-based poverty alleviation approach.
291. The 2013 COSOP further consolidated IFAD's strategic orientation by promoting inclusive and resilient growth in rural areas along three strategic objectives: (i) SO1 stimulate income diversification and productive employment in both the agriculture and off-farm sectors; (ii) SO2 unleash investment in market-oriented activities of poor rural people by reducing their vulnerability to climate and other shocks; and (iii) SO3 strengthen rural institutions so that they can deliver accountable and inclusive services to on- and off-farm producers.
292. **COSOP 2013 was formulated following a consultative process with the Government**, led by the Ministry of Agriculture and with participation of a wide cross-section of stakeholders, which ensured that the COSOP was aligned with national development policies. Although the 2013 COSOP formulation preceded the ADS 2015-2035, the priorities of the COSOP reflect a solid alignment with its main thrusts: poverty reduction, food and nutrition security, higher and more equitable income for rural households, fostering diversification, facilitating access to credit, and enabling access to markets.
293. **The 2013 COSOP addressed in part the key strategic recommendation of the previous CSPE on rural development and poverty reduction approaches.** The first CSPE 2012 recommendation was on the two-pronged approach: (i) develop commercial agriculture and profitable small and medium-sized enterprises; and (ii) focus on basic needs in remote communities with difficult market access. In reality, the CSPE COSOP elaborated on the first prong and emphasized inclusiveness of disadvantaged groups. The aspect of remoteness and the entry point of basic needs and infrastructure were underplayed, with no new initiatives in that direction.
294. On recommendation 2, on factoring in the conflict dimension and its impact in programming, the COSOP articulation was vague on what was needed for IFAD to work effectively in a conflict situation. On recommendation 3, relating to

- strengthening the link between the policy dialogue agenda in strategy (COSOP) and portfolio programmes, the COSOP showed good intention to bring portfolio experience to a higher-level policy discussion. However, IFAD did not follow a clear plan on how to cooperate with the Government and other international or local institutions in policy dialogue.
295. On recommendation 5, on addressing disadvantaged groups, IFAD's programme promoted inclusive and resilient growth in rural areas through a targeted approach. On recommendation 6, on measuring and communicating impact, there have been efforts to conduct outcome/impact surveys and some "opinion polling". Thus, information is available on project effects, although it needs to be triangulated and interpreted with caution. What is not available is an M&E system at the country programme level, which would have required more collaboration between projects and a central repository unit. Recommendation 7, aligning COSOP and PBAS cycle management, was accomplished as the COSOP covered six years (2013-2018) and was fully aligned to two PBAS cycles (IFAD 9 and IFAD 10).
296. **The 2013 COSOP maintained focus on the inclusion of poor and disadvantages groups such as Dalit, Janajati and women.** The 2013 COSOP and the ensuing projects maintained attention to social targeting, typically through project subcomponents that emphasized commodities or economic activities which could be viable for marginalized groups. However, the entry point was agricultural commercialization and connectivity with value chains. SRERP fully manifests this new orientation and geographic coverage with activities concentrated along major transport routes in Provinces 1 and 2, which has some of the highest malnutrition and poverty incidence statistics.
297. **On the other hand, the COSOP de-emphasized serving more remote areas and with community-based approaches focusing on basic needs and services as the entry point.** What tended to disappear, after PAFP-II, was the attention to areas that are more distant from the road networks, such as communities in the mountains and the traditional area-based poverty alleviation responding to basic needs and services and food security. In geo-agroecologic terms, this meant concentrating more on the mid-hills rather than mountains, although this CSPE recognizes that such concentration tended to happen in Province 5 and 6, where there is clear concentration of poverty. This also generated a vacuum after projects of the "traditional generation". For instance, in the case of projects that had successfully worked on improving living conditions and economic potential of poor and remote areas (LFLP, WUPAP, PAFP-II), there was no follow-up project that could bring these improvements to bear through more market-oriented approaches.
298. **While the 2013 COSOP was prepared before federalization, the latter is likely to challenge the *modus operandi* of IFAD and other development organizations.** In Nepal, federalization has started a centrifugal momentum, which will intensify in coming years. IFAD's current strategy as well as project design and implementation, are driven by a centrally guided mindset, as has been the case for most development agencies. The assimilation of implementation mechanisms with provincial and local governments is still cursory.
299. As already argued in this report, the COSOP presented objectives for non-lending activities and provided some measures to manage the programme in a more holistic manner. However, this would have required far more resources, notably human resources in the Country Office but also more corporate collaboration, which were not forthcoming.
300. Overall, strategic relevance of the COSOP is assessed as moderately satisfactory (4). The strategy was successful and aligned with the national strategy on agricultural modernization while keeping attention to social targeting and inclusion. The 2013 COSOP was silent on the proposed prong 2 of the previous CSPE and on

how to follow-up on previous successful projects in these areas. Moving forward, the strategy will be challenged by the introduction of federalization.

B. Effectiveness

301. The COSOP's main goal and the three supporting strategic objectives represent IFAD's response to the central challenges for rural development in Nepal, which is to promote inclusive and resilient growth in rural areas and to facilitate the transformation of a subsistence-based rural economy into a sustainable market-driven sector.
302. As already noted, the portfolio contains several cohorts of projects. Only the older cohort projects, elaborated under COSOP 2000 (WUPAP, LFLP) and the middle-cohort projects under COSOP 2006 (PAFP-II, HVAP, KUBK) can be fully evaluated. The three projects elaborated after 2013 (ASHA Project, SRERP, ASDP) will be fully evaluable only in the future.
303. **In assessing the COSOP results, it is noted that the 2013 COSOP was not built on an explicit theory of change**, articulating inputs, outputs, with mid-term and longer-term outcomes and detailing key assumptions. The main point of the COSOP was to reaffirm IFAD's commitment to support the Government and its rural poverty reduction strategies, with an enhanced focus on commercialization of agriculture, and to express a renovated thrust regarding environmental protection and resilience to climate change.
304. A succinct schematic representation of COSOP 2013 objectives is in Annex VII.¹⁵⁰ The three strategic objectives – SO1 Promote income diversification and stimulate employment; SO2 Strengthen food security and resilience to climatic and other risks; and SO3 Promote inclusive, accountable and sustainable rural institutions – are inter-connected. SO3 can be interpreted as the foundation to support the other two. Indeed, all projects have promoted SO3 as their fundamental pillar, and synergies at this level have been strong between the strategic objectives.
305. Regarding SO2, all projects have supported food security, mostly in an indirect manner, through positive income effects. While older-cohort projects directly supported the yield increase of staple crops and basic income generation activities, recent projects contributed to food and nutrition security, mostly as an effect of the increase in household income. However, activities such as savings and credit groups or goat-keeping are known to provide a source of cash that can be mobilized for investment purposes, to buy food, or to face any household emergencies. In addition, within SO2, natural resource management and climate resilience have been at the core of two projects, LFLP and ASHA Project. From ASHA Project, synergies were expected with other projects; however, at the time of the CSPE main mission, opportunities for collaboration had been considered but not yet materialized.
306. SO1 applies fully to SRERP's initial focus on rural enterprise development as diversification away from agricultural production and a source of new jobs. However, projects such as HVAP and KUBK have also promoted some diversification of revenues within agricultural production. The diversification was from products with lower market value (e.g. subsistence crops, local livestock breeds) to higher-value crops and livestock and animal products.

Strategic Objective 1. Promoting rural income diversification and stimulating employment

¹⁵⁰ Rather than construing ex post a fully fledged theory of change (with the risk of generating an artificial representation), this CSPE simply proposes a mapping of strategic objective, highlighting linkages between projects, operational and policy outcomes, strategic objectives, ultimate goals and underlying assumptions

307. **Transition towards higher-value crops, agricultural value addition and market access.** The portfolio promoted increased productivity of high-value agricultural crops, seed and livestock, and improved delivery of support services.¹⁵¹ In addition, HVAP has promoted linkages between small-scale producers with aggregators, processors and exporters. Specific subcomponents were dedicated to women and marginalized groups such as Dalit and Janajati, who were included in project activities although they tended to benefit less than other project clients (Chapter III-*Impact*).
308. Progress in commercialization has been less strong for livestock, notably goats, where projects such as KUBK have mostly worked on breeding of Boer goats. Local traders continue to be the main buyers, although local government is also emerging in the purchase of livestock. Other development partners, such as Heifers International, have tested approaches such as contracts between groups of producers and abattoirs; or giving to cooperatives of goat producers the management of abattoirs. It will be important for IFAD and the Government to review these experiences. KUBK has promoted community breeding of improved goats as opposed to the traditional breeding in public research stations. Avoiding inbreeding is now a top priority; otherwise improved traits will soon be lost.
309. **Projects recorded a generally upward trend in household incomes and net assets of beneficiaries, which also confirms the rationale and appropriateness of SO1.** The increase was significant for groups engaged in producing seed, raising livestock, as well as those involved in enhanced value chains. Increased access to reasonably priced credit reduced indebtedness to moneylenders. In HVAP the impact assessment report recorded a 37 per cent increase in household incomes driven by increases in crop production (50 per cent) and livestock income (93 per cent). KUBK seed producers and the livestock keepers recorded income increases as well. The project monitoring and completion reports confirm that interventions in leasehold forestry, seed production and small livestock provided positive impetus to strengthen agriculture's role in the rural economy.

Strategic Objective 2. *Strengthening food security and resilience to climatic and other risks*

310. **Project interventions have contributed to an increase in crop and livestock productivity and incomes, which exerted a positive impact on food availability.** This objective reinforced the primary role of agriculture in ensuring food security and nutrition, and at the same time reducing vulnerabilities of the small and marginal farmers. For example, RIMS surveys in WUPAP areas showed increases in crop yields (69 per cent of households surveyed), cropping intensity (67 per cent of households) and in livestock herd size (86 per cent of households). The promotion of the leasehold forestry approach by LFLP had significant impacts on natural resource regeneration, production of forage, and biodiversity. On the other hand, data available on HVAP show a very small difference (around 1 per cent), albeit statistically significant between treatment and comparison groups, suggesting that shifting to cash crops and value chain linkages had not helped increase diet diversity.

