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**Document of the  
International Fund for Agricultural Development**



**Kingdom of Nepal  
Hills Leasehold Forestry and Forage Development Project  
Interim Evaluation**

**December 2003  
Report N° 1431-NP**

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Kingdom of Nepal  
Leasehold plot in Vyas VDC (Tanahun)  
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**Kingdom of Nepal**  
**Hills Leasehold Forestry and Forage Development Project**  
**(Loan N° 250-NP)**  
**Interim Evaluation**

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\* All annexes are available from IFAD's Office of Evaluation ([evaluation@ifad.org](mailto:evaluation@ifad.org))

### **Exchange Rate (as of August 2003)**

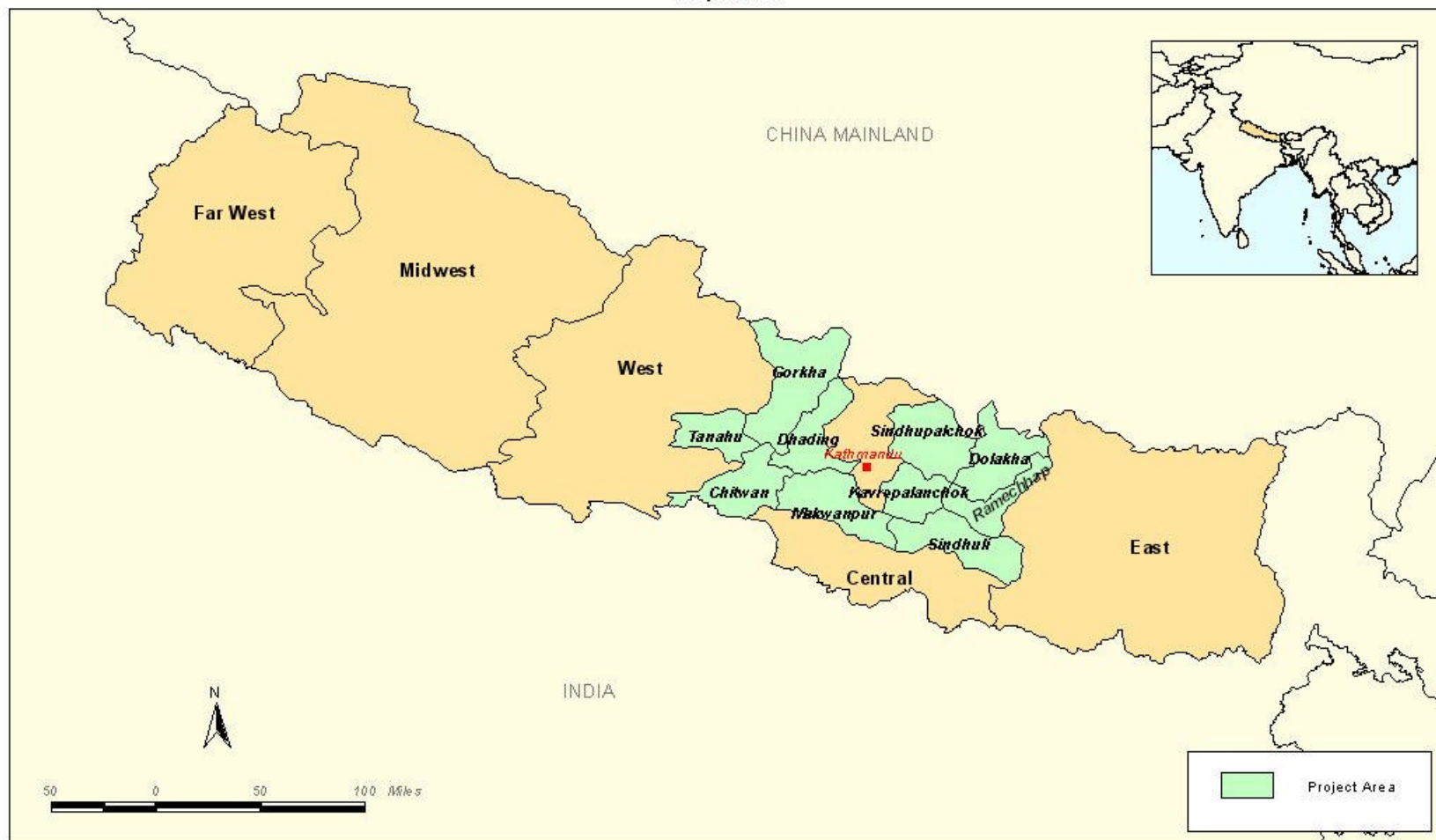
Local Currency	=	Rupees, NRs
USD 1,00	=	76.40
Rupees, NRs 1,00	=	0.0129 USD

### **Abbreviations and Acronyms**

ADB/N	Agricultural Development Bank of Nepal
CF	Community Forestry
Danida	Danish International Development Assistance
DCC	District Coordination Committee
DFID	Department for International Development
DFO	District Forest Officer
DLS	District Livestock Service
DLSO	District Livestock Development Office
DoF	Department of Forest
FAO	Food and Agriculture Organisation of the United Nations
FSCC	Forestry Sector Coordination Committee
CFUG	Community Forest User Group
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HLFFDP	Hills Leasehold Forestry and Forage Development Project
HMG/N	His Majesty's Government of Nepal
IE	Interim Evaluation
IGAs	Income Generating Activities
JT	Junior Technician
JTA	Junior Technical Assistant
K	Potash
LF	Leasehold Forestry
LFP	Livelihoods and Forestry Programme
LHG	Leasehold Group
M&E	Monitoring and Evaluation
MFSC	Ministry of Forest and Soil Conservation
MPFS	Master Plan for the Forestry Sector
NARC	National Agricultural Research Council
NGOs	Non Governmental Organisation
NPC	National Planning Commission
PCC	Project Coordination Committee
PCWG	Project Coordination Working Group
OE	Office of Evaluation of IFAD
PRA	Participatory Rural Appraisal
SE	Standard Error of the Mean
SDC	Swiss Agency for Development Co-operation
SFDP	Small Farmers Development Programme
SFCL	Small Farmer Cooperative Limited
SNV	Stichting Nederlandse Vrijwilligers (Netherlands Development Organisation)
TA	Technical Assistance
VDC	Village Development Committee
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
VDC	Village Development Committee
WWF	World Wildlife Fund for Nature



**THE KINGDOM OF NEPAL**  
HILLS LEASEHOLD FORESTRY AND FORAGE DEVELOPMENT PROJECT  
*Interim Evaluation*  
Project Area



Source: IFAD

*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.*





## KINGDOM OF NEPAL

### HILLS LEASEHOLD FORESTRY AND FORAGE DEVELOPMENT PROJECT (HLFFDP)

#### INTERIM EVALUATION

#### AGREEMENT AT COMPLETION POINT<sup>1</sup>

#### I. THE CORE LEARNING PARTNERSHIP AND THE USERS OF THE EVALUATION

1. The Office of Evaluation of IFAD conducted an Interim Evaluation of the *Hills Leasehold Forestry and Forage Development Project in Nepal*, as requested by the Regional Division of IFAD for Asia and the Pacific. An evaluation mission visited Nepal between March 10 and April 5, 2003. In Kathmandu the mission organised two stakeholders' meetings on March 12 and April 4, 2003, respectively before and after the field visits. A draft evaluation report was distributed in mid-June 2003 and a final evaluation workshop was organised in Kathmandu on September 30, 2003 to prepare the Agreement at Completion Point (ACP). The ACP illustrates the stakeholders' understanding of the evaluation, findings and recommendations, their proposal to implement them and their commitment to act upon them.

2. The participants in the above meetings and in the final workshop included representatives of: (i) the project implementation agencies, (ii) donor and multilateral agencies with experience in the forestry sector, (iii) non-governmental organisations and research institutions with relevant experience. Out of a larger audience, a smaller core learning partnership, expected to be involved with the implementation of the evaluation's recommendations, was identified. It comprised: (i) the Department of Forests (Ministry of Forests and Soil Conservation), (ii) the Department of Livestock Services (Ministry of Agriculture and the Cooperatives), (iii) the Asia and Pacific Division of IFAD and (iv) UNOPS. OE was not a party to the ACP but participated in the final evaluation workshop to ensure a full understanding of the evaluation's findings and recommendations.

#### II. THE MAIN EVALUATION FINDINGS

3. The main findings of the Interim Evaluation Mission are set out in its report of June 2003. The usefulness of the concept of leasehold forestry in combating poverty in the mid-hills regions of Nepal is recognised by the Evaluation, although important changes in project design need to be introduced in any future intervention. Government policy has been progressively more supportive of LF, and leasehold programmes have been accorded top priority status. In most areas, leasehold forestry initiatives do co-exist side-by-side with Community Forest programmes without friction, but tensions still exist between donor agencies supporting the two approaches.

4. The project has been successful in terms of environmental restoration of heavily degraded forest lands. It has also contributed to improve access to forest products and livestock ownership among the leasehold groups, mainly through the improved supply of forage. The availability of fuel has significantly improved for many communities, and the labour involved in animal grazing and fuel

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<sup>1</sup> This agreement reflects an understanding among partners to adopt and implement recommendations stemming from the evaluation. The agreement was formulated in consultation with the members of the Core Learning Partnership (CLP). The latter comprised Mr. J.K.Tamrakar (Director General, Department of Forest, HMG/N Ministry of Forest and Soil Conservation); Mr. D.R.Pradhan (Dep. Director General, Department of Livestock Services, HMG/N Ministry of Agriculture and the Cooperatives); Mr. Nigel Brett (Country Portfolio Manager, IFAD-PI); Mr. Narsing Rao Singayapally (UNOPS). In addition to the CLP members, the agreement was discussed with and agreed by a larger audience, including Government field staff, representatives of FAO-Nepal, SDC-Nepal, the Nepal Australia Community Natural Resource Management and Livelihood Project, and of DEPROSC (NGO). A full list of participants in the September 30 2003 workshop is provided in Appendix 5. The ACP process was facilitated by the Office of Evaluation of IFAD.

collection reduced. Numbers of buffalo, on the other hand, have remained static. Imported fodder trees have been largely unsuccessful on LF sites, but have often prospered in private land.

5. The Dutch-funded Technical Assistance component of the HLFFDP was implemented by the Food and Agriculture Organisation of the United Nations (FAO). The project appears to have leaned very heavily on the activities of the TA component, the abrupt cessation of which in mid-2001 led to the near-demise of the project at that time. An effective project management structure able to operate independently of TA was not put in place.

6. The main shortcomings of the HLFFDP original design can be grouped in the following areas:

(a) Institutional Issues, Management, Policy Dialogue and Supervision.

- Gaps exist in the norms regarding the transfer and inheritance of leasehold rights and need to be addressed by the relevant legislative authorities;
- The technical assistance component was instrumental in the preparation of studies to support project implementation but not strategically directed at creating a strong project management structure;
- M&E functions were also heavily dependent on the TA component and surveys did not systematically focus on key impact domains;
- Friction has existed in the past between proponents of community forestry and leasehold approaches and, for this reason, it is important that IFAD pays adequate attention to policy dialogue in the future.

(b) Building and Strengthening Grassroots Institutions

- The project design did not recognise the importance of strengthening grassroots institutions such as inter-groups and cooperatives. The latter *de facto* emerged during the implementation phase in some areas but initially were not very focused;
- The “household by household” targeting approach proposed in the original design was costly and caused intra-hamlet and intra-village conflicts;
- During the initial implementation phase there was little emphasis on women’s participation in leasehold groups.

(c) Improving the Technological Packages for Forage and Livestock

- The original project design heavily relied on the provision of subsidised high-yield exotic grass varieties and did not emphasise the natural regrowth of vegetation and local traditional knowledge, which would have reduced costs and improved the flexibility of the technological packages;
- Poor households’ investment in local goats was found a viable option in all leasehold sites while investment in buffaloes was riskier and often not profitable due to higher feed requirements and marketing difficulties.

(d) Microfinance Issues

- The provision of subsidised credit through the Small Farmers Development Project scheme proved unsustainable with very high voluntary and non-voluntary default rates;
- The original credit component did not adequately emphasise savings services;
- For remoter areas, community-based financial service provision is needed to reduce transaction and information costs.

(e) Infrastructure and Schools

- Small infrastructure grants were effective in reducing intra-village conflicts but options were often limited;
- Many HLFFDP activities were scattered and, at the village level, the project lacked a focal point. Where available, local schools may serve this function.

7. The main recommendations are derived from these findings, substantiated in the main report, and designed to address these problems.

### III. RECOMMENDATIONS AGREED UPON BY ALL PARTNERS

#### A. Institutional issues, Management, Policy Dialogue and Supervision

8. **Ensuring security of tenure for leaseholders.** The outstanding anomalies concerning the transfer and inheritance of the entitlement to lease forest land, the recognition of individual leaseholders and the legal status of leasehold groups must be addressed. The definition of the legal status of leasehold groups under existing laws requires clarification. The process of granting leasehold certificates needs to be accelerated: granting of leasehold certificates by District Forest Offices, when approved by Parliament, will address this concern. All these issues should be reflected in future policies and amendments of forestry laws.

*Follow-up by Ministry of Forests and Soil Conservation (MFSC) and the competent legislative authorities.*

9. **Building a strong and effective project management structure is a priority. Any future TA component should aim at this objective and be given very specific goals to be achieved in a precisely defined time period.** International consultants may need to be hired for short periods and for specific purposes; other consultancies should be of short duration and should wherever possible be directed at district-level initiatives. A semi-permanent centralised unit is not the requirement of TA and is by definition unsustainable. The strengthening of the project management unit should be a component of the future project.

*Follow-up by IFAD, MFSC.*

10. **Strengthen Monitoring and Evaluation (M&E) functions at the project and district level.** At the project level, a mix of smaller-size surveys and case studies / participatory analyses, with photographic documentation, should be conducted in 2-3 cycles over the project life. For surveys, it will be important to focus on key impact indicators, to be identified through multi-stakeholder consultations, and to keep questionnaires short. Equally important will be to train inter-groups and cooperatives to conduct self-evaluation workshops, to be used as an input for M&E at district level. The recently launched IFAD M&E Guide can be adopted as a useful reference for M&E planning.

*Follow-up by IFAD, MFSC, the Department of Livestock Services (DLS) and other implementing agencies.*

11. **Strengthen IFAD's Policy Dialogue with Other Donor Agencies and Support Supervision.** This is a fundamental element in the process of replication and upscale of innovations such as leasehold forestry. First, IFAD and HMG/N should consider organising a roundtable meeting with other donor agencies before the end of the year 2003, to initiate a process aiming at reducing tension and improving collaboration between proponents of LF and CF approaches. Secondly, in its future interventions, IFAD should include an interagency dialogue "component" to improve the awareness of its activities and results among other development agencies active in Nepal. In particular, IFAD should consider the appointment of a local facilitator, in charge of maintaining dialogue with all the partners concerned, including the donor community. The same facilitator would also act as focal point to support supervision missions, by building up the required archive of documents, making the necessary contacts and organising small-scale surveys and rural appraisals prior to the arrival of the supervision missions.

*Follow-up by IFAD.*

## **B. BUILDING AND STRENGTHENING GRASSROOTS INSTITUTIONS**

12. **Provide training for project field staff, group promoters and livestock promoters.** This is in response to the need for group and livestock promoters and project field staff to improve community mobilisation, facilitation and gender sensitisation skills. NGOs should be selected as training providers, while government field staff may complement with ad hoc technical training modules. The coverage by individual group promoters should be restricted to a maximum of 25-30 groups. Initially, group promoters may be remunerated with loan or TA funds but the eventual aim should be their employment and remuneration by cooperatives.

*Follow-up by IFAD, MFSC, DLS and other implementing agencies.*

13. **Identification of potential leasehold household clusters to be conducted simultaneously with the selection of appropriate leasehold sites.** Poor household clusters and hamlets should be identified in consultation with the concerned communities, according to a mutually agreed wealth-ranking system, with government staff and NGOs acting as facilitators. Relevant experience in wealth-ranking and community mapping from other programs should be taken into consideration. The focus on clusters and hamlets will contribute to reduced project unit costs, lay the grounds for the federations of groups into intergroups and leasehold cooperatives and help reduce conflicts. It is not appropriate first to identify suitable sites and then to look for individual households to join the groups and manage the land.

*Follow-up by IFAD (project design), MFSC, DLS and other implementing agencies.*

14. **All leasehold groups should be progressively evolved into inter-groups, and the creation of cooperatives should be actively encouraged through training and support.** Cooperatives require training in leadership, management, book-keeping, savings and credit activities. NGO services should be used to facilitate the creation and to strengthen inter-groups and cooperatives. Training by NGOs should be complemented with technical modules provided by government field staff. The ultimate goal should be the federation of groups at national level through an apex organisation.

*Follow-up by MFSC, DLS and other implementing agencies.*

15. **The participation of women and disadvantaged groups requires more active promotion.** This can be achieved through the provision of appropriate sensitisation training to all project staff as well as to members of communities where LF is introduced. The transfer of the lease from men to women should be encouraged in cases where the male LHG members are inactive.

*Follow-up by MFSC, DLS and other implementing agencies.*

## **C. IMPROVING TECHNOLOGICAL PACKAGES FOR FORAGE AND LIVESTOCK**

16. **The appropriateness of low-cost technological options and local species and practices on management of the tree canopy and understorey forage cultivation should be further investigated.** The introduction of exotic tree and grass species should not necessarily be halted, but research in this respect should be undertaken in concert with the farmers and build upon their traditional knowledge of local species. The key requirement is to establish a lively communication between the farmers and the project field staff to identify and promote site-specific packages and appropriate silvi-forage models.

*Follow-up by DLS.*

17. **Review the effectiveness of livestock promotion packages (buffaloes and goats).** The improvement of genetic traits for buffaloes and the development of forage sources must proceed in

parallel. The goat distribution programme has been successful but it is recommended that two or three rather than five doe per household be distributed.

*Follow-up by DLS.*

**18. Training programmes should focus on practical techniques and information.** Farmers' training on plant nurseries and livestock care appears to have been based on classroom-type sessions with much unnecessary theory. Most training programmes of this kind are best carried out *in situ* with very small groups, with an emphasis on practical skills. The training of livestock promoters should be emphasised.

*Follow-up by DLS.*

**19. Income Generating Activities other than livestock rearing and the sale of forage and forage seeds should not be overemphasised in the early stages of the project.** The demand for training should precede its provision, and the preferences of group members should be respected.

*Follow-up by field staff of MFSC and DLS.*

**20. Successful technological options based on local knowledge to be disseminated through study tours and fairs.** Simple technological packages to be studied and developed through contracted action research on an ad hoc basis, with possible involvement of university students.

*Follow-up by field staff of MFSC and DLS.*

#### **D. MICROFINANCE ISSUES**

**21. Avoid subsidised and user-unfriendly credit programs.** Subsidised credit schemes have proved unsustainable and have often failed to reach the poor. The first goal of a microfinance component should be to support the creation of sustainable village organisations (such as inter-groups and cooperatives) that mobilise savings. If providing credit, they should be allowed to apply interest rates sufficient to cover operating and financial costs, loan loss provision and a margin of profit.

*Follow-up by IFAD.*

**22. Future projects should emphasise the collection of savings among members in groups, inter-groups and cooperatives with possible linkages to external MFIs (when applicable).** Existing savings schemes, based on rotating savings associations should be encouraged and further developed into inter-groups and cooperatives. For very small loans, credit can be provided for activities that do not generate income directly (ceremony, emergency purposes), provided that a strong repayment discipline is enforced. Where financially sound SFCLs (Small Farmers Cooperatives) exist, leasehold members may be encouraged to join. Where there are no suitable SFCLs, strategies for forming inter-groups and multipurpose cooperatives are required. Given the slow pace of growth of LF cooperative funds, the project design may envisage supporting them with seed capital. This should be conditional on sound financial practice and high repayment rates. Suitable cooperatives could be linked to financially healthy banks.

*Follow-up by IFAD, MFSC.*

## **E. INFRASTRUCTURE; SCHOOLS**

23. **Funds granted for community development require clearer objectives.** The principle of small infrastructure grants for the whole community is sound, particularly in view of its potential for the lessening of conflict between leasehold members and the wider community. The practice of allocating such grants to inter-groups provides an incentive for the aggregation of groups. Development grants might be offered as matching funds for expenditures to be undertaken out of inter-group or cooperative savings, encouraging inter-groups to increase the scope of their activities.

*Follow-up by IFAD, MFSC, DLS and other implementing agencies.*

24. **Public schools should be chosen to serve as the focal point for project activities.** One of the weaknesses of the HLFFDP is the scattered and unfocused nature of its activities. Particularly if a second phase of the project were to be based on cluster targeting, the use (and expansion) of schools (where available) for meetings of groups, inter-groups and cooperatives, as well as for adult literacy sessions and other training programmes, would help to give the project a recognisable identity. A modest extension to the local school, with appropriate improvements and refurbishments in its immediate vicinity, would seem a more desirable option than the building of separate buildings for forestry initiatives.

*Follow-up by IFAD, MFSC, DLS and other implementing agencies.*

## KINGDOM OF NEPAL

### HILLS LEASEHOLD FORESTRY AND FORAGE DEVELOPMENT PROJECT (HLFFDP)

#### INTERIM EVALUATION

#### EXECUTIVE SUMMARY<sup>1</sup>

##### A. INTRODUCTION

1. **The Hills Leasehold Forestry and Forage Development Project** had a total projected cost of USD 20.4 million, to be financed by an IFAD loan of USD 12.8m, a USD 3.4 million grant from the Royal Netherlands Government for the Technical Assistance component implemented by FAO, and contributions of USD 2.7 million and USD 1.5 million from the HMG/N and participant-farmers respectively. The amount of the IFAD loan has twice been reduced, most recently to around USD 6 million. HMG/N cut its contribution by 50 percent due to additional security expenses during the insurgency. The Dutch-funded TA grant eventually totalled USD 4.85 million spread over two phases. Project implementation effectively got underway in 1993, and the project is due to close in December 2003.

2. **The Evaluation Mission.** The IFAD Interim Evaluation of the HLFFDP is being conducted as a mandatory exercise prior to the consideration of a second phase of the project. The evaluation follows the methodological framework of the IFAD's Office of Evaluation. Primary data was collected through: (i) a survey of 107 project households, focusing on livestock assets and forage; (ii) participatory focus-group discussions; (iii) case studies of individual households and grassroots institutions; and (iv) open-ended interviews with key informants. Preliminary conclusions were presented during a wrap-up meeting on April 4 and are due to be finalised at a workshop in Kathmandu in late September.

3. **The Insurgency.** The life of the country has been dominated in recent years by the Maoist insurgency, which has demoralised the departments of government, severely restricted the movement of officials and involved the destruction of forest range posts, as well as accounting for large sums for policing and defence.

4. **Community Forestry (CF) and Leasehold Forestry (LF).** CF programmes cover over a third of the population while LF initiatives are at an early stage. CF measures target whole communities and concentrate on forest conservation. LF involves a redistribution of assets in favour of the poor by leasing degraded sites to specifically targeted groups of resource-poor farming households. LF groups are smaller and more homogenous and their legal status is as yet insecure. Earlier antagonism between the two approaches has now been replaced by more constructive ideas concerning their coexistence or integration.

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<sup>1</sup> The Interim Evaluation Mission was composed of: Professor Roger Norman, Team Leader; Dr. Peter Stromgaard, Natural Resources and Forestry Consultant; Dr. Naba Raj Devkota, Livestock Consultant; Ms. Kanta Singh Manandhar, Gender and Grassroots Institutions Consultant; Mr. Fabrizio Felloni (APO, IFAD), evaluation coordination and microfinance issues. The Mission would like to thank Mr. Shree Prasad Baral, HLFFDP Planning Officer, Mr. Bijay Kumar Singh for their help during field visits, and Dr. Ganesh Rauniyar for a preliminary desk study of statistical data. The Mission is grateful to government officials, field staff and representative of donors, NGOs and project clients for their collaboration.

## B. MAIN DESIGN FEATURES AND IMPLEMENTATION RESULTS

5. **Project Rationale and Strategy.** The HLFFDP is an innovative project, given the lack of precedents in Nepal and the project's commitment to the direct transfer of assets to the poor. The project combines the objectives of raising the living standards of the poor and regenerating degraded forestland. The rationale of the project was based on solving the problem of common access to forest by leasing users' rights over plots of degraded forest to groups of five to ten poor households, who were to be in charge of their rehabilitation and entitled to the use of forest products. The lease is renewable after forty years.

6. **Project Area and Target Group.** Project activities up to 1995 were confined to four districts, then progressively extended to a further six. The amended project target was the formation of 2,040 leasehold groups of 14,600 poor households and the rehabilitation of 13,000 hectares of degraded forestland. The basic criteria for group membership were land ownership of less than 0.5 ha and an annual income below the poverty line, with a degree of flexibility permitted. Positive discrimination was urged towards landless and near-landless groups, disadvantaged tribal groupings, and female-headed households.

7. **Goals, Objectives and Components.** Forest rehabilitation was to be achieved principally by a ban on grazing in the leasehold sites. Income generation for participating households was to be achieved by increasing the supply of fodder and forage for livestock and the provision of income-earning possibilities from livestock and other sources. A further objective was the empowerment of the communities concerned through the formation and training of groups, the mobilisation of savings and access to credit. The major inputs were the provision of subsidised high-yield grasses and fodder tree seedlings, improved breeds of animal, strengthened veterinary services, appropriate training programmes, and subsidised agricultural credit.

8. **Implementation Partners and Arrangements.** There are four implementing agencies for the HLFFDP: the Department of Forest (DoF), the Department of Livestock Services (DLS), the Agricultural Development Bank of Nepal (ADB/N), through its Small Farmers Development Project (SFDP) scheme and the Nepal Agricultural Research Council (NARC). The DoF was to identify suitable sites and to supervise forest management; the DLS was responsible for the distribution of livestock, fodder tree saplings and forage seeds; both departments were to assist in the drawing up of operational plans and to provide appropriate training. The ADB/N was initially chosen to take the lead role in group formation and the provision of credit, but its lack of competence and enthusiasm for this role caused delays in project start-up and the replacement of ADB/N by the DoF as lead implementer. NARC activities focused on the development of technologies for suitable grasses, legumes and fodder trees. With four implementing agencies working at central, district and field level, co-ordination was a key factor and coordinating committees were to be set up at each level.

9. **Policy Changes and Outstanding Issues.** HMG/N has adopted a progressively more supportive stance towards leasehold forestry, reflected in the most recent policy directions and in the decision taken in 2001 to extend the leasehold forestry concept to sixteen new districts with the eventual aim of countrywide coverage. The ninth and tenth five-year-plans (1997 onwards) both adopted poverty alleviation as their main objective, stressing the potential role of leasehold forestry. After a decision of the National Planning Commission (NPC), all leasehold programmes are accorded a 'Priority One' designation in government plans. The very lengthy lease registration process will be streamlined when a new Parliament ratifies the measures approved, with the authority for the granting of the leases being decentralised to district level. Outstanding issues include the lack of formal legal status for leasehold groups and uncertainties over the transfer and inheritance of leasehold rights.

10. **Design Changes during Implementation.** The start of HLFFDP was delayed while the responsibility for lead implementation was transferred. The duration of the project has twice been extended, currently until December 2003. The total amount of the IFAD loan, meanwhile, was twice



reduced in view of the slow rate of disbursement. Under the second phase of the TA component, 46 women Group Promoters (GPs) were recruited to assist in the formation and support of groups, and NGOs were hired for their selection and training. The GPs were later re-hired thanks to a special IFAD grant.

11. **Flexibility in targeting.** A ‘cluster’ targeting approach has been adopted in many areas. This is partly target-driven, but also addresses the need for social cohesion, physical proximity of groups and sites, and minimising conflicts. It has also served to encourage the aggregation of groups into intergroups and cooperatives. The Mission found that, when area targeting was applied, targeting ‘violation’ was generally limited and had not resulted in domination by local élites. The problem was more the absence of proper negotiation with the communities.

12. **Emergence of Intergroups and Cooperatives** was a very significant development, surprisingly unforeseen in project design. The formation of 120 intergroups and 18 multi-purpose cooperatives has enabled the mobilisation of savings, initiatives regarding the marketing of produce and sustainable solutions to the need for rural financial services.

13. **Main Implementation Results.** By February 2003, 1,729 leasehold forest groups had been formed, or 85 percent of the initial target. A total of 11,756 households were included, also in excess of 80 percent of the target at appraisal. On the other hand, only 57 percent of the targeted area was handed over, mainly due to smaller leasehold allowances per household (an average of 0.62 ha against the projected 1.0 ha). The failure of the proposed ADB/N/SFDP credit scheme meant that only 56% of the targeted loan disbursement was achieved, with only 63% of existing groups accessing external loans. Over 70 percent of groups were formed in the four years from 1997 to 2000. Infrastructural grants made to groups and intergroups resulted in the building of culverts/bridges, the renovation of schools, the completion of 160 small drinking-water supply projects, and the improvement of trails and footpaths.

### C. RURAL POVERTY IMPACT

14. The Mission found project impact to be uneven in the fifty leasehold sites visited. The main determining factors were: the productive potential of the plots, their location in terms of markets and communications, and the degree of dynamism within the groups. The latter in turn depends on group cohesion, the extent of community consensus and the nature and continuity of support.

