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Comments of the Independent Office of Evaluation of IFAD on the country strategic opportunities programme for Nepal

Note to Executive Board representatives

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I. General comments

1. The Independent Office of Evaluation of IFAD (IOE) conducted the third country strategy and programme evaluation (CSPE) for Nepal in 2019, covering the period from 2013 to 2019. The agreement at completion point was signed in February 2020.
2. The CSPE found that the overall programme effectiveness and impacts on rural poverty had improved compared to the situation at the time of the previous CSPE. The progressive emphasis on high-value products and inclusive commercialization of agriculture was relevant to the context of rural poverty in Nepal and to national strategies. The IFAD-funded programme helped improve farmers' access to markets, including international markets, and also transparency of contracting, stability and predictability of prices.
3. The IFAD-funded programme also recorded positive experiences in community-based and integrated rural development in more remote areas. However, attention to this more "traditional" intervention paradigm lessened in recent years.
4. The CSPE found a contrast between the positive results achieved by the older-cohort projects and the implementation delays and challenges faced by the most recent ones. The challenges faced working with isolated communities in rural Nepal, where infrastructure is under-developed, were considerable. At the same time, the complexity of project designs and the under-estimation of local staffing requirements caused major design revisions, which were time-consuming for the project design teams and for IFAD.
5. The CSPE made seven recommendations: (i) support federalization as an integral part of the preparation of the new COSOP and project design; (ii) continue the support to value chain development with renewed emphasis on the inclusion of very poor groups; (iii) 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; (iv) integrate natural resource management and climate change adaptation in all project designs; (v) strengthen partnerships for specialized technical support and for cofinancing; (vi) enhance portfolio management and implementation preparedness; and (vii) strengthen IFAD's Country Office in Nepal and its corporate support to the country programme.
6. The key findings and recommendations of the CSPE are well integrated in the COSOP. It formulates three strategic objectives that are broadly consistent with the recommendations: (i) accelerated inclusive and sustainable rural economic growth and recovery through greater market participation; (ii) improved resilience of rural communities to the impacts of climate change, and economic and other shocks; and (iii) strengthened rural and community institutions to effectively meet development needs under the decentralized federal system.
7. The COSOP pays attention to the need to support the federal architecture of the country, notably the lower tiers of the Government (municipal level, or *palika*) and their capacity to provide support to farmers through investments and advisory services.
8. The COSOP provides an extensive description of the target groups, notably women, marginalized castes and tribal groups. It outlines targeting strategies such as geographic targeting (remote areas) and self-targeting measures to ensure that incentives remain for poor farmers and specific target groups to participate in project activities. The COSOP is not prescriptive in terms of geographic concentration and the underlying rationale seems to be that the Government and IFAD would prefer to first review the location of other donor-funded programmes and focus on areas that are underserved. However, it will be important to avoid a programme that is too dispersed geographically.

9. The remainder of the comments highlight some of the challenges that lie ahead in a demanding environment such as that of Nepal.

II. Specific comments

10. The theory of change of the COSOP hinges upon the support to farmers' linkages to agricultural value chains, with the focus on poor producers. Evidence from the Nepal CSPE and from the corporate-level evaluation on IFAD's engagement in pro-poor value chain development (2019) shows that it is indeed possible to achieve the twin objectives of reaching very poor farmers through market-oriented approaches, but this requires specific attention. In the case of Nepal, the participatory selection of crops that can be grown by smallholder farmers and the project focus on processing technology that can generate employment were key to achieving an impact for the poor.
11. At the same time, some tension may remain between value chain development objectives and outreach to poor households. In Nepal and elsewhere, IFAD's supervision and dialogue with the Government were instrumental in reducing the risk of mission drift towards non-poor households. The same level of attention will be necessary in the future.
12. Notwithstanding the progress made in the last two decades, there is still a shortage of basic rural infrastructure (e.g. feeder roads, bridges, drinking water) in Nepal. It is for this reason that the CSPE recommended revamping IFAD's traditional focus on basic needs, with intra-community targeting and empowerment of marginalized groups, group-based financial savings initiatives and fee-based group facilitation. Greater involvement of local government is necessary, in light of the new federal set-up. The COSOP recognizes the importance of this approach, although there is little mention of it in the theory of change. It would be important to know if there are concrete plans for interventions of this type.
13. One of the areas in which IFAD's support has been successful in Nepal was the introduction of the leasehold forestry model in the 1990s, which complemented the then prevailing community forestry model, by devoting specific attention to marginalized communities. IFAD does not plan to finance a project dedicated to forestry in the near future. At the same time, some policy-level initiatives may be necessary – for example support for the Government to continue expanding leasehold forestry on its own or to upgrade the normative framework and secure user rights of existing leasehold forestry groups. The COSOP does not explicitly contemplate such initiatives but it will be important to consider them moving forward.
14. Finally, the CSPE underlined the importance of ensuring that the Country Office is adequately staffed and of providing technical and policy support from the subregional hub and from headquarters when necessary. At the time of the latest CSPE, the Country Office in Kathmandu had only one staff member. With a challenging portfolio to supervise, little time remained to engage in activities beyond portfolio management, such as knowledge management and policy dialogue. The COSOP formulates detailed and well-justified objectives for developing partnerships and participating in public policy dialogue. The question is whether additional human resource will actually be available in the country or through the subregional hub to pursue this.

III. Concluding remarks

15. IOE appreciates the new COSOP's acknowledgement of the lessons from past experience, including those stemming from evaluation. It also appreciates the focus on reaching very poor and marginalized groups in Nepal. Having set the broad strategic directions for the programme, the Government of Nepal and IFAD need to pay continued attention to technical quality and realism of project design (e.g. project staffing requirements) and, if necessary, provide timely and vigorous support to correct the design during implementation.
16. IOE remains available to provide further lessons from its evaluative experience.