Strategic Objective 3. *Promoting inclusive, accountable and sustainable rural institutions*

311. Projects across the board supported the promotion and strengthening of community organizations for savings and credit, with varying degrees of sustainability. The community organizations that were able to consolidate into cooperatives had access to further financing, from rural banks and government

¹⁵¹ According to the COSOP Results Report 2018, Annex I COSOP results management framework, three projects completed during the current COSOP period (HVAP, LFLP, WUPAP) and the three ongoing projects have benefited 2.21 million people against the target of 1.92 million

- initiatives. WUPAP facilitated access to financial resources by poor villagers, including women and marginalized groups, by strengthening organizations at community level. However, a lack of engagement of and coordination with district and local governments constrained their involvement and ownership.
312. LFLP helped consolidate the institutionalization of leasehold forestry through the establishment of a Leasehold Forestry Division within the Department of Forest. Leasehold forestry is now part of the range of approaches to reforestation adopted by the Government of Nepal, although it represents only 0.7 per cent of total forested areas of Nepal (with plans to increase it to 1.5 per cent by 2025).
 313. HVAP and KUBK have introduced institutional approaches to make the governance of value chains more inclusive. Specifically, they have established multistakeholder platforms, which can help build trust among the different stakeholders and enable them to agree on prices and some forms of contract farming. So far, these platforms have consisted of a single annual meeting and there is not yet sign of an evolution to more regular exchanges. However, the approach has attracted the interest of the District Chambers of Commerce, which may turn the platforms into a more regular exchange board.
 314. KUBK in the seed subsector has facilitated the stipulation of contracts between groups of producers with agribusiness. These have helped set floor prices for small producers. However, these agreements were tied to large grants from the project to agribusinesses and had a duration of only three years. There is no clarity on what will happen after project closure.
 315. IFAD's engagement in non-lending activities was explicitly foreseen as an instrument to achieve all three SOs. A key assumption was that arrangements would be devised to escalate project experience to a higher decision-making level. **The performance of non-lending activities improved compared to the previous CSPE, thanks to initiatives funded by projects. However, they have been undercut by several limiting factors:** (i) federalization, with its consequential structural changes; (ii) IFAD's limited country presence, with one resident person; (iii) unclearly defined lines of responsibility in IFAD (between the CPM, Country Office and projects) for pursuing non-lending activities; and (iv) the regional and global nature of grants, which did not help strong linkages with the portfolio to be forged.

B.1 Non-lending activities

316. In knowledge management and sharing, selected projects (HVAP, PAFP-II, ISFP) demonstrated a step-up of efforts in generation of knowledge and information products. In this pursuit, the corporate-level support and guidance by the Country Office was low. Efforts and contributions were ad hoc and minimal in building a regional or corporate knowledge repository.
317. On the partnership front, responsive partnership was maintained with the federal government. At the subnational level (States and Palikas), relationships were works in progress. With other development agencies (World Bank, SDC, SNV) there has been some cofinancing. Partnerships with the UN system were minimal. With the private sector, a beginning of partnership was initiated through contract-farming agreements. Partnerships have been sufficient to support the implementation of the portfolio so far but lacked depth to foster a strategic agenda for policy influence.
318. On the policy engagement front, past and recently completed projects managed to provide input to national policy-level discussion, such as in leasehold forestry (LFLP informing the 2019 Forestry Policy) and the adoption of the HVAP model as a "flagship project" for value chain development. As efforts in policy engagement at a strategic level generally remained ad hoc in the absence of any specific agenda, there was no visible effort to articulate analytical issues and products for

prospective discussion in policy forums. Policy engagement was relegated to a much lower priority due to other pressing implementation issues during the period, including limited time and resources available to engage in and contribute to policy level forums.

319. **While the 2013 COSOP envisaged a central coordination unit for country programme management, this could not be accomplished**, since the projects were under the responsibility of different ministries.¹⁵² Instead, events to exchange information between project directors are organized several times in a year. However, it is not clear that these meetings have a structured agenda tied to agreed objectives. There have been cases of spillover effects of experiences from one project to another (e.g., MSPs from HVAP to KUBK/ISFP) and these have been facilitated by IFAD's supervision missions and MTRs. However, this CSPE found little evidence of synergies between the projects in the form of collaborating in the same geographic area, or on the same topic. This is an area for future attention. The total effect of the interplay among projects can have a larger impact on the rural sector, subnational governments and subsequently on policies.
320. Overall, COSOP effectiveness is assessed as moderately satisfactory (4), considering the reasonable realization of strategies through projects and programmes, despite the special circumstances in the country and IFAD's weak country presence. In addition, the moderate performance of the non-lending agenda requires attention. Positive trends in social indicators on rural poverty, productivity and income were recorded in spite of the uncertain and changing development administration and management landscape in the country.
321. Overall COSOP performance is assessed as moderately satisfactory (4).

Key points

- The 2013 COSOP was developed in a participatory manner. It gave continuity to the previous COSOP's shift to address the challenges of agricultural and rural transformation in Nepal from subsistence-based to a sustainable market-driven productive sector that generates equitable benefits. The shift towards commercial agriculture did not compromise social targeting but de-emphasized geographic targeting to remote areas and the provision of basic infrastructure and services to communities and areas that are not yet ready for market-oriented approaches but could be prepared for it in a longer-term perspective. The traditional way of working, for IFAD and other development agencies in Nepal, is not fit for the federal system.
- The loan portfolio propelled improvements in income diversification of beneficiary households and market access. It gave a small but important contribution to reversing the decline of agriculture as a sustainable livelihood in the project areas. Non-lending activities were foreseen as an instrument to achieve the strategic objectives. They were in fact under-resourced, although selected project-backed initiatives were successful.

¹⁵² The model for the central coordination unit was taken from other countries, such as Azerbaijan, Madagascar and Moldova, where all projects are under the umbrella of the same ministry. This is not the case for Nepal.

VII. Conclusions and recommendations

A. Conclusions

322. **This CSPE finds that the overall programme effectiveness and impacts on rural poverty have improved, compared to the previous CSPE in Nepal,** thanks to the better performance of “older generation” projects (WUPAP, LFLP) during in their latest years of implementation, as well as satisfactory performance and results of “middle generation” projects (PAFP-II, HVAP, KUBK). The performance and results of “new generation” projects (SRERP, ASHA Project, ASDP) cannot be fully assessed at this stage. While insurgency was a constraint in the period covered by the previous COSOP, and it was not during the current COSOP period, in the recent years there have been major shocks, such as the 2015 earthquake and the introduction of a federal system. Thus, better performance and results can be largely attributed to better performance of the governmental agencies, better implementation support by IFAD, and increased capacity and maturity of community and producer groups.
323. **The progressive emphasis on high-value products and inclusive commercialization of agriculture has been relevant to the context of rural poverty in Nepal and to national strategies and initiatives.** In the past three decades, farm fragmentation and low productivity of staple crops have put in peril the economic viability of traditional farming systems. This has contributed to massive emigration from rural areas in Nepal and, in turn, created a problem of male labour scarcity. The IFAD-funded programme emphasis on higher-value products, such as spices, off-season vegetables, fruits, seeds and improved goats, are examples of the emphasis towards increasing the value of farm production and its profitability. This is also in line with the strategic shift of the latest five-year plans and the ADS.
324. In the midst of the new emphasis, attention was kept to social targeting, with specific provisions for the poorest groups. The other distinctive element of the projects was empowerment and enabling the representation of farmer representatives from community groups, producer groups and women’s groups through their associations, cooperatives or apex organizations, to enhance local governance (one of the four intended outcomes of the ADS, alongside higher productivity, profitable commercialization and increased competitiveness).
325. However, in selected projects, certain implementation practices could be detrimental to the outreach to very poor groups. This is the case of the pre-financing requirements for beneficiaries (ASHA Project, KUBK): given that very poor people typically face severe cash constraints, this can erect a barrier to their participation.
326. **Linking small-scale farmers with value chains was important to enhance their economic opportunities, and the IFAD-funded programme has made significant progress.** It has improved farmers’ access to markets, including international markets (in line with the ADS emphasis on commercialization of agriculture and promotion of exports) but also transparency of contracting, and stability and predictability of prices. Value chain linkages have been supported for cash crops, seeds, to some extent milk and less so for small ruminants where interventions have concentrated on the production side.
327. Interventions on value chain governance are still at an early stage but have generated interest in the District Chambers of Commerce. They have also promoted the engagement of private sector actors such as aggregators, traders, agribusinesses and processors. In the case of cereal seed commodities, this CSPE raises questions on establishing producer-buyer linkages that are based on large subsidies provided to selected agribusinesses, particularly when these are not (yet) reflected in a long-term engagement to cooperate with small-scale producers.

328. **The IFAD-funded programme also recorded positive experiences in traditional community-based and integrated rural development in more remote areas. These are at risk of being neglected.** In the period covered by this CSPE, there has been a concentration of interventions in the mid-hills of Provinces 5 and 6, with the exception of SRERP (active in Provinces 1 and 2). While these are areas of poverty concentration, projects have focused on sites that are relatively better served by major road nodes.
329. While geographic concentration contributes to better portfolio management, older cohorts of IFAD-funded projects (e.g. WUPAP, LFLP, PAFP-II) were successful in areas that are distant from road networks. These projects focused on basic services and infrastructure, empowerment of communities and, in some cases, leasehold forestry to restore degraded lands. Such approaches in marginal areas were effective at creating basic welfare and production conditions, which could have been built upon through more market-oriented approaches. However, this opportunity was not actively pursued and this traditional approach has faded away from the portfolio since the completion of PAFP-II.
330. **So far, evidence is not sufficient to assess the effectiveness of other areas of COSOP 2013 coverage, such as climate change adaptation and rural enterprise development.** A new area of emphasis was climate change adaptation, to which an individual project (ASHA Project) was fully dedicated. Emphasis on this area was well justified and the project has incentivized the preparation of ward-level LAPAs and attracted the attention of some Palikas, which may lead to cofunding opportunities. Yet, it is not yet clear whether having a single dedicated project was an optimal solution. The project has supported discrete activities, mainly geared towards production (not unique in the portfolio), rather than integrated adaptation initiatives. From an efficiency perspective, a separate project entails additional management costs, as well as intensive and costly support to start up.
331. Moreover, with SRERP, the portfolio sought to support rural enterprise development, combined with remittances and migration. The project design was holistic and ambitious, and included topics such as counselling for families of migrants, an important and frequently overlooked need. At the same time, the design was complex and required revisiting. In the end it veered towards agricultural value change support. Given the implementation status, it is too early to conclude whether it was an effective area of support.
332. **There is a contrast between the results achieved so far and the implementation delays and challenges faced by the most recent projects.** At the time of this CSPE, the implementation delays and the need to restructure projects from the most recent generations (ASHA Project and SRERP) have been in the limelight. Clearly, there were challenges in working in rural Nepal with isolated communities and underdeveloped infrastructure (notably roads and potable water). At the same time, there were also design gaps, such as design complexity and under-estimation of local staffing requirements. Reliance on consultants to lead the design and non-optimal use of available experiences in Nepal, and limited engagement of the national counterpart in validating technical solutions, all contributed to these gaps.
333. **The current strategy, mindset and organizational arrangements of the IFAD-funded programme in Nepal, as well as of several other development agencies, are not adapted for the new federalization system.** The challenge is not only to adapt IFAD project design to the new system, it is also to help develop the capacity of the new system, particularly at the state (Province) and Palika levels, to support to smallholder agriculture, rural poverty reduction and rural transformation. This will increase the number of interactions and transactions that are necessary for design and implementation support. On a positive note,

IFAD is not alone: there are already other international agencies (the Department for International Development (DFID), The United Nations Office for Project Services (UNOPS), the World Bank, the Swiss Cooperation, the European Union) working on capacity development for local governments. However, this requires a more strategic approach to partnerships than has been the case so far.