15. **Significant increase in goat ownership; Static buffalo numbers.** Goats remain the prime source of income for most project households, and goat numbers have increased measurably throughout the life of the project. Numbers of buffalo appear to have remained more or less constant since 1999. Again, there is a clear divergence between and within districts. LF members in Kavrepalanchok earned an average of nearly NRs 14,000 p.a. from the sale of dairy products and those in Tanahun, Ramechhap and Dolakha less than 2,000. Around 70% of LF households obtain no measurable income from dairy products, while about 10% percent earn NRs 10,000- 25,000 p.a. In remoter areas, distance from markets continues to be a constraint to milk production.

16. **Popularity of Imported Forage Grasses; Failure of Imported Fodder Trees.** Introduced grasses and legumes proved generally popular and successful, although in some sites there are problems with the increased tree canopy and competition from unpalatable plants. At higher altitudes, the problems were the traditions of open grazing, and the unsuitability of temperate pasture species for the cut-and-carry system. However, four-fifths of participating households noted that the supply of forage was now adequate, while two-thirds had found it inadequate pre-project. Incomes of NRs 2-4,000 from green forage were reported from sites in all districts. The planting of imported fodder tree species in leasehold sites, on the other hand, was not a success, as many sites are unsuitable for such plantation (insufficient topsoil, steepness of slope, lack of moisture retention, competition from noxious vegetation). In general, the project design regarding the provision of subsidised exotic varieties of forage grasses and fodder trees was too rigid, and the Mission feels that site-specific

packages are essential. Many farmers gave it as their opinion that in the leasehold sites natural regeneration of forest cover following a ban on grazing was a preferable approach.

**17. Other income generating activities.** Income from other igas is so far insignificant compared to income from livestock rearing. project figures from 2000 show that whereas nearly two-thirds of lf households earned some income from goats, and nearly a quarter from buffalo, less than ten percent earned anything from bamboo, cardamom, horticulture, beekeeping etc. the only significant advance in this regard is that some 1,800 households now earn cash from the sale of seeds and seedlings, a development entirely due to project activities. More recent signs of improvement can be observed: in plain areas, broom grass, pineapple and mango have had some success, and in hilly areas, ginger, banana and sweet potato.

**18. Impact on the availability of financial assets.** Two approaches to financial services delivery can be contrasted: one was the “official” project one, through the ADB/N SFDP scheme based on the provision of subsidised credit, the other, which emerged during the project implementation without been foreseen in the design, based on savings mobilisation by informal and semi-formal organisations (groups, intergroups and cooperatives). The former has proven unsustainable, it has encouraged ‘moral hazard’ among clients and has not enforced credit discipline, resulting in a high prevalence of loan defaults. The latter has fostered institutions (particularly leasehold cooperatives) that often satisfy the pre-requisites for future sustainability and put more emphasis on credit discipline. Cooperatives provided short-term loans for agricultural productive activities but also for ‘consumption’ purposes such as house maintenance, religious ceremonies and emergencies, contributing to consumption smoothing and small investments. Cooperative may still need to differentiate deposit services and improve bookkeeping and self-monitoring of financial activities.

**19. Impact on Human Assets.** The impact of the HLFFDP in terms of health, nutrition, education and literacy is indirect, but the increase of livestock numbers and household income may have a significant bearing on nutrition in particular, and women members of LHGs commented on the improvement of their children’s diet in terms of milk, fruit and vegetables in particular (still in the absence of anthropometric data it is difficult to provide conclusive evidence). A Mission survey of time saved through the stall-feeding system found that up to six hours a day may be saved in fodder and fuelwood collection in the stall-feeding season and that this time was utilised for agricultural production and kitchen gardening (and rest). Mothers also indicated that their children’s attendance at school had improved as a result of the labour saved through the cut-and-carry process.

**20. Gender issues.** Only 27% of group members are women and 11% of LHGs are all-women groups. Mixed groups tend to include one or two women members only. However, encouraging movements towards greater gender sensitivity can certainly be discerned, and many respondents (not only female) attested to a quite different attitude within LF groups towards women’s roles and capacities. Some inactive male lessees had been persuaded to transfer membership to their wives. It was also observed that, after gender training and orientation, forest rangers had started to include more women in new groups. Group promoters felt that their involvement had assisted in the formation of more all-women groups. Women hold positions as chairpersons and other office-bearers in groups, intergroups and cooperatives, and there is a general perception that all-women groups are amongst the most active of all groups.

**21. Impact on social capital and empowerment.** Clear gains were made by group members in terms of confidence and self-esteem, especially with the emergence of intergroups and cooperatives. This is reflected in the much greater readiness among very poor people to engage officials (and visiting Missions) in a discussion of their needs and problems. The group concept has also enabled them to undertake activities such as the cleaning up of village environments, improving forest trails, and constructing drinking water systems. Intergroups have played a key role in resolving conflicts between LF groups and the wider community, for example in the drawn out conflict that arose in Manahari (Makwanpur). Cooperatives, apart from the purely financial services they dispense, provide

fresh experience and training, bargaining power for higher farm-gate prices, market information, as well as a forum for decision-making in which women often play a central role.

**22. Environmental Impact.** The project has performed very differently in the various leasehold plots, due to the existing level of degradation as well as to the external level of support and inputs. The most promising results have been observed in areas where the resilience of the soil-vegetation ecosystem is sufficient for the reversal of the process of soil degradation. In two regularly monitored LF sites, in Makwanpur and Kavrepalanchok, plant species increased in number by 57% and 86% between 1994 and 2000, and the number of trees and tree species also increased substantially. In some highland areas, degradation of forest continues, with declining forest cover and an increase in shrubland. Here, the production of forage is insufficient and might induce farmers to re-introduce grazing in the leasehold sites.

**23. The sustainability of the project.** Project sustainability is threatened by the following factors: the legal insecurity of the leasehold agreement; the selection of LF sites in very marginal mountain areas where regrowth is extremely slow and the sowing of introduced grasses so labour-intensive that the resultant income scarcely justifies the efforts; the lack of understanding and training in some sites concerning optimum livestock capacities; a trend of decreased productivity for stylo grass caused by the failure to re-sow after five years and the increasing tree canopy; the lack of continuing support for groups in remote locations; the lack of financial viability and incentives in ADB/N/SFDP credit operations; the failure genuinely to respect farmers' preferences and indigenous knowledge in the preparation of operational plans; the limited results achieved by the TA component (notwithstanding other positive contributions to the project) in building an effective management unit.

**24. Innovation and replicability.** What is most innovative in the HLFFDP is the design of the LF concept itself, involving the actual transfer of land to very poor households. The specific provisions for very poor households and the exclusion from the scheme of anything but degraded areas signal a distinct progression from the concept and practice of community forestry, as well as a radical departure from commercial leasehold schemes. In terms of replicability, the project has obtained its most striking commendation in HMG/N's decision to extend the leasehold concept to 16 new districts and the eventual aim of countrywide coverage. However, the following issues need to be addressed: (i) are some topographical zones inappropriate for leasehold forestry?; (ii) how can leasehold forestry be successfully integrated with community forestry schemes?; (iii) can LF be replicated by means of existing government personnel, skills, equipment and infrastructure?

#### **D. PERFORMANCE OF THE PROJECT**

**25. Relevance of Objectives.** The basic objectives of the project conformed with IFAD strategy in Nepal and with the evolving policies of HMG/N, but project design was weak in one key area. The elements of real participation by farming households were eroded by the emphasis on the provision of subsidised inputs and by the priority given to the availability of degraded land over the identification of needy communities. In other words, land was put before people.

**26. Effectiveness of the project.** In most sites, the sustainable regeneration of degraded land is being achieved. The exceptions are: sites which were so degraded that natural regrowth has not taken place and efforts at plantation have been in vain; sites overwhelmed by overcome the dense growth of unpalatable plants; sites at high altitudes where the capacity for resilience of soil and vegetation had been broken; sites where the grazing ban had been lifted or flouted. Of the fifty sites visited by the Mission, it is estimated that these categories cover around 10-20%, but the grazing ban may have been less assiduously respected in more remote sites.

**27. Exclusive or inclusive targeting?** The problem in group identification was not, as assumed at Appraisal, disappointing the ineligible but generating sufficient enthusiasm for the scheme, and the Mission was repeatedly informed by groups that lessees were largely chosen according to whether or not they were interested. Only when the local and imported grasses began to prosper, was there any

real ‘competition’ for inclusion in the schemes. The ‘area targeting’ strategy frequently adopted by forestry officials was partly designed to meet district targets, since in this way large numbers of groups might be formed in a single intervention. The process of mobilisation could be more cheaply and more rapidly effected, the formation of intergroups and cooperatives facilitated and conflict minimised.

**28. What explains slow implementation and disbursement?** The answer appears to include at least six elements: (i) the failure of ADB/N leadership and the unforeseen expansion of DoF responsibilities without an attendant expansion in resources; (ii) the abrupt cessation of the TA component without leaving in place an effective management structure; (iii) the severe curtailment of the field operations of district authorities during the emergency; (iv) the funding hiatus of 2001/2; (v) the underperformance of the credit component; (vi) lengthy disbursement procedures and the mismatch between project and government budgetary categories.

**29. LF – a relevant but so far costly approach.** The HLFFDP was a costly project, with an average expenditure of approximately USD 800 per household or USD 1,400 per hectare of degraded land. This begs the question as to whether the objectives of the project might not more efficiently have been achieved through ‘bolting on’ to existing community forestry arrangements specific provisions for the poorest. Many CF users’ groups do make such provisions, including allowing the cultivation of grasses or the planting of cash crops such as bamboo in allocated areas, and the discounted sale of fuelwood. Some DFOs deny approval to CF plans in the absence of such measures. However, CF does not possess the mechanisms to target poorer households and control of CF may be abrogated by a caucus of powerful members. The Mission proposes the following ways to reduce the costs in leasehold forestry: (i) identification of the poorest by the community itself; (ii) strategic targeting of a ‘critical mass’ of poor households; (iii) the exclusion of sites where the resilience of the ecosystem seems broken; (iv) a reduced level of subsidised inputs by allowing for natural regeneration and reducing plantation schemes, especially of the unsuccessful fodder trees.

## **E. THE ROLE OF PARTNERS**

**30. The role of IFAD.** IFAD should be commended for a bold and innovative project and, more recently, for contribution to policy dialogue. The following specific weaknesses, however, need to be addressed in a second phase: (i) the neglect of the need to build or strengthen grassroots organisations (such as intergroups and cooperatives); (ii) the rigidity of the technical packages of land improvement; (iii) the lack of clarification concerning the primary function of TA; (iv) the failure to insist on the strengthening of line agencies to cope with the requirements of the project; (v) the failure to insist on a regular audit and a smoother disbursement procedure. A second phase should also consider options for establishing a physical focus for the multiplicity of interventions, activities, sites and agencies in project areas.

**31. The role of the Cooperating Institution.** The supervision of the project was carried out by UNOPS, with yearly supervision missions and reports. Two interventions were of particular importance: firstly, the revamping of the project during the first two years (1991-3); secondly, persuading IFAD to extend the life of HLFFDP after the hiatus of 2001, at which time the project seemed destined to come to a premature end. The limitations of some UNOPS reports may be due to an insufficient time in the field, and a corresponding concentration on certain districts, such as Makwanpur, Chitwan and Kavre. In general, the conditions in the higher hills are more problematic, but Ramechhap was visited only twice, Dolakha, Gorkha, Sindhupalchok and Tanahun only once, and Sindhuli not at all.

**32. Government and its agencies.** The growing commitment of HMG/N to LF and its readiness to extend its implementation countrywide should be stressed. The reduction of the government contribution to the HLFFDP budget was caused by circumstances beyond its control. However, the Project Management Unit, now a permanent IF unit within the DoF, relied heavily on the TA component until July 2001 and has not since been given the strong leadership that it requires. The

DoF for its part has proved to be a worthy lead implementer. The DLS was able to direct forage development activities for which they had not previously had the resources, but appears to have missed the opportunity for a collaborative inter-sectoral approach, preferring to maintain its independence of action. ADB/N-SFDP was an unsustainable approach in the process of phasing out until resuscitation on the insistence of donors, including IFAD. NARC carried out a variety of research activities, but appears ill-fitted for the kind of extensive and site-specific coverage required.

**33. Capacities and incentives in the DoF.** Very much is demanded of DoF staff at district level, and the Mission is concerned about the lack of incentives (financial or other) and the wide disparity in conditions of employment between government staff and staff hired by grant-funded programmes and NGOs. Daily allowances are less than a quarter of what is paid by grant-funded projects. Study tours and in-service degree courses are much appreciated but opportunities are rare. Range posts lack amenities and equipment, and rangers are required to be responsible for excessively large territories. Although HMG/N will balk at the prospect of across-the-board increases in salaries and DSAs, it should be strongly encouraged to give serious consideration to performance-related bonuses in poverty alleviation programmes.

**34. Technical Assistance and M&E.** The work of the Dutch-funded and FAO-implemented TA component of the HLFFDP has been widely commended in supervision reports and elsewhere. The near-demise of the HLFFDP in mid-2001 is widely attributed to the cessation of TA. The papers produced under the TA component provide the documentary framework for the leasehold concept in Nepal. However, the Mission is concerned that TA did not establish an effective project management structure, either because of the abrupt fashion in which the TA was terminated or the lack of a proper exit strategy. Moreover, the TA tended to act as an autonomous parallel project implementation body, without operating a "capacity and knowledge transfer" to the benefit of the line agencies: it was not "owned" by the project. A typical example of this two-sided aspect of TA was the M&E system. The TA sponsored a number of studies, repeated surveys and two-censuses of the leasehold groups (1997 and 2000), which resulted into an abundance of information (an unusual case in IFAD projects), at least until 2001. But this monitoring system was not 'owned' by the line agencies which continued along their customary bureaucratic pyramidal lines with little gain in terms of capacity to conduct field impact assessments and to use knowledge for more effective management.

**35. The role of NGOs.** There may be a role for NGOs in certain specific aspects of leasehold forestry, in particular in the training of trainers. HMG/N should identify which tasks are presently beyond the capacity of its own departments and outsource these functions to suitable NGOs until such time as the relevant capacities of line agency staff exist. The demands of sustainability may best be met by the expansion and intensification of existing government networks, and IFAD-funded loans should be utilised to this end. The lifespan of even the most committed NGOs is ephemeral in comparison to the departments of government, and a government which takes seriously its leading role in the eradication of poverty must be prepared to provide the necessary skills and incentives to its staff.

## **F. OVERALL ASSESSMENT AND CONCLUSIONS**

**36. HLDFFP** can best be seen as a ten-year pilot scheme for LF. Its coverage is very limited, and the cost of its interventions expensive. If these costs can be reduced, its reach can be enormously expanded to all districts of the country where suitable areas of degraded land exist. Estimates suggest that there might be as much as one million hectares of such land in the mid-hills alone. What the LF concept requires to become more than a partial, piecemeal and rather expensive intervention lying uneasily in the shadow of CF is a simpler, cheaper, sustainable programme within the implementing capacity of government services.

## G. INSIGHTS AND RECOMMENDATIONS

37. **Six steps towards a more effective and efficient leasehold programme.** The Mission proposes the following amended timetable/model for future projects of this kind, as follows:

(i) Initial activity: training of trainers and motivators focusing on forest rangers and guards, livestock JTAs and group promoters. (ii) Poorer communities to be identified in areas where degraded forest land is located. Suitability of communities and land to include the criterion of a 'critical mass' of households, and a process of 'self-identification' of the poorest. (iii) Leasehold sites allowed to regrow naturally for 12-18 months and during this initial period, main focus on the selection and training of group leaders, community mobilisation and savings discipline. (iv) The land development plan must be the outcome of genuine consultation between the community and the relevant officials, and the necessary group-level (and inter-group) workshops facilitated. (v) Federation of groups into intergroups encouraged, with appropriate training provided in self-evaluation skills, nutrition, health and hygiene. (vi) Formation of cooperatives with training programmes in book-keeping and banking activities. 'Seed money' for community projects (subject to performance benchmarks), might replace the present infrastructural grant and continue to serve the purpose of reducing the potential for conflict between leasehold groups and the wider community. Cooperatives should progressively take in charge the costs of group promoters. Moreover, cooperatives that wish to do so and have a solid financial track, could be linked to financially healthy banks, or to microfinance wholesale funds, to increase their loan portfolio size. The eventual aim would be for cooperatives to be federated at district and regional levels, and for the creation of an apex organisation similar to that of CF.

**KINGDOM OF NEPAL**  
**HILLS LEASEHOLD FORESTRY AND FORAGE DEVELOPMENT PROJECT (HLFFDP)**  
**INTERIM EVALUATION**

**MAIN REPORT**

**I. INTRODUCTION**

**A. Background of the Evaluation**

1. The IFAD Interim Evaluation of the Hills Leasehold Forestry and Forage Development Project (HLFFDP) is being conducted as a mandatory exercise prior to the consideration of a second phase of the project. The principal objective of the Interim Evaluation is to assess the project according to the main criteria set out in the IFAD Methodological Framework for Evaluations, namely 1) the impact on rural poverty, 2) the performance of the project, and 3) the performance of project partners.

2. An IFAD Mission conducted field visits in Nepal from March 13 to March 31, 2003. In Kathmandu, the Mission met with representatives of the project implementing agencies, bilateral and multilateral donors, research institutions, NGOs and the civil society.<sup>1</sup> In the field, the Mission interacted with members of more than 50 leasehold groups and intergroups in all ten project districts as well as with members of ten cooperatives and field staff of the project line agencies.

**Country Background**

3. Nepal has a population of 23.9 million (mid-2002), an annual population growth of 2.4% and a gross national income per capita of USD 250 (2001). Around 81% of the economically active population live in rural areas and depend on subsistence farming. Official poverty estimates state that 42% of the population are poor. This is paralleled by the high prevalence of child malnutrition (54% of children from 0 to 5 years are short for their age).<sup>2</sup> Between 1995 and 2000, the GDP growth rate was hovering around 4.9% (against a target of 6% set by the National Planning Commission) but due mainly to rapid population increase, the average growth in income per capita was only 2.3%. The agricultural sector grew by a meagre 2.5% in constant price terms, against 7% for non-agricultural sectors.<sup>3</sup> While growth has been sluggish, inflation has fallen substantially from an average of 6.5 between 1996 and 2000 to 2.5 in 2000-2001 and nominal lending interest rates have declined. The Government of Nepal is still heavily dependent on aid, in spite of a reduction of Official Development Assistance as a percentage of government expenditures and Gross National Income during the 1990s (respectively from 70% to 43% and from 12% to 7% between 1990 and 1999).

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<sup>1</sup> The composition of the Mission was as follows: Professor Roger Norman, Team Leader; Dr. Peter Stromgaard, Natural Resources and Forestry Consultant; Dr. Naba Raj Devkota, Livestock Consultant; Ms. Kanta Singh Manandhar, Gender and Grassroots Institutions Consultant; Mr. Fabrizio Felloni (APO, IFAD), evaluation coordination and microfinance issues. The Mission would like to thank Mr. Shree Prasad Baral, HLFFDP Planning Officer, Mr. Bijay Kumar Singh for their help during field visits, and Dr. Ganesh Rauniyar for a preliminary desk study of statistical data. The Mission is grateful to government officials, field staff and representative of donors, NGOs and project clients for their collaboration.

<sup>2</sup> Sources: PRB 2002 World Population Data Sheet, the 2003 World Bank Nepal Data Profile, HMG National Planning Commission, Ninth Plan, 1998.

<sup>3</sup> The Economist Intelligence Unit, Country Profile 2002.

## The Insurgency

4. The political, economic and social life of the country has been dominated in recent years by the Maoist insurgency, loss of effective government control over many rural regions and much bloodshed. All ten HLFFDP districts have experienced the effects of the insurgency, especially in the last three to four years. Range posts and banks have been targeted in several districts. In many areas, government staff have been unable to visit project sites because of the dangers of violence and kidnap. This has had a predictably negative effect on all monitoring and evaluation exercises as well as on continuing support to existing groups and on the formation of new ones. HMG/N has been forced to cut back its contribution to the project and there has been a real but immeasurable effect on the morale of government staff at all levels. The free movement of officials in many areas resumed only in March 2003.<sup>4</sup> The combined incidence of actual violence, perceived threat and general demoralisation has effectively put the HLFFDP in a kind of limbo for the last two years. While activities have not actually ceased, they have been restricted largely to training programmes and to group formation and support only in easily accessible and 'safer' areas. The cessation of the TA component in July 2001 and the ensuing funding hiatus exacerbated the situation.

## Donor-funded Forestry Programmes in Nepal

5. A number of donors are supporting community-based activities involving the twin objectives of natural resource management of forest areas and improved livelihood of rural communities. Most of these programmes are classified under the general label of "community forestry" (Table 1).

**Table 1. Major Forestry Programmes in Nepal**

Donor	Programme Name	Costs (USD m.)	Districts (No.)	Implementation Period
Danida	Natural Resource Management Sector Assistance Programme (NARMSAP)	29	38	1998-2003
Australia	Community Resource Management Project	18.2	2	1997-2007
GTZ	Churia Forest Development	4.2	3	1998-2001 (ext.)
SDC	Swiss Community Forest Project	2.7	3	1993-2000
USAID	Environment and Forest Enterprise Activity	8.8	8	1996-2002
WWF	Terai Arc Landscape Program	-	14	-
DFID	Livelihoods & Forestry Programme	26.0	10	2002-2007
SNV	Biodiversity Sector Programme	13	-	2002-2007

Source: Donor Reports and IE IFAD Interviews, March 2003

These initiatives (together with the HLFFDP) represent a total investment not far short of USD 100 million in activities covering around two-thirds of Nepal's 75 districts.

## Community Forestry (CF) and Leasehold Forestry (LF): Different Approaches for Different Objectives

6. Approximately 38 percent of Nepal's population are estimated to be involved in Community Forestry initiatives of one kind or another.<sup>5</sup> Any comparison, therefore, between CF and LF should bear in mind the huge disparity in coverage, both in terms of hectareage and population directly affected. The key differences between the two approaches may be summarised as follows: CF generally consists of preventive measures to protect against the risk of forest degradation. Under CF, large plots of national forest land are devolved to relatively large communities, which are mandated to formulate a long-term management plan. This plan normally endows forest users with limited rights in

<sup>4</sup> For example, the visits undertaken by the DFO, Ramechhap in the company of the Evaluation Mission were the first such visits he had been able to make during his tenure of some 15 months.

<sup>5</sup> According to current DoF estimates (2003).



the collection of fuelwood and contains provision for rotational tree felling. With the exception of fuelwood collection, benefits do not accrue to individual households but to the community, with profits from timber used to fund local infrastructure schemes. Although community forestry is claimed as a donors' invention, it represents in reality a modern version of traditional ancestral forest management systems. The legal status of CF is more secure than that of LF, and the process of user group formation is more rapid and less complex, with registration of the group and approval of the operational plan taking place at district level. This particular disparity is in the process of being addressed.

7. CF targets whole communities, without special provision for the poor, at least initially, and severely degraded land is normally excluded. The average size of user groups (100 to 1,000) is much larger than in LF and the groups, inevitably, are more heterogeneous. In environmental terms, CF, at least at the outset, was aimed primarily at the conservation of existing forest. The principal measures to regulate grazing and harvesting of forest produce were thus seen as preventive rather than rehabilitative. LF on the other hand involved a redistribution of assets in favour of the poor, therefore a challenge to the status quo. A corollary of this is the potential for conflict between users and non-users, which is common in LF schemes but does not exist in CF. What does exist in CF, however, is the risk of CF users' groups falling gradually under the control of a more or less privileged caucus, with reduced possibilities of the poor to access their share of benefits.

8. The perceived tension, or even competition, between CF and LF appears to have been at its height during the mid to late 1990s, highlighted by such occurrences as the effective prescription of LF activities in Dolakha district. The animosity between proponents of the two approaches has now been replaced by more constructive ideas concerning their coexistence or integration.<sup>6</sup>

## **B. Approach and Methodology**

9. The evaluation is based on both primary and secondary data. Primary data were collected by the evaluation mission during field visits through: (i) a survey of 107 project beneficiaries, focusing on livestock assets and forage; (ii) a series of participatory focus-group discussions with semi-structured questionnaires; (iii) case studies of individual households and grassroots institutions, based on interviews with representatives of 10 leasehold groups, three intergroups, five leasehold cooperatives and three Small Farmer Cooperatives Limited (SFCLs). This was compounded by open-ended interviews with key informants.<sup>7</sup>

10. As for secondary sources, this report will present the analysis of data from: the household impact surveys conducted by the project technical assistance team in 1996 and 1999 (TA survey) and the "group status information sheets" (GSIS), a census of all leasehold groups conducted in the first quarter of 2000. The TA survey data are constructed as a panel dataset offering a comparison of 78 project and 27 control households, between a baseline (1996) and a follow-up (1999) round of interviews. The GSIS explored the existing 1549 leasehold groups in 2000, which provides a cross-section analysis of eight cohorts of groups formed since 1993.

11. Due to the termination of the TA component in 2001, no systematic collection of field data was conducted by the project after these two exercises. Although the latest survey was undertaken three to four years before the interim evaluation mission, it represents an interesting benchmark, as the project might in many respects be considered to have closed in 2001.<sup>8</sup>

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<sup>6</sup> A number of households are at the same time community forest and leasehold members.

<sup>7</sup> Key informants included field-level workers in the Forestry and Livestock Departments, especially forest rangers, forest guards, livestock technical officers and group promoters.

<sup>8</sup> It was not possible to organise a further round of field surveys in 2003 within the timeframe of the interim evaluation mission, due to security concerns in the project districts.

## II. MAIN DESIGN FEATURES

### A. Project Rationale and Strategy

12. IFAD has funded nine projects in Nepal at a total cost of around USD 180 million of which IFAD's contribution in the form of loans represents about one-half.<sup>9</sup> The portfolio is eclectic, but certain features may be observed. Four projects focused on irrigation or had irrigation as a major component, and five projects (not including HLFFDP) have used credit provision as an entry point. Large infrastructure projects for irrigation and aquaculture have given way to less costly interventions, in which credit plays a central role. Recent projects have attempted more closely to focus on IFAD's traditional target groups, including women and the landless.

13. With a total projected cost of USD 20.4 million, HLFFDP was to be financed by an IFAD loan of USD 12.8m, a USD 3.4 million grant from the Royal Netherlands Government for the Technical Assistance component implemented by FAO, and contributions of USD 2.7 million and USD 1.5 million from the HMG/N and participant-farmers respectively. The amount of the IFAD loan has twice been reduced, most recently to around USD 6 million. HMG/N cut its contribution by 50 percent due to additional security expenses during the emergency. The Dutch-funded TA grant eventually totalled USD 4.85 million spread over two phases.

#### **The Rationale: Tackling the 'Common Access' Problem**

14. Forests represent a case of 'common access' resources: controlling access through market mechanisms may be too costly or difficult to be enforced. Hence forests may be over-exploited in the absence of shared norms that discipline their use or when such norms are eroded due to pressures such as rapid population growth. In turn, deforestation bears negative consequences for the poor (particularly women who traditionally collect fuelwood and fodder). It reduces the availability of forest products (such as fuelwood, grass and leaf fodder) and, as time to access forest products increases, supply of (female) agricultural labour declines affecting household production and food security.<sup>10</sup> The solution envisaged by the project was that of allocating users' rights over plots of degraded forest to groups of five to ten poor households who were to be in charge of their rehabilitation and entitled to the use of forest products. This constituted an alternative both to nationalised and community forestry.

15. The HLFFDP is rightly regarded as an innovative, and indeed daring, project, given the lack of precedents in Nepal and the project's unique commitment to the direct transfer of assets to the poor. The length of the lease is approximately that of a generation (forty years) and can theoretically be renewed. Except in the case of an unforeseen policy reversal on the part of the government or of widespread abuses of the leasehold conditions by the lessees, the transferred land should remain under the management of the present lessees and their children for the foreseeable future. Thus, although HMG/N continues to declare that far-reaching measures of land reform are impracticable, a transfer to poor communities through leasehold agreements of forest land – which might eventually cover as much as one million hectares of degraded and barren land – may be viewed as an adumbration of land reform itself.<sup>11</sup>

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<sup>9</sup> The nine projects are as follows: The Sagarmatha Integrated Rural Development Project, 1978-1989; the Small Farmer Development Project (SFDP), 1980-1987 and SFDP II, 1985-1992; the Command Area Development Project, 1981-1990; the Aquaculture Development Project, 1986-1992; the Production Credit for Rural Women Project, 1987-1997; the Groundwater Irrigation and Flood Rehabilitation Project, 1994-2001; the HLFFDP, 1992 to present; the Poverty Alleviation Project in Western Terai, which became effective in 1998 and is scheduled to close in 2003.

<sup>10</sup> Kumar S.K. and D.Hotchkiss (1988), *Consequences of Deforestation for Women's Time Allocation, Agricultural Production, and Nutrition in Hill Areas of Nepal*, IFPRI, Washington DC.

<sup>11</sup> Source: Mission interview with the Minister of Finance of Nepal, April 3, 2003.

## **B. Project Area and Target Group**

16. Project activities during the exploratory phase (up to 1995) were confined to four districts, namely Kavrepalanchok, Sindhupalchok, Makwanpur and Ramechhap, then progressively extended to include Dhading and Dolakha (1995/6), Sindhuli, Chitwan and Tanahun (1996/7), and Gorkha (1997/8). The cumulative project target, as amended by the 1995 Mid-Term Review conducted by IFAD, was the formation of 2,040 leasehold groups of 14,600 poor households and the rehabilitation of 13,000 hectares of degraded forestland.

17. The land and income criteria were given in the Staff Appraisal Report (SAR) as land ownership of less than 0.5 ha and annual incomes below the poverty line, then USD 110. Various elements of flexibility were indicated in order to take account of: (i) the productivity of the land in question; (ii) the need for the leasehold plots to be proximate to the habitations of the selected lessees; and (iii) the desirability of a degree of social cohesion among the selected households. The SAR also urged positive discrimination towards landless and near-landless groups, disadvantaged tribal groupings, and female-headed households. It recommended that households having up to 1 ha of land could be considered for inclusion in the project, provided that such farmers did not constitute more than 25 percent of the total.



Photo 1a: A recently-identified LF site. Photo 1b: An adjacent 4-year old leasehold site with regenerated vegetation (also partially visible in the former photo). Source: F. Felloni (OE), March 2003.

## **C. Goals, Objectives and Components**

18. The twin goals of the project were the alleviation of poverty among the poorest sections of the communities in the mid-hills and the regeneration of barren and degraded land, with the specific objectives of increasing the supply of fodder and forage for livestock and the provision of income-earning possibilities from livestock and other sources. These objectives were to be achieved via the operation of the following main interventions:

- (i) development of the degraded lands through a ban on grazing in the leasehold sites and a supervised process of land management and plantation;
- (ii) increase of livestock productivity through the provision of subsidised high-yield exotic grasses and of improved breeds of animal, strengthened veterinary services and appropriate training programmes, and the provision of subsidised agricultural credit ;
- (iii) development of on-farm income generating activities (IGAs): cultivation and sale of seeds, grasses and bamboo, and of off-farm IGAs such as poultry-rearing and beekeeping;
- (iv) strengthening of government technical support through technical assistance, incremental staff and equipment and vehicles;
- (v) training programmes for government officials and participating farmers and applied research to develop suitable technologies of land development and forage and fodder development;
- (vi) local infrastructure (bridges and trails) and provision of improved cooking stoves.

## **D. Implementation Partners and Arrangements**

19. There are four implementing agencies for the HLFFDP: the Department of Forest (DoF) in the Ministry of Forest and Soil Conservation (MFSC); the Department of Livestock Services (DLS) in the Ministry of Agriculture; the Agricultural Development Bank of Nepal (ADB/N); the Nepal Agricultural Research Council (NARC). The ADB/N was initially chosen to take the lead role in project implementation, in consideration of its previous experience with the Small Farmer Development Project (SFDP), also co-funded by IFAD. Its lack of competence and enthusiasm for this role caused delays in project start-up and the replacement of ADB/N by the DoF as lead implementer.

20. The DoF was to have primary responsibility for identification of leasehold sites and for the preparation and approval of the five-year Operational Plan. In practice, the process of group identification and support, as well as the organisation of the majority of training programmes, also fell to the DoF, in particular to the forest rangers. The DLS had the main responsibility for livestock-related activities, focusing on forage development, the distribution of livestock, fodder tree saplings and forage seeds, and training on animal management and health. NARC activities focused on the development of technologies for suitable grasses, legumes and fodder trees. With four implementing agencies working at central, district and field level, co-ordination was a key factor and coordinating committees were to be set up at each level.

## **E. Major Changes in Policy and Institutions during Implementation**

21. Leasehold rights are users' rights that allow for appropriation of the produce of forest land after handover (including forage, fuel, fruits and other non-timber products but excluding standing trees).<sup>12</sup> The leasehold concept originally served to allow for commercial forestry by private companies, and the basic legal framework was adapted to cover HLFFDP activities.<sup>13</sup> At the start of project implementation, this framework involved the granting of leasehold certificates by the Secretary of MFSC: a lengthy process. This resulted in insecure land tenure and uncertain incentives for investment in rehabilitation. A recent policy, approved by the MFSC in 2002, moves towards a solution of the problem, by transferring the necessary authority to the District Forest Offices. This policy awaits ratification by the Parliament at such time as it is re-convoked. Currently, Regional Directors of Forests issue the certificates.

### **From an Adverse Environment to the Mainstreaming of the Leasehold Concept**

22. After the National Planning Commission (NPC) accorded priority status to LF projects, HLFFDP and the new leasehold programmes were accorded a 'Priority One' designation in government plans. In the Tenth Five-Year Plan, one of the central strategies of the forestry sector is to accentuate programmes for disadvantaged and poor groups. Outstanding legal issues concerning LF include ambiguity over inheritance rights – whether or not the leasehold can pass to sons, daughters or other relatives on the death of the leaseholder – and the related problem that the present arrangement recognises only collective group rights, without mention of individual members. Nevertheless, it remains true that HMG/N has adopted a progressively more supportive stance towards leasehold forestry, reflected in the most recent policy decisions and in the decision taken in 2001 to extend the leasehold forestry concept to sixteen new districts with the eventual aim of countrywide coverage.

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<sup>12</sup> DoF regulations in this respect forbid the use of fallen trees of a certain dimension. These regulations are over-strict in the opinion of the Mission, with LF users not permitted even to harvest what are actually no more than stumps.

<sup>13</sup> The 'commercial' leasehold programme was so different in purpose and conditions that it was suggested at the initial evaluation stakeholders' workshop that 'leasehold forestry' was a misnomer for the HLFFDP.

## F. Design Changes during Implementation

23. The effective start of HLFFDP was delayed by two years while the lead responsibility for implementation transferred from the ADB/N to the DoF. The duration of the project has twice been extended, currently until December 2003. The total amount of the IFAD loan, meanwhile, was twice reduced in view of the slow rate of disbursement. The first phase of the TA component had highlighted, *inter alia*, a weak focus on gender. Accordingly, under the second phase of TA component, 46 women group promoters were recruited to assist in the formation and support of groups, and NGOs were hired for the selection and training of group promoters. Upon the cessation of TA, the employment of group promoters (and of incremental forestry staff) was terminated, but on the initiative of the Interim Support Mission (2002), around half of the GPs were re-employed, funded by a special IFAD grant. These changes apart, two major modifications of implementation practice took place on an *ad hoc* basis. The significance of these changes demand some comment here.

### Flexibility in Targeting: Not Necessarily Harmful

24. The elements of flexibility in targeting indicated by the SAR provided the formal justification for a loose interpretation of targeting criteria on the part of the project implementers. Because of the need for homogeneity and proximity of leasehold groups, and because the sustainability of isolated groups was seen to be at risk, district authorities in many cases came to identify whole communities or hamlets as potential target groups, without strictly applying the land/income criteria. This 'cluster targeting' has facilitated the emergence of intergroups and cooperatives in many areas, and it was this consideration that district officials declared to the Mission as its primary rationale. The following examples of 'flexibility' in terms of targeting were encountered by the Mission:

- (i) the inclusion of a limited number of better-off households in groups when the great majority of households in a hamlet or settlement met the poverty criteria and it was felt invidious or divisive to exclude those few who did not;
- (ii) the formation of groups following an application or initiative on the part of members of a particular community;
- (iii) the use of leasehold as an incentive for shifting cultivators to give up cultivation of cereal crops on erosion-prone forest land;
- (iv) identification by the authorities of contiguous blocks of appropriate land, followed by the necessity of forming a sufficient number of groups locally to take up the leases.

25. The IFAD Mid Term Review of the project and successive Supervision Missions reported relatively high targeting violations (47% according to the Supervision Mission Report, December 2001). However, observations of the IFAD Evaluation Mission suggested a lower estimate (15% to 20%) which was confirmed by the analysis of the 1999 TA household survey data.<sup>14</sup> It was also noted that, when "cluster targeting" was properly done, targeting 'violations' were negligible within the cluster area.

26. Sound area targeting is obtained through consultation with communities, including community forestry users groups (CFUGs) and participatory identification of the poorer hamlets through an agreed set of poverty indicators.<sup>15</sup> A small proportion of project households may be outside the formal criteria. However, in all cases of area targeting observed by IFAD Mission this did not entail a domination of the project by the local élite but simply the availability of a small number of more

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<sup>14</sup> The extent of targeting violation is defined as the frequency of households owning more than 0.5 ha, after considering also the flexibility criteria set forth in the appraisal report. It was computed at 21%. It should be taken into account that the size of landholding is only a partial indicator of household welfare (the fertility of land may be more important) and estimating income is difficult in rural areas where a substantial proportion of produce is consumed and not sold.

<sup>15</sup> The great majority of leasehold sites are located in areas where CF programmes are in operation. CF tends in the final analysis to favour the powerful and better-off. The targeting policy of leasehold schemes – which essentially aim at the protection of the interests of the very poor – should dovetail with the existing CF provisions.

literate and skilled group members. These individuals may be instrumental in starting up project activities or grassroots organisations (such as cooperatives), or in the diffusion of sound agricultural or animal husbandry practices.

27. Mis-targeting was generally observed by the Mission as being associated with the absence of a proper negotiation with the communities. This appears to have taken place when project field staff tried to accelerate the process by identifying poor households through outdated and inaccurate surveys conducted by ADB/N a decade before. The undesired consequences of this hasty targeting was the creation of scattered leasehold groups, which involved high service costs for implementing agencies, lacked the critical mass for aggregation into intergroups and increased the risk of conflicts with adjacent hamlets or with CFUGs.

### **The Forgotten ‘Social Capital’: Intergroups and Cooperatives**

28. The original project design did not provide for the creation of grassroots institutions other than leasehold groups, nor did it contemplate any savings collection to be undertaken outside the limited schemes of the Small Farmer Development Project (SFDP)<sup>16</sup>. However, during implementation it was realised that groups would benefit from being federated into larger entities, which would also be appropriate units for the mobilisation of savings. The unforeseen formation of 120 intergroups and 18 multi-purpose cooperatives (in Makwanpur, Tanahun, Chitwan and Dhading) is widely regarded by line agency staff as an impressive achievement.

The emergence of larger aggregations of self-help groups is familiar from the history of group-based social mobilisation in the developing world, as is their role in promoting savings and a wider social and political influence. The main reason for its neglect in HLFFDP project design seems to have been the very great degree of confidence placed by the project designers in the capacity of the ADB/N and the operation of the SFDP<sup>17</sup>.



Photo2: A leasehold cooperative building in Barbanjyang VDC (Tanahun).  
Source: F. Felloni (OE), March 2003.

<sup>16</sup> Started in 1975, the SFDP was the largest microfinance project ever implemented in Nepal, reaching almost 200,000 clients in the mid 1990s. Through its sub-project offices in rural areas, ADB/N provided credits to groups of 5-10 small farmers for agricultural activities. Loans normally required collateral except where group members acted as co-guarantors.

<sup>17</sup> At that time there existed around 100 Sub-Project Offices (SPOs) carrying out the activities of the SFDP, and the SAR envisaged that these would be the agents of group formation, group support and credit delivery, with the project helping to fund an additional 88 SPOs and ‘satellite’ SPOs. Thus a substantial investment in what turned out to be a dying programme was indicated.

### III. SUMMARYIMPLEMENTATION RESULTS<sup>18</sup>

29. By February 2003, 1,729 leasehold forest groups had been formed, or 85 percent of the initial target. A total of 11,756 households were included, also in excess of 80 percent of the target at appraisal. On the other hand, only 57 percent of the targeted area was handed over (7,377 hectares as against the planned 13,000 hectares), a discrepancy explicable partly through the smaller than planned leasehold allowance per household (an average of 0.62 ha against the projected 1.0 ha). Over 70 percent of LHGs were formed in the four years from 1997 to 2000 and if this trend had been maintained over the remaining period of implementation, the final picture in terms of disbursement might have been quite different.

30. **Land development:** A very wide diversity of Operational Plans emerged, many of which conformed to a limited degree with what had been envisaged at appraisal. Equally, the degree and authenticity of the consultation process appears to have varied widely. A total ban on grazing was implemented in all sites, although not uniformly observed. Imported grasses such as stylo grass, molasses grass and broom grass were successful in many sites; imported fodder trees were in the main only successful on private land.

31. **Livestock Development:** In terms of livestock distribution, the DLS focused on the supply of breeding animals, of which around 77% were goats. The major infrastructural investment was the construction and equipping of 24 service centres. At the end of 2002, a total of 85 veterinary medicine funds had been established. Training in improved livestock management was provided for around 2,500 farmers, and in veterinary care to 233 Village Animal Health Workers (VAHWs).

32. **Applied Research:** In 1993/94, programmes were conducted in four sites in order to identify appropriate forage species for leasehold sites and techniques for the establishment of multipurpose tree and shrub species. Seeds, saplings and grafts of appropriate species were distributed to leasehold farmers. NARC also carried out quality testing of forage seeds, inoculums and appropriate packaging of inputs. In 1995, the Integrated Research Demonstration and Extension and Training programme (IRDET) was set up to investigate the following areas: minimum tillage and line planting; strategic use of starter fertiliser; leguminous fodder trees, shrubs and pasture species; legume seed inoculation and pelleting; cut and carry management of fodder; the integrated use of sites for research, demonstration and extension. Training courses on fodder development were given to DLS Officers, leasehold farmers, Junior Technicians (JTs) and Junior Technical Assistants (JTAs).

33. **Microfinance:** As early as 1987, the gradual replacement of the SFDP scheme, already recognised as unsustainable, had been proposed by the GTZ. The phasing-out of SFDP began in 1993, the first effective year of HLFFDP implementation. Apart from the delay in start-up of the HLFFDP, the over-reliance on ADB/N-SFDP meant that: (i) up-to-date baseline data were not available in terms of landholding and income of targeted households; (ii) the task of group identification and group formation generally fell on the DoF, whose staff had neither the experience nor the capacity for such work;<sup>19</sup> (iii) where ABDN was involved in group identification, there was a tendency to prefer relatively better-off farmers with collateral to set against project loans;<sup>20</sup> (iv) the operation of the credit component of HLFFDP was severely hampered from the beginning. According to the latest ADB/N figures (December 2001), the project had disbursed NRs 30.4 million loans, or 56% of the target, to 1037 groups, or 63% of existing groups. This low coverage is explained by the absence of SFDP sub-project offices in many areas, the uncertain security conditions in remote VDCs, and the progressive phasing out of SFDP. A total of 58% of all loans were registered for the purchase of livestock, while land development and other off-farm activities accounted for 20% and 22% respectively. The SFDP scheme focused almost exclusively on the provision of credit to poor households, normally with collateral, which virtually excluded the landless, except when co-guarantors could be found. The

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<sup>18</sup> Detailed implementation results can be found in Appendix 1. What follows here is a brief summary.

<sup>19</sup> Regarding the issue of Group Organisers/Promoters, see below, paras 62/3.

<sup>20</sup> MTR, p. 13 para. 34



recovery rate of loans was calculated at only 24%. From 1993, ADB/N began replacing SFDP sub-project offices by SFCLs – multi-purpose cooperatives with 500-700 members.

34. **Infrastructural Investments and Improved Stoves:** Provisions were outlined in the SAR for the building of ‘simple footbridges’ and the improvement of forest trails, with funds to be administered by the DoF. In the event, grants were made directly to groups (or intergroups where they existed) at the rate of NRs 15,000 per LHG. The physical achievements to date include the building of 38 culverts/bridges, the maintenance or renovation of 294 schools, the completion and maintenance of 160 small drinking-water supply projects, and the improvement of 464 km of trails and footpaths. At the instigation of the MTR, the title of this sub-component was changed to that of Village Infrastructural Development, but it was noted that in practice the set of options for the investment were limited. Improved Stoves: The SAR envisaged the provision of 15,270 stoves to 11,730 households, but the basic input has been the training of local potters and the supply of the metal frames necessary for the construction of the stoves.

#### IV. IMPACT ON RURAL POVERTY

35. The Mission found that the impact of the project on rural poverty was very uneven, depending principally on three interconnected factors: the productive potential of the leasehold sites themselves, the location of the sites in terms of markets and communications, and the degree of dynamism and collaboration within the groups. The latter in turn depended on group cohesion, the extent of community consensus and the nature and continuity of support systems. Predictably, the measurable impact of the project was greatest in well-watered lowland sites close to markets and least in high-altitude sites with steep slopes and scarcity of groundwater, and remote from markets and government service centres.



Photo 3: A case of successful multi-product leasehold plot in Raksirang (Makwanpur). The regenerated forest yields pineapples, fruit-trees, timber, fuelwood and forage. Source: F. Felloni (OE), March 2003.

##### A. Impact on Physical and Financial Assets

36. The productive physical assets of poor people in the mid-hills are their small plots of private land and their livestock, and, in the case of the landless, their livestock and their access to common grazing land. The impact of the leasehold concept directly concerned the leasehold allocation and, indirectly, the productivity of private land. Livestock numbers (mainly of local goats) rose in project areas through the increased availability of fodder; the productivity of private land benefited from the planting of fruit and fodder trees and imported grasses, and from the increased amount of manure



available through the stall-feeding system and increased (female) agricultural labour supply. However, where the sites were severely degraded and desiccated or overwhelmed by noxious plants, where no market for dairy products existed, or where groups lacked even minimal support, project impact was indiscernible. The project also lacked an appropriate emphasis on market linkages, crucial in areas remote from existing markets. Where cooperatives had been established, the problem was partly addressed by their ability to command better farm-gate prices.

## Livestock

37. **Significant increase in local goat ownership.** Goats remain the prime source of income for most project households, and local goat numbers have increased throughout the life of the project. The analysis of TA data suggests that the number of goats had increase between repeated surveys. Data collected by the present Mission's household survey support this statement: the overall mean was over five goats per household (Table 2), against 4.4 on average reported by the TA for 1999. Comparison with previous surveys should be taken cautiously due to difference in the sampling framework as well as season of visits.<sup>21</sup> However, an increasing trend was consistently reported by LHG members during repeated case studies in the villages visited by the IFAD Mission (see below). In terms of farmer's choices, it was noted that farmers preferred local breeds, considered more productive.<sup>22</sup>

**Table 2. Mean number of goats per household**

Districts	Doe	Castrated	Kids
Ramechhap (n=30); (SE)	2.23 (0.26)	0.77 (0.17)	1.90 (0.29)
Dolakha (n=20); (SE)	2.15 (0.23)	1.20 (0.30)	1.65 (0.30)
Kavrepalanchok (n=13); (SE)	1.85 (0.42)	0.54 (0.33)	1.38 (0.37)
Tanahun (n=21); (SE)	2.24 (0.33)	0.52 (0.18)	2.05 (0.37)
Chitwan (n=23); (SE)	3.87 (0.82)	0.78 (0.35)	2.43 (0.57)
Overall (n=107); (SE)	2.52 (0.22)	0.78 (0.12)	1.93 (0.18)

Source: IFAD IE Household Survey, 2003; SE=Standard Error; n=number of surveyed households

38. In Ojhe Tar VDC in Kavrepalanchok, group members before the project had no goats, or at the most 1-2, while nowadays every household possesses goats, to a maximum of 5-7; in Riyale VDC, also in Kavrepalanchok, there has been a noticeable increase in the production of goat meat. In Ramechhap, farmers from Salu VDC reported that around two-thirds of leasehold members had only a single goat before the project while every household now possesses two or three. In Dulegauda VDC in Tanahun, the general increase in numbers of goats among LHG members was put down to better veterinary care; in Vyas municipality in the same district, numbers of goats have approximately doubled. Farmers in Shaktikhor (Chitwan) also reported substantial increases in numbers of goats. Where goat numbers had not increased, as among groups in Valuwajor and Manpakha (Ramechhap), and Bel Bhanjyang in Dolakha, the reasons were given variously as ineffective regulations in terms of grazing (Valuwajor), encroachment by non-members (Valuwajor and Manpakha), and problems with the marketing of meat and the shortage of farm labour (Bhel Bhanjyang). The average annual revenue from goat meat sales was NRs 3 304.

39. **Static buffalo numbers.** The project M&E data showed that the number of buffaloes owned by LHG members was constant across survey rounds.<sup>23</sup> The present Mission's household survey suggest that numbers of buffalo possessed by LHG members remained more or less constant (at a mean of

<sup>21</sup> One of the problems of the M&E surveys undertaken by the TA was the discrepancy of seasons in which the repeat field visits were undertaken.

<sup>22</sup> Details of these comparative findings can be seen in Annex 1.

<sup>23</sup> There was in fact trace of a slight increase, followed by a slight decrease.

1.39 per household) from 1999 to 2003, with a clear disparity within and between districts (highest in Tanahun, lowest in Chitwan).<sup>24</sup> Buffaloes have higher costs and higher feeding requirements (fodder and nutritious ration), particularly for improved breed, which the leasehold site and the private land could not always meet. It was noted that farmers expressed a marked preference for improved (Murrah breed) or selected buffaloes, with which they tended to replace local ones, but this was not always feasible, due to feed scarcity and higher investment costs. Differences in buffalo ownership were also reflected in dairy products. According to the Mission survey, LHG members in Kavrepalanchok earned an average of nearly NRs 14,000 p.a. from the sale of milk and other dairy products, those in Tanahun, Ramechhap and Dolakha less than NRs 2,000 and those in Chitwan none at all. The mean household income from dairy products across the four districts was NRs 2,585, but this figure conceals very wide variations between households. The majority (around 70 percent) of households obtain no measurable monetary revenues from dairy products (although there may be significant benefits from self-consumption), whereas around ten percent earn between NRs 10,000 and 25,000 p.a. and a farmer in Kavrepalanchok earned NRs 40,000 in a single year.

40. **Livestock marketing problems.** In terms of marketing, there are few problems for groups in areas close to roads and towns, but in remoter areas the distance from markets and poor information about prices continues to be a constraint. For goats, there is always a market even in small villages, and especially at festival times. In many areas, there are weekly markets for goats and dairy produce such as ghee (clarified butter).<sup>25</sup> For milk, the situation is more complex, not only because of the impossibility of walking more than an hour or so to sell fresh milk but also, in some cases, because of prejudice against buying milk from low caste farmers.

### **Popularity of Imported Forage Grasses; Failure of Imported Fodder Trees**

41. As with other aspects of the project, the success of interventions varied widely between districts and sites. Major problems included the failure of fodder trees in leasehold sites, the particular problems encountered in upland regions and the absence of appropriate market linkages. In general, project design regarding interventions concerning forage and fodder, based on the provision of subsidised exotic varieties, was too rigid. Pair-wise ranking exercises conducted during field visits show highly differentiated preferences of farmers for different grasses and legumes (Annex 1). The Mission's main conclusion is that site-specific packages, to be developed with the active involvement of farmers and their traditional knowledge, are essential.

42. The planting of fodder trees species such as *Badahar* (*Artocarpus lakoocha*), *Tanki* (*bauhinia pupurea*) and *Ipil-Ipil* (*Leucaena leucocephala*) in leasehold sites was not a success.<sup>26</sup> The reasons for this may include poor plantation techniques and lack of fertiliser, but the basic fact is that many of the sites are unsuitable for such plantation, either because of insufficient topsoil, steepness of slope, limited moisture retention, or competition from noxious vegetation. Even where *Tanki* and *Ipil-Ipil* had been established, many of the trees were spindly and weak. However, the plantation of the same fodder trees on private land was often very successful.<sup>27</sup> Many farmers gave it as their opinion that, in the leasehold sites, natural regeneration of forest cover following a ban on grazing was a preferable approach.

43. In terms of forage, the impact of HLFFDP has depended largely on the success of introduced grasses and legumes. Stylo grass (*Stylosanthes guianensis*), molasses grass (*Melinis minutiflora*), napier grass (*Pennisetum purpureum*) and broom grass (*Thysanolaena maxima*) all proved popular in areas not exceeding 1700 m in altitude. Joint vetch (*Aeschynomene americana*) and oats (*Avena sativa*) were also successfully introduced, especially in land lying fallow after the rice harvest. The

<sup>24</sup> Project-wide figures for the numbers and productivity of buffalo were not available.

<sup>25</sup> At one such *haat-bazaar* in Ramechhap, it was reported that 200 animals change hands every week.

<sup>26</sup> Botanical names are normally only given at the first mention in the report.

<sup>27</sup> The plantation of multi-purpose (e.g. fuelwood and fodder) trees is a consolidated tradition in the hills of Nepal.

success of imported species depended on correct management techniques, in particular the appropriate mix of grass and legumes and the limitation of the tree canopy, but several sites visited by the Mission were failing in these respects. The establishment of stylo grass was hampered in Tanahun and elsewhere by the dense growth of Banmara (*Eupatorium adenophorum*), an unpalatable and noxious species.

44. Nearly four-fifths of all respondents interviewed by the Mission felt that they were now able to obtain an adequate forage supply for their livestock, whereas around two-thirds described the pre-project supply as low or inadequate (see Tables 10-11, Annex 1). Participating households noted improvements in the availability of animal feed, and even for less successful sites, farmers have been able to harvest at least one *bhari* (approximately 25-30 kg) of green forage, whether from introduced grass and legumes or indigenous species. They were also able to collect sufficient bedding material for use in stalls, previously a laborious and time consuming task. Direct revenue from green forage comes either from the sale of cut forage or by allowing other farmers to buy it and cut it *in situ*. Farmers in Shaktikhor (Chitwan) received 20 kg of maize or wheat in return for allowing the cutting of grass in an area of 350 m<sup>2</sup>; LHG members from the Lamatar group in Dolakha reported that they earned an average of NRs 1,500-2,000 p.a. by selling fresh green grass and some seeds. Molasses and stylo seeds fetched NRs 50 per kg and NRs 400 per kg respectively. Farmers from the Wakandi group in Korak VDC in Chitwan were able to earn more than NRs 2,000 in a season by selling broom, and one farmer from Salu VDC in Ramechhap earned NRs 5,000 per annum by selling stylo seed.

45. Substantial quantities of molasses and stylo seed (exotic varieties) were produced from sites in Chitwan, Ramechhap, Tanahun, Kavre and Gorkha as well as in Makwanpur, where stylo seed production is well-established. Problems include the recent onset of anthracnose, and competition from the local *siru* grass (*Imperata cylindrica*) which may invade stylo grass.<sup>28</sup>

46. **Leasehold paradigm less successful at higher altitudes.** At higher altitudes, attempts to introduce forage pasture and legumes came up against immemorably established traditions of open grazing. Certain farmers had been able to obtain some income from the seeds of temperate pasture species, but these species are not suited to the cut-and-carry system. The combined effect of grazing bans and the problems with imported species suggested to NARC that there should be a different approach in high-altitude areas, such as the introduction of rotational grazing systems, the improvement of rangeland through a proper mix of species and the practice of minimum tillage, hay and silage making and the development of appropriate horti/silvipastoral systems.

### Other Income Generating Activities (IGAs)

47. HMG/N pays particular attention to this aspect of the project on the basis that a loan, even if concessional, must be repaid in hard currency and should therefore contribute directly to GDP growth. The most direct and measurable form of contribution is the increase of income. Therefore both HMG/N and IFAD itself are concerned especially to assess the impact of the project in this respect. From a poverty alleviation perspective, IGAs represent an important component in income diversification and risk management strategies. Data collected during the 2000 census of leasehold group (GSIS 2000) would suggest that revenues from IGAs – except in certain specific cases – were generally low. What are generally referred to as IGAs do not include what is by far the most important sources of cash income for poor households in the mid-hills, namely the income derived from livestock in the shape of milk and meat (see above), and the wages of hired labour and remittances. The latter are peripheral to a project which is not involved in large-scale public works and pays day-wages only in the form of basic training allowances and for some small-scale schemes such as trail clearance. The former, on the other hand, is central to the HLFFDP. In all cases, income from livestock rearing is vastly more significant than income from all other sources combined (Table 3).

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<sup>28</sup> This was observed by the IFAD Evaluation Mission in one site of Shaktikhor VDC in Chitwan. Thus the Sano Bhanjyang group earned NRs 11,600 from the sale of 29 kgs of stylo seed in 1999/2000, NRs 2,800 from only 7 kgs in the following year and none at all in 2002.