334. **IFAD's country office in Nepal is under-resourced and has received limited corporate support.** The office has been run by a single but qualified and committed staff member. However, the increasing portfolio size and the number of corporate requests have severely constrained strategic knowledge management and higher-level partnership and policy engagement, nationally and regionally. The IFAD-funded portfolio offers concrete experiences that can help enrich and correct policies related to rural poverty reduction. Project funds and project components have supported selected policy-related activities in the past seven years, but the demand for these is likely to increase. Grant funding could have supported engagement in higher-level knowledge management and policy. However, due to their regional and global nature, grants have been overall loosely connected with the IFAD country programme.

B. Recommendations

335. The below recommendations are formulated in view of the preparation of a new COSOP which will entail consultation between the Government of Nepal, IFAD and other development partners in the country.
336. **Recommendation 1. Support federalization as an integral part of the preparation of the new COSOP and project design.** The new strategy and programme need to focus on supporting the federal system, including the federal, state and local governments but with special emphasis on the latter.
337. The focus should be not only on how to adapt the project architecture (e.g. budgeting, transfer of funds, M&E, fiduciary controls) to the new system, notably state and Palika governments, but also on how to support local governments in promoting rural development, including local infrastructure, extension and advisory services, and economic opportunities. Key strategic challenges are how to help local governments plan, implement and assess development interventions for smallholder farmers and small-scale producers (with priority for poor and marginalized groups).
338. In doing so, IFAD will need to collaborate with other like-minded development agencies, in particular to support the capacity-building for Palikas.
339. **Recommendation 2. Continue the support to value chain development with renewed emphasis on the inclusion of very poor groups.** The continuation of IFAD's support to pro-poor value chain development is well justified, given the good progress made by HVAP, and to some extent KUBK, and the priority of value chains for the ADS 2015-2035. IFAD needs to continue emphasizing the inclusion of poor and very poor small-scale producers (e.g. Dalit, Janajati, women) and youth by making special provision for them in the project design. In particular, the current pre-financing requirements for beneficiaries, which create disincentives for very poor producers, need revisiting.
340. Another priority is to strengthen the consultation forums between value chain stakeholders (e.g. MSPs) so that they can become instruments to improve value chain governance in a more inclusive manner. There is also a need to create incentives for longer-term engagement of private entrepreneurs and agribusinesses, relying less on lump-sum subsidies provided by projects and more on co-investment by agribusinesses and functional upgrading of cooperatives of small-scale producers.
341. **Recommendation 3. Bring back into the spectrum of IFAD funding the support to community development, basic infrastructure and services as a**

- preparatory step for further economic opportunities.** Projects such as WUPAP, LFLP and PAFP-II are testimony to IFAD's experience and overall positive results. In areas where commercialization of agriculture has not yet emerged, working on local infrastructure (e.g. feeder roads, bridges, drinking water), services and functional literacy can create the basis for further economic development. These can be further built upon through a more pronounced market and value chain orientation in a follow-up project phase.
342. While some elements of IFAD "traditional" support can be retained, such as intra-community targeting and empowerment of marginalized groups, group-based financial savings initiatives and fee-based social facilitation, the whole mechanism needs to be adapted to the new federal set-up, with greater involvement of local governments. Moreover, plans need to be prepared for the management and maintenance of infrastructure by the users and with the support of Palikas for major maintenance and rehabilitation.
343. **Recommendation 4. Integrate natural resource management and climate change adaptation in all project designs.** The Government and IFAD can build upon their collaboration experience in leasehold forestry and low external input agriculture. Based on the recent portfolio experience, two items need special attention. First, it may be more effective and efficient to include climate change-proofing elements in all projects, in synergy with agricultural productivity-supporting components, rather than funding a single dedicated project on this topic: this could avoid additional operational and administrative costs. Second, given the portfolio's ubiquitous investment in livestock, the environmental consequences on forests and grasslands need to be monitored systematically.
344. **Recommendation 5. Strengthen partnerships for specialized technical support and for cofinancing.** IFAD should explore further cooperation opportunities with development agencies, NGOs and other development partners that have demonstrated technical experience in crucial portfolio topics (e.g. value chain development, support to decentralization, community-based development). This would enhance the quality and innovativeness of project design and implementation, but also build up opportunities for policy engagement and for scaling-up of results. To facilitate these partnerships, IFAD could use country-specific grants as a funding modality.
345. **Recommendation 6. Enhance portfolio management and implementation preparedness.** The Government and IFAD should take measures to make portfolio management and project design more realistic, knowing that with federalization, interactions with local governments will be more frequent. IFAD could aim to approve a single new project (excluding loans for project top-up) in any given Performance-based Allocation cycle, so as to keep the number of ongoing projects in check. Moreover, at any point of time, the overall portfolio geographical coverage could be restricted to two or three states (Provinces) to avoid dispersion.
346. Project design will require a more proactive role of the Government in the formulation process and in validating the technical proposals. In order to enhance implementation preparedness, IFAD could use its newly introduced instruments for pre-financing project implementation and for building implementation capacity.
347. **Recommendation 7. IFAD should strengthen its Country Office in Nepal and its corporate support to the country programme.** The staffing of the Country Office needs strengthening and, preferably, should have a resident country director.
348. In addition, thematic support from the subregional hub and headquarters, combined with country-specific grants, could help IFAD engage in higher-level knowledge management and policy engagement. These activities need to be highlights, rather than subsidiary points.

Definition of the evaluation criteria used by IOE

| Criteria | Definition * | Mandatory | To be rated |
|--|---|-----------|-------------|
| Rural poverty impact | Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions. | X | Yes |
| | <i>Four impact domains</i> | | |
| | <ul style="list-style-type: none"> Household income and net assets: Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value. The analysis must include an assessment of trends in equality over time. | | No |
| | <ul style="list-style-type: none"> Human and social capital and empowerment: Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, the poor's individual and collective capacity, and in particular, the extent to which specific groups such as youth are included or excluded from the development process. | | No |
| | <ul style="list-style-type: none"> Food security and agricultural productivity: Changes in food security relate to availability, stability, affordability and access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields; nutrition relates to the nutritional value of food and child malnutrition. | | No |
| | <ul style="list-style-type: none"> Institutions and policies: The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor. | | No |
| Project performance | Project performance is an average of the ratings for relevance, effectiveness, efficiency and sustainability of benefits. | X | Yes |
| Relevance | The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design and coherence in achieving its objectives. An assessment should also be made of whether objectives and design address inequality, for example, by assessing the relevance of targeting strategies adopted. | X | Yes |
| Effectiveness | The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance. | X | Yes |
| Efficiency | A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results. | X | Yes |
| Sustainability of benefits | The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life. | X | Yes |
| Other performance criteria | | | |
| Gender equality and women's empowerment | The extent to which IFAD interventions have contributed to better gender equality and women's empowerment, for example, in terms of women's access to and ownership of assets, resources and services; participation in decision making; work load balance and impact on women's incomes, nutrition and livelihoods. | X | Yes |
| Innovation | The extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction. | X | Yes |
| Scaling up | The extent to which IFAD development interventions have been (or are likely to be) scaled up by government authorities, donor organizations, the private sector and others agencies. | X | Yes |
| Environment and natural resources management | The extent to which IFAD development interventions contribute to resilient livelihoods and ecosystems. The focus is on the use and management of the natural environment, including natural resources defined as raw materials used for socio-economic and cultural purposes, and ecosystems and biodiversity - with the goods and services they provide. | X | Yes |
| Adaptation to climate change | The contribution of the project to reducing the negative impacts of climate change through dedicated adaptation or risk reduction measures. | X | Yes |

| <i>Criteria</i> | <i>Definition *</i> | <i>Mandatory</i> | <i>To be rated</i> |
|------------------------------------|--|------------------|--------------------|
| Overall project achievement | This provides an overarching assessment of the intervention, drawing upon the analysis and ratings for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender equality and women's empowerment, innovation, scaling up, as well as environment and natural resources management, and adaptation to climate change. | X | Yes |
| Performance of partners | | | |
| • IFAD | This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle. | X | Yes |
| • Government | | X | Yes |

* These definitions build on the Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) Glossary of Key Terms in Evaluation and Results-Based Management; the Methodological Framework for Project Evaluation agreed with the Evaluation Committee in September 2003; the first edition of the Evaluation Manual discussed with the Evaluation Committee in December 2008; and further discussions with the Evaluation Committee in November 2010 on IOE's evaluation criteria and key questions.

Ratings of IFAD investment portfolio in Nepal^a

| Criteria | WUPAP | LFLP | PAFP-II | HVAP | KUBK/ISFP | SRERP | ASHA Project | ASDP | Overall portfolio |
|--|-------------|------------|------------|------------|------------|-------|--------------|------|-------------------|
| Rural poverty impact | 4 | 5 | 5 | 5 | 4 | | | | 5 |
| Project performance | | | | | | | | | |
| Relevance | 4 | 5 | 5 | 5 | 4 | 4 | 4 | 5 | 4 |
| Effectiveness | 4 | 5 | 5 | 5 | 5 | | | | 5 |
| Efficiency | 3 | 4 | 4 | 4 | 4 | | | | 4 |
| Sustainability of benefits | 4 | 4 | 4 | 4 | 3 | | | | 4 |
| Project performance^b | 3.75 | 4.5 | 4.5 | 4.5 | 4.0 | | | | |
| Other performance criteria | | | | | | | | | |
| Gender equality and women's empowerment | 4 | 5 | 5 | 5 | 5 | | | | 5 |
| Innovation | 5 | 5 | 4 | 5 | 4 | | | | 4 |
| Scaling up | 4 | - | 4 | 5 | 4 | | | | 4 |
| Environment and natural resources management | 5 | 6 | 4 | 4 | 4 | | | | 4 |
| Adaptation to climate change | 5 | 4 | 4 | 4 | 4 | | | | 4 |
| Portfolio performance and results^c | 4 | 5 | 5 | 5 | 4 | | | | 5 |

^a Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

^b Arithmetic average of ratings for relevance, effectiveness, efficiency and sustainability of benefits.