48. It may be assumed that most of seeds and fodder are directly attributable to the HLFFDP, as well as a proportion of horticulture and bamboo and some or all of beekeeping, rabbit keeping and medicinal plants, but, in 2000 at least, small numbers of households were involved. Only around 100 households derived income from medicinal plants, an area of potential income generation strongly emphasised in the appraisal report. Perhaps the most significant figure is that some 1,800 households earned cash income from the sale of seeds and seedlings, a development entirely due to project activities. Yet this figure is still dwarfed by the number of households earning an income from meat and milk.<sup>29</sup>

**Table 3. Percentage of Households with Revenue from Selected IGAs  
by LHG Cohorts (Year of Project Entry)**

(no hh)	1993 (29)	1994 (431)	1995 (693)	1996 (1073)	1997 (1710)	1998 (2696)	1999 (2202)	2000 (1737)	Total (10571)
Goat production	96.6	87.7	80.5	77.6	65.6	59.3	56.1	52.9	63.1
Milking buffalo	34.5	40.1	38.0	31.0	20.1	21.6	20.7	20.4	23.8
Seed / seedlings	55.2	22.5	13.3	13.1	12.9	22.0	23.1	9.6	17.4
Horticulture	31.0	5.3	9.8	6.2	7.2	4.5	7.6	6.6	6.6
Bamboo / nigalo	0.0	11.6	3.3	4.3	2.8	3.8	4.9	2.8	4.0
Crop production	3.4	11.8	9.7	3.1	2.3	3.0	3.0	3.3	3.7
Fodder / forage	44.8	16.5	13.6	8.2	4.4	1.3	1.0	0.0	3.8
Remittance	0.0	7.0	4.5	4.8	1.2	1.7	5.0	4.8	3.5
Bee keeping	6.9	5.6	2.5	6.6	2.9	2.5	3.8	1.6	3.2
Medicinal plants	0.0	15.3	2.7	0.5	0.6	0.1	0.0	0.0	1.0
Rabbit keeping	0.0	1.6	1.4	0.2	0.4	0.1	0.1	0.0	0.3
Others	27.6	14.4	25.3	25.3	19.4	10.2	9.2	12.4	14.6

Source: GSIS 2000

49. Some signs of improvement are visible. For example, in certain areas of lowland districts such as Makwanpur and Chitwan, the sale of grass seeds is now becoming significant, although anxieties were expressed by some groups that the demand for such seeds might not keep pace with the increasing supply and that further diversification would therefore be necessary.<sup>30</sup> Leasehold groups in Riyale Village Development Committee (VDC) in Kavrepalanchok district had started to earn a reasonable income from the sale of cardamon seeds. A single mature plant can yield up to 3 kgs of seed per year, and these seeds fetch an average price of NRs 300 per kg. in local markets.<sup>31</sup> However, like bamboo, cardamon requires a well-watered location, something lacking in the majority of leasehold sites. LHG farmers were also earning household income from selling vegetables, broom grass seeds, herbal spices and fruits. Farmers in Dahakhani and Shaktikhor in Chitwan were earning more than NRs 10,000 p.a. from vegetables, ginger and bananas. Farmers from the Aakase Koldanda group in Tanahun and from Katara pakha, Sampure, and Man pakha groups in Ramechhap earned between NRs 1,000 and NRs 12,000 p.a. from selling seasonal vegetables.

<sup>29</sup> By comparing different entry cohorts in the year 2000, the census (Table 3) shows the progression of performance of household members according to years of project exposure. For example, almost all (96.6%) the 29 households which started in the project in 1993 were earning monetary revenues from goats in the year 2000, while this was the case for only 53% of households which had just joined the project in 2000.

<sup>30</sup> The leader of the Padam Pokhari LHG in Makwanpur district requested the extension of training to include other opportunities for income diversification. The group was concerned that the diffusion of this agricultural activity would ultimately lead to a fall in price for the stylo seed, and it was therefore important that alternative sources of income be explored. It may be pointed out that her request reveals an impressive grasp of market forces as well as commendable foresight.

<sup>31</sup> The fact that the price paid by middlemen for cardamon seeds averages only NRs 200 per kg underlines the importance of farmers' cooperatives able to undertake the marketing themselves.

50. The following tables provide examples of additional income sources of LFG members (promoted by the project) involved in the HLFFDP for more than 5 years. Table A is based on Makwanpur district and thus on groups living in plain areas, Table B on Sindupalchok district and thus on LFGs in hilly areas. The Mission found that non-livestock IGAs tended to be concentrated in relatively more "mature" leasehold sites, particularly when an active intergroup or cooperative was providing better coordination, access to market information and bargaining opportunities for higher farm-gate prices. A practical implication is that, in the future, before embarking upon the promotion of a specific commodity, the priority would be to put the emphasis on local grassroots organisations.

**Table 4a. Yearly Income Earned (by type of activity) [Plain]**

Activity	Yearly Income in NRs
Broom-grass	700 – 1,500
Pineapple	2,000 – 3,000
Mango	1,500 – 2,000
Milk	6,000 – 8,000
Goat	20,000

**Table 4b. Yearly Income Earned (by type of activity) [Hills]**

Activity	Yearly Income in NRs
Ginger	1,200 – 1,400
Banana	600 – 700
Sweet potatoes	1,200 – 1,300
Milk	30,000

Source: IFAD IE Mission Field Visit (March 2003)

### Impact on the availability of financial assets

51. **Institutions Matter.** The usefulness and impact of the financial services depend on the types of financial institutions involved in project implementation. Leasehold members were served by formal ADB/N-SFDP scheme (in rare cases commercial banks), semi-formal (cooperatives and SFCLs) and informal (intergroups, groups, relatives, friends, shopkeepers, moneylenders) financial sources.<sup>32</sup>

52. While the project design contemplated only formal sources (under the SFDP), rangers encouraged leasehold group to collect monthly savings that could then be mobilised for small loans. The practice was reinforced by the introduction of intergroups and cooperatives. Finally, in 1993 ADB/N initiated the transformation of loss-accumulating field offices of SFDP into cooperatives (offering both financial and non-financial services), the Small Farmer Cooperatives Limited (SFCLs) owned by their clients. Although few leasehold areas are served by SFCLs, the Evaluation Mission found three cases of groups joining an SFCL in Tanahun, Gorkha and Dhading. Thus leasehold groups were served by at least four types of semi-formal and informal financial institutions not foreseen at the design phase (Table 5).<sup>33</sup>

<sup>32</sup> Formal institutions are subject to prudential regulation and supervision by central monetary authorities. Semiformal institutions are not supervised by the central bank but are subject to some forms of control on their accounting and operating (for example the account auditing). Informal institutions are unsupervised.

<sup>33</sup> But the presence of SFCLs was limited in leasehold areas.

**Table 5. Informal and Semi-formal Financial Institutions in HLFFDP**

Institution	Member (No. HH)	Entry Fees (Rs)	Shares (Rs / share)	Financial Services	Non-financial Services	Account Auditing
LF group	5 – 10	None	None	Compulsory savings, small loans (S)*	Manage LF site	None
LF Intergroup	40 – 70	None	None	Compulsory savings, small loans (S)*	Interface between LF groups, forum to settle conflicts, transition to coops	None
LF Cooperative	40 – 120	5 to 500	100 to 125 Rs	Compulsory savings, loans (S)*	Marketing & storage services;	(by District Coop. Off.)
SFCL	400 – 700	10 – 15	100 Rs	Savings, loans (S,M,L)*, insurance	marketing and storage; funding of infrastructure	(by District Coop. Off.)

Source: IFAD Interim Evaluation Field Interviews, March 2003.

\* S = short-term credit, M= medium-term credit; L = long-term credit

53. **Savings Services.** The provision of savings services under SFDP was marginal, due to the credit-led nature of the approach. Instead, leasehold groups, intergroups, cooperatives and SFCLs collected compulsory savings to accumulate funds for loan disbursement. The most vigorous collection was seen within SFCLs, located in areas of more intensive agriculture. The collection of savings by leasehold groups, intergroups and cooperatives was obviously constrained by the poverty of participating households. Zero interests on compulsory deposits was another major limiting factor.<sup>34</sup> In all the cases observed in the field, savings were not withdrawable: they could be reimbursed only upon withdrawal from groups, intergroups and cooperatives.<sup>35</sup> This can be considered as a third factor reducing the supply of savings. At the very beginning, leasehold members would easily agree to provide savings to the group, waiting their turn to obtain a very small loan. But in the longer run members would only deposit the small amount of compulsory monthly savings and very limited voluntary ones. One of the most important perceived benefit of savings is their role in smoothening consumption across the seasons of the year. If savings can not be withdrawn during the "rainy days", this role is diminished. For such reasons, in the future, larger leasehold cooperatives may envisage differentiating demand and term deposit services and remunerating the latter.

54. **Short-term credit services.** Leasehold members obtained so-called 'productive' loans (for livestock and agriculture) from the available formal, semi-formal and informal sources. It is noticeable however, that groups, intergroups and cooperatives were providing smaller loans and were often rationing credit due to the insufficient funds raised through savings. Short-term credit for fertilisers and pesticides was provided through the SFDP conduit. Groups, intergroups, cooperatives and SFCLs provided loans for vegetable farming and local livestock. Loans for 'consumption' purposes (house repairs, ceremonies, emergencies, etc.) were provided by leasehold groups, intergroups, and some cooperatives, but not by SFCLs and SFDP scheme (Table 6).<sup>36</sup> The increased flow of credit for 'productive' and 'consumption' purposes from all sources reduced demand of loans from village moneylenders.<sup>37</sup>

<sup>34</sup> Instead, SFCLs were paying a 7-8% annual interest on deposits.

<sup>35</sup> Again, some differences were reported by SFCL staff: their members were allowed to withdraw small amounts from group funds if other members agreed.

<sup>36</sup> The conventional definition of 'non-productive' loans does not do justice to the importance of these types of financial services, especially for poor households in remote areas. Consumption loans for house repairs or medicines may represent an important medium-long term investment in the health and capacities of household members.

<sup>37</sup> Although the traditional vision of moneylenders as exploitative is in many cases not justified (their high interest rates reflect higher risk and transaction costs), it is certainly true that lower interest rates from other sources represented an improvement of welfare for borrowers.

55. **Problems with SFDP medium-term credit: encouraging ‘moral hazard’?** ADB/N-SFDP was providing medium and long term credit for livestock, tree plantation and irrigation; As per project design, SFDP was also offering 6-8 year loans for leasehold land development with 2-year grace period. The latter were in fact used to buy buffaloes, since leasehold land required mostly labour (inputs were supplied free of charge). But borrowers often lacked experience and training in the management of larger livestock, resulting in lower than expected milk production, and livestock diseases. Thus, market distortions created by subsidies raised also the "moral hazard" problem: borrowers did not adequately protect themselves from risky investments. The result was that many borrowers defaulted and resold buffaloes at lower prices.

56. **Cost of financial services.** Prima facie, interest rates appeared lower under SFDP than under leasehold groups, intergroups and cooperatives. Under SFDP they ranged between 7% and 18% per annum, while groups, intergroups and cooperatives were charging interests between 1.5 to 3% per month which corresponded to an effective annual interest of 30% to 60%, when flat rates were applied. But SFDP lower rates reflected the presence of subsidies and, in addition, SFDP loans would normally bear higher transaction costs.<sup>38</sup> A simulation has shown that, if subsidies were removed and transaction costs (e.g. the need to visit the SFDP office several times prior to obtaining the loan and later to pay for instalments) taken into account, a 6-month Nrs 5,000 loan from SFDP might bear an effective interest rate of 69% per annum (Annex 4).

**Table 6. Purposes and Sources of Loans Taken by Leasehold Members**

Loan Purpose	Amount*	Sources and interest rates (effective)	Maturity (months)
<i>Medium - long term</i>			
Buffalo (improved)	15 000 to 20 000	(i) ADB/N: 16% (ii) LF Coop: 30 – 40%	36
Land developm.	5 000 to 10,000	(i) ADB/N: 7%	72-96
Ox (local)	5 000	(i) ADB/N: 18%	24-36
Irrigation	30 000	(i) ADB/N: 14%	36
Shop	15 000	Moneylender: 96%	24
Migration	6 000 to 75 000	(i) LF Group: 30% (ii) moneylend: 60%	6-36
<i>Short-term</i>			
Goat (local / improved)	2 000 to 7 000	(i) ADB/N: 18% (i) LF group: 40% to 60%	12-24
Vegetable farming / cropping	2 000 to 4 000	(i) ADB/N: 16%-18% (ii) LF Group: 40% - 60%	3-12
House maintenance	2 000 to 12 000	(i) village informal group: 40% (ii) relatives: 0%	3-6
Ceremonies & "Emergencies"	1 000	(i) PDP group: 30% (ii) LF Group / coop: 40 - 60%	1-3

Source: IFAD IE Mission HH Field Interviews (March 2003).

57. **Insurance.** SFCLs were offering insurance schemes as a standardised package. These were mandatory for livestock loans. Only one case of an informal insurance scheme was found in a cooperative in Tanahun. Cooperatives were often too small (30-50 members) to make such schemes viable.

58. **Indebtedness: A Case of Negative Impact?** Under SFDP, the majority of borrowers experienced repayment problems. In the case of leasehold households, the main reason for delinquent payments, according to the respondents, was a lower than expected income flow, either from the activity for which the loan was taken or from other sources of income. According to the Mission, other reasons included the misuse of funds, the scarcity of land, the death of animals, or simply poor credit discipline (SFDP loans were often considered as gifts). Most repayment problems were

<sup>38</sup> According to a World Bank study, average lending rates under SFDP should have been increased to 43% to compensate for the termination of subsidies.

concentrated in medium-term loans for land development and buffaloes. This preference for livestock investments is not surprising given the importance attached to livestock in the determination of household status. But, as noted, soft loans provided through SFDP channel may have given rise to 'moral hazard' and loan default. Many delinquent loans were guaranteed by land as collateral and, in principle, the collateral guaranteeing unrecoverable loans should be auctioned. No action has apparently ever been taken by SFDP against defaulters, but, in theory at least, several LF members would now face the risk of becoming landless.

59. In conclusion, the original microfinance component was found unsustainable, due to the absence of credit discipline, of a proper system of incentives and inadequate interest rates. More innovative community-based microfinance institutions were introduced by the project during implementation. The latter have in principle the pre-requisites for longer-term sustainability and for offering better services to leasehold members. There is however need to differentiate deposit services and improve bookkeeping and self-monitoring of financial activities.

## **B. Impact on Human Assets**

### **Net Time Saving Effects**

60. Deforestation has implications for poverty as increasing time to collect fuelwood and fodder may severely reduce female supply of agricultural labour, household production and food security.<sup>39</sup> In addition, it may reduce time for (and quality of) child care.<sup>40</sup> The labour-saving or labour-demanding effect of stall-feeding adoption may be *a priori* somehow ambiguous, depending on a number of factors and hypotheses: the question becomes largely an empirical one. It was found in many instances that the net effect was that of saving women's time. Timetables for daily activities were elicited from women members of LHGs to represent the labour-saving effect of increased availability of forest products (a typical summer schedule in several communities is presented in Table 7). The major difference between 'before' and 'after' is the dramatic reduction in time spent for the collection of fuelwood and fodder. Part of the time saved was "re-invested" for livestock rearing, agricultural production, and work in kitchen garden (and for rest).<sup>41</sup> Moreover, where improved cooking stoves had been introduced, the saving on fuel was reported as substantial, with a bundle of wood now lasting five days instead of two.<sup>42</sup> Although these findings deserve further investigation on a larger scale, clearly the impact of leasehold on (women's) time allocation may bear strong consequences for household welfare.<sup>43</sup>

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<sup>39</sup> Kumar S.K. and D.Hotchkiss (1988).

<sup>40</sup> IFAD Nepal Country Programme Evaluation (1998).

<sup>41</sup> Rest periods may have been included within the longer time required for household chores in the "before project" situation. However, it is a revealing aspect of their changed perceptions that respondents decided to single out 'rest' as a separate activity.

<sup>42</sup> A considerably higher saving than the 30% estimated in the SAR. The improved stoves were much appreciated by households living at lower altitudes, less so by those at higher altitudes who preferred conventional ones for heating purposes.

<sup>43</sup> Most of the related benefits concentrate on household consumption rather than monetary revenues and would probably be better captured through anthropometric indicators.



**Table 7. Time Allocation Before and After HLFFDP Intervention**

Activity	Before Project		After project	
	Time	Duration	Time	Duration
Wake-up, wash, clean home, prayer	4 – 5 am	1 hr	5 am	1 hr
Fetch water	5 – 6 am	1 hr	6 am	0.5 hr
Light fire, cook and serve tea, feed, water and milk animals	6 – 7 am	1 hr	6.30 am	0.5 hr
Fuelwood and fodder collection	7 – 9 am	2 hr	7 – 7.30 am	0.5 hr (alt. day)
Work in kitchen garden	-	-	7- 8 am	1 hr
Cook & serve lunch, wash dishes, etc	9 – 11 am	2 hr	8 -10.30 am	2.5 hr
Clean shed	11 – 11.30	0.5 hr	10.30 – 12.00	0.5 hr
feed animals	-	-	-	1 hr
Collect fuelwood and fodder and take animal for grazing	11.30 – 4 pm	4.5 hr	-	-
Work in agricultural land,	4 – 6. pm	1 hr	12 am – 3 pm	3 hr
Cook tiffin	6 – 6.30 pm	0.5 hr	3- 4 pm	1 hr
Fetch water, milk animal	-	1 hr	4 – 5 pm	1 hr
Free time, work in kitchen garden	-	-	5- 6 pm	1 hr
Cook and serve dinner, wash pots and do other household work	6.30 – 10 pm	3 hr	6 – 8 pm	2 hr
Rest	See former	-	8 –10 pm	2 hrs
Go to bed	10 pm	-	10 pm	-

Source: IFAD IE Field Visit, Makwanpur

### Group Promoters

61. According to the initial project design, Group Organisers – both male and female – were to have been selected and trained under the existing SFDP procedures, with resource persons drawn from the SFDP division. With the recognition that the SFDP was in many cases virtually inoperative, it was decided by the TA team to hire female Group Promoters (GPs). The GPs eventually numbered 50 persons overall, with each one responsible for supervising and supporting 20-30 groups. This network was terminated with the cessation of TA in July 2001. Following the intercession of the IFAD Implementation Support Mission in May 2002, an IFAD grant of USD 50,000 was made available for the reinstatement of the group promoters, to be selected, recruited and supported by an NGO. In the event, 20 such promoters were hired or re-hired, so that the coverage of VDCs was only partial under the new scheme, even with many group promoters working with 50 groups or more.<sup>44</sup>

62. There can be no question about the importance of GPs' contribution to the operation of the project; the concern here is once more that of sustainability. The ADB/N/SFDP network was unable to undertake the recruitment and support of GPs; the TA component was always viewed as a temporary intervention; the IFAD grant to an NGO was an emergency measure. Women promoters or their equivalent are unlikely in the foreseeable future to be directly employed by government departments. The sustainable option would be for the GPs to be hired and remunerated directly by the emerging LF cooperatives (more cooperatives may share the same GP), with NGOs given the task of undertaking the initial training programmes, until such time as the system can become self-sustaining, and with experienced GPs themselves acting as trainers. For this reason GP fees must be set at a realistic level.

### Gender Issues

63. Only a little over a quarter of LHG members are women and a little over one in ten groups are all-women groups. Mixed groups tend to include one or two women members only. However, encouraging movements towards a greater gender sensitivity can certainly be discerned, and many respondents (not only female) attested to a quite different attitude within groups towards women's roles and capacities. The Mission learned of several instances where inactive male members had been

<sup>44</sup> The very large number of groups under the supervision of each promoter has obliged the GPs to work largely with the intergroups where they exist. Two GPs interviewed by the Mission in Tanahun district are currently responsible for 90 groups and 127 groups respectively.

persuaded to transfer membership to their wives. It was also observed that after gender training and orientation, forest rangers had started to include more women in new groups. Group promoters felt that their involvement had assisted in the formation of more all-women groups but gave it as their opinion that a deliberate strategy of ensuring that every group includes 50 percent women members would be desirable.

64. HLFFDP interventions have not only encouraged women to participate fully in leasehold activities but have served to build confidence and self-esteem among women. Women hold positions as chairpersons and other office-bearers in groups, intergroups and cooperatives, and there is a general perception that all women groups are amongst the most active of all groups.<sup>45</sup> Women feel socially empowered to a degree because, as they themselves express it, they can now talk to outsiders and confidently put forward their needs and aspirations in group meetings and in discussion with line agencies, which was not previously the case. Women in groups for more than 5 years reported that 90 percent of household decisions are made jointly.

### **The Acquisition of Skills through Training**

65. Project statistics list over twenty different training programmes provided for group members. In 1999, a survey of 78 groups reported that 285 training sessions and study tours had been provided for group members on topics ranging from land development, animal husbandry and seed production to improved stoves and rabbit keeping. The annual progress report for 2001/2 also listed an impressive number of training sessions and workshops held in all ten districts. The major issue does not seem to be the regularity of training so much as the content and delivery. Mission members reported a supply-driven approach with (i) a tendency towards a 'classroom lecture' approach, without enough attention to practical demonstration immediately utilisable in the field and (ii) little efforts to elicit training requests from LHG members.

### **C. Impact on Social Capital and Empowerment**

66. Clear gains were made by group members in terms of confidence and self-esteem, especially with the emergence of intergroups and cooperatives (not contemplated by the project design). This was repeatedly attested by group members, and is reflected in the radically different attitudes towards officialdom, and in particular in the much greater readiness among very poor people to engage officials (and visiting Missions) in a discussion of their needs and problems. The group concept has also enabled them to undertake collective activities such as cleaning up village environments, making or improving forest trails, and constructing and maintaining drinking water systems.

67. The formation of intergroups has played a key role in resolving conflicts between LHGs and the wider community in cases where the group itself proves unable to do so (Table 8). The Beldara intergroup in Makwanpur played a major part in solving the conflict that arose in Manahari (see case study in Annex 3). Cooperatives, which have a recognised legal status, apart from the purely financial services they dispense, provide an additional means for the acquisition of experience and training of different kinds, as well as an arena for decision-making in which women often play a central role. They are also instrumental in building linkages with markets, by means of information sharing, bargaining for better farm-gate prices and attracting support and expertise from line agencies. The Padam Pokhari cooperative in Makwanpur, held up as a model in this respect, is the destination for many study tours from other areas.

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<sup>45</sup> While it is certainly true that some all-women groups are extremely active and successful, these groups tend for obvious reasons to attract disproportionate attention and support from officials, and a disproportionate number of visits from UNOPS and IFAD missions. Success breeds success. Certain all-male groups visited by the Mission might also be described as very active and successful. An all-dalit and all-male group in Salupati VDC in Ramechhap had performed wonders with their leasehold plot, earning from grasses, cardamon seeds, guava and bamboo. Such was the transformation of what had been heavily degraded land that the local forester gave it as his opinion that it could one day become real broadleaf forest.

**Table 8. Types of Grassroots Institutions in the Project Area**

<b>Institution</b>	<b>No. of HH</b>	<b>Membership Criteria</b>	<b>Activities / Services</b>	<b>Financial Services</b>
<b>Leasehold groups</b>	5 – 10	Leasehold group members only	Manage LF site, collect savings	Savings and small loans
<b>Leasehold Inter Groups</b>	30 – 50	Leasehold group members only	Interface between LF groups, forum to settle disputes and conflicts, collect savings, provide loans, lay the grounds to coop. Formation	Savings and small loans
<b>Leasehold Cooperatives</b>	30 – 120	Leasehold group members	(i) Marketing & storage services; (ii) financial services; (iii) platform for training; (iv)	Savings and loans
<b>SFCL</b>	400 – 700	Small farmers below poverty line	(i) financial services; (ii) marketing and storage; (iii) provision of infrastructure (through profits)	Saving, loans and insurance
<b>Community Forestry Group</b>	500 – 1700	Whole community	Forest management (extensive); infrastructure built out of CFUG earnings	None

Source: IFAD IE Mission Field Visits (March 2003)

#### **D. Impact on Food Security**

68. The increase of livestock (goat) numbers and household income clearly would be expected to have a significant bearing on nutrition in particular (milk and meat).<sup>46</sup> Time saved from fuelwood and fodder collection is expected to lead to the same direction. A number of women members of LHGs commented on the improvement of their children's diet, and training programmes for intergroup members include modules on nutrition and hygiene. Anecdotal evidence of increased income from livestock spent on additional cereals and new items of diet was collected in Salu VDC Ramechhapp, Tanahun and Chitwan. Line agency officials, group promoters and, in one case, a Mission member testified to the marked improvement in standards of nutrition, clothing and hygiene in communities where the project has been operating over a period of time.<sup>47</sup> This would suggest that the project may have contributed to better control of the risk of food shortage, through the availability of buffer resources (livestock assets) that can be mobilised in critical periods.

69. However, there is little quantitative data from surveys to substantiate such findings, since the project monitoring system did not collect anthropometric measurements which would have provided more reliable evidence of changes in nutrition and child development.<sup>48</sup>

<sup>46</sup> However, in the short term, the availability of meat and dairy products may not immediately translate into higher protein intake in the typical diet, when households give priority to market sales.

<sup>47</sup> It should be noted that it is impossible to separate the effects of different interventions in the areas where other donor-funded programmes have been in operation.

<sup>48</sup> For example, the analysis of 1996 and 1999 survey shows that the slight increase in the average number of months in which food supply is available from the operated land (from 8.6 to 8.9 in the project group) is statistically not significant. But this does not take into account the increase in household consumption through other income sources.



Photo 4: A leasehold site in Shaktikor (Chitwan), where fruit trees and tubers are grown. Source: F. Felloni (OE), March 2003.

### E. Impact on the Environment and Communal Resource Base

70. The overwhelming impression of the fifty leasehold sites visited by the Mission was one of remarkable diversity – in terms of soils, microclimates, and potential for regeneration – even within single VDCs. The vegetative cover of the great majority of leased land has regenerated as a result of the ban of grazing and improved management. Numerous reports made under the TA component have detailed the improved ecological situation in selected districts, which is generally clearly visible and often impressive. Measurable results include increased plant species diversity and improved structure of the vegetation.

71. Two LF areas, Chitripani in Makwanpur and Bhagawatisthan in Kavrepalanchok, were the subject of detailed studies carried out by the International Forestry Resource Institute (IFRI) research programme during the period 1994 to 2000. In Chitripani, plant species diversity in the leasehold forest increased from 37 species in 1994 to 58 species in 2000, an increase of 57%. In Bhagawatisthan, plant species diversity in the leasehold forest increased from 70 species in 1995 to 130 species in 2000, an increase of 86%. In Chitripani, the number of trees with a stem diameter in excess of 10 cm. increased from 20 to 23 per ha, and in Bhagawatisthan from 54 to 72 per ha. The number of tree saplings and tree species also increased substantially on both sites. The regeneration of tree species, like *Shorea rubusta*, (Sal), *Dalbergia sissoo*, (Sissoo), and *Cleistocalyx operculatus* (Kyamuno) has caused a reduction in the ground cover of *Imperata cylindrica*, permitting the introduction of the imported grasses. Exotic species such as *Eucalyptus camaldulensis* and the leguminosae *Leucaena leucocephala*, as well as the regrowth of native fodder plants, have further increased species diversity. Several groups reported increased groundwater and improved water supplies over several years of forest regeneration. Examples include Thulosirubari VDC in Sindupalchok district and sites in Makwanpur and Tanahun.

72. The most promising results have been observed in areas where the degraded soil-vegetation ecosystem is still somehow intact and its resilience is sufficient for the reversal of the process of soil degradation. In other areas, noticeably in the highlands, the resilience of the ecosystem seems broken, meaning that an irreversible process has taken place whereby the natural plant succession will not be able to restore the previous cover in the foreseeable future. In some highland areas, degradation of forest continues with declining forest cover and an increase in shrubland and grassland. This is compounded by the slow regeneration of forests due to the climatic conditions in these areas. The production in the highlands of forage for stall feeding on leased land is insufficient and might induce farmers to re-introduce grazing in the leasehold sites.

## **F. Impact on Institutions, Policies and the Regulatory Framework<sup>49</sup>**

73. The concept and practice of leasehold forestry has had a very positive effect on the DoF and in many cases on the collaboration between the DoF and the DLS at district and field level. Government attitudes and policies have steadily altered with the experience of LF, notably in recent years, and LF now enjoys equal status with CF in government plans (see 2.5). The DoF has not only been the driving force behind the project. Clear evidence of its commitment was its determination to carry on activities during the budgetary hiatus of 2001/2 as well as the rising profile of LF within the department, which is now headed by a previous HLFFDP Project Coordinator. The impact on the DLS is less marked, and the impression is that the DLS has continued and expanded existing programmes such as the goat exchange scheme ('Passing On The Gift') rather than treating its share of the HLFFDP budget as an opportunity for fresh initiatives.

74. The appraisal report emphasised that under the Master Plan for the Forestry Sector, the field level staff of the DoF was set to be increased at the rate of 9-12 additional forest rangers/assistant Rangers per district and that the programmes in the forestry sector were to be run through the regular staff without project funding of additional personnel.<sup>50</sup> In the event, three project-specific rangers per district were employed under the TA component, but these posts were discontinued on the cessation of TA in July 2001. Although there was some strengthening of field-level staff by the DoF during the early years of the project, it was not on the scale envisaged with the result that the district forestry authorities not only had to assume the additional workload envisaged in project design but also in many cases those functions of group identification and formation originally allocated to the ADB/N.

75. The experience of Community Forestry previously acquired by forest rangers and forest guards proved invaluable in the implementation of LF. All rangers interviewed by the Evaluation Mission gave a very positive view of the transformation of their role during 25 years of CF and 10 years of LF. This was generally described as a change from forest protection to community service, and the radical nature of this development should not be underestimated. Forest rangers and guards were several times described to the Mission as 'the backbone of the forestry sector', and this seems a very apt description. The Mission was impressed by their commitment and enthusiasm, and recommends further training for local officials in techniques and aspects of social mobilisation and gender awareness.