^c This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for rural poverty impact, relevance, effectiveness, efficiency, sustainability of benefits, gender, innovation, scaling up, environment and natural resources management and adaptation to climate change.

Final ratings of the country strategy and programme in Nepal

| | <i>Rating</i> |
|---|---------------|
| Project portfolio performance and results^a | 4 |
| Non-lending activities^b | |
| Country-level policy engagement | 4 |
| Knowledge management | 4 |
| Partnership-building | 4 |
| Overall non-lending activities | 4 |
| Performance of partners | |
| IFAD ^c | 4 |
| Government ^c | 4 |
| Country strategy and programme performance (overall)^d | 4 |
| Relevance | 4 |
| Effectiveness | 4 |

^a Not an arithmetic average of individual project ratings.

^b Not an arithmetic average for knowledge management, partnership-building and country-level policy engagement.

^c Not an arithmetic average of individual project ratings. The rating for partners' performance is not a component of the overall assessment ratings.

^d This is not an arithmetic average of the ratings of relevance and effectiveness of the country and strategy programme and performance. The ratings for relevance and effectiveness take into account the assessment and ratings of portfolio results, non-lending activities and performance of partners but they are not an arithmetic average of these.

CPE 2013 conclusions, recommendations and follow-up

Conclusions of the Country Programme Evaluation 2013

- A. *Post-conflict reality and implications for IFAD.* Nepal's historical heritage and more recent political developments have had a profound influence on IFAD's country programme and the IFAD/Government partnership. After 2006, the political situation has been volatile and governance has further deteriorated.
- B. *Remittances-A major driver for poverty reduction.* Despite Nepal remaining a low-income country with low human development, the country has achieved an impressive reduction of poverty since the 1990's, including rural poverty, largely due to a significant growth in remittances from negligible base to more than 20 per cent of GDP. IFAD did not attempt to reflect on and capture in any way the flow of remittances in its poverty reduction and rural development efforts – something that it might consider doing in future strategies and programmes.
- C. *Gender implications of migration.* While migration from rural villages in hills and mountains used to be seasonal (during the agricultural off-season) it is now more permanent with the men working several years in, for example, the Middle East, leaving it to the women to do the farming. This places additional demands on women's already limited time. The fact that the majority of farmers in many communities nowadays are women has implications for extension services and various support programmes.
- D. *Relevant IFAD strategies.* The strategies and pipelines outlined in the two COSOPs (2000 & 2006) were pursued in a generally satisfactory manner through loan- and grant-financed projects and programmes. At the same time, the ambitious agenda for policy dialogue was not implemented.
- E. *Need to diversify strategy - two-prong approach.* So far, IFAD's strategy in Nepal had put strong emphasis on group formation (Leasehold Forestry User Groups -LFUGs, community organizations, farmer groups) as the main institutional measure to promote rural development and agricultural production. The CPE identified opportunities for supplementing this approach with a rural enterprise-centred one, as there is evidence that some of the groups did in fact transform over time into cooperatives and viable businesses. Such approach would imply investment per enterprise as opposed to past investments in "project groups".
- F. *Limited resources for country programme management.* The non-lending activities were affected by the limited resources for country programme management and a volatile political situation. The country programme was managed by frequently-changing CPMs with only part of their time available to Nepal. With respect to utilization of the three-year PBAs, it was observed with concern that approvals of commitments for utilization of the allocations are obtained in the last months of the PBA periods, potentially putting at risk the quality of decision-making and discouraging development of joint multi-donor programmes.
- G. *Weak but improving portfolio.* The portfolio executed by the government (with the support of IFAD loans and grants) focused on leasehold forestry, integrated rural development for poverty alleviation and, more recently, agricultural commercialization through promotion of high-value agriculture, with rural finance part of the first two areas. IFAD has continued its support to leasehold forestry since then and a second leasehold programme (LFLP) supports formation of groups; distribution of goats, tree saplings and fodder grasses; animal health services; and introduction of savings and credit schemes in the LFUGs. The last one has not made any substantial contribution to creating viable investment opportunities and monetizing the local economy in remote communities, which are needed in order to make rural finance programmes succeed.

For the poverty alleviation projects, implementation was driven by quantitative targets, with less attention given to beneficiary demands and problems. Many targets were achieved but the monitoring systems did not provide data to indicate the livelihood changes obtained from the results. Many beneficiary groups, community organizations, were formed but their sustainability prospects are limited. Agricultural development for most of period evaluated included mainly livestock (goats). Goat distribution was an incentive to form community groups and a welcome addition to the livelihoods of poor farmers. However, it was mainly a one-time occurrence and in most cases did not lead to development of commercial goat farming.

Recommendations**Follow-up****I. Strategic partnership**

1. Develop new partnership paradigm and pipeline based on a two-pronged strategy. The development scene in Nepal's rural areas is characterized by an abundance of project-created beneficiary groups but a shortage of profitable enterprises that create income for the owners/members and employment for the poor. Many development partners, including IFAD, contributed to this situation, based on the broadly accepted paradigm at the time that targeted beneficiaries need to be organised in groups for distribution of project services, goods and resources. Few of the groups developed the cohesion, capital and income stream needed to continue after termination of project support. Nepal's agribusiness and agro-industries are at an infant stage, but rapid urbanisation and neighbouring markets offer opportunities for improving market linkages, including by developing smallholder's linkages with enterprises engaged in various simple (packaging, semiprocessing) and more advanced (processing of agricultural commodities and forest products) activities. This would contribute to creating jobs for landless and nearlandless who will not be able to escape poverty without off-farm income. If priority is given to value chains of high-value crops suited for intensive cultivation (or intensive animal husbandry), it will also generate jobs in small and medium-sized farms. Pilot projects funded by IFAD grants have demonstrated the potential for cultivation, some processing and marketing of selected products (e.g. off-season vegetables) in the hills and mountains close to the road network. IFAD's recent project, HVAP, is designed to follow up on these opportunities but it is still based on the past tradition of promoting hundreds of groups with little prospects of sustainability. Sustainable poverty reduction would also involve the development of business-minded, profitable producers' groups and cooperatives in key value chains accessible to smallholders, as well as the development of partnerships with private service providers, buyers and input suppliers where they are available. Based on PPPs, public sector agencies would be engaged in addressing bottlenecks of a public goods nature (roads, electricity etc.). Projects will take advantage of clusters or growth nodes along the road corridors. A complementary approach should be developed for remote and isolated communities in the mountains and on the hill tops, far from the road network, with limited access to water and poor soils and conditions for agricultural production. Given IFAD's mandate, such communities should not be neglected in the future portfolio and should be helped in increasing food production and improving their livelihoods. Relevant to IFAD's mandate, sector interventions may include leasehold and community forestry, livestock, improvements in food production, commercial production of high-value-to-weight produce for niche markets, such as MAPs and vegetable seeds, and access to water and possibly also energy (e.g. solar units).

The 2013 COSOP directly addressed the first prong of the recommendation (shift to high-value" agriculture, emphasis on commercialization and value chain connectivity). The 2013 COSOP did not address clearly the second prong for more remote and isolated communities, hinging on basic infrastructure and services, food security but also preparing households for more commercial production.

2. *Factoring in the conflict dimension and its impact.* IFAD's essential strategy for Nepal was appropriate for a country defined by institutional fragility, but it underestimated what was required to deliver such a strategy effectively. There is much to gain from focusing the next COSOP on a clear delineation of the exclusionary factors that hamper access of the poor to productive economic activity, and on what is needed for IFAD to work effectively through weak partners to create, and sustain the community institutions that will help the poor move into the socioeconomic mainstream.

The 2013 COSOP, under its section on partnerships, proposed to: (i) open programme development to stronger participation by civil society organizations where they have comparative advantages with a view to improving project responsiveness to the needs of the groups they represent; (ii) provide capacity building where required to sustain performance; involve national and international NGOs with recognized technical knowledge and experience to provide technical assistance to project implementation.

The follow-up of this recommendation can also be seen through the Strategic Objective 3 (promote inclusive, accountable and sustainable rural institution).

| Recommendations | Follow-up |
|---|--|
| II. Policy dialogue | |
| <p>3. <i>Strengthening the link between the policy dialogue agenda in strategy (COSOP) and portfolio (programmes).</i> Given IFAD's limited resources for country programme management and further expected reductions, it is recommended that IFAD and Government jointly identify relevant policy issues in COSOP and embed them within project design and implementation. The lack of comparative advantage in producing analytical work could be easily filled by closer cooperation with many international and local think-tanks, research centres, and universities – possibly through better-targeted grants programme.</p> | <p>The <i>Policy Linkages</i> section of the 2013 COSOP states that IFAD's engagement in policy development would be driven by policy-relevant issues that emerge from project operations. It would primarily consist of facilitating the participation of poor rural people in policy processes by promoting platforms of dialogue at local and national levels, where they can be represented.</p> <p>However, the COSOP does not present a clear plan on how to cooperate with other international or local institutions with better experience in policy dialogue-related issues, as recommended and agreed by the 2013 CPE.</p> |
| III. Operations and programme management | |
| <p>4. <i>Appreciating local context; providing adequate implementation support.</i> There appears to be a disconnection between IFAD corporate policies requiring attention to local context, and actual provisions to make this happen in Nepal. The semi-fragile and volatile Nepalese context does demand resources above the average.</p> | <p>The <i>Programme management</i> section of the 2013 COSOP underlines the need to improve information flow and expenditure reporting, develop computerized accounting, and adequately train project staff. Therefore, a country programme implementation support unit (CPISU) would be established and include a financial officer, who will provide support to project teams in this respect and ensure that adequate, harmonized procedures are implemented throughout the programme.</p> |
| <p>5. <i>Addressing disadvantage: class or caste-based interventions?</i> Nepal's history of identity group exclusion would seem to argue for the creation of groups consisting of the most excluded castes and ethnicities. Group formation should rather be based on a thorough analysis of prevailing economic and social conditions and on an identification of the various categories of poor, and project support should be geared towards facilitating inclusion. When supporting value chain and rural enterprise development, projects may also provide support to other value chain stakeholders (such as entrepreneurs and less poor farmers) provided this in turn brings increased benefits to smallholders.</p> | <p>The 2013 COSOP addressed disadvantage through the <i>strategic goal</i> in which IFAD's programme would promote inclusive and resilient growth in rural areas through a three-pronged approach aimed at: (i) stimulating income diversification and productive employment by promoting a range of economic opportunities that can bring equitable benefits to diverse socio-economic categories in both the agriculture and off-farm sectors; (ii) reducing the vulnerability of poor rural people to climate and other shocks to unleash their investment in market oriented activities; and (iii) strengthening rural institutions so they can deliver accountable and inclusive services to on- and off-farm producers</p> |
| <p>6. <i>Measuring and communicating impact.</i> Two important evaluation techniques that deserve wider use in the coming COSOP cycle are case studies of outcomes (encompassing both successes and failures), and opinion polling (perhaps the most objective way to measure the extent to which institutions are achieving popular legitimacy).</p> | <p>A participatory process begun in 2012 to set up a country programme M&E/knowledge management system that would allow for regular programme monitoring by: (i) measuring programme performance against the COSOP results management framework; (ii) providing project stakeholders, the Government and IFAD with data and analyses aiming at improving programme performance; and (iii) documenting good practices with a view to contributing to the formulation of national pro-poor rural policies and to scaling up.</p> |
| <p>7. <i>Aligning COSOP and PBA cycle management.</i> Due to the political uncertainties, it is recommended that IFAD and Government prepare the COSOP to cover two 3-year performance-based allocations (PBAs) according to IFAD's funding cycle.</p> | <p>The COSOP covered six years (2013-2018) and was aligned to two PBAS cycles (IFAD 9 and IFAD 10).</p> |