## **G. Sustainability**

76. Sustainability can be defined as the likelihood that net benefits generated by the project will be maintained over and beyond the life of the project. In terms of HLFFDP, this means primarily:

- (i) the sustainability of the leasehold arrangement;
- (ii) the sustainability of environmental regeneration;
- (iii) the sustainability of the livestock-fodder-labour equation;
- (iv) the sustainability of groups in the absence of extraneous support;
- (v) the sustainability of financial services;
- (vi) the sustainability of land and livestock development options;
- (vii) the sustainability of the project management structure.

77. (i) The lease is initially for forty years, renewable at the end of this time, but might theoretically be withdrawn at any time.<sup>51</sup> This points to the essentially temporary, concessional and conditional nature of the transfer of assets. While any lease is temporary, and any transfer of assets by the Crown is by its nature concessional, the matter of conditionality needs to be spelled out. On what conditions

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<sup>49</sup> Grassroots institutions are dealt with under the heading of social capital.

<sup>50</sup> SAR, p. 26 para. 108

<sup>51</sup> This issue was raised by the Director General of the DoF, who pointed out at the wrap-up meeting that the lease agreement might under certain circumstances be revoked by the government.

and by what procedure might the lease be withdrawn? In addition, the legal status of the lease certificates and the question of inheritability need to be addressed.

78. (ii) The impressive regreening of most leasehold sites and the subsequent establishment of grasses and forage legumes seems unlikely to be reversed provided the grazing ban is maintained. However, it seems unrealistic to select leasehold plots in very marginal mountain areas where the soil is so degraded that regrowth is extremely slow and the sowing of introduced grasses is so labour-intensive that the resultant income scarcely justifies the efforts. With the emergence of various options concerning the parallel development of community and leasehold – for example the acceptance of leasehold plots within CF – there might be optimal utilisation of the higher circulation and availability of plant nutrients in the forest soil-vegetation system. Severely degraded grazing plots might still be kept under “active protection” in order to encourage natural vegetation regrowth.

79. (iii) Sustainability of livestock numbers depends on the availability of forage and labour. Stall-feeding systems seem accepted by householders, in most areas; forage supplies should continue to increase given a reasonable productive potential of the LF site and reasonable levels of group effort and cohesion. Annex 1 draws attention to the need for an understanding of optimum livestock capacities, which may indeed be partly a question of training if the community concerned has a limited history of livestock management.<sup>52</sup>

80. The main concern over stylo grass is a trend of decreased productivity, particularly in older leasehold sites. The most likely reason is the need for renovation sowings every five years, a requirement not always adhered to by LHG members. Problems with molasses are usually connected with a lack of moisture during the dry season, especially on dry slopes. With the correct cultural practices and harvesting patterns, molasses productivity ought to be sustainable. Some farmers assumed that once stylo is established it needs no further care, but it can in fact be suppressed by other plants such as *Imperata cylindrica*. Stylo is also heavily infested by the anthracnose condition in many sites, especially in the relatively old plots of Makwanpur and Sindhupalchok. In addition, when molasses was sown with stylo, the latter was mostly overwhelmed in a few years. Species such as stylo will also soon vanish from sites where the tree canopy becomes extensive.

81. (iv) Successful groups insist that the existence of the group and the management of the leasehold site will survive the end of the project and the cessation of support, and this is certainly true of groups such as the all-women groups in Padam Pokhari in Makwanpur and Vyas municipality in Tanahun, or the much-visited site in Baireni (Dhading). On the other hand, the most remote group visited by the Mission, in Sindhuli, had re-opened the leasehold site to grazing *because they assumed that the project had been discontinued*, and the grazing ban had also been lifted by certain groups in Sindupalchok, with some individuals considering withdrawal from the groups. Two quite different factors provide the key to the degree of sustainability: the dynamism of the groups themselves (and the extent of continuing support), and the condition of the original site. As far as group support is concerned, it seems superfluous to make too harsh a judgement of the last few years given the problems repeatedly referred to in this paper. The Mission’s observation in general is that support from line agencies and group promoters is essential at least until the group has established itself, and where this is lacking, the performance soon deteriorates. The establishment of intergroups and cooperatives provides a more powerful and permanent framework for the continuing operation of individual groups, and the role of the GP, as well as the ranger, is crucial.

82. (v) Financial services under the ADB/N/SFDP were not sustainable, because the operations were not financially viable for the bank. Although interest rates were set at market levels, the program had to face high transaction costs to reach clients in rural areas and to manage relatively small loans.

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<sup>52</sup> For example, traditional river-fishing communities such as the Maji people in Ramechhap have been obliged rapidly to transform their *modus vivendi* from fishing to farming. Most villagers of the mid-hills, however, have a very long experience of goat keeping. The situation is a little different for buffaloes, especially of the improved types.

Equally seriously, the necessary capacities in terms of staff and branches did not exist. Repayment rates were low (24% at the end of 2001) and there were no staff incentives to improve them. The poor credit discipline is ultimately explained by the very nature of SFDP, a donor-driven intervention with little concern for profitability. Groups were not provided with incentives to exert effective “peer pressure” on delinquent members, and ADB/N field staff, usually overburdened, were not granted salary incentives for ensuring a high repayment profile. Since no collateral was ever in fact auctioned, the scheme lacked any credible sanctioning system. Instead, grassroots institutions such as cooperatives possess, in principle, the fundamental features (reliance on savings, credit discipline, profitability) that may lead to sustainability of financial operations. However, their accounting system is often not suited for financial activities and their loan disbursement constrained by slow growth. Capital infusion through seed money (upon satisfaction of strict criteria on credit discipline) may be a way to support them before promoting linkages to apex funds or healthy banking institutions.

83. (vi) The sustainable option in terms of land development and land management packages depends on a thorough process of consultation with the farmers at each site, a point repeatedly emphasised in project design. Rangers and guards insisted to the Mission that farmers’ preferences are always consulted and this may often be so. However, the degree to which the ranger and the JTA solicit and respect the wishes and preferences of the farmers themselves will inevitably vary from site to site.

84. As pair-wise ranking exercises have shown, farmers’ preferences concerning forage species were dissimilar across districts and sites, depending on what was traditional to the area and on the needs of particular livestock species. In the Ratomate group in Salu VDC in Ramechhap, the preference was for molasses and broom grass, whereas technical considerations only might have indicated stylo and white clover. In Jamunagaire, also in Ramechhap, the farmers judged that molasses was preferable in terms of productivity, that stylo was best in terms of milk production and that napier grass was preferred by the animals themselves. In the Polyang Sera group in Tanahun, stylo was considered preferable in terms of nutrition and milk production, but Napier in terms of dry matter production. Across all the sites surveyed in this respect, stylo was the most popular preference (45.8%), followed by molasses (19.6%), and Napier (15%). The inescapable conclusion is that improvement packages must be designed together with farmers to match the geophysical and market characteristics of each site.

85. Most farmers raise local breeds of goat, a choice confirmed by recent technical research. Local goats produce twin kids in a kidding; they are better in terms of oestrous management; kidding normally takes place twice in 15 to 17 months; and, most importantly, local goats are more resistant to disease. Local breeds of cow, on the other hand, are noted for their low level of productivity and most farmers with cows said that they don’t sell the milk because of the limited quantity. In general, farmers did not raise improved breeds of cow in the districts of study. The case of buffalo is different and here the improved *Murrah* breeds are popular with farmers because of the much increased milk production. One farmer in Kavre earned NRs 40,000 in a single year from the milk of an improved *Murrah* crossbreed. LHG farmers in various VDCs of Kavrepalanchok were doing very well with improved buffaloes, whereas the majority of farmers in Ramechhap had local breeds and sold little or no milk as a result.

86. (vii) TA constitutes by its very nature a temporary input, designed to ‘kick-start’ certain project activities. Under HLFFDP, however, as the MTR points out, ‘funds of TA have at times been used to cover urgent mainstream operations which got entangled in government procedures’.<sup>53</sup> It would seem, in fact, that the operation of TA increasingly became an indispensable support for project management. With the rather abrupt cessation of TA, and in the absence of a clear exit strategy, the management of the project suffered a blow from which it did not recover. The first priority of TA should be the building of a management unit which will be able to function effectively after the closure of the TA component, and this does not appear to have been the case.

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<sup>53</sup> MTR, p. 31, para. 125.

## **H. Innovation and Replicability**

87. What is most innovative about the HLFFDP is the design and introduction of the LF concept itself, involving the actual transfer of forest land to very poor households. The specific provisions for very poor households and the exclusion from the scheme of anything but barren or severely degraded areas signal a distinct progression from the concept and practice of community forestry, as well as a radical departure from commercial leasehold schemes. Implementation arrangements such as group formation, technical packages and training programmes are well-known from many poverty alleviation projects. The required cooperation between line agencies, particularly between the DoF and the DLS was an innovative step and has resulted at a local level in some impressive examples of collaboration, even though at the central level, much more remains to be done.

88. In terms of replicability, the HLFFDP has obtained its most striking commendation in HMG/N's decision to extend the leasehold concept to 16 new districts and the long-term intention to achieve coverage of all 75 districts. However, three major issues need to be addressed in this context. Firstly, are there topographical zones which are inappropriate for leasehold forestry, in particular, do the climatic conditions and traditional grazing patterns in the high hills allow of a successful regeneration of degraded forest, without which all other project activities are ineffective? Secondly, can leasehold forestry be successfully integrated with community forestry schemes and what are the options in this respect? And thirdly, can the provisions of the HLFFDP be replicated through existing government resources in terms of personnel, skills, equipment and infrastructure?

89. An important element of innovation was the (unforeseen) introduction of intergroups and cooperatives as community-based microfinance institutions (cooperatives may also provide non-financial services, e.g. storage and marketing of fodder seeds and milk). Based on savings collection, their services have the credential to become more cost-effective and sustainable than the one provided by the government credit programmes. In spite of these areas of progress, the following issues need to be taken into consideration: (i) Several cooperatives are very small (50 members or less), which implies high administrative costs per member; (ii) there are constraints in the collection of savings due to the zero interest rates paid on deposits and the non-withdrawable nature of deposits which reduces their usefulness in smoothing consumption and the incentives of cooperative members to save; (iii) The accounting system of cooperatives is perhaps suited for marketing activities but less adequate for the monitoring of financial activities: no separate accounts are kept, and no indicators of profitability and portfolio quality are regularly monitored.

## **I. Overall Impact Assessment**

90. In spite of the project's uneven performance it is possible to discern some common traits of its impact on the end-users. Benefits have been more pronounced on livestock-related assets and revenues and less so on other income generating activities. Signs of improvement on the latter can already be seen in some communities where grassroots organisations are more mature, which suggests that strengthening these organisations should be a priority before supporting the production and marketing of a specific commodity. In spite of the rigidity of the technological package, imported fodder grasses have increased quantity and improved quality of forage. On the other hand, fodder trees have performed below expectations on leaseland (but not on private land). More emphasis on natural regeneration may help avoid competition problems between local and exotic varieties. The net time saving effect of leasehold forest proximity may have increased women's time endowment for alternative economic activities (livestock rearing, agricultural labour, kitchen gardening), attending meetings, childcare and rest, although most of these benefits are not easy to document through monetary indicators. Access to financial services has increased, although the project credit channel has almost collapsed during implementation. Leasehold cooperatives have instead shown better sustainability prospects. In fact the social capital element (strengthening of grassroots institutions), largely unforeseen at project design, was one of the key successes introduced during the implementation and an experience to build upon in future interventions.



## **V. PERFORMANCE OF THE PROJECT**

### **A. Relevance of Objectives**

91. Are the objectives of the HLFFDP relevant to the needs of the poor, the strategies of IFAD and the policies of the government? Land, livestock and labour constitute the productive assets of the poor in the Hills of Nepal; moreover, as previously noted, deforestation negatively affects female agricultural labour supply, household production, food security and child care. The HLFFDP directly addresses each of these through the allocation and guided management of the only land conceivably available for distribution. As for IFAD strategy, its development in Nepal has been marked by increasing efforts to reach the very poor, the minorities, the landless and women, to ensure the real participation of the targeted groups in the implementation of projects and to move away from capital-intensive and large scale infrastructural schemes. In HLFFDP, the only infrastructural schemes envisaged were small-scale, communal schemes. In project design, the very poor, the landless, the minorities and women were specifically targeted. In terms of government policy, the progressive emphasis on poverty alleviation as a key objective of the five-year-plans, and the gradual elevation of the status of LF indicate that there has been a convergence of the objectives of the HLFFDP and those of the relevant government departments during the last ten years. Thus the project as it was designed did address fundamental needs of the poor, and it did so broadly within IFAD's country strategy and in parallel with the evolving policies of the HMG/N.

92. However, project design was weak in certain important respects. The elements of real participation by the farming households themselves were eroded by the emphasis on the provision of subsidised inputs (seeds, saplings, livestock and credit) and by the priority given to the availability of degraded land over the identification of needy communities. In other words, land was put before people.

### **B. Effectiveness**

93. In most sites, it can be said that the regeneration of degraded land is being achieved. The exceptions to this fall into the following categories:

- (i) sites which were so degraded in the first place that natural regrowth has not taken place and efforts at plantation have been impossible or in vain;
- (ii) sites where it has proved impossible with the available equipment and labour to overcome the dense growth of unpalatable and noxious plants;
- (iii) sites at high altitudes where the capacity for resilience of soil and vegetation had been severely hampered;
- (iv) sites where the grazing ban had been lifted or flouted (mostly due to conflict).

Of the fifty sites visited by the Mission, it is estimated that these categories cover only 10-20 percent, but how far the sites visited constituted a representative sample of all sites it is not easy to assess. It remains likely that the grazing ban may have been less assiduously respected – either by the groups themselves or by encroaching neighbours – in the more inaccessible sites.

### **Exclusive or Inclusive Targeting?**

94. The move towards strategic targeting has already been referred to, as has the Mission's verdict that a flexible targeting policy may be necessary and acceptable.<sup>54</sup> Such was not the view, however, of

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<sup>54</sup> Details of targeting flexibility can be found in Annex 5.

several Supervision Missions.<sup>55</sup> The assumption at the time of the appraisal that much of the work of group identification would involve the active exclusion of ineligible households was not borne out in practice. Information supplied to the Mission by rangers and guards suggests that the problem, initially at any rate, was not disappointing the ineligible but generating sufficient interest in the scheme. In other words, an important criterion unforeseen by the design was actually that of *enthusiasm*, and the Mission was repeatedly informed by groups that lessees were largely chosen according to whether or not they were interested. The allocated degraded forest lands hardly constituted an attractive asset. Only when the local and imported grasses began to prosper, was there any real ‘competition’ for inclusion in the schemes.

95. The ‘area targeting’ strategy frequently adopted by forestry officials was partly designed to meet district targets in terms of group formation, since in this way large numbers of groups might be formed in a single ‘intervention’. But it is true that the process of mobilisation, awareness-building and initial training could be more cheaply and more rapidly effected and the formation of intergroups and cooperatives facilitated. District authorities also claimed, logically enough, that where an entire hamlet was included in the leasehold scheme, the likelihood of resentment and conflict was reduced. A ‘cluster area’ approach should not create any particular problems in the targeting of women, the landless and the minorities.

### **What Explains Slow Implementation and Disbursement?**

96. This basic question was asked by the chief of the M&E division of the MFSC at the initial stakeholders’ workshop<sup>56</sup>. The answer appears to include at least six elements:

- (i) the failure of ADB/N leadership involved not only an extended delay in project start-up but an unforeseen expansion of DoF responsibilities without an attendant expansion in personnel, training and equipment;
- (ii) the period of maximum project activity was curtailed by the cessation of the TA component and the synchronous intensification of the insurgency, during which the insurgency, the field operations of district authorities were severely interrupted;
- (iii) the TA component failed to leave behind it an effective project management structure;
- (iv) there was a funding hiatus of one whole year in 2001/2;
- (v) the credit component underperformed, for reasons already outlined;
- (vi) the disbursement of funds was hampered by lengthy procedures and by the lack of uniformity between project and government budgetary categories.

### **C. Efficiency. Leasehold Forestry: Relevant but Costly**

97. The HLFFDP was a costly project. With a total expenditure of around USD 10,000,000 (including the Netherlands TA grant) and a total of around 12,000 households involved in the leasehold projects, the average expenditure was approximately USD 800 per household, or, to put it another way, USD 1,400 per hectare of degraded land. It will be rightly pointed out that given the expenditure on government capacity building, on research, on infrastructure, on vehicles and equipment, this ratio is of limited usefulness. However, the critics of LF are quick to point out that it represents a costly intervention, particularly compared with CF.

98. The question must therefore be asked whether the objectives of the project might not more efficiently have been achieved through ‘bolting on’ specific provisions for the poorest to existing

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<sup>55</sup> The Supervision Mission of 2001, for example, prescribed stricter targeting on the grounds that conflict between the included and the excluded might thus have been reduced: ‘Permitting the infiltration of non-target group members allows confusion and influence to operate and creates a sense of deprivation even in ineligible households who have been unsuccessful in becoming beneficiaries’ [SR, Dec. 2001, p. 5].

<sup>56</sup> The figure then quoted (57%) did not take into account the two reductions of the total loan amount, which meant that the level of disbursement was actually 81% as of January 2003.

community forestry arrangements. Many CF users' groups have in fact made provisions for the very poor, including allowing the sowing and harvesting of grasses in degraded areas of CF, the planting of cash crops such as bamboo in certain allocated areas, and the discounted sale of fuelwood. In addition, the DFOs may deny approval (and sometimes have done) to CF plans unless some such measures are included. The report of the Joint Technical Review CF Committee of February 2001 suggested the leasing of part of the CF to 'smaller sub-groups of households below-the-poverty-line'.

99. Community Forestry represents a valid and successful approach to prevent degradation of forest resources but it does not possess the mechanisms to target poorer households or hamlets, as the activities are directed to the entirety of large communities. How are the poor to be identified, what degree of provision can be considered adequate, and what happens if control of the CF is abrogated by a caucus of powerful members? It is these issues which the practice of LF can and does address. But there are two sets of direct costs. The first are purely financial: subsidised inputs such as seeds, seedlings, improved animals, group support and training programmes and the rest. The second are social: the resulting dissension and conflicts within communities due to the interruption of traditional grazing patterns, the problems of targeting some and excluding others and the subsequent resentments and jealousies if the LF site is successful.

100. The Mission proposes the following ways to reduce these costs in leasehold forestry:

- (i) identification of the poorest by the community itself;
- (ii) strategic targeting on communities where a 'critical mass' of potential beneficiaries can be located, to allow for the 'ripple effect' of successful LF groups;
- (iii) the exclusion of sites where the resilience of the ecosystem seems broken;
- (iv) the provision of a larger community fund, conditional on contributions from LF members and on the level of savings mobilised by the groups;
- (v) a reduced level of subsidised inputs by allowing for more natural regeneration of trees and grasses.<sup>57</sup>

## **VI. PERFORMANCE OF PARTNERS**

### **A. Performance of IFAD**

101. IFAD is to be commended for the boldness of the concept and for its willingness to invest in a unique transfer of assets to the very poor in remote areas. More recently, IFAD improved its policy dialogue with the Government and international donors, which resulted into the prioritisation accorded to leasehold forestry in the tenth five-year plan. The project that ensued was a complex one, involving four implementing agencies, ten districts and many separate components. In the light of the major problems confronted during implementation, project design may be faulted on the following counts:

- (i) the mistaken assumptions concerning the capacities and intentions of ADB/N and the viability of the SFDP;<sup>58</sup>
- (ii) the neglect of the need to build and strengthen grassroots institutions (such as intergroups and cooperatives);

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<sup>57</sup> The MTR also called for more research into 'natural regeneration versus plantation of tree species' and the 2001 Supervision Report claimed that the importance of natural regeneration has not been recognised in operational plans. 'Natural regeneration of an area is preferable,' the report suggests, 'because the regenerated plants are sturdier, the biotic diversity of the area gets addressed automatically and the intervention costs are substantially lower.' Natural regeneration is a process initially requiring a single measure: the closing of an area to grazing animals. At a later date, the naturally regenerated vegetation will require thinning and pruning, with the removal of unwanted species. All of this can take place virtually without technical inputs, relying on the customary knowledge and practices of the villagers concerned.

<sup>58</sup> The problem of low repayment rate was acknowledged by the Staff Appraisal Report but not given sufficient emphasis.

- (iii) the underestimation of the variety of conditions (climate, soil, slope, existing cover) pertaining in close on 2,000 different leasehold sites and the consequent need for site-specific packages of technical assistance and land management plans;
- (iv) the failure to clarify the objectives of the TA component;
- (v) the failure to insist on the fulfilment of HMG/N's commitment to the expansion and strengthening of line agencies to cope with the requirements of the project;
- (vi) the failure to insist on a regular audit and a smoother and more rapid disbursement procedure.

102. The project lacked a recognisable focus of activities in the project areas, in other words the multiplicity of sites, interventions and agencies gave the impression of rather scattered and uneven interventions lacking an overall identity that could be grasped and understood by stakeholders, and which might have acted as an important element of continuity and sustainability, particularly in view of the frequent changes of key personnel at district level.<sup>59</sup>

103. In terms of self-assessment by IFAD, the key event was the Mid-term Review carried out in September 1995, whose task was to review the exploratory phase of the project and to make recommendations for the full implementation phase. The resulting report was a comprehensive and forcefully argued document which was generally supportive of the direction taken by the project. The most important findings of the review mission were perceptive and useful, and its major recommendations were duly adopted.

## **B. Performance of the Cooperating Institution**

104. The supervision of the project was carried out by the United Nations Office for Project Services (UNOPS), with yearly supervision missions and full reports. Two interventions were of particular importance: firstly, the revamping of the project during the first two years (1991-3); secondly, persuading IFAD to extend the life of HLFFDP after the hiatus of 2001, at which time the project seemed destined to come to a premature end. Even if project activities never regained the full impetus of 1996-2000, some continuity was achieved, and HMG/N's commitment to extend the leasehold concept to 16 new districts was given timely support. The determined attitude of the 2001 UNOPS Mission seems to have been of key importance at this juncture.

105. The limitations of some UNOPS reports may be due to an insufficient time in the field, and a corresponding concentration on certain districts, such as Makwanpur, Chitwan and Kavre. In general, the conditions in the higher hills are more problematic, but Ramechhap was visited only twice by Supervision Missions, Dolakha, Gorkha, Sindhupalchok and Tanahun only once, and Sindhuli not at all. A further problem has been the lack of audits. There was an audit of HLFFDP in July 1995 and another in July 1997, but there has not been one since. An annual audit – as stipulated in the loan agreement – is essential, and it should be the business of the Cooperating Institution to insist on it as a precondition for the continued release of funds into the loan account.

106. The 2002 Supervision Mission noted 'the dynamic leadership and commitment of the senior management of the forestry sector', but recorded that 'PCC meetings have not been held for the past two years'<sup>60</sup> and repeatedly criticises the Project Management for its lack of reporting, its failures of coordination, the lack of an exit strategy, inadequate M&E and (by implication) its lack of dynamic leadership. This implies that the senior management of the DoF is dynamic and committed but the PMU is weak and ineffective, as if there were no direct link between the two, and as if the non-functioning of the PCC played no role in the failures of management.<sup>61</sup>

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<sup>59</sup> A recommendation regarding school buildings as a local focus for project activities can be found.

<sup>60</sup> The SAR stipulates quarterly meetings. This seems later to have been amended to twice yearly. At the time of writing, there had been no meeting of the PCC for more than three years.

<sup>61</sup> Yet the report does admit that the recurrent financial (i.e. disbursement) problems of the Project were indeed traceable to Secretary of the MFSC and the non-operation of the PCC. 'This is one of the root causes for some of the financial transaction problems'.

### **C. Government and Its Agencies**

107. The growing commitment of HMG/N to the leasehold forestry concept has already been referred to, as has the enthusiasm of the DoF and its readiness to extend the concept nation-wide. The reduction of the government contribution to the HLFFDP budget was caused by circumstances beyond its control, and its strong ongoing support for HLFFDP was evidenced by its willingness to shoulder the expenses in 2001/2 when IFAD funds were temporarily interrupted.

108. The DoF has proved to be a worthy lead implementer (see 3.6), with DFOs taking the chief role in the formation and support of groups as well as in the identification of sites. The DLS also approached project implementation with due seriousness, able to assist in forage development activities for which they had not previously had the resources. However, the impression remains that while dutifully carrying out the letter of its allotted tasks under the project, the DLS appears not to have made the leap to a more collaborative inter-sectoral approach, preferring to maintain its independence of action and its already ongoing activities. It was thus unable or unwilling to press the Ministry of Finance for the necessary funds for the continuance of project activities during 2001/2. The problems with ADB/N have already been set out. The bank had neither the resources nor the motivation to engage with the poor and the SFDP programme is now progressively phased out. As for NARC, the main conclusion reached by the Mission is that it was ill-fitted for the kind of extensive coverage required. It carried out a variety of research activities, some of which will no doubt continue to bear fruit, but the need for site-specific interventions and the huge disparities between LF sites point to the need for a reconsideration of the appropriate nature of technical research for future LF programmes and more attention for local traditional knowledge.

#### **Capacities and Incentives in the DoF**

109. The effectiveness of the field-level forestry officers in their new role depends on two related factors: the practical reach of extension (in terms both of numbers of LHGs and the physical distances involved) and the incentives offered. The first of these matters was to be addressed by the planned increases in staff which did not materialise, and the second was only temporarily and partially met by the funds available through the TA component. According to information given to the Mission, forest rangers spend an average of half their time in the field, with the other half taken up in clerical and other deskbound duties. Many of them are responsible for a very large hectareage of CF in addition to many LF sites. In Tanahun district, for example, the territory for which one ranger (assisted by five forest guards) is responsible covers seven VDCs and includes no less than 47 community forests and 33 leasehold sites.

110. Despite monthly salary levels of only NRs 5-6,000 (c. USD 66 – 80) for rangers and NRs 3,500 (c. USD 45) for guards, DSAs are only payable when large distances are involved and nights must be spent away. The present rate of DSA according to government norms is NRs 135 (currently USD 1.80). Ranger posts generally possess neither telephone nor electricity.<sup>62</sup> Some rangers, but not all, possess motor cycles; not all guards have even bicycles. Given the very large distances involved, the absence of an effective public transportation network and the fact that many VDCs (and according to existing district plans, ultimately all VDCs) are now or soon will be connected by vehicular roads, a motor cycle would seem to be an indispensable tool for both rangers and guides. The project design envisaged the supply of 20 motorcycles and 24 bicycles to the 12 districts, a very meagre provision under the circumstances and given the relatively small expenditures involved. In some districts, but not all, the DFO had been provided with a project-funded pick-up. It was pointed out to the Mission that if the Chief District Officer himself did not have a vehicle, it was impossible in practice to allocate one to the DFO.

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<sup>62</sup> During field visits, the IFAD Mission was informed that one Ranger had paid out of his own pocket for connection to the grid.

111. Incentives need not be financial or material, and indeed when questioned by the Mission on this subject, more interest was shown in opportunities for study tours and training programmes. Study tours, it seems, are particularly prized. There always exists more freedom for manoeuvre in this respect: new skills can be imparted and local study tours organised at minimal cost. Second-hand computers could be cheaply imported from India and provided to forest offices and range posts; the cost of an internet connection is not prohibitive and computing skills can quickly and cheaply be shared. Assistant DFOs under certain other donor-funded programmes are automatically given the chance of taking Masters Degrees. For obvious reasons, HMG/N will baulk at the prospect of across-the-board increases in salaries and DSAs, but it should be strongly encouraged to give serious consideration to performance-related bonuses in poverty alleviation programmes.

112. Two years is considered to be a minimum stay for DFOs and DLSOs, but in practice this duration is treated as a maximum. The Mission did not meet any DFO who had been *in situ* for longer than one to one-and-a-half years.<sup>63</sup> This issue of length of tenure is common to the administration of most developing countries and is very frequently remarked on Supervision and Evaluation reports. Yet this is not sufficient reason for keeping silence on this crucial matter. The effect of frequent changes of personnel in critical positions (in this case, this especially refers to the position of DFO) is very detrimental to the operation of the project. If, as HMG/N itself proposes, and IFAD should certainly urge, steps are taken toward further decentralisation and the devolution of greater authority to district level, the effect of such rapid turnover of personnel changes might be catastrophic.

### **Coordination and Monitoring and Evaluation (M&E)**

113. Project coordination is based on committees at different levels: Project Coordination Committee (PCC) and Project Coordination Working Group (PCWG) at the centre, District Coordination Committee (DCC) and District Coordination Working Group (DCWG) at the District level. At field level, there is a Field Coordination Working Group (FCWG) to coordinate the work of forest rangers, JTAs, and GPs. The PCC, which has the overall responsibility for project coordination and is chaired by the Director General of the DoF, has not met for the last three years, indicating a significant lack of coordination at the highest level. During the budgetary hiatus of 2001/2, the DoF attempted to continue project activities with government funds, but the funds channelled to the DLS appear to have been spent on routine departmental expenditures. At field level, the Mission found evidence in most districts of useful collaboration between the DFO and the DLSO although the degree of collaboration varies according to circumstance (whether the services are based in the same town, for example). The Project Management Unit, now a permanent LF unit within the DoF, is responsible for the preparation of the Annual Work Plan and Budget as well as the annual review of activities. Unsurprisingly, it relied heavily on the TA component until July 2001 and has not since been given the strong and effective leadership that it requires. However, it continues to play the important role of apologist and standard bearer for leasehold forestry within the DoF. This LF unit will presumably act as the core of an expanded LF section when leasehold activities are extended throughout the country.

114. Reporting and feedback of information were organised along the customary vertical lines, with observations from the field submitted to central level, addressed here by the line-agencies in the PCWG meetings, and then filtered down again to field level. This is a cumbersome process. The exchange of information would be more useful at field level, through the participation of group members and GPs and the sharing of experience between groups and intergroups from various parts of the district, region and country.

115. With respect to Monitoring and Evaluation (M&E) two types can be distinguished: M&E carried out by the line agencies and M&E carried out by the TA component. M&E carried out by the line agencies is undertaken at field level by the staff of DOF, DLS and ADB/N-SFDP. The monitoring mostly takes the form of keeping a diary with unsystematic observations and records. At district level,

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<sup>63</sup> This meant, *inter alia*, that it was very difficult to interview senior district officials with experience of the project during the period of optimum implementation.

the District Forest Officer has the overall responsibility, and project supervision is mainly done through the DCWG. The district level monitoring largely consists of administrative and reporting functions.

116. Under the M&E carried out by the TA, periodic thematic surveys served as the key documentary output.<sup>64</sup> A draft manual for DFOs was produced (also under the TA component) with important suggestions for M&E at field level and for self-assessment of groups and intergroups, but the manual was never utilised.<sup>65</sup> The TA generated a quantity of studies and data that are rarely available in IFAD projects and have helped supervision and evaluation missions. A limitation can perhaps be identified in the absence of a strong focus on the project's impact on beneficiary household's welfare. An example of this is the disproportion between the depth of studies on agro-ecological issues and the varying quality of surveys on socio-economic variables.<sup>66</sup>

#### **D. The Performance of the Technical Assistance and NGOs: A Risk of "TA-Dependency Syndrome"?**

117. The work of the Dutch-funded and FAO-implemented TA component of the HLFFDP has been widely commended in supervision reports and elsewhere. The near-demise of the HLFFDP in mid-2001 is widely attributed to the cessation of TA. The papers produced under the TA component provide the documentary framework for the leasehold concept in Nepal; previous Senior Technical Advisors are viewed as the 'midwives' of the project; and government officials at all levels have become convinced that a TA component would be indispensable to the success of a second phase of the Project. Two important contributions to the project implementation were made by the TA: (i) the introduction of women group promoters (following the finding that the project had limited focus on gender issues) and (ii) the increased focus on grassroots institutions. However, the Mission is concerned that TA did not achieve a fundamental priority: the establishment of an effective project management structure. The reasons put forward for this include the abrupt fashion in which the TA was terminated and the lack of an exit strategy, phenomena which are presumably linked. The chronological coincidence of the intensification of the insurgency (and therefore the distraction and demoralisation of government services) should also be borne in mind. However, there remains the possibility that the TA did not pay due attention to what would be left behind. The TA was initially designed for one four-year phase only. After eight years of operation, had there really been insufficient time to prepare an appropriate exit strategy?

118. The term most often employed in trying to define why TA was and will be indispensable is '*flexibility*'. The word appears to have three basic meanings in this context: the first is that the operation of grant-funded Technical Assistance serves to avoid or shortcut lengthy and cumbersome government procedures, in particular the very long delays between proposal, approval, budgeting and implementation; the second is that under a TA component different rates of DSAs and other allowances may be set, providing additional incentives for project staff; the third is that NGOs may be directly employed in such tasks as group formation and support.

119. To take these three in turn: the first is undeniably true. The lack of flexibility in government procedures – which implies the inability to react quickly to new or unforeseen circumstances – means,

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<sup>64</sup> These included papers on the identification of indicators of environmental degradation (1993); a series of quantitative assessments carried out by the Nepal Forest Resources and Institutions (NFRI); a report entitled 'The Impact of Leasehold Forestry on Livelihoods and Environment' (2000) which summarised the results of the NFRI field studies Field Document and gave a useful overview of project impact; a household impact assessment based on survey data of 1994-99 and two censuses of all leasehold groups undertaken in 1997 and 2000.

<sup>65</sup> Further details of these publications may be found in Appendix 2.

<sup>66</sup> Typical problems where: (i) absence of a consistent sampling framework, (ii) field interviews undertaken at incomparable periods (ignoring seasonality effects), (iii) inappropriate criteria to identify control groups and (iv) unnecessarily long questionnaires and choice of questions which were not always geared to capture key impact dimensions and did not respond to the needs of staff to better manage the project.

for example, that nearly NRs 1 million remaining in the loan account cannot be spent during this fiscal year and will therefore not be utilised, despite the urgent need for investment in items such as group support and training and the relative ease with which such programmes might be implemented. Under the TA component, as the MTR pointed out, 'funds of TA have at times been used to cover urgent mainstream operations which got entangled in government procedures'.<sup>67</sup> The question of flexibility of DSAs and allowances is more contentious because of the resulting discrepancies in the incentives for government-funded and grant-funded programmes. Increased financial incentives have the undeniably positive effect of resulting in greater commitment and vigour, but they are also discriminatory and, in the present circumstances, unsustainable.<sup>68</sup> The third kind of flexibility offered by TA concerns the role of NGOs employed in group formation and support. According to government regulations, NGOs may not be directly employed by loan-funded Projects. Under HLFFDP, nine NGOs were contracted for the purposes of group formation and were paid for by TA funds. The reason given in the MTR for this development was the need 'to overcome staffing constraints',<sup>69</sup> which may refer both to the number and reach of line agency staff as well as to appropriate skills and capacities. Clearly, then, the employment of NGOs under the TA component is directly linked to the existing inadequacies of the DoF discussed above. In other words, if the substantial expansion of DoF district staff foreseen in the SAR had taken place, and if the relevant training programmes had been carried out, would the involvement of grant-funded NGOs have been necessary?

120. This is not an easy question to answer. NGO cadres receive training primarily in techniques of social mobilisation and gender sensitisation before being sent into the field. It may be argued that such training and such techniques are more appropriate to individuals choosing careers as 'social workers' than those opting for a career in forestry. On the other hand, the DoF is already involved, in CF as well as LF, in working for the community in a variety of ways. If it were prepared to commit itself to a further broadening and intensification of its role in this respect, there is no practical reason why foresters should not also become experts in social mobilisation and receive the necessary training in gender issues. Many of the rangers and guards met by the Mission appeared already to have accepted and welcomed such a development. There is a danger, in Nepal and elsewhere, of gender awareness and social mobilisation techniques acquiring an undeserved mystique, properly appreciated only by NGOs and beyond the competence of the government. The logical conclusion of such a development would be the emergence of a poverty alleviation network which is parallel to government structures and which will ultimately replace them in its chosen fields. A DEPROSC 'forest ranger' in the far-western districts receives a monthly salary of NRs 10-14,000, more than twice that of a government-employed ranger. Furthermore, government service follows an arduous and highly competitive career structure; by contrast, the recruitment and training of NGO cadres enjoys the 'flexibility' of any private sector initiative.

121. There may be a role for NGOs in certain specific aspects of leasehold forestry, in particular in the training of trainers. HMG/N should identify which tasks are presently beyond the capacity of its own departments and outsource these functions to suitable NGOs, emphasising that the role of the NGOs would be a temporary expedient until such time as the relevant skills and capacities of line agency staff have reached the necessary level of competence. What needs to be recognised is that the demands of sustainability, key element in all poverty alleviation programmes, may best be met by the intensification of existing government networks, and that IFAD-funded loans should be utilised to this end. The lifespan of even the most committed NGOs is ephemeral in comparison to the departments of government, and a government which takes seriously its leading role in the eradication of poverty and food insecurity must be prepared to provide the necessary skills and incentives to its staff.

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<sup>67</sup> MTR, p. 31, para. 125.

<sup>68</sup> It should be emphasised that the discrepancies here referred to exist not only between different phases of the HLFFDP (with or without TA), but between different poverty alleviation programmes.

<sup>69</sup> MTR p. 26 para. 99.



## VII. OVERALL ASSESSMENT AND CONCLUSIONS

122. The basic premise of the HLFFDP, that poverty alleviation and reforestation in the mid-hills can be tackled jointly through the transfer of degraded lands to the very poor, can be considered as proven, although the present achievements do not match the high expectations *ex ante*. The much-aided tension between the extensive Community Forest programme and the very limited LF initiatives seems in retrospect to be unnecessary and mistaken, and the Mission believes that LF has a quite distinctive and very important role to play.

123. HLFFDP can best be seen as a ten-year pilot scheme for LF. Its coverage is very limited, and the cost of its interventions expensive. If these costs can be reduced, their reach can be rapidly and enormously expanded, not only in the 16 new districts selected by HMG/N, but in all districts of the country where suitable areas of degraded land exists. Estimates suggest that there might be as much as one million hectares of such land in the mid-hills alone.<sup>70</sup> What the LF concept requires to become more than a partial, piecemeal and rather expensive intervention lying uneasily in the shadow of CF is a simpler, cheaper, sustainable programme which is within the capacity of existing government services to implement.

### **Six steps Towards a More Efficient Leasehold Programme**

124. The Mission proposes the following amended timetable/model for future projects of this kind, as follows:

*Step One:* The initial activity should be the training of trainers and motivators, and it is at this point that input from TA and NGOs may be required. The training should focus on forest rangers and guards, livestock JTOs and group promoters.

*Step Two:* Poorer communities and hamlets should be identified in areas where degraded forest land is located. The suitability of communities and land should include the criterion of a 'critical mass' of households, and as far as possible, a process of 'self-identification' of the poorest should be adopted. All members of the identified deprived communities should be included within the leasehold groups to minimise leakage and conflict.

*Step Three:* Initiation of community mobilisation and savings disciplines. The leasehold sites may be allowed to regrow naturally for 12-18 months without subsidised inputs. During this initial period, the main focus should be on the motivation of groups and the selection and training of group leaders. Training programmes and IGAs should be determined by the groups.

*Step Four:* The articulation of an appropriate land development plan must be the outcome of a genuine consultation between the community and the relevant officials and greater care may be required to ensure that the necessary series of group-level meetings and workshops are allowed for. There should also be an occasion for individual groups to consult with other neighbouring groups so that the full set of development options may be considered. This would be one element in the making of the next step.

*Step Five:* Encouragement of groups to federate into intergroups, with appropriate training for representatives of groups and for intergroup leaders, as well as training in self-evaluation skills, nutrition, health and hygiene. Anthropometric data might be collected as the simplest and most telling index of general welfare impact.

*Step Six:* The formation of cooperatives, with training programmes for chairpersons and committees in such areas as book-keeping and banking activities. Incentives for savings mobilisation and sound credit discipline must be provided, perhaps in the form of 'seed money' for cooperatives that satisfy

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<sup>70</sup> Ram Yadav and Ambika Dhakal, *Leasehold Forestry for the Poor*, in Policy Outlook no. 6, HMG/N Ministry of Agriculture/Winrock International, June 2000.

certain stipulations, for example repayment rates of at least 95 percent over 12 months. The choice of schemes for utilisation of the seed money should be left to the members of the cooperative. The investment would replace the present infrastructural grant and continue to serve the purpose of reducing the potential for conflict between leasehold groups and the wider community. Cooperatives should be trained to conduct a yearly self-evaluation. They should also progressively take in charge the costs of group promoters, who would in effect become employees of the cooperatives. The eventual aim would be for cooperatives to be federated at district and regional levels, and ultimately for the creation of an apex organisation at central level parallel to the apex organisation of Community Forestry User Groups.

## VIII. INSIGHTS AND RECOMMENDATIONS

### Policy, Management and Supervision

125. **Donor Coordination:** External support to forestry management should be implemented in such a way that the activities supported by the concerned agencies complement each other. Despite the efforts of establishing such co-ordination, for example through the Forest Sector Co-ordination Committee (FSCC) under the Foreign Aid Co-ordination Division of the MFSC, rather different managerial approaches are applied in the various donor-assisted projects and programmes. The current situation can be summarised as follows:

- (i) Different donors develop individual instruments for the support of forest management instruments at District level;
- (ii) single donors select a limited number of districts for targeted activities which are supported by other donors under another strategy in other districts;
- (iii) different ministerial departments, for example forestry and agriculture, are given parallel support for the same type of activity, for example soil conservation.

126. **Legal Framework:** The only document leasehold groups receive is the lease certificate, but this alone cannot confer it legal status under existing laws. Nowhere in the Forest Act or Forest Rules is there any provision recognising a community leasehold group as an independent and autonomous body. A group under the Ministry is currently working on recommendations for changes in the Act and the Rules, which will enable leasehold forestry groups to apply in the same way, as is community forestry. This should give the DFO the final authority to deal with leasehold groups instead of waiting for a ministerial or departmental order. It must also address the outstanding anomalies concerning the transfer and inheritance of the lease.

127. **Towards the harmonisation of community and leasehold forestry at the central level:** The 2001 Joint Technical Review of Community Forestry has proposed activities within CF to address the needs of the very poor, including the formation of sub-groups of households below the poverty line, and other CF initiatives in this regard have been undertaken in several districts. In the future, the activities of CF and LF within the DoF might be dovetailed by the merging of LF and CF in one department, subdivided into two sections. The latter alternative seems more feasible, both in terms of cost and coordination. If this idea is pursued, adjustments will be necessary in the Forest Act and Rules. This could be addressed in the proposed review of the Forest Act and Regulations recommended by the recent Joint Technical Review of the CF.

128. **Technical Assistance and NGOs:** Any future TA component should be given very specific goals to be achieved in a precisely defined time period and the first of the goals should be the strengthening of the line agencies and the creation of an effective Project management structure. International consultants may need to be hired for short periods and for specific purposes; other consultancies should be of short duration and should wherever possible be directed at district-level initiatives. A semi-permanent centralised unit is not the requirement of TA and is by definition

unsustainable. If the use of NGOs is necessary for the training of trainers, these NGOs should be selected and hired by the government and not by the donor.

129. **Project Supervision:** IFAD could consider the appointment of a local development expert as resident facilitator or representative. This could be on a part-time 'retainer' basis, with a salary payable at the time of Missions. At present, the work of organising the itinerary of Missions falls squarely on the PCU, one member of which is required to give up his regular duties in order to facilitate, guide and assist the Mission. A resident IFAD facilitator could undertake this work, but could also act as the element of continuity between the various Missions and build up the required archive of documents as well as maintaining the necessary contacts. In terms of advice and guidance, he/she could act independently of Project staff, TA staff and government line agencies. He/she could also, if necessary, organise small-scale surveys and rapid rural appraisals prior to the arrival of the Mission.<sup>71</sup> These might be of greater value in providing field-level evidence than the brief and hurried field visits under the present system. The frequency of Missions might be reduced, with the facilitator being responsible for 'monitoring the monitors' and reporting back to the Cooperating Institution.<sup>72</sup>

### **Targeting, Grassroots Institutions and Gender Issues**

130. **People first:** The various discussions of targeting failures turn on one essential point: that it is not appropriate first to identify suitable sites and then to look for households to join the groups and manage the land. The process wherever possible must be reversed. If suitable sites do not exist in the locality of a targeted community, provisions might be made within CF as an alternative. The leasehold sites themselves should meet certain minimum criteria. Principally, they must possess the potential for regeneration and productive use within a foreseeable future.

131. **Targeting Criteria:** The survey-based method of targeting relies on the assumption that the main goal is that of identifying the eligible households according to 'objective' criteria only and exclude the ineligible. The application of some such criteria may be necessary, but an alternative procedure would be identification of more deprived households or hamlets by the communities themselves, according to a mutually agreed ranking system. This process would help reduce conflicts and foster solidarity among community members. Resentment and conflict has generally occurred between LF members and non-members where some households have been excluded on the basis of 'objective' criteria. Where whole communities were targeted, there was neither conflict nor encroachment. Individual groups have come up with their own ways of addressing conflicts, including the provision of grasses to non-members, and project-funded community schemes were also instrumental in building community consent.

132. **Groups, intergroups and cooperatives:** The Mission recommends that all leasehold groups be progressively evolved into intergroups, and that the creation of cooperatives be actively encouraged through training and support. Cooperatives require training in management, book-keeping and banking activities. The ultimate goal should be for the federation of groups at national level. Outstanding legal issues such as inheritance rights and lease transfers, as well as legal protection in cases of encroachment and conflict, could be taken up by an LF equivalent to of the CF apex organisation, FECOFUN.

133. **Group Promoters:** The workload of GPs is currently excessive. The coverage of individual GPs should be restricted to a maximum of 25-30 groups. Initially, they may require training by NGOs, but the eventual aim should be their employment and remuneration by cooperatives. Attention must also be given to increasing their sense of job security.

134. **Women's participation in groups:** The participation of women in groups requires more active promotion. This can be achieved through the provision gender sensitisation training to all project staff

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<sup>71</sup> Graduates and undergraduates at the Institute of Forestry might be utilised as assistants and surveyors.

<sup>72</sup> In any case, the present recommended interval of 6-8 months is not adhered to.

as well as to members of communities where LF is introduced. The transfer of the lease from men to women should be encouraged in cases where the male LHG members are inactive. Compulsory quotas are one solution to the under-representation of women in groups, but may prove divisive. Active encouragement, support and training may be preferable, with female GPs playing the key role.

135. **Women livestock promoters:** Future leasehold projects should train and support women livestock promoters in all targeted districts. This initiative was extremely successful in Makwanpur in disseminating information and skills to women in terms of livestock management, the production and storage of forage seed and the raising of small animals such as goats and pigs. The training is provided in the village itself, enabling all women to attend.

### **Fodder, Forage And Livestock**

136. **Exotic and indigenous species:** The indigenous knowledge and active participation of farmers in land management options is crucial. The appropriateness of low-cost technological options and local practices on management of the tree canopy and understorey forage cultivation should be further investigated. The introduction of exotic tree and grass species should not necessarily be halted, but consideration should be given to the competition between local and introduced species. The research of NARC in this respect should be undertaken in a more participatory way in dialogue with the involved farmers.

137. **Forage Species:** The problems relating to the various forage species have been highlighted. At high altitudes, in particular, the present packages are unsuccessful. The key requirement is to establish a lively communication between the farmers, the DLSO, the DFO and NARC to identify and promote site-specific packages and appropriate silvi-forage models.

138. **Livestock Improvement:** Animal improvement, especially regarding buffalo, seems to have received limited emphasis in project activities, and buffalo numbers have remained static as a result. It is necessary to promote forage production and genetic improvements side by side to enable farmers to generate more income from livestock. The goat distribution programme seems successful but it is recommended that two rather than five doe per household be distributed, to allow for more households to be included in the scheme and to avoid problems of fodder shortage. For most farmers, it is impracticable to raise more than two doe at a time under the stall feeding system. Insurance schemes for goats also need to be promoted.

139. **Market Linkages:** There is a strong need for assessing market demands and structures, and developing marketing strategies before establishing forage production schemes. Leasehold farmers have complained that there is no incentive for them to start raising dairy animals, even when forage is available, due to lack of local markets for milk and milk products.

140. **Other Income Generating Activities:** The Mission feels that IGAs other than livestock rearing and the sale of grass seeds do not need to be over-emphasised in the early stages of the project. The demand for training should precede its provision, and the preferences of group members should be entirely respected. The villagers know the market and are the best judge of their own capacities and inclinations. As for livestock activities, there is some evidence that training sessions are carried out in rather a formal way, as classroom lectures rather than as practical demonstrations. Most training programmes of this kind are best carried out *in situ* with very small groups, with an emphasis on practical skills.

### **Microfinance**

141. **Avoid subsidised and user-unfriendly credit programs:** Subsidised credit schemes have proved unsustainable and have often failed to reach the poor. The first goal of a microfinance component should be to support the creation of sustainable institutions that provide financial services

to the poor. Such institutions should be able to mobilise savings and be allowed to apply interest rates sufficient to cover operating and financial costs, loan loss provision and a margin of profit.

142. **Savings first:** A future project should emphasise the collection of savings among members in groups and intergroups. Several options could be considered to broaden the scope and volume of financial activities. In areas where financially sound SFCLs exist and are interested in including LF members, the latter may be encouraged to join. Where no strong SFCLs are available, strategies for forming intergroups into multipurpose cooperatives are required. Given the slow pace of growth of LF cooperative funds, the project design may envisage supporting them with seed capital. This should be conditional on sound financial practice and high repayment rates and perhaps accompanied by training on accounting and deposit product development. Eventually, suitable cooperatives could be linked to financially healthy banks or microfinance apex wholesalers.

### **Infrastructure; Schools**

143. **Infrastructural Development:** The infrastructural improvement grants seemed to lack clear guidelines and objectives. The principle is sound, particularly in view of its potential for the lessening of conflict between leasehold members and the wider community, yet the options were in practice limited. The Mission recommends that a strategy concerning funds for community development be the subject for careful planning in a possible second phase. The principle of allocating them to intergroups is no doubt correct, and they might thus serve as an incentive for the aggregation of groups. It might be advisable to regard these funds as ‘seed money’ to be offered as matching funds for expenditures to be undertaken out of intergroup or cooperative savings. Among other things, this would encourage intergroups gradually to increase the scope of their discussions and activities.

144. **Schools as Focal Points:** One of the weaknesses of the HLFFDP is the scattered and unfocused nature of its activities. If a second phase of the project were to support the notion of area targeting, schools might be chosen to act as the focal point of activities, assigning the project a recognisable identity. In many development projects, the school has been chosen as the centre and focus for all development activities in the vicinity. Adult literacy sessions and other training programmes can be held there at times when the school is not being used for regular classes. If funds are available, additional rooms can be added for group meetings and cooperative ventures. The Mission noted in several cases that CF users groups had built very grand buildings for their meetings and administrative work. A modest extension to the local school, with appropriate improvements and refurbishment in its immediate vicinity, would seem a more desirable option.



## MAIN IMPLEMENTATION RESULTS

### 1. Overall Performance

1. By February 2003, 1,729 leasehold forest groups had been formed, or 85 percent of the initial target. A total of 11,756 households were included, also in excess of 80 percent of the target at appraisal. On the other hand, only 57 percent of the targeted area was handed over (7,377 hectares as against the planned 13,000 hectares), a discrepancy explicable partly through the smaller than planned leasehold allowance per household (an average of 0.62 ha against the projected 1.0 ha). Over 70 percent of LHGs were formed in the four years from 1997 to 2000 and if this trend had been maintained over the remaining period of implementation, the final picture in terms of disbursement might have been quite different.

2. The effective start of HLFFDP was delayed by two years while the lead responsibility for implementation transferred from the ADB/N to the DoF. The duration of the project has twice been extended, currently until December 2003. The total amount of the IFAD loan, meanwhile, was twice reduced in view of the slow rate of disbursement. The first phase of the TA component had highlighted, *inter alia*, a weak focus on gender. Accordingly, under the second phase of TA component, 46 women group promoters were recruited to assist in the formation and support of groups, and NGOs were hired for the selection and training of group promoters. Upon the cessation of TA, the employment of group promoters (and of incremental forestry staff) was terminated, but on the initiative of the Interim Support Mission (2002), around half of the GPs were re-employed, funded by a special IFAD grant.

### 2. Implementing Agencies and their Functions

3. There are four implementing agencies for the HLFFDP: the Department of Forest (DoF) in the Ministry of Forest and Soil Conservation (MFSC); the Department of Livestock Services (DLS) in the Ministry of Agriculture; the Agricultural Development Bank of Nepal (ADB/N); the Nepal Agricultural Research Council (NARC). The ABDN was initially chosen to take the lead role in project implementation, in consideration of its previous experience with the Small Farmer Development Project (SFDP), also co-funded by IFAD. Its lack of competence and enthusiasm for this role caused delays in project start-up and the replacement of ADB/N by the DoF as lead implementer.

4. The DoF was to have primary responsibility for identification of leasehold sites and for the preparation and approval of the five-year Operational Plan. In practice, the process of group identification and support, as well as the organisation of the majority of training programmes, also fell to the DoF, in particular to the forest rangers. The DLS had the main responsibility for livestock-related activities, focusing on forage development, the distribution of livestock, saplings and seeds, and training on animal management and health. NARC activities focused on the development of technologies for suitable grasses, legumes and fodder trees. With four implementing agencies working at central, district and field level, co-ordination was a key factor and coordinating committees were to be set up at each level.

### 3. Targeting

5. The targeting process as conceived in project design can be outlined as follows:

- (i) identification of degraded land in the forest. The responsible agency is the District Forestry Office, practical implementation is carried out by the forest rangers;
- (ii) involvement of farmers, through participatory mapping;
- (iii) selection of areas for leasehold forest by forest rangers in collaboration with farmers;

- (iv) screening of potential families, qualifying for participating in leasehold forestry, i.e. poor households; carried out by ADB/N (on the basis of household survey data)<sup>73</sup>;
- (v) meeting of the community for nomination of households for the leasehold programme, followed by a 35-day notice period for the voicing of claims on the selected plots by non-leasehold members;
- (vi) application for leasehold certification and approval by the Secretary of the MFSC.

6. According to HLFFDP design, ADB/N-SFDP was to assume the leadership in the identification of the eligible households and the formation of groups. In reality this task was often taken over by rangers of the District Forestry Office and junior technicians of the District Livestock Service Office, with the local SFDP staff checking that the selected households would satisfy the eligibility criteria (i.e. ownership of no more than 0.5 hectare of cultivated land and a per capita household income not exceeding Rs 2500 per year). The main problem experienced by SFDP either in the role of leadership or support to group formation was the scarcity of staff. When the sub-project office was not too remote, the bank staff would normally conduct a household survey in the leasehold area to identify which households might comply with the project criteria. When the sub-project office was too distant, however, they had to rely upon outdated and often inaccurate records of former surveys. By adhering to the concept of an unsustainable credit programme and by forcing ADB/N to continue on this path, HLFFDP operated against the long-term interests of ADB/N and, eventually, of the leasehold group members.

7. Elements of flexibility in targeting indicated by the SAR (inclusion of a proportion of better-off farmers to a maximum level of 25% of lessees) provided the formal justification for a loose interpretation of targeting criteria on the part of the project implementers. Because of the need for homogeneity and proximity of leasehold groups, and because the sustainability of isolated groups was seen to be at risk, district authorities in many cases came to identify whole communities or hamlets as potential target groups, without strictly applying the land/income criteria. This 'cluster targeting' has facilitated the emergence of intergroups and cooperatives in many areas, and it was this consideration that district officials declared to the Mission as its primary rationale. The following examples of 'flexibility' in terms of targeting were encountered by the Mission:

- (a) the inclusion of a limited number of better-off households in groups when the great majority of households in a hamlet or settlement met the poverty criteria and it was felt invidious or divisive to exclude those few who did not;
- (b) the formation of groups following an application or initiative on the part of members of a particular community;
- (c) the use of leasehold as an incentive for shifting cultivators to give up cultivation of forest land;
- (d) identification by the authorities of contiguous blocks of appropriate land, followed by the necessity of forming a sufficient number of groups locally to take up the leases.

8. The IFAD Mid Term Review of the project and successive Supervision Missions reported targeting violations (47% according to the Supervision Mission Report, December 2001). This is confirmed by the analysis of the 1999 TA household survey data.<sup>74</sup> However, observations of the IFAD Evaluation Mission suggested that, when "cluster targeting" was properly done, targeting 'violations' would not generally exceed 20-25 percent of households within the cluster area. Besides, the size of landholding is only a partial indicator of household welfare (the fertility of land may be more important) and estimating income is difficult in rural areas where a substantial proportion of produce is consumed and not sold.

9. Sound area targeting is obtained through consultation with communities, including community forestry users groups (CFUGs) and participatory identification of the poorer hamlets. A small proportion of project households may be outside the formal criteria, but in all cases of area targeting

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<sup>73</sup> ADB/N mainly used data collected under the Small Farmer Development Project. Only in few cases did it collect primary data. In many instances it was found that data might have been more than 10 years old.

<sup>74</sup> The difficulty of verifying income and precise landholdings should be taken into consideration.



observed by IFAD Mission this did not entail a domination of the project by the local élite but simply the availability of a small number of more literate and skilled group members. These individuals may be instrumental in starting up project activities or grassroots organisations (such as cooperatives), or in the diffusion of sound agricultural or animal husbandry practices.

10. Mis-targeting was generally observed by the Mission as being associated with the absence of a proper negotiation with the communities. This appears to have taken place when project field staff tried to accelerate the process by identifying poor households by means of outdated and inaccurate surveys conducted by ADB/N a decade before. The undesired consequences of this hasty targeting was the creation of scattered leasehold groups, which involved high service costs for implementing agencies, lacked the critical mass for aggregation into intergroups and increased the risk of conflicts with adjacent hamlets or with CFUGs.

#### **4. Land Management and Forest Regeneration**

11. Apart from poverty alleviation, and raising the income of households below the poverty line, the major objective of the project is to contribute to improving the ecological conditions. The overwhelming impression of around fifty leasehold sites was one of remarkable diversity - in terms of soils, moisture, degree of slope and potential for regeneration – even within a single Village Development Committee (VDC). The vegetative cover of the great majority of leased land has regenerated as a result of the ban of grazing and improved management.

12. Numerous reports have detailed the improved ecological situation in selected districts, which is generally clearly visible and often impressive. Measurable results are noticeable in terms of increased plant species diversity and improved structure of the vegetation. However, in spite of these reports, it is difficult to quantify the improvement, since the monitoring of the environmental impact and changes in species diversity and structure has not been systematic.