IFAD-financed investment projects in Nepal¹⁵⁴

| Project ID | Name | Project Type | Approval date | Date of Effectiveness | Date of Completion | Date of Closing | IFAD Financing (In million US\$) | IFAD Total (In million US\$) | Government Financing (In million US\$) | Co-Financing (In million US\$) | Beneficiary (In million US\$) | Total (In million US\$) |
|------------|--|-------------------------------|---------------|-----------------------|--------------------|-----------------|----------------------------------|------------------------------|--|---|-------------------------------|-------------------------|
| 110000010 | Integrated rural development project | Rural development | 12/12/1978 | 01/11/1979 | 30/06/1988 | 31/12/1988 | 11.53 | 11.53 | 2.63 | 12.27 (ADB) 3.09 (EU) | - | 29.53 |
| 110000057 | Small farmer development project | Credit and Financial Services | 05/12/1980 | 10/07/1981 | 30/06/1987 | 31/12/1987 | 10.7 (Loan) 1 (Grant) | 11.7 | 2.6 | - | - | 14.3 |
| 110000082 | Command area development project | Irrigation | 17/12/1981 | 01/10/1982 | 31/03/1989 | 30/09/1989 | 6.9 (Loan) | 6.9 | 4.9 | 11.7 (ADB) 1.22 (UNDP) | - | 24.84 |
| 110000166 | Second small farmer development project | Credit and Financial Services | 02/04/1985 | 03/03/1986 | 30/06/1990 | 30/06/1991 | 14.4 (Loan) 0.05 (Grant) | 14.52 | 5.9 | 4 (GIZ) | - | 24.42 |
| 110000191 | Aquaculture development project | Fisheries | 18/09/1986 | 15/10/1987 | 31/12/1991 | 31/12/1992 | 0.74 | 0.74 | 6.04 | 11 (ADB) 0.96 (UNDP) | - | 18.74 |
| 110000208 | Production credit for rural women project | Credit and Financial Services | 10/09/1987 | 30/11/1988 | 30/06/1997 | 31/12/1997 | 6.0 (Loan) | 6.0 | 2.02 | 0.3 (Finland) 2.7 (UNICEF) 0.3 (Voluntary agencies) | - | 11.33 |
| 110000250 | Hill leasehold and forestry and forage development project | Rural Development | 07/12/1989 | 18/02/1991 | 30/06/2003 | 31/12/2003 | 7.8 (Loan) | 7.8 | 2.7 | 3.3 (Netherlands) | 1.5 | 15.3 |
| 110000352 | Groundwater irrigation and flood rehabilitation project | Irrigation | 19/04/1994 | 01/11/1994 | 30/06/2001 | 31/12/2001 | 9.8 (Loan) | 9.8 | 0.56 | 0.476 (Dom. Financial Inst.) 0.16 (Netherlands) 1.8 (WFP) | 0.24 | 13.2 |
| 1100001030 | Poverty alleviation project in western Terai | Agricultural Development | 11/09/1997 | 10/03/1998 | 15/07/2005 | 31/12/2005 | 8.8 (Loan) | 8.86 | 0.44 | 0.079 (Other dom.) | 0.34 | 9.7 |
| 1100001119 | Western uplands poverty alleviation project | Agricultural Development | 06/12/2001 | 01/01/2003 | 30/09/2016 | 31/03/2017 | 19.9 (Loan) 0.36 (Grant) | 20.2 | 5.9 (National) 2.2 (Local) | 4.02 (WFP) 0.036 (Local pvt. sector) | 0.078 | 32.5 |

¹⁵⁴ According to IFAD database (Oracle Business Intelligence). The financial figures are basically those planned, and for closed projects, they may not necessarily reflect the actual data.

| Project ID | Name | Project Type | Approval date | Date of Effectiveness | Date of Completion | Date of Closing | IFAD Financing (In million US\$) | IFAD Total (In million US\$) | Government Financing (In million US\$) | Co-Financing (In million US\$) | Beneficiary (In million US\$) | Total (In million US\$) |
|------------|--|-------------------------------|---------------|-----------------------|--------------------|-----------------|---|------------------------------|--|---|-------------------------------|-------------------------|
| 1100001285 | Leasehold forestry and livestock programme | Agricultural Development | 02/12/2004 | 07/09/2005 | 31/12/2014 | 30/06/2015 | 10.48 (Loan) 1.2 (Grant) 1.49 (Addl. Loan DSF) 1.48 (DSF Grant) | 14.7 | 1.04 0.2 (Addl. financing) | - | 0.013 | 15.96 |
| 1100001450 | Poverty Alleviation Fund Project II | Rural Development | 13/12/2007 | 31/07/2008 | 31/12/2018 | 30/06/2019 | 4 (DSF grant) 5.01 (DSF grant addl.) | 9.01 | 10.8 | 179.99 (World Bank) | 14.38 | 213.508 |
| 1100001471 | High value agricultural project in hill and mountain areas | Rural Development | 17/12/2009 | 05/07/2010 | 30/09/2018 | 31/03/2019 | 7.6 (Loan) 7.6 (DSF grant) | 15.2 | 1.72 | 6.07 (Local pvt. sector) 0.69 (SNV Netherlands) | 0.561 | 18.87 |
| 1100001602 | Kisankalagi Unnat Biu-Bijan Karyakram | Agricultural Development | 21/09/2012 | 02/12/2012 | 31/12/2019 | 30/06/2020 | 14.5 (DSF Loan) 14.5 (DSF Grant) 5 (Addl. Loan) 10 (Planned in 2019) | 44 | 7.93 | 2.5 (Heifer International) | 10.94 | 65.4 |
| 1100001723 | Adaptation of Smallholders in Hilly Areas Project | Rural Development | 13/09/2014 | 26/02/2015 | 31/03/2021 | 30/09/2021 | 14.99 (ASAP) 10 (DSF grant) | 24.99 | 6.6 | - | 5.9 | 37.6 |
| 1100001724 | Samriddhi-Rural Enterprises and Remittances Programme | Credit and Financial Services | 22/04/2015 | 10/12/2015 | 31/12/2022 | 30/06/2023 | 16.8 (DSF Grant) 21.8 (Loan) | 38.6 | 9.1 | 13.7 (Local pvt sector) | 6.6 | 68.14 |
| 2000001418 | Agriculture Sector Development Programme | Marketing/Storage/Processing | 11/12/2017 | 04/06/2018 | 30/06/2024 | 31/12/2024 | 38.2 (Loan) 1.8 (Grant) | 40 | 11.4 | 3 (SDC) 3.4 (Local pvt. sector) 3.44 (Other domestic) | 6.6 | 68 |

* Discrepancies between Total cost and IFAD, Co-financing, Government and other domestic financing funding due to rounding
Source: IFAD GRIPS 2019

IFAD-funded grants covering Nepal approved after 2013

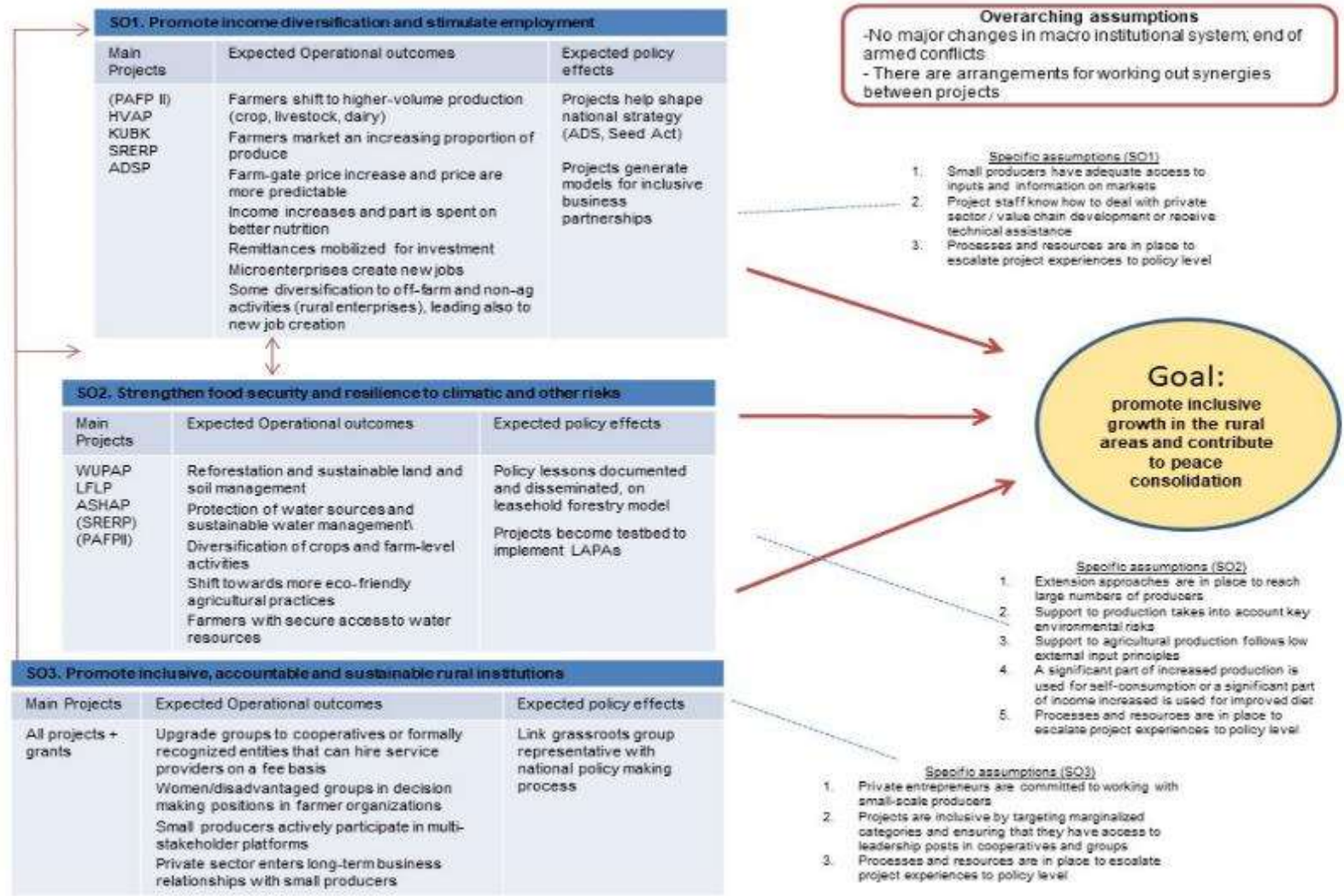
IFAD-financed grants in Nepal selected for CSPE review (2013-2018)