13. The most detailed studies were made by the International Forestry Resource Institutions Research Programme (IFRI)/ Nepal Forest Resources and Institutions Research Programme (Nfri). Under this programme it is possible to monitor the long-term impact on the vegetation with respect to vegetation structure and composition. Two areas, one in Chitripani (Makwanpur District), to represent the low hills, and one in Bhagawatisthan (Kavrepalanchok District), to represent the high hills, were surveyed throughout the period from 1994 to 2000. One of the most significant measurable differences was the tremendous increase in species diversity. In Chitripani, plant species diversity in the leasehold forest increased from 37 species in 1994 to 58 species in 2000, an increase of 57%. In Bhagawatisthan, plant species diversity in the leasehold forest increased from 70 species in 1995 to 130 species in 2000, an increase of 86%. The other main change in the leasehold forest has been the change in the structure of the vegetation. In both Chitripani and Bhagawatisthan, the number of trees with a stem diameter of more than 10 cm increased from 20 to 23 and from 54 to 72 per ha respectively. The number of tree saplings and tree sapling species also increased significantly on both sites. The average height and size (stem diameter) increased slightly, but not significantly as the figure as an average reflects the increasing number of smaller size trees in the regrowth.

14. The regeneration of tree species, like *Shorea rubusta*, (Sal), *Dalbergia sissoo*, (Sissoo), and *Cleistocalyx operculatus* (Kyamuno) has caused a reduction in the ground cover of *Imperata cylindrica*, giving way for an easy introduction of *Pennisetum purpureum* (Napier), *Stylosantes sp.* (Stylo), and *Melinis minutiflora* (Molasses), used for fodder as well as an income-generating source through the sale of seeds. Exotic species like *Eucalyptus camaldulensis* and the leguminosae *Leucaena leucocephala*, as well as the regrowth of native fodder plants has further increased species diversity.

15. There are potential problems in terms of the yield of forage seed as the tree canopy closes. More significant, however, is the apparent lack of biomass production on degraded dry lands in higher altitudes. There is strong evidence that, at higher altitudes, significant degradation of the forest and grazing resources is occurring, as the forest area is declining, and crown cover is reduced. This clearly

reflects degradation of forests in term of quality and quantity, and increase in shrublands and grasslands. This is compounded by the low growth and slow regeneration of forests due to the climatic conditions of these areas. The production in the highlands of forage for stall feeding on leased land is insufficient and might induce farmers to re-open the leasehold sites to grazing. Also, an increasing prevalence of the anthracnose condition in *Stylosanthes* was noted in several areas. It is difficult to identify exactly at which altitude conditions for leasehold forestry becomes too difficult, but generally biomass and soil fertility regeneration becomes problematic with increasing altitude, lower temperatures and steepness of slopes. The critical altitude would probably be around the change from the sub-tropical zone (1000-2000 m) to the temperate zone (2000-3000m), i.e. around 2000m. Around 20% of leasehold plots are situated above 1800m, and those visited were significantly less productive than those below this altitude.

16. When commenting on the performance of the project, it is important to note that leasehold plots *per se* are mostly situated in degraded forestlands, previously used for grazing. The process of regeneration thus depends on more intensive attention, management and labour than in areas with reasonable existing tree cover or where vigorous regeneration has already taken place.

## 5. Livestock and Forage Development

17. Livestock related development activities were carried out by the District Livestock Development Office (DLSO) in the respective project districts, in coordination with the District Forest Office. The Department of Livestock Services (DLS), Harihar Bhawan, Lalitpur was the main responsible body at the central level, focussing its activities on forage development, livestock distribution, equipment distribution and fund establishment for livestock development, and training in animal management and health. The DLS was also involved in the distribution of fruit saplings and vegetable seeds to the farmers in the leasehold sites. The following table shows detail of the activities carried out to 2002.

**Table 1. Summary of project activities carried out by DLS**

Major functions/activities	Unit	Total progress till the end of B.S. 2057/58
Forage development in leased land	Hectare (Ha)	2,035
Distribution of fodder package	Ha	52,466
Livestock distribution	Number (No)	
• Breeding goats		4,852
• Breeding pigs		414
• Buffalo heifer		630
• Milking buffalo		412
• Improved breeding buffalo bulls		63
Equipment distribution for services	Number (No)	
• Chaff cutter		360
• First aid kit box		189
• Urea molasses block		3,370
• Distribution of seed bin		20
Fund establishment	Number (No)	
• Veterinary medicine		85
• Forage seed		35
• Buffalo and cattle bull		16
Distribution of vegetable seed	Packet	67,344
• Sapling	No	81,303
Training	No	
• Farmers training (7 days)		2492
• Village Animal Health Worker		233

Source: Evaluation Workshop paper presented by D.R. Pradhan, Livestock Co-ordinator, March 12, 2003

18. Over 2,000 ha of leasehold forest lands were thus covered under improved fodder production through the utilisation of more than 52,000 seed packages of improved perennial grasses and legumes.

The main species distributed were stylosanthes (*Stylosanthes guianensis*, cv.Cook), molasses grass (*Melinis minutiflora*), slips of napier grass (*Pennisetum purpureum*), and Broom grass/Amriso (*Thysanolaena maxima*). Seeds of joint vetch (*Aeschynomene americana*), oats (*Avena sativa*), and teosinte (*Euchlaena maxicana*) were also distributed for use in the farm land of leasehold farmers, particularly where land would remain fallow after harvesting rice. More than 100,000 saplings of common and popular fodder trees were also distributed to the leasehold farmers to be planted in the sites. Those fodder trees were mainly of Badahar (*Artocarpus lakoocha*), Tanki (*Bauhinia Purpurea*), and Ipil-Ipil (*Leucaena leucocephala*). It was reported that by the end of 2002, leaseland covered under improved forage production was more than 100% of the project target.

19. Forage seeds were made available to the leasehold farmers in packages along with in-situ training on sowing and forage cultivation. Seed packages were standardised to meet the seed rate per unit of land, usually a *ropani* or about 0.05 ha. The DLS was also involved in post harvest support activities of forage seed production, one of the key areas of household income generation for lessees. These supports consisted largely of seed bins, weighing equipment, and marketing facilities. Forage seeds were sold mostly within the leasehold project districts as per the demands of farmers and in accordance with similar projects elsewhere in the country.

20. Regarding animal distribution, DLS mainly focused its activities on the supply of breeding animals such as goats, buffalo, pigs, and initially rabbits and poultry. Goats dominated in terms of number distributed followed by milking buffalo and buffalo heifer (Table 1). DLS also supported the farmers through a transportation scheme by which farmers were allowed to claim the money needed to transport animals brought from other districts. The DLS also supported the purchase of equipment such as chaff cutters, and provided a certain subsidy (about 20%) for the purchase of cream separators, milk cans and urea molasses blocks.

21. Besides distributing seeds and animal species, DLS also supported the construction of 43 Traverses for handling animals, and 24 service centres. Support was also given for veterinary care and animal management through training of Village Animal Health Workers (VAHWs) who would eventually serve as veterinary resource persons in the community. Support was also provided for the procurement of equipment and vehicles such as microscopes, computers, photocopiers and pick-ups.

## 6. Applied Research and Technology

22. NARC focused on the development of technologies for suitable grasses, legumes and tree establishment in the HLFFDP sites to help improve degraded land and to increase the production of herbage. NARC research concentrated on legumes such as *Trifolium repens*, *Stylosanthes* spp, *Macroptilium atropurpureum* and *Flemingia* spp, and on grass species such as *Melinis minutiflora*, *Pennisetum purpureum*, *Thysanolaena maxima*. Field activities were, to a large extent, integrated with the research and development support activities managed by NARC. During the fiscal year of 1993/94, intensive forage research and development programmes were conducted in three sites in Kavrepalanchok, Sindhupalchok and Makwanpur and at Bandipur Goat Farm (HLFFDP, 1996). The major objectives of the research were: the identification of appropriate forage species for leasehold sites and the correct times for sowing; the establishment of multipurpose tree species on terrace risers; the establishment of income generating multipurpose shrubs; the evaluation of the effectiveness of different hedgerow species on degraded land (HLFFDP, 1996; Supervision Report, 2002). During that period seed, saplings or plant materials of *Euchlaena mexicana*, *Leucaena leucocephala*, *Bauhinia purpurea* and *Pennisetum purpureum* were distributed to leasehold farmers. Quality testing of forage seeds, the appropriate type of inoculum production and the packaging of inputs according to the requirement of leasehold groups was also carried out (HLFFDP, 2001).

23. In 1995, the reformulation of the research programme was undertaken with the setting up of the Integrated Research Demonstration and Extension and Training programme (IRDET), with the purpose of meeting HLFFDP objectives through a multi-institutional approach, focusing mainly on the following:

- minimum tillage and line planting;
- strategic use of starter fertiliser;
- cultivation of leguminous fodder trees, shrubs and pasture species;
- legume seed inoculation and pelleting;
- cut-and-carry management;
- integrated use of sites for research, demonstration and extension.

Activities were also geared to produce foundation seeds of forage species along with the seed production and testing of anthracnose resistant cultivars of *Stylosanthes*. Between one and two thousand packets of inoculums were produced annually for use in leasehold sites. It was reported that a total of more than 20 ha are set aside for IRDET activities, 4.4 ha under the foundation seed production programme and the remaining area under twelve activities of forage development research in 96 sites at three altitudes (HLFFDP, 2001).

24. The NARC research output (1996 to 2001) can be summarised as follows:<sup>75</sup>

(i) *Degraded land*

- Technology developed for the establishment of pasture legumes, for example recommended minimum tillage and line sowing for open degraded grassland up to 1700m., use of starter fertiliser of 34:15:0 kgs of Nitrogen (N), Phosphorus (P) and Potash (K).
- Technology developed to increase fodder production from stylo/clover through proper lime application and inoculation.
- Evaluation of suitable *Stylosanthes* cultivars for degraded land development.
- Technology developed on nitrogen fixing tree establishment and fodder production.
- Technology developed on proper pruning system for fodder trees.
- Technology developed for haymaking for winter fodder.
- Technology developed on *Stylosanthes* seed production for income generation.

(ii) *Arable land*

- Technology developed for winter fodder production for increasing milk production.
- Technology developed for income generation through fodder seed production, goat-rearing and broom grass development.

25. Other activities carried out by NARC included the supply of annual and perennial forage seeds to the leasehold sites, such as teosinte (100kg), perennial ryegrass (300kg), Ipil-ipil (60 kg), and white clover (400kg). One thousand saplings of *Artocarpus*, 5000 saplings of *Bauhinia* and 50,000 cuttings/rootstocks of *Pennisetum purpureum* were made available to the leasehold sites. Training on fodder development was given to 14 DLS Officers, 45 leasehold farmers, and 21 JTs and JTAs.

## 7. Investments in Infrastructure

26. Provisions were outlined in the SAR for the building of 'simple footbridges' and the improvement of forest trails, with funds to be administered by the DoF and passed to the appropriate implementing agencies. The method for the selection and prioritisation of such schemes was not detailed. In the event, grants were made directly to groups (or intergroups where they existed) at the rate of NRs 15,000 per LHG. Applications for infrastructural schemes were presented to the District Forest Office which then determined which schemes to finance during the following year. According to the HLFFDP coordinating staff, all groups have received or will shortly receive the grant, and in fact this was so in the case of all groups visited by the Mission.<sup>76</sup> The physical achievements to date include the building of 38 culverts/bridges, the maintenance or renovation of 294 schools, the completion and maintenance of 160 small drinking-water supply projects, and the improvement of 464 km of trails and footpaths. At the instigation of the MTR, the title of this sub-component was changed to that of

<sup>75</sup> (For details, see HLFFDP, 2001: Termination report of NARC Research, 1993- 2001).

<sup>76</sup> This represents a total expenditure in the region of NRs 25 million (c. USD 340,000) and thus largely accounts for the overspending under the budget for Civil Works.

Village Infrastructural Development, but it will be noted that only a limited set of options are considered. Its importance lies partly in the improvements themselves and partly in the opportunity for LHGs to invest in projects which will benefit all members of the community and thus help to minimise possible resentments and sources of conflict.

27. Various schemes were visited and inspected by the Mission, mostly improved trails and school renovations. On occasion, the intervention seemed incomplete because of the arbitrary nature of the allocated amount. One half only of the roof of a school in Ramechhap had been renewed; the other half still leaked. In the same district, in Salupati VDC, piping had been provided to create an easily accessible supply of drinking water but there was a dispute (witnessed by the Mission) as to its location, which favoured one settlement at the expense of others. Another drinking water scheme had been provided with pipes but there were insufficient funds for the proper excavation of the water source so that the supply was unreliable. In a third case, cheap or faulty piping had apparently been supplied and leaks had already appeared. One of the bridges constructed in Chitwan had been washed away by last year's catastrophic flooding. As for school improvement, the village school is a most appropriate target for investments of this kind, but roof repair and classroom furniture are often not the most urgent priority. One schoolteacher interviewed in Ramechhap said that the first need of his school was a supply of water for drinking and washing. Other schools also lacked this essential amenity. The provision of classroom furniture seems of secondary importance, particularly when the desk units provided were inadequate for hard use over a long period, consisting of rather flimsy metal frames into which the villagers had fitted the wooden surfaces.

28. Such cases may be atypical, but in general the infrastructural improvement grants seemed to lack clear guidelines and objectives. The principle of allocating grants for community improvements as part of a leasehold forestry project is sound, particularly in view of its potential for the lessening of conflict between leasehold members and the wider community, but in practice the suggested options seemed arbitrary and the consultation of the communities' priorities less than comprehensive.

## **8. Improved Stoves**

29. The SAR envisaged the provision of 15,270 stoves to 11,730 households, but in fact the basic input has been the training of local potters and the supply of the metal frames necessary for the construction of the stoves. The MTR pointed out that the stoves were not suitable for all households, especially at higher altitudes. The cooking of livestock feeds requires large pots and large fires, and – an interesting point – firesmoke within the living quarters protects stored grains against pests. The Evaluation Mission found that the stoves were well-liked by households living at lower altitudes and that the saving of fuel was considerably higher than the 30 percent estimated in the SAR. Householders questioned on this point estimated that a bundle of wood which had lasted only two days for the old open fires lasted up to five days for the improved stoves. In addition, local potters were able to earn a reasonable income from their work in stovemaking.

## **9. Grassroots Institutions**

30. The design of the project did not provide for the creation of grassroots institutions other than leasehold groups. During implementation, however, it was realised that groups would benefit from being federated into larger entities for the purpose of collective decision making, the mobilisation of more extensive savings and the provision of financial services, and the enhancement of skills and capacities. The unforeseen formation of 120 intergroups and 18 multi-purpose cooperatives (in Makwanpur, Tanahun, Chitwan and Dhading) is widely regarded by line agency staff as an impressive achievement. The main reason for the neglect of intergroups and cooperatives in HLFFDP project design seems to have been the misplaced confidence placed by the project designers in the capacity of the ADB/N and the operation of the SFDP.

**Table 2. Grassroots Institutions in the Project Area**

<b>Institution</b>	<b>No. Of HH members</b>	<b>% of women</b>	<b>Membership Criteria</b>	<b>Entry Fees (NRS)</b>	<b>Equity shares (Rs/share)</b>	<b>Compulsory Saving</b>
Leasehold Group	5 – 10	27	Leasehold group members only	-	-	Rs 10 upwards
Leasehold Intergroup	30 – 35	27	Leasehold group members only	-	-	Rs 2 upwards
Leasehold Cooperative	30 – 120	57	Leasehold group members	5 to 500	100 to 125	Rs 50 upwards
SFCL	400 – 700	33	Small farmers below poverty line	10 – 15	100	Yes
Community Forestry Users Group	500 – 1700	20	Whole community	100 to 1000	-	-

Source: IFAD IE Mission Field Visits (March 2003)

[Figures are based on field observations and may not be representative of all institutions]

31. There are thus five types of community-based organisations (CBOs) operating in the project area, three of them specific to the project, and two of them – Community Forest Users Groups (CFUGs) and Small Farmers Cooperative Ltd (SFCLs) independent of HLFFDP. The CFUGs comprise the whole community, with membership ranging between 500 and 1700 households. These groups do not mobilise internal savings, and generally make no separate provisions for the very poor.

32. **Leasehold Groups.** The creation of the leasehold groups constitutes the institutional core of the project. After sites were identified, the local community was consulted concerning potential group members. Group formation was to have been carried out by the (ADB/N) but in effect the process was usually carried out by the forest rangers. The leasehold groups consist of 5 to 10 members drawn from among the poorest and most disadvantaged households, with an average allocation of land of 0.62 ha per household. Some groups are mixed, some consist of only female members and some of only male. In spite of the problems in the process of targeting and identification of groups, the project has made significant progress in forming active groups. Table 3 shows number of groups formed by year.

**Table 3. Year-wise Group Formation**

SN	Year	Total Number of Groups
1	1993	4
2	1994	59
3	1995	95
4	1996	157
5	1997	254
6	1998	408
7	1999	328
8	2000	244
9	2001	104
10	2003	76*
	TOTAL	1729

Source: Singh BK – Group Site Information Sheet 2000.

*\* Based on DoF figures to February, 2003.*

33. In order to enhance the capacity the groups, various training and orientation programmes on the group concept are provided (see table below). Groups hold regular meetings mainly to collect monthly saving and discuss matters relating to loan disbursement, savings and credit, and forestry and livestock development. During the meetings, group savings, loan disbursement and repayments are effected. Each group saves a monthly amount of 10 rupees upwards, depending on its economic status. When the group fund is of a sizable amount, it is available in the shape of individual loans for its members. The groups have so far collected more than NRS 3.8 millions.<sup>2</sup> Most of the cash is provided as loan to its members and majority of the groups have some savings in the bank. Loans from internal savings are mostly used for household consumption and IGAs.

34. The leasehold system has put a virtual stop to the use of the degraded land for grazing, a practice regarded as a traditional right, and this has in many cases given rise to tension and conflict between the communities and leasehold members. Some of the active groups have solved the problem by providing fodder to non-members. However, the majority of the groups met during the field visit reported that conflict over grazing, encroachment and the theft of forage and other products from the leaseland by non-members continues to be prevalent.

35. Leasehold members, GPs and forest rangers agreed that initially women and the poorest of the poor were hesitant to join groups as the poor did not anticipate immediate financial benefits from the degraded land that would be allocated to them. The ADB/N loan officer in Makwanpur admitted that at the start there were less women in the groups, but that as leasehold activities started to generate some income, they became interested in participating in the programme. However, due to the limited

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allocation of leaseland per family, existing group members have no intention of including new households in their groups. Much hard work is required in the early stages of land development, and in addition many of the groups operate by allocating individual portions of land to each household involved. Groups do feel however that there is a possibility for women to become members of the groups through the transfer of the lease certificate to women in cases where the men are less active. As it is, during the absence of male members, women attend the group meetings and work in the leasehold site.

36. A variety of specific training programmes have been provided to the different CBOs., including group management, book-keeping, financial management, basic literacy, health, sanitation and gender issues (see table 4).

**Table 4. Types of training provided**

<b>Institution</b>	<b>Training received</b>	<b>Training provided to members</b>	<b>Financial Services</b>	<b>Assets</b>
<b>LF group</b>	(All members) Forest and livestock management	Not applicable	Savings and small loans	Limited financial assets
<b>LF Intergroup</b>	(Committee members): land management; livestock; dairy processing; other IGAs; gender awareness	Some training in IGAs	Savings and small loans	Limited financial assets
<b>LF Cooperative</b>	(Committee members): leadership; account keeping; management; study tours; some IGA training; self-monitoring	Members exposed to training may teach other members; some co-ops can organise training sessions inviting DFO/DLS staff	Savings and loans	Buildings, limited equipment, financial assets
<b>SFCL</b>		Training in group formation	Saving, loans and insurance	Office buildings, financial assets, infrastructure
<b>Community Forestry Group</b>	(Committee members) Accounting & management from DFO; Study tours (NARMSAP)	None	None	Building + office equipment; accounts in banks

Source: IFAD IE Mission Field Visit (March 2003)

37. Intergroups. Intergroups are informal associations created with the assistance of forest rangers and GPs. They consist of a cluster of several groups and function through a central committee of 9-11 members representing each group. The remaining group members constitute the general membership. Intergroups are formed to strengthen and institutionalize groups and to prepare for the formation of cooperatives. The main functions of the intergroup are: to coordinate and facilitate the groups in undertaking social development activities; to recommend members for loans, training programmes and workshops provided for LFGs; to resolve conflicts between group members and the wider community; to encourage savings; to monitor group activities. Due to the unfavourable political situation and the termination of TA component, intergroups have been holding meetings for specific purposes – such as the dissemination of project information – rather than at regular intervals as required by their rules. Intergroups formed without the support of GPs lacked an adequate degree of social mobilisation and are therefore not very active, being unaware of their role and responsibilities. They require further training in this respect in order to function effectively.

38. Each member of the intergroup makes a contribution of at least two rupees per month. When participants in training programmes and workshops have been recommended by the intergroups, a charge (normally 10 percent) is levied on the daily allowances provided for participation in such programmes. Intergroups also levy a small charge (normally one rupee per kilo) on the sale of any products generated by members who have received a group loan on their recommendation.



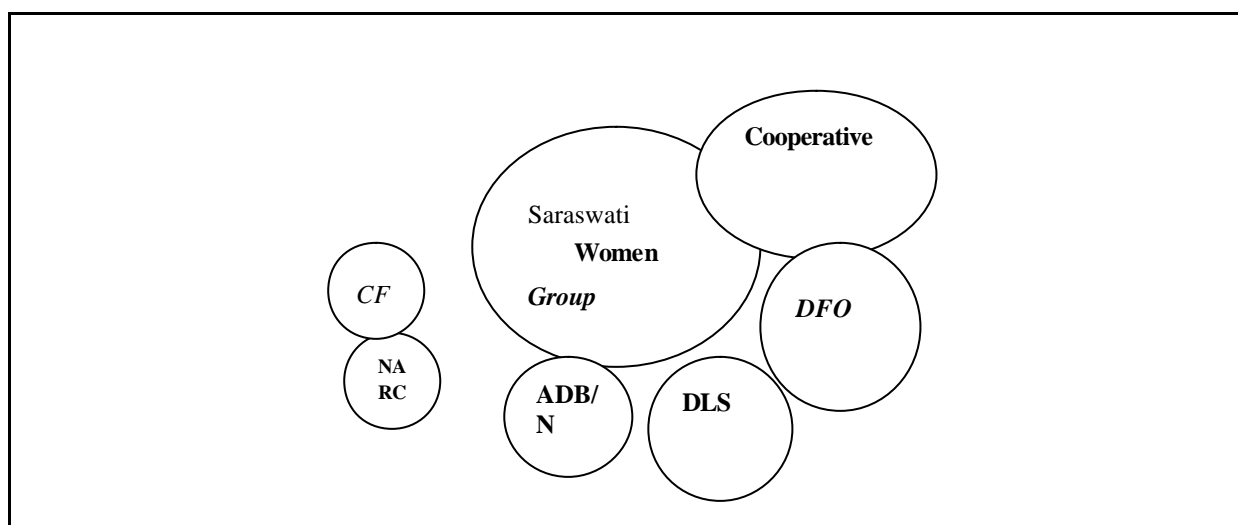
39. The formation of intergroups has strengthened LFGs. In particular, due to the coordination and sharing of project information among LFG members in the intergroup, the transparency of group financial operations has improved. A most important activity of intergroups has been in resolving conflicts between leasehold members and non-LF households which cannot be solved within the groups themselves. For example, the Beldara intergroup from Makwanpur district played a major role in solving the conflict over leasehold land in Manahari village.

40. Cooperatives. The cooperatives are formed by an NGO. Unlike intergroups, they are formal associations registered with HMG/N's Department of Cooperatives. Their main services to members are the facilitation of the storage and marketing of products such as fodder seeds and dairy produce, and the provision of loans. Cooperatives formed in Makwanpur district have been active in providing loans, storage facilities and the marketing of seeds of forage grasses, milk and other products. Group members can thus cultivate produce from their LF sites confident of an available market. This success has served to encourage the emergence of cooperatives in other areas, and study tours to Padampokhari cooperative from programmes other than HLFFDP are now common.

41. Three further effects of cooperatives may be mentioned: members of cooperative have acquired various new skills through the training programmes provided; the representation of women in cooperatives and their role in discussion and decision-making has been an important aspect of empowerment; cooperatives have been able to construct their own buildings for the purpose of coordinating their activities.

42. In Hatiya and Padampokhari VDCs, group members identified the cooperatives as the most important of supporting institutions. The Venn diagram below sets out the institutional affiliations in of the all-women Saraswati group in Hatiya VDC. The main object of the exercise was to identify the degree of association and support offered by the various institutions and line agencies. The association with the cooperative is especially close, with women selling forage seeds from the leasehold site through the cooperative. The cooperative also provides facilities such as seed storage and loans. The group identified the DFO as the next most important link, because it was the DFO that supplied the leasehold land, and the DLS as the third most important through its technical support for land and livestock development. The women benefit from the association with the ADB/N through the provision of loans for land development and livestock. On the other hand, they feel that the services provided by NARC are of lesser importance.

**Chart 1. Institutional Diagram of LFG in Hatiya VDC in Makwanpur district**



Source: IFAD IE field mission

## 10. The Microfinance Component

43. **Low Coverage.** According to the latest updates (December 2001) available from the Agricultural Development Bank of Nepal (ADB/N), the project had disbursed Rs 30.4 million loans, or 56% of the target, to 1037 groups, only 63% of the existing leasehold groups, (Table 1).<sup>77</sup> This low coverage by ADB/N-SFDP is explained by the absence of SFDP sub-project office in several project areas, the uncertain security conditions in remote VDCs (where several SFDP offices were looted or forcibly closed during the insurgency period) and by the progressive phasing out of SFDP by ADB/N. In terms of coverage, it is useful to note that, as of June 2000, banking offices (either an ADB/N branch, sub-branch or sub-project office) existed in the same VDC for 31% only of the formed groups.<sup>78</sup> In fact, the number of ABDN / SFDP offices that participated in the programs was only 45 (against 188 estimated at the time of project design).

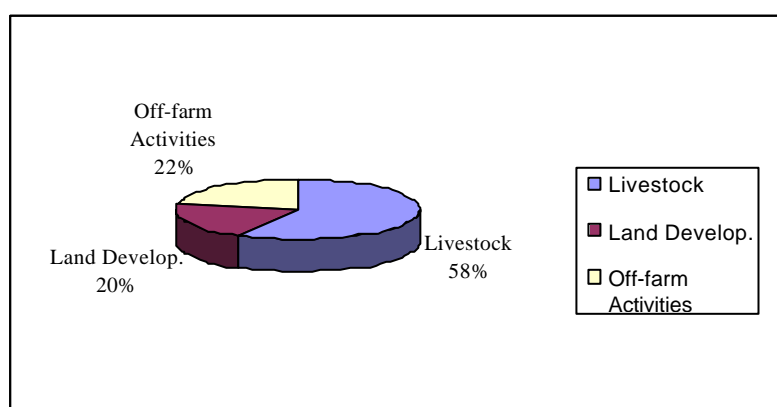
**Table 5. ADB/N Credit Disbursement**

District	Credit disbursed (NRS million)	Recovery rate (%) <sup>e</sup>	LGHs covered (No.)
Tanahu	3.378	38	123
Gorkha <sup>79</sup>	-	-	-
Chitwan	0.878	37	100
Makwanpur	4.953	37	196
Sindhuli	1.499	38	74
Ramechhap	2.771	38	151
Sindhupalchok	4.082	19	78
Kavre	8.061	19	194
Dhading	2.804	19	92
Dolakha	1.98	19	29
Total	30.4 m	24	1037

Source: ADB/N (Dec. 2001)

44. In terms of number of loans distributed, the majority were registered for livestock, which represented 58% of loans disbursed, while land development and other “off-farm activities” received an almost equal share, 20% and 22% respectively (Chart 1).<sup>80</sup>

**Chart 2. Distribution of Loans under the SFDP Scheme (Loan Numbers)**



Source: ADB/N 2001

<sup>78</sup> IFAD IE Mission calculation, from GSIS data (2000).

<sup>79</sup> In Gorkha district no disbursement of loans under HLFDP was made, as the local ADB/N branch was in the process of closing the SFDP offices. Instead, some groups were encouraged to join a new Small Farmer Cooperative Limited in Manakamana.

<sup>80</sup> The purpose of loan is the official one and can not be monitored due to the “fungibility” of money.

**45. Poor Savings Mobilisation and Credit Discipline.** The SFDP scheme focused almost exclusively on the provision of credit to poor households, normally with collateral, which excluded the landless, unless when other group members would agree to be their co-guarantors. Lower emphasis on savings is shown by the low ratio of total savings collected over the outstanding amount of loans. For the SFDP contribution to HLFFDP, savings collected represented only Rs 1.34 million, or 5% of outstanding loans (ADB/N 2001).

46. When considering the issue of credit discipline the picture is even more sobering: at the end of 2001, the last year when disbursements for the credit component were made, the credit recovery rate of loans was estimated at 24% only. Again, insurgency provides only a partial piece of explanation. In reality, since its inception (1975) SFDP suffered from chronically low repayment rates, as it had been acknowledged at the time of HLFFDP appraisal. Since then, instead of improving, the repayment rate had already declined to 44% in 1994-95. Thus security problems only exacerbated an inherent problem which HLFFDP design had underestimated.