| Grant ID | Name | Type of grant | Countries included | Date of effectiveness | Date of closing | Amount in US\$ | Recipient |
|------------|---|---------------|---|-----------------------|-----------------|----------------|--|
| 1000004382 | Enhancing the Access Of Poor Rural People To Sustainable Financial Services Through Policy Dialogue, Capacity Building And Knowledge Sharing In Rural Finance | GLRG | Myanmar, Nepal, Cambodia and Bangladesh | 21/01/2013 | 30/09/2016 | 1,100,000 | Asia-Pacific Rural and Agricultural Credit Association |
| 2000000120 | Promoting Improved Policies In Favour Of Family Farming In Developing Countries | GLRG | Burkina Faso, Côte d'Ivoire, Ecuador, Philippines, Colombia Gambia, Burundi, Costa Rica, Nicaragua, Indonesia, Nepal | 14/08/2013 | 14/11/2015 | 500,000 | Asociación Para el Desarrollo Foro Rural Mundial |
| 2000000074 | Medium Term Cooperation Programme With Farmer's Organizations In Asia And The Pacific Region Phase Ii | GLRG | China, Philippines, Solomon Islands, India, Cambodia, Myanmar, Timor-Leste, Vanuatu, Lao People's Democratic Republic, Sri Lanka, Fiji, Samoa, Tonga, Vietnam, Bangladesh, Nepal, Thailand, Indonesia | 04/09/2013 | 31/12/2019 | 2,000,000 | Asian Farmers' Association for Sustainable Rural Development (AFA) |
| 2000000045 | IFAD Support To The Process Of The United Nations World Conference On Indigenous Peoples | GLRG | El Salvador, Paraguay, Myanmar, Tanzania, Nepal | 02/10/2013 | 31/08/2018 | 900,000 | International Work Group for Indigenous Affairs |
| 2000000102 | Improving Livelihoods And Enhancing Resilience Of The Rural Poor In The Hindu Kush Himalayas To Environmental And Socio Economic Changes | GLRG | Nepal, Myanmar, Bangladesh, India | 17/03/2014 | 31/10/2017 | 1,200,000 | International Centre on Integrated Mountain Development |
| 2000000270 | Strengthening Knowledge Sharing On Innovation Using The Learning Route Methodology | GLRG | Cambodia, Nepal, Vietnam, Bangladesh, Lao, Thailand | 23/06/2014 | 31/12/2016 | 1,000,000 | PROCASUR |
| 2000001091 | The Story Behind the Numbers, Knowledge from The Field | GLRG | Fiji, Sierra Leone, Vietnam, Rwanda, United Republic of Tanzania, Niger, Nepal, Thailand, Uganda, Mozambique, India, Philippines Costa Rica, Brazil, Kenya, Madagascar Bhutan | 21/03/2016 | 30/06/2019 | 1,500,000 | Technical Centre for Agricultural and Rural Co-Operation ACP-EU |

| <i>Grant ID</i> | <i>Name</i> | <i>Type of grant</i> | <i>Countries included</i> | <i>Date of effectiveness</i> | <i>Date of closing</i> | <i>Amount in US\$</i> | <i>Recipient</i> |
|-----------------|--|----------------------|---|------------------------------|------------------------|-----------------------|---|
| 2000001363 | Strengthening The Role Of SAARC In The Sustainable Intensification Of Agriculture In South Asia | GLRG | Afghanistan, Nepal, India, Bangladesh, Maldives, Afghanistan, Sri Lanka, Pakistan, Bhutan | 19/05/2016 | 31/10/2017 | 100,000 | South Asia Watch on Trade, Economics and Environment |
| 2000001112 | Enhancing Food And Nutritional Security, And Improved Livelihoods Through Intensification Of Rice Fallow System With Pulse Crops In South Asia | GLRG | India, Nepal and Bangladesh | 23/05/2016 | 30/09/2020 | 2,500,000 | International Center for Agricultural Research in the Dry Areas |
| 2000001678 | Impact Assessment Of Technological Innovation And Dissemination Under Consortium For Unfavourable Rice Environments | GLRG | Nepal, Vietnam, Philippines | 08/01/2018 | 08/01/2020 | 495,000 | Virginia Polytechnic Institute and State University |
| 2000001629 | Use of Genetic Diversity & Evolutionary Plant Breeding for Farmer Resilience to Climate change, Crop Productivity & Nutrition | GLRG | Bhutan, Iran, Uganda, Jordan, Ethiopia, Nepal | 18/05/2018 | 31/12/2022 | 3,500,000 | Bioversity International |
| 2000002006 | International Symposium On Transitioning Shifting Cultivation To Climate Resilient Farming Systems | GLRG | Nepal, Lao, India, Cambodia, Myanmar, Bhutan, Vietnam and Bangladesh | 14/01/2019 | 01/01/2020 | 125,000 | International Centre on Integrated Mountain Development |
| 2000001968 | Consortium For Scaling Up Climate Smart Agriculture In South Asia | GLRG | Bangladesh, India and Nepal | 31/01/2019 | 25/10/2022 | 1,500,000 | SAARC Agriculture Centre |
| 2000002365 | Sustainable Rural Development for The Asian Pacific Farmers' Programme | GLRG | Samoa, Thailand, Myanmar, China, Vanuatu, Mongolia, Bhutan, Sri Lanka, Malaysia, Fiji, Cook Islands, Pakistan, Indonesia, Afghanistan, Lao PDR, Papua New Guinea, Solomon Islands, Maldives, Tajikistan, Timor-Leste, Kyrgyzstan, Cambodia, Tonga, Nepal, Philippines, India, Vietnam, Bangladesh | 09/07/2019 | 28/06/2023 | 3,000,000 | Asian Farmers' Association for Sustainable Rural Development |

Source: IFAD GRIPS 2019; Grant documents

Mapping of the 2013 COSOP Framework and Key Assumptions



Satellite images

Data Selection

In order to find a reliable source of information for both the 2019 and 2013/2014, the Landsat Mission was chosen.

Since Landsat 8 mission started in 2013, as shown in Figure 1, it was possible to use data coming from this satellite.

Figure 1

Landsat missions



After having selected the data source, we performed a research on all available images that are not affected by the cloud-cover/cloud-shadow effect and that represents with a good approximation the same situation of the terrain.

In Figure 2 the distribution of the Points of Interest (POI) is shown inside the National Boundaries while in Figure 3 are represented the footprints of the Landsat frames that are needed to cover the entire area.

The final selected images are:

2013/2014

- LC08_L1TP_143040_20140409_20170424_01_T1
- LC08_L1TP_144040_20130413_20170505_01_T1

2019

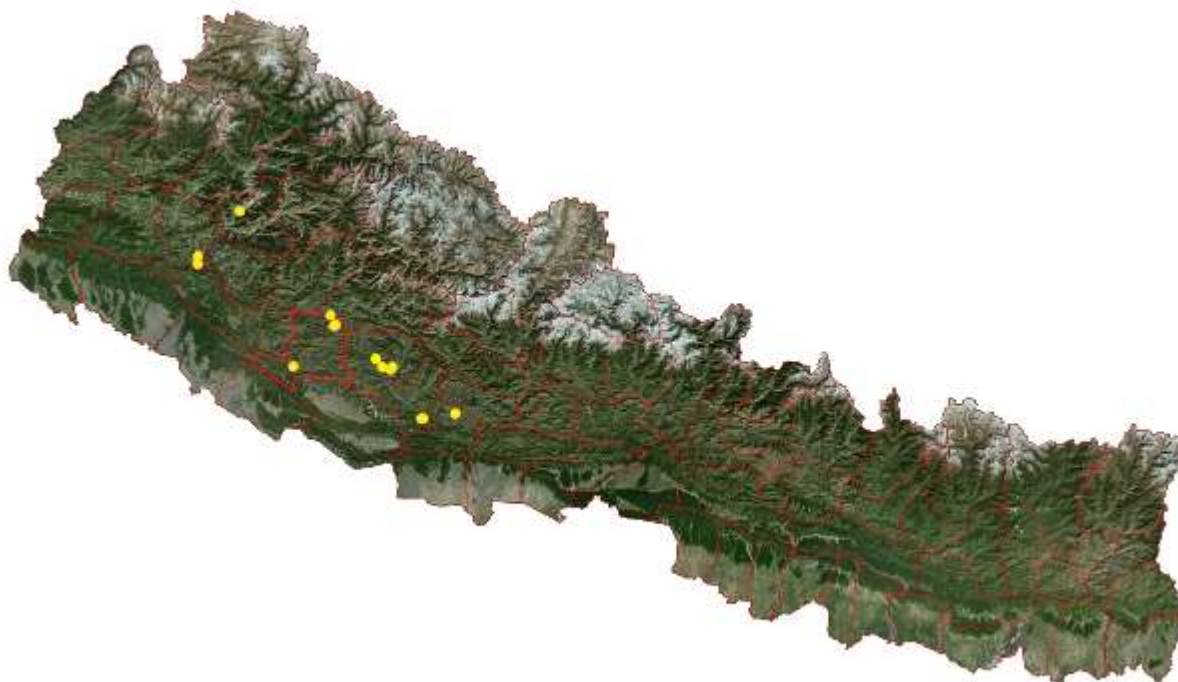
- LC08_L1TP_143040_20190509_20190521_01_T1
- LC08_L1TP_144040_20190601_20190605_01_T1

The Landsat naming convention is here below explained:

LXSS_LLLL_PPPRRR_YYYYMMDD_yyyymmdd_CC_TX

Where:

- L = Landsat
- X = Sensor ("C"=OLI/TIRS combined, "O"=OLI-only, "T"=TIRS-only, "E"=ETM+, "TM"=TM, "M"=MSS)
- SS = Satellite ("07"=Landsat 7, "08"=Landsat 8)
- LLL = Processing correction level (L1TP/L1GT/L1GS)
- PPP = WRS path
- RRR = WRS row
- YYYYMMDD = Acquisition year, month, day
- yyyymmdd - Processing year, month, day
- CC = Collection number (01, 02, ...)
- TX = Collection category ("RT"=Real-Time, "T1"=Tier 1, "T2"=Tier 2)



General Considerations

A visual analysis of the processed images was performed to identify major and evident changes in the terrain that can be linked with the different projects that are currently undertaking by IFAD. In order to carry on the analysis, the following steps were followed:

- RGB True Color Composite Analysis
- RGB False Color Composite Analysis¹⁵⁵
- NDVI Analysis
- VHR Analysis¹⁵⁶

A first consideration can be done over the challenges encountered mainly due to:

- Steepness of the analysed area that leads to a lot of effects of shadows
- Slightly different conditions in terms of seasonality

For these reasons, the followed approach was:

- Determine if there were substantial changes between the target dates
- Compare the dates with the available VHR images
- Analyse VHR features in relationship with the specific Project target

¹⁵⁵ The RGB False Color Composite used MIR2 - MIR – RED bands.

With this combination of bands it is possible to recognize the following colors:

- Green: Strong vegetation (can be related to sparse forest/agriculture/wetland cover with vegetation)
- Dark Green: Compact Forest (natural or planted)
- Pink: Open Areas (including savanna with detached trees, bushland or similar ecosystems, and area with scattered trees and shrubs)
- Dark Blue/Blue: water bodies (rivers, streams, lakes and ponds)
- Violet/Purple: Agriculture

¹⁵⁶ Very High Resolution Images are taken from Google Satellite, Esri Satellite and Bing VirtualEarth

Sample Images

Comparison between Image 1 and 2 (HVAP) suggests slight reduction of forested area and construction of new buildings

Image 1



Image 2.



A comparison between Figure 3 and 4 (LFLP) suggests partial reconversion of land to forested area

Image 3



Image 4



Mission itinerary

IFAD CSPE mission: 22 May to 14 June 2019

| S. No | Date | Office/Organization | Meeting Time | Place |
|-------|--|--|----------------|--|
| vv | Thursday 23 rd May 2019 | ICIMOD | 9:00 -10:00 am | ICIMOD Building Khumaltar, Lalitpur |
| 2 | | Ministry of Finance | 11:00 -11:45 | MoF Building Shinghdurbar Kathmandu |
| 1 | Friday 24 th May 2019 | UNDSS | 9:30 am. | UN House Pulchowk Lalitpur |
| 2 | | Ministry of Federal Affairs and General Administration | 11:00-11:30 | MoFAGA building Shinghdurbar Kathmandu |
| 3 | | ADB Office | 2:00 pm | Metro Park Building Lazimpat 4 th floor at room 4121 |

Team A

| Date | Project and District | Site | Activities | Contact Person |
|--------------------------------------|---|---|--|--|
| Sunday 26 May 2019 | | Kathmandu- Surkhet- Mangalsen | | |
| Monday 27 May 2019 | HVAP Achham | Turmakhad 4 Jaisur | Pragatisheel Krishak Samuh on Goat rearing | Krishna Bayak |
| | | Turmakhad 7 Dhamali Punepata | Tripurasundari Goat rearing group | Tapendra Bist |
| | | Turmakhad | Pragatisil Goat rearing | Janak Bidha |
| Tuesday 28 May 2019 | LFLP Achham | Turmakhad, 4 | Manakamana Leasehold Forest (LF) | Jharna Budha |
| | | Turmakhad, 4 | Hatimalo LF | „ |
| | | Turmakhad, 4 | Goganpani LF | „ |
| Wednesday 29 May 2019 | HVAP Kalikot | Khandachakra Municipality 4, Badri Gaun | Agriculture Group on Offseason Vegetables | Parabananda Acharya |
| | | Khandachakra Municipality 5, Teshro Bajar | Agriculture Group on Offseason Vegetables | Dhan Bahadur Karki |
| | | Shubhakalika RM | Small Farmer and CKC members. On Drinking Water Supply | |
| Thursday 30 May 2019 | ASHA Kalikot | Raskot Municipality | Interaction with Lead Farmers, on Vegetable Farming, Shed Improvement (LAPA Group) and CKC members. | Rajesh Upadhyay, (Sub-Engineer), Anil Sahakari, JTA, Ag Parbanand Chaulagain, JTA, Liv |
| | | Lekbesi Municipality | Turmeric Production and processing center | Khadka Prasad Bhattra |
| Friday 31 May 2019 | HVAP Surkhet | | Birendranagar | Bhairam CFUG on Timur nursery |
| | | | Birendranagar | Hariyali Group on Goat rearing |
| | | | Birendranagar | Sital Krisak Samuha on OSV |
| | | | Birendranagar | Meeting with HVAP project team |
| | | | Birendranagar | Meeting with Provincial secretaries |
| Saturday 1 June 2019 | PAF II Surkhet | Maintada, Surkhet | Akikriti Community Organization | Rama Bishwokarma |
| | | Gumi, Surkhet | Janajagriti Community Organization | Birendranagar-4, Surkhet |
| | | Lekhfarsa, Surkhet | Mahendragani Community Organization | |
| Sunday 2 June 2019 | Meeting at Provincial level & Team B | | Meeting with Team B Meeting with Team B | |
| Monday 3 June 2019 | | | Surkhet to Khalanga Rukum | |
| Tuesday 4 June 2019 | PAF II Rukum | Khara Rukum | Himali Samudayik Samuha's Program | Secretary, Shivaram Khadka |

| Date | Project and District | Site | Activities | Contact Person |
|------------------------------|----------------------|--------------------------------------|---|--|
| | | Simratu Rukum | Dangchung Cos Program | Ruplal Bohora, Member |
| | | Solabang Rukum | Purnima CO's Program | Chairman, Chitra Sharma |
| | ISFP Rukum | | Solabang | Interaction in Seed group and Rubina Dairy |
| Wednesday 5 June 2019 | | Khalanga, Rukum | Interaction with Agri. Knowledge Centre | Agri.Knowledge Centre, Rukum |
| | | Salle Airport Rukum | Interaction with Veterinary Hospital | Veterinary Hospital , Rukum |
| | | Khalanga to Chaurjahari | | |
| Thursday 6 June 2019 | | Kholagaun | Interaction with SFACL | Kholagaun SFACL |
| | | Kholagaun | Interaction with vegetable seed producer and block production program | Kholagaun SFACL |
| Thursday 7 June 2019 | | Chaurjahari to Birendranagar Surkhet | Interaction with Project Coherence Units run by UNOPS and supported by DfID and SDC | |
| Thursday 8 June 2019 | | Birendranagar Surkhet to Kathmandu | | |

Team B

| Date | Project and District | Site | Activities | Contact Person | Remarks |
|------------------------------|----------------------|---|---|--|--|
| Sunday 26 May 2019 | ISFP Arghakhachi | Butwal | Sandhikharka | | Lunch , Hotel Old Everest |
| | | Divarna | Jalkada Boer Breeder Herd | Gopal Bashal, sa na pa 11. | |
| | | Chhatradev | meeting with Palika Chief /CEO | Chhatradev Palika Office | |
| | PAF Arghakhachi | Thulapokhara | COs Program | PAF,Thulapokhara | |
| | ISFP Arghakhachi | Sandhikharka | Interaction with MFH and Naya Nepal Agrovet | Muskan Fresh House , Naya Nepal Agrovet | Night stay Hotel Old Everest Sandhikhark |
| Monday 27 May 2019 | | Kimdanda | Dairy subproject | Kimdanda Sanakisan Krishi Sahakari Sanstha (Dairy) | Breakfast at Hotel Old Everest |
| | | Lamchi | Goat subproject | Deurali Aayaarjan Bakhrapalan Krishak Samuha | Lunch At Dharapani |
| | | Dharapani | FFS and seed Production | Jana yekata FG | |
| | | Dharapani | Interaction with (SFACL) | Dharapani SFACL | |
| | | Jumri Pyuthan | Interaction with Dairy | Kisan Dairy | Night stay and Breakfast at Hotel Aayusha Jumri, Pyuthan |
| | | | | | |
| Tuesday 28 May 2019 | ISFP Arghakhachi | Bijuwar | Interaction with SFACL | SFACL Bijuwar | Breakfast at Hotel |
| | | Bijuwar | Interaction with SFACL about seed sub project | SFACL Bijuwar | Lunch at Hotel Aayusha Jumri, Pyuthan |
| | LFLP Pyuthan | Pakala (Cherneta - Baraila - Pakala 1.5 hours driving | Interactions with community members of goat rearing, horticulture, Amliso Kheti, cooperative – leasehold forestry group's nursery | DFO | 1. Bring lunch pack with you 2. Local lunch in village |
| Wednesday 29 May 2019 | | Khung (Bijuwar-Bagdula-Machhi to Khung (Via Bagdulla) 3.5 hours driving | '' | DFO | 1. bring lunch pack with you or Local lunch in village |

| Date | Project and District | Site | Activities | Contact Person | Remarks |
|--------------------------------------|-------------------------------|--|---|--|---|
| | | | | | Night stay Aayushma Hotel Jumri Pyuthan |
| | | Jumri Pyuthan | Interaction with leasehold forest group and field observation (Badikot) and goat raring. | | Night stay Aayushma Hotel Jumri Pyuthan |
| Thursday 30 May 2019 | ASHA Salyan | Kalimati 4, Sunchaur | Bee keeping observation | MLT Bikas gurung | |
| | | Kalimati 4, Khaireni | winter plantation site | Ra Topendra giri | |
| | | Kalimati 2, Dhoreni | | | NightStay at Alisha Barala hotel |
| Friday 31 May 2019 | ASHA Salyan | Darma 6 | Malibang Irrigation channel | SM Indra kc, Sub Eng Pradeep chand | |
| | | Darma 6 | Ratamata goat shed | SM Indra kc, MLT Thakur Bhandari | |
| | | Darma 6 | Kolbot Vakaro sudhar | ” | |
| | | Bangad 8 | Tallo Jyamie vegetable farming | MLT Bikas gurung | |
| Saturday 1 June 2019 | PAF II Salyan | Kotbara | Pipal Chautari Community Organization | Pawan KC Salyan | |
| | | Damachaur | Dalit Bikash Samudaik Sanstha | | |
| | | Interaction with DFCC | | DPC Chudamani khatiwada | Milan hotel |
| | | Bangad – Khalanga- Baluwa Sangrai- Surkhet Driving 3:30 hrs | | | Night stay at Surkhet |
| | | Meeting with Team A | | | |
| Sunday 2 June 2019 | | Meeting with Team A | | | Sight Seeing Kakre Bihar & Bulbule Lake Night stay at Surkhet |
| | Monday 3 June 2019 | Bangad – Khalanga- Baluwa Sangrai-Surkhet Driving 3:30 hrs | | | |
| Salyan HAP | | Bangad Kupinde Municipality 6, Aanpkholi | Vishnu Aanpkholi Taja Tarkari Utpadan Krishak Samuha Offseason Vegetables | Tung Bahadur BC 9 | |
| | | Bangad Kupinde Municipality 1, Sallibajar | Radhakrishna Taja Tarkari Utpadan Krishak Samuha Offseason Vegetables | Goma Chaudhari | Night stay at Alisha Barala hotel |
| Tuesday 5 June 2019 | ISFP Rolpa | Salyan Barala –Tulsipur – Ghorahi – Lamahi – Bhalubang- Sulichaur | | | |
| | | Sulichaur, Rolpa | Goat subproject | Mahara Goat farm | |
| Wednesday 6 June 2019 | ISFP Rolpa | Liwang Rolpa | Cooperative shop observation | Shrijansil WFG | |
| | | Madichaur | Interaction about Block Production in wheat | Pragatishil Cooperative | Night stay at Hotel Sun Rise Liwang |
| Thursday 7 June 2019 | ASHA Rolpa | Liwang | Dalanga, Sunil Smriti RM 06 Liwang Irrigation Sub- Project/Joint Investment of RM and ASHA | Roshani Bista, Sub- Engineer, | |
| | | Liwang | Vegetable Farming and Goat Pen Improvement sub- project | Subhadra Giri, Agriculture Technician, | |
| | | Liwang | To interact with district level stakeholders | | Night stay at Hotel Sun Rise Liwang |

| Date | Project and District | Site | Activities | Contact Person | Remarks |
|----------------------|----------------------|---|-----------------------------------|----------------|--------------------------------------|
| Friday 7 June 2019 | | Liwang to Butwal (approximately 5 hrs. Driving) | Meeting with Government Officials | | |
| Saturday 8 June 2019 | Butwal to Kathmandu | | | | Night stay at Hotel Himalay Lalitpur |

Meeting Schedule of Country Support Project Evaluation Mission IFAD

10 June 2019 Monday

1. 10:00-12:00 am SDC Helvetas meeting with Sudha Khadka, Team Leader of NASDP Jawlakhel Lalitpur
2. 15:00-16:00 SNV Nepal Country Director Mr, Peter Newsum, Jawlakhel Lalitpur
3. 17:30-18:15 Meeting with Elisabeth von Capeller Ambassador of Switzerland to Nepal. Jawlakhel Lalitpur

11 June 2019 Tuesday

1. 9:00-10:00 am Mr. Purn Bahadur Chhetri Senior Agricultural Specialist World Bank Yak and Yeti Hotel Complex, Durbar marg Kathmandu.
2. 10:30-11:30 am Mr. Navin Hada, Aid Project Development Specialist, USAID Nepal, US Embassy Maharajgunj Kathmandu
3. 4.00-7:00pm The Evaluation Team works on the PowerPoint at Summit Hotel **12 June 2019 Wednesday**
4. 9:00 am HEIFER International, Mr. Shubh Mahato Country Director Hattiban Lalitpur (Way to Satdobato-Godavari, Opposite to Cityscape apartment) 11:00 am RC, WFP, UNDP, FAO and IFAD in the UNDP Program Meeting Room at UN House Pulchok Lalitpur.
5. 12:30 Non-lending
6. 14:00 NARC
7. 16:00 Innovation
8. 17:00 Meeting with Tarek CPM IFAD at hotel Himalaya)

13 June 2019 Thursday

1. 11:00 am ASHA Project team Hattisar Kathmandu
2. 13:00 PAF II Team, Chhabi Rijal Executive Director PAF II Tahachal Kathmandu. Phone 014030697/4030700
3. 15:00Mr Yubak Dhoj, Secretary, Ministry of Agriculture and Livestock Development; Address: Singhdarbar Kathmandu. Personal Assistant Mahendra Raj Panta; Telephone:

14 June 2019 Friday

- 9.30 am group meeting
- 13:30 Wrap Up Meeting MoALS Building Singhdurbar Kathmandu

List of key persons met

Government and Public Agencies

Mr Yubak Dhoj G.C., Secretary, Ministry of Agriculture and Livestock Development

Mr Biju Kumar Shrestha, Joint Secretary National Planning Commission

Mr Tej Bahadur Subedi, Joint Secretary, Ministry of Agriculture and Livestock Development.

Mr Ramchandra Dhakal, Joint Secretary, Ministry of Industry, Commerce and Supplies

Mr Sindhu Prasad Dhungana Joint Secretary and Chief Planning, Monitoring and Coordination Division, Ministry of forests and Environment.

Mr Sagar Kumar Rimal Under Secretary, Ministry of forests and Environment.

Mr Janak Raj Joshi, Joint Secretary, Ministry of Land Management, Cooperatives and Poverty Alleviation.

Mr Gyanendra Parajuli, Under Secretary, Ministry of Industry, Commerce and Supply

Mr Ramesh Aryal, Under Secretary, Ministry of Finance

Mr Khim Bahadur, Under Secretary, Ministry of Finance

Mr Shankar Sapkota, Senior Agricultural Economist, Chief, Development Cooperation Coordination Section, Ministry of Agriculture and Livestock Development

Mr Lekhnath Bhattraï, Secretary's Office, Ministry of Federal Affairs and General Administration

Mr Nirmal Regmi, Crop Development Officer, Ministry of Agriculture and Livestock Development

Mr Saroj Guragain Project Chief, SRERP

Mr Santosh Adhikarim Rural Finance Specialist, SRERP

Mr Sita Bhattarai, Monitoring and Evaluation Officer, SRERP

Mr Raj Upreti, Monitoring and Evaluation Officer, SRERP

Mr Saroj Guragain Project Chief, SRERP

Mr Rajendra Prasad Bhari Former Project Manager, HVAP, Ministry of Agricultural Development and Provincial Agricultural Secretary, Karnali province

Mr Krishna Prasad Osti, Project Coordinator, ASHA Project

Mr Sita Ram Karki, Procurement and Financial Specialist, ASHA

Mr Rajendra Prasad Mishra, Project Coordinator, ASDP

Mr Kaushal Kumar Paudel, Programme Manager, KUBK- ISFP

Mr Chhabi Rijal, Executive Director, Poverty Alleviation Fund

Mr Tika Karki, Senior Agricultural Specialist, National Agricultural Research Centre

International Organizations in Nepal

Ms Valerie Julliard, Resident Coordinator, United Nations Resident Coordinator Office

Ms Pippa Bradford, Country Director, World Food Programme

Mr Somsak Pipoppinyo, Country Representative, Food and Agriculture Organization

Ms Ayshnie Medagangoda-Labé, Resident Representative, UNDP

H.E. Elisabeth von Capeller, Ambassador of Switzerland in Nepal

Ms Mary Hobley, Independent Advisor, SDC

Ms Yamuna Ghale, Senior Programme Officer, Swiss Agency for development and Cooperation, SDC.

Mr David Molden, Director General, International Centre for Integrated Mountain Development (ICIMOD)

Mr Eklabya Sharma, Deputy Director General, ICIMOD

Mr Dhruvad Choudhary, Chief, Scaling Operations, ICIMOD

Mr Suman Bisht, Senior Gender Specialist, International Centre for Integrated Mountain Development (ICIMOD)

Mr Purna Chhetri, Senior Agricultural Specialist, Agriculture Global Practice, South Asia Region, World Bank

Ms Karishma Wasti, Agricultural Specialist, Agriculture Global Practice, South Asia Region, World Bank

Mr Arun Rana, Senior Project Officer, Asian Development Bank

Mr Anjan Panday, Senior Project Officer, Asian Development Bank

Mr Devendra Gauchan, National Project Manager, Bioversity International

Mr Padam Kumar Biswakarma, UNOPS-DFID Coordination Unit, Birendranagar

Ms Gi Un Kim, Technical Specialist, United Nations Development Programme

NGOs and Foundations, and private companies

Ms Neena Joshi, Director of Programs, Heifer International, Nepal

Mr Peter Newsum, Country Director, SNV, Nepal

Mr Subhas Raj Upadhyay, Chairman, Lumbini Seed Corporation Pvt. Ltd.

Mr Bharat Pokharel, Country Director, Helvetas

Ms Sudha Khadka, Team Leader, Nepal Agricultural Services Development Programme, Helvetas

Ms Jane Carter, International Technical Advisor, Helvetas

Mr Suk Bahadur, Chaudhari, Provincial Coordinator, Helvetas Province Office, Itahari

Mr Bhanu Pandit, Monitoring and Evaluation Officer, Helvetas Province Office, Itahari

Mr Uttamprasad Nagila, former Director WUPAP, private consultant

Mr Nigel Smith, private consultant

IFAD

Mr Nigel Brett, Director, Asia and the Pacific Division of IFAD

Mr Tarek Kotb, Country Programme Manager

Mr Bashu Aryal, Country Programme Officer

Ms Lakshmi Moola, former Country Programme Manager for Nepal, IFAD

Mr Benoit Thierry, former Country Programme Manager for Nepal, IFAD

Ms Louise Mc Donald, former Country Programme Manager for Nepal, IFAD

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