47. This happened in spite of a formally strengthened monitoring system, which culminated, in 1997, with the preparation of a new manual for project monitoring. The manual provided for a monthly reporting by sub-project offices to ADB/N branches, from the latter to the regional supervising offices, in turn consolidating reports and submitting them to the ADB/N headquarters in Kathmandu. This reporting would encompass indicators such as: (i) disbursement, (ii) principal collected, (iii) interest collected, (iv) overdue principal, (v) outstanding amount, (vi) repayment rate, (vii) interest receivable. Moreover, information on group savings amount, number of groups formed and participation of women would be provided.

48. In reality, in addition to the factors already identified, the low credit discipline is ultimately explained by very the nature of SFDP, a donor-driven intervention, with little concerns for its profitability. Groups were not sufficiently motivated nor provided with incentives so as to exert effective “peer pressure” on delinquent members, and ADB/N field staff, usually overburdened and unable to supervise their clients, were not granted salary incentives for ensuring a high repayment profile.

49. Finally, ADB/N never showed willingness to take action for the recovery of defaulted loans, even in the presence of collateral. The procedures for loans declared unrecoverable provided for an individual mail communication to the defaulted borrower, followed by the publication of a 35-day notice on a local newspaper, after which, in principle, collateral (normally land) would be auctioned. But in reality, no collateral was ever auctioned since the implementation of SFDP. This scheme thus lacked any credible sanctioning system and did not foster responsibility of staff and final clients.

50. In addition to low repayment rates, the sustainability of SFDP was hampered by loan interest rates that were insufficient to cover its operating costs. Although interest rates were set at market levels, the program had to face high transaction costs to reach clients in rural areas and to manage relatively small loans. This resulted into high costs per unit of credit disbursed. A study conducted by the World Bank calculated a subsidy-dependency index of 1.35, which means that average lending rates under SFDP should have been increased by 135% (from 18% to 43%) if all forms of subsidies had been withdrawn.<sup>81</sup> All these problems, intrinsic to SFDP formulation, were imported into HLFFDP.

## **11. Financial Services of Informal and Semi-Formal Financial Institutions**

**51. Leasehold Groups and Intergroups.** The original project design did not contemplate any savings collection activity to be undertaken outside the SFDP scheme. However, during the implementation

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<sup>81</sup> Dev-Pant and Dhungel, 1996, quoted in Dev-Pant, H., D.Dhungel and H.D.Seibel (2000) “Microfinance in Nepal: Coping with Dispersed Markets”, in Sanjay, S., J.Samuel and B. Quiñones. [Microfinance and poverty alleviation: case studies from Asia and the Pacific](#) / Remenyi, J. (ed.) Quinones, B. Jr. (ed.) - Pinter: London (UK), 2000.

phase it was realised that groups would benefit from being federated into larger entities and that they would be appropriate units to start savings mobilisation activities. Accordingly, rangers and junior technicians encouraged leasehold groups (5 to 10 members) to collect compulsory savings on a monthly basis (normally from 5 to 15 Rs per month) which would then constitute a pool for the disbursement of small loans (Table 8). Leasehold groups were then federated in intergroups (40-70 members), in order to upscale savings mobilisation and create a forum to discuss and solve intra and inter-group disputes. Groups and intergroups were normally providing loans in a range of NRs 1000 to 3000 (USD 12 to 40) with a maturity of 1 to 3 months and with an interest rate between 2% and 3% per month (which would correspond to much higher effective lending rates, such 40% to 60% per annum when flat interest rates were applied), thus substantially higher than SFDP scheme. Groups and intergroups (40-70 members) were facing problems of credit rationing when the fund did not have sufficient liquidity to satisfy the demand of credit.

**52. Leasehold Cooperatives.** Eighteen Cooperatives (40-120 members) were also created as a graduation from intergroups and sometimes by merging intergroups.<sup>82</sup> Their nature was normally that of multi-purpose cooperatives, offering both financial and non-financial services (for example the marketing of seeds and goats). In addition to the savings from members, cooperatives would have additional instruments to raise funds for loan disbursement: entry fees, shares to be subscribed by members and retained earnings from non-financial activities that could be reinvested to increase the outstanding loan portfolio. Still cooperatives were facing problems with constraints in resources available for loan disbursement, during particular agricultural seasonal cycles of the year. Larger cooperatives would be able to lend up to Rs 10,000 to 15,000 at an interest rate between 1.6% and 3%. Leasehold cooperatives were registered with the District Cooperative Office and subject to mandatory external audit of their accounts (Table 8).

**Table 6. Informal and Semi-formal Financial Institutions in HLFFDP**

Institution	Member (No. HH)	Entry Fees (Rs)	Shares (Rs / share)	Financial Services	Non-financial Services	Account Auditing
LF group	5 - 10	None	None	Compulsory savings, small loans (S)*	Manage LF site	None
LF Intergroup	30 - 70	None	None	Compulsory savings, small loans (S)*	Interface between LF groups, forum to settle conflicts, transition to coops	None
LF Cooperative	30 -120	5 to 500	100 to 125 Rs	Compulsory savings, loans (S)*	Marketing & storage services;	(District Coop. Off.)
SFCL	400 - 700	10 - 15	100 Rs	Savings, loans (S,M,L)*, insurance	(i) marketing and storage; (iii) funding of infrastructure	(District Coop. Off.)

Source: IFAD Interim Evaluation, March 2003.

\* S = short-term credit, M= medium-term credit; L = long-term credit

**53. Small Farmer Cooperatives Limited.** The Small Farmer Cooperatives Limited (SFCLs) were an additional type of semi-formal financial institutions operating in the project area. According to ADB/N (2001), 27 SFCLs had been constituted in leasehold areas but no data is available on the effective coverage of members.<sup>83</sup> SFCLs are the by-product of the progressive dismantling of SFDP field offices. In the late 1980s ADB/N had acknowledged that SFDP was not financially sustainable. In 1987, with the support of the German Agency for Technical Cooperation (GTZ) it initiated an action research program to transfer sub-project offices into independent self-managed cooperatives of small farmers. Beginning with 1993, ADB/N started the replacement of sub-project offices by Small Farmers Cooperative Limited (SFCLs) in the district of Dhading. The capital of these cooperatives would be subscribed by small farmers, who would also contribute with mandatory monthly savings to

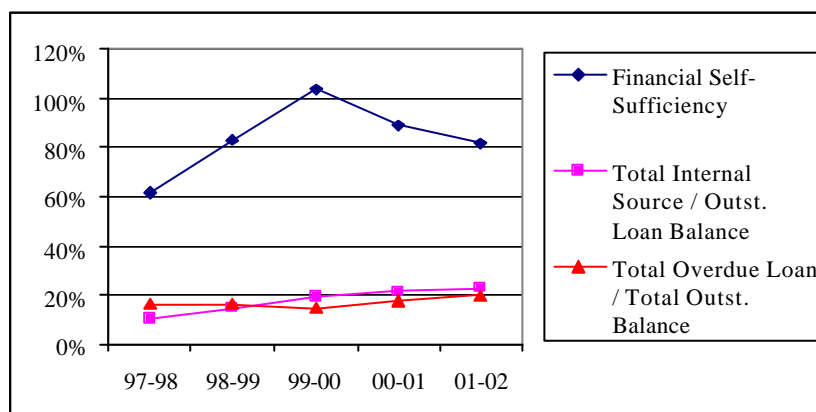
<sup>82</sup> Cooperatives covered only a small fraction (around 10%) of the 1155 leasehold groups formed.

<sup>83</sup> For example, the SFCL in Manhari is not serving any of the leasehold members in the area.

raise the funds for loan disbursement. In addition, SFCLs were refinanced by ADB/N which, for the purpose, created an autonomous apex institution, the Small Farmers Development Bank (*Sana Kisan Bikas Bank*).

54. SFCLs are multi-purpose cooperatives, providing financial and non-financial (for example marketing) services and typically comprise 500 to 700 members. The SFCL system is based on full ownership of the financial institutions by small farmers (normally owning less than 0.5 ha of land). At the sub-ward level, members are structured in groups of 5-10 persons. Each group nominates a representative in an intergroup established at the ward level. In turn, each intergroup elects a representative in the cooperative's committee, established at the village development committee level. SFCL also employ 2-3 salaried staff members (including, normally, a manager, a woman development officer and a peon). But the main decisional authority at the policy level rests upon the committee, whose members are essentially volunteers and receive only a symbolic remuneration and daily subsistence allowances when involved in field monitoring activities. Between 1997 and 2000 SFCLs made impressive progress in terms of their capacity to cover operating costs, as measured by operational and financial self-sufficiency, as well as in terms of better performance of loans (reduced past-due ratio) and improved reliance on their own funds (internal source to loan ratio).<sup>84</sup> However, between 2000 and 2002 they were significantly affected by insurgency which dampened their repayment profile (higher ratio of overdue loan to total outstanding balance) and their financial self sufficiency (Chart 3). Of the four SFCLs visited by the mission, three were facing serious repayment problems and making losses. They were located in Dhading, Gorkha and Makwanpur, the former two being classified as "very poor performing" districts for SFCL and the latter as "poor performing".<sup>85</sup> Linking leasehold group to an SFCL clearly remains an option (and in fact it has already been experimented in some districts) but the issue of healthy financial performance of the concerned SFCLs needs to be seriously considered before proceeding in that direction.

**Chart 3. Selected Performance Indicators of 77 SFCLs**



Source: U. Wehnert and R. Shakya, GTZ (2003)

<sup>84</sup> The financial self-sufficiency accounts for implicit subsidies in external funds accessed by financial institutions. The past due is defined as the ratio between the amount of overdue loans and the total amount due. Finally the internal source to loan ratio is obtained by dividing the capital, the deposits and the retained earning by the average amount of outstanding loans. In view of their past performance, in 2003 SFCLs were awarded a recognition by the Consultative Group to Assist the Poorest, as an innovative microfinance programme.

<sup>85</sup> U. Wehnert and R. Shakya, GTZ (2003).



## APPROACH PAPER

### HILLS LEASEHOLD FORESTRY AND FORAGE DEVELOPMENT PROJECT IN NEPAL

### INTERIM EVALUATION

#### I. Introduction

1. The IFAD Division for Asia and the Pacific requested the Office of Evaluation and Studies to conduct an *Interim Evaluation* of the Hills Leasehold Forestry and Forage Development Project (HLFFDP) in Nepal.<sup>86</sup> This Approach Paper provides a concise outline of the background and rationale for the evaluation, its objectives, the partnership involved and the evaluation process.

#### I. Background and Rationale

##### The Country

2. Nepal is a land-locked country with a population of 23.9 million (mid-2002) and an annual population growth of 2.4%, due to a high total fertility rate (4.1 births per woman). With a gross national income per capita of USD 250 (2001), it is classified as a low-income country. Around 81% of the economically active population live in rural areas and depend on subsistence farming. The official poverty estimates, grounded on an income-based poverty line, state that 42% of the population (41% in the Terai, 41% in the Hills and 56% in the Mountains) are poor. This is also paralleled by high prevalence of child malnutrition (44% of children from 0 to 5 years are stunted, or “too short” for their age) and high adult illiteracy rate (33% for men, 56% for women).<sup>87</sup> Since the beginning of its operations, IFAD funded ten projects in Nepal; of these, three are still ongoing (including HLFFDP).

##### Basic Project Features

3. With a total cost of USD 20.4 million, HLFFDP was financed by IFAD (USD 12.8m highly concessional loan), and the Dutch Government, which funded the Technical Assistance component (USD 3.4m grant) implemented by FAO. His Majesty's Government of Nepal and the beneficiaries contributed to the residual costs. UNOPS was the Co-operating Institution in charge of the periodical project supervision. Four were the implementing agencies: (i) the Department of Forest (Ministry of Forest and Soil Conservation), (ii) the Department of Livestock Services (Ministry of Agriculture), (iii) the Agricultural Development Bank of Nepal and (iv) the Nepal Agricultural Research Council.

4. The project was approved by the IFAD Executive Board in December 1989 and became effective for disbursement in February 1991, even if the actual implementation started in 1993. It will close in December 2003. The project aimed simultaneously at alleviating poverty, by raising income and living conditions of households below the poverty line, and restoring environmental balance in the Hills of Nepal. This was to be done by leasing small blocks of public forestland to groups of beneficiaries. The cumulative project target, as per Mid-Term Review, was the formation of 2,040 leasehold groups of 14,600 poor households and the rehabilitation of 13,000 hectares of degraded forestland.<sup>88</sup>

##### Project Status

5. As of January 2003, the project had disbursed 81% of the IFAD loan, while the grant from the Dutch Government was fully disbursed and the related technical assistance component closed in 2001. According to the latest progress information, the project formed 1,155 leasehold groups (57% of target

<sup>86</sup> In IFAD terminology, Interim Evaluations are mandatory exercises undertaken at the end of the first project phase, before the approval of the second phase.

<sup>87</sup> Sources: PRB 2002 World Population Data Sheet, the 2003 World Bank Nepal Data Profile, HMGN National Planning Commission, Ninth Plan, 1998.

<sup>88</sup> The criteria for eligibility of client set out in the IFAD appraisal report were a household income of less than NRs 3035 (1989 prices), or less than 0.5 ha of land. The appraisal report also mentioned the *Chepangs* ethnic minority as a target group.

at MTR) of 11,253 poor households (77%), handed over 7,011 ha of forest (54%), while less than half of the groups accessed credit services.<sup>89</sup> Notwithstanding these shortcomings in “physical” output, the latest supervision mission noticed appreciable forest regeneration in most of the leasehold plots, coupled with increased fodder production and bio-diversity. From an institutional point of view, the project promoted grassroots organisations such as 120 inter-groups, 18 multipurpose cooperatives and 27 small farmers’ credit cooperatives, which were not contemplated in the original project design. Another achievement was the creation of 46 group promoters, by recruiting women project beneficiaries. Finally it is to be noted that His Majesty’s Government of Nepal decided to expand the leasehold approach in areas beyond the project target with its own resources.

## **II. Evaluation Objectives**

### Key Evaluation Questions

6. The evaluation will adopt IFAD Guiding Framework for Evaluations, which consists of a set of three main criteria: 1) the impact on rural poverty, 2) the performance of the project, and 3) the role of project partners.

7. The evaluation of the impact on rural poverty will require, to some extent, analysis at the macro, meso and micro-level. Accordingly, first the evaluation will review the policies and the regulatory framework at the national level to assess their consistency with the project objectives and to ascertain whether they provided “right” incentives to the grassroots institutions towards the achievement of the project targets.

8. Second, the evaluation will also focus on the institutions created and supported by the project. This includes not only the line agencies but also grassroots institutions, such as the leasehold groups, the inter-groups the co-operatives, the small farmers’ credit co-operatives and the group promoters. The main evaluation issues will involve their viability, sustainability (governance, resource mobilisation, conflict resolution, self-assessment, etc.) and their performance in reaching the desired project target. The evaluation will seek to assess to what extent the process of identification of degraded forest and potential project users has been conducted with full participation and agreement of the concerned communities and whether sufficient attention has been paid to the inclusion of the poorer households.

9. Third, the evaluation will focus, as appropriate, on the following specific areas of impact on the final users (i) physical and financial assets, (ii) human assets (human capital), (iii) social capital and people's empowerment, (iv) food security, (v) environment and common resource base.<sup>90</sup> The evaluation questions would include the following:

1. To what extent did the design clearly address the factors contributing to environmental degradation?
2. To what extent did the process of identification of degraded forest plots and of potential poor client groups involve a sound participatory mapping of resources, poor households and social hierarchies at the community level?
3. Did the project select the most appropriate technologies, based on poor household’s resource endowments?
4. To what extent did the project reach the desired target population? What were the main constraints in reaching the poorest households?
5. To what extent did the project contribute to a restoration of a balance between fodder demand and carrying capacity of forest land?
6. What were the observable effects on poor households as production units (productive assets, such as availability of manure, forage, fuelwood, milk production, meat production)?

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<sup>89</sup> UNOPS Supervision Mission Draft Aide Memoire (December 2002).

<sup>90</sup> These areas of impact on the final users are standardised in the OE evaluation framework.



7. What were the observable effects on poor households as consumption units (self-sufficiency in food production, diet variety, food security)?
8. What is the available evidence of poor farmers' household income change?
9. Did the project contribute to the diversification of income sources and to improved risk management strategies and consumption smoothing?
10. Did it promote effective and efficient access to the most needed financial services?
11. Did poor people's skills (knowledge of production and sound soil conservation practices) improve? Did the project build upon the traditional knowledge of poor households?
12. Did children's access to education improve?
13. Did the project reinforce poor people's social and solidarity networks?

Across these impact domains, the mission will examine how the project contributed to women's empowerment and enhanced gender equity.

10. The evaluation of the project performance will involve the assessment of (i) the relevance of the objectives (i.e. were they consistent with the rural poor's needs, did they focus the "right" priorities or did they adapt to changing priorities?), (ii) the effectiveness of the intervention (were the major objectives reached at the time of the evaluation?) and (iii) the efficiency (to what extent did the project achieve, or is expected to achieve, benefits that are commensurate to inputs?), based on costs of alternative options and good practices.

11. The evaluation of the role of partners will analyse to what extent IFAD, the project implementation agencies and the cooperating institution ensured a sound project design, facilitated stakeholder participation, supported implementation effectively, and provided for participatory evaluation, learning partnerships and adoption of lessons. Particular attention will be given to the effectiveness of monitoring and evaluation systems: their capability to capture key impact indicators and generate action by project management to address the findings.

### **III. Partnership Involved**

12. IFAD's approach to evaluation places strong emphasis on the involvement of the main partners and stakeholders in the evaluation process. This choice is made for several reasons: first, the involvement of partners provides the opportunity to ascertain that the evaluation objectives, the main questions and the methodology can adequately reflect the stakeholders' priorities; second, it fosters ownership of the evaluation findings, which are shared with partners. Third and foremost, it facilitates the transfer of the agreed-upon recommendations into guidelines for designing future interventions.

13. The evaluation partnership will comprise: the concerned IFAD Divisions, (the Regional Division of IFAD for Asia and the Pacific and the Office of Evaluation and Studies), HMG National Planning Commission, the Ministry of Finance and the four project implementing agencies, namely: (i) the Department of Forest (Ministry of Forest and Soil Conservation), (iv) the Department of Livestock Services (Ministry of Agriculture), (v) the Agricultural Development Bank of Nepal (ADB/N), (vi) the Nepal Agricultural Research Centre. It will also include representatives from the co-funding agency, SNV-Nepal (Government of Netherlands) and from FAO.

14. Other key organisations will contribute to the evaluation process: UNOPS (cooperating institution), other donors sponsoring programmes in the forestry sector (such as Danida-Nepal, SDC-Nepal), and research organisations and NGOs such as ICIMOD, DEPROSC, Society for Partners in Development.<sup>91</sup> The mission will also seek to identify representatives from the beneficiaries to be invited to the discussions on evaluation results and recommendations.

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<sup>91</sup> Members of an extended partnership would also include FINNIDA, the World Bank, Asia Development Bank, DFID.

15. While the evaluation mission will provide the first input in terms of field findings, the members of the core and broader partnership will provide comments and feedback on the evaluation results and contribute to the formulation of the final recommendations. For the latter purpose, a special workshop will be organised in Kathmandu at the end of the process.

#### **IV. The Process**

##### Schedule and Instruments

16. IFAD conducted a short preparatory mission to Nepal in late January 2003, which included a two-day field visit in the districts of Kavre and Sindhupalchok. The objectives of the preparatory mission were to: (i) identify the key project stakeholders, (ii) discuss with them their interest and the main expectations for the evaluation exercise, (iii) familiarise with the existing corpus of studies conducted within the project's technical assistance component, and (iv) gather first perceptions of the project implementation at the field level, to be reflected in the main evaluation questions.

17. As a next step in the process, IFAD will be fielding an evaluation mission between March 10 and April 06, 2003. The evaluation mission, composed of both national and international specialists, will comprise: (i) the mission leader, development economist, (project institutions, M&E systems and indigenous knowledge), (ii) a natural resources management and forestry policy specialist; (iii) a sociologist (grassroots organisations, gender aspects), (iv) a livestock specialist and (v) the IFAD Associate Evaluation Officer (evaluation coordination and microfinance issues). The mission will benefit from the contribution of local "resource persons" for (i) pre-testing and revising of the main field research instruments, (ii) collaboration as enumerators and interpreters during field interviews and (iii) data processing.

18. The mission will meet and collaborate with the project staff. It will request the project implementation agencies to provide a short self-assessment of the project performance, highlighting elements of success, areas of improvement and suggesting priority issues to be addressed in future project design. The evaluation will use the existing corpus of studies and working papers prepared by the project as a first important source of background information. It will use the reports and dataset from household surveys as a reference for impact assessment. It will complement the available data with more empirical evidence (qualitative and quantitative) from the field, mainly through: (i) participatory rural appraisals, and (ii) standardised case studies of households, leasehold groups, intergroups, cooperatives, small farmers credit cooperatives and group mobilisers, by means of individual and focus group interviews.

19. The mission will also benefit from interactions with the main country stakeholders as well as with donors, NGOs, research centres with interest and experience in forestry resources management for the poor. Accordingly, two half-day workshops will be organised, respectively, at the beginning and at the end of the mission: the former to present objectives and scope of the evaluation and to elicit comments and specific areas of interest from the audience, the latter to share the first results from the fieldwork.

##### The Main Evaluation Products and Communication of Results

20. The evaluation will produce a short (30-40 pages) and yet analytically rigorous report and a set of technical annexes, whose drafts will be submitted to the partners in due course. At the end of the evaluation process, a workshop will be organised in Kathmandu in order to agree on actionable recommendations to improve the project's performance.

21. In order to facilitate the dissemination of lessons learned, in addition to the printing of the report and annexes, the Office of Evaluation and Studies of IFAD will also produce a "profile": a two-page documents summarising the key conclusions from the evaluation in a reader-friendly format, with the objective of providing a 'taste' of the evaluation and thereby encouraging a broader audience to read the report. The main report, the annexes and the profile will also be available and freely downloadable from the IFAD internet website ([www.ifad.org/evaluation/index.htm](http://www.ifad.org/evaluation/index.htm)).

22. At the end of the process, the evaluation team may also consider other supplementary communication tools, to be explored in consultation with partners, such as: (i) targeting specific segments of the readership by publishing customised evaluation-related material in periodical and electronic journals, (ii) organising feed-back sessions in the field for the project beneficiaries. However, these additional tools, if adopted, might require the collaboration and further funding from interested partners.

**Time Plan: Summary Table (Tentative)**

Draft Approach Paper (AP) sent to partners	February 20, 2003
Revised AP	First week of March 2003
Field Mission	March 10 – April 6
Initial Mission Workshop / Discussion of AP (Kathmandu)	March 12
Wrap-up Mission Workshop (Kathmandu)	April 04
First Draft Report	Mid June
Revised Report	July
Final Workshop in Kathmandu and Agreement on Final Recommendations	September



**APPENDIX 3**  
**GUIDING FRAMEWORK FOR IMPACT EVALUATION**



MAIN DOMAINS OF IMPACT	Key Questions for Impact Assessment in Rural Communities Affected by the project (changes to which the project has contributed)	Assessment of Change (1)			Reach of Change (3)				Dynamic Processes ** (4)	Sus. Pot. *** (5)
		Presence and Direction of change (+) (0) (-)	What has changed (Indicators)	Extent of Change (Rating)* 4/3/2/1	How Many (households and people)	Who (Poor/ poorest/ better of)	Impacts on Women 4/3/2/1	Project contribution 4/3/2/1	4/3/2/1	4/3/2/1
<b>I. Physical and financial assets</b>	1.1 Did farm households physical assets change (i.e. farmland, water, livestock, trees, equipment, etc.)?	+	Forest land, trees, livestock	3	12,000 hhs	Poor + some poorest	3	3	3	3
	1.2 Did other household assets change (houses, bicycles, radios, etc.)									
	1.3 Did infrastructure and people access to markets change? (transport, roads, storage, communication facilities, etc.)									
	1.4 Did households' financial assets change? (savings etc)	+	savings	2	10,000 hhs	ditto	2	3	3	3
	1.5 Did rural people access to financial services change? (credit, saving, insurances, etc.)	+	credit	2	8,000 hh	ditto	2/	2	2	3
<b>II. Human assets</b>	2.1 Did children nutritional status change?	No conclusive evidence								
	2.2 Did people access to potable water change?	+	Water pipes	2	1,600 hhs	ditto			2	3
	2.4 Did access to basic health and disease prevention services change?									
	2.3 Did the incidence of HIV infection change?									
	2.5 Did maternal mortality change?									
	2.6 Did access to primary education change?	+	attendance	2	?	ditto		2	?	?
	2.7 Did primary school enrolment for girls change?									
	2.8 Did women and children workload change?	+(= reduced)	Less time to collect fuelwood & fodder	3	10,000	ditto	3	3	3	3
	2.9 Did adult literacy rate and/or access to information change?	+	Land / livestock management	3	12,000	ditto	3	3	3	3
<b>III. Social capital and people empowerment</b>	3.1 Did rural people organisations and institutions change?	+	Groups , intergroups, cooperatives	3	2,500	ditto	3	4	2	3 (coops)
	3.2 Did social cohesion and local self-help capacity of rural communities change?	+	Ut supra	3	2,500	ditto	3	3	3	3 for groups and 4 for intg and coops
	3.3 Did gender equity and/or women's' conditions change?	+	awareness	2	27%	ditto	3	2	2	3
	3.4 Did rural people feel empowered vis a vis local and national public authorities and development partners? (Do they play more effective role in decision making?)	+	More confidence	3	12,000	ditto	3	3	3	3
	3.5 Did rural producers feel empowered vis a vis the market place? Are they in better control of inputs supply and marketing of their products?									
<b>IV. Food Security (Production,</b>	4.1 4.6 Did household food security change?	+	Food supply + livestock	2 (probably)	10,000 ?	ditto	3	3	3	3
	4.2 Did farming technology and practices change?	+	Forestry + livestock	3	12,000	ditto	3	3	2	3

<b>Income and Consumption)</b>	4.3 Did the frequency of food shortage change?	See hh food security								
	4.4 Did agricultural production change (area, yield, production mix, etc.)?	+	Only indirectly	2 / 3						
<b>V. Env't &amp; common resources</b>	5.1 Did the natural resource base status change (land, water, forest, pasture, fish stocks...)?	+	Afforestation & natural regeneration	3	10,000	ditto	3	4	3	3
	5.2 Did exposure to environmental risks change?	+	Protection of water sources, reduced soil erosion	3	8,000	ditto	3	4	3	3
<b>VI. Institutions, policies, and regulatory framework</b>	6.1 Did rural financial institutions change?	+	Not the ones foreseen by the design but coops and intergroups did well	3	2,500	ditto	3	4	3	3
	6.2 Did local public institutions and service provision change?	+	Responsiveness of forest + livestock officers	3	10,000	ditto	3	3	3	3
	6.3 Did national/sectoral policies affecting the rural poor change?	+	10 <sup>th</sup> 5-year plan	3	Millions ??	ALL	3	3	3	3
	6.4 Did the regulatory framework affecting the rural poor change?	+	ditto							

Rating: 4= High; 3= Substantial; 2= Modest; 1= Negligible \*\*\* Rating: 4= Highly likely, 3= Likely; 2= Unlikely; 1= Highly Unlikely. \*\* This refers to cases where even though impact achievement is modest or negligible, the project in question has set in motion dynamic positive processes that will eventually lead to substantial impact achievement. The identification of the existence of these processes is left to the evaluators' judgement on a case by case basis.



MAIN DOMAINS OF IMPACT	Key Questions for Impact Assessment in Rural Communities Affected by the project (changes to which the project has contributed)	Expectation (Project Stated Objectives)				Effectiveness Rating (Achievement Against Stated Objectives) 4/3/2/1			
		Reach Who?	Change What?	Change How Much?	Reach how Many?	Reach Who?	Change What?	Change How Much?	Reach how Many?
<b>I. Physical and financial assets</b>	1.1 Did farm households physical assets change (i.e. farmland, water, livestock, trees, equipment, etc.)?	Poorest	Land, trees, fodder, livestock	4	15,000	Poor & some poorest	=	3	12,000
	1.2 Did other household assets change (houses, bicycles, radios other durables, etc.)								
	1.3 Did infrastructure and people access to markets change? (transport, roads, storage, communication facilities, etc.)								
	1.4 Did households' financial assets change? (savings etc)		Savings not a priority at design						
	1.5 Did rural people access to financial services change? (credit, saving, insurances, etc.)	poorest	credit	4	15,000	ditto	Access to loans	2	8,000
<b>II. Human assets</b>	2.1 Did children nutritional status change?								
	2.2 Did people access to potable water change?								
	2.4 Did access to basic health and disease prevention services change?								
	2.3 Did the incidence of HIV infection change?								
	2.5 Did maternal mortality change?								
	2.6 Did access to primary education change?								
	2.7 Did primary school enrolment for girls change?								
	2.8 Did women and children workload change?	poorest	Time for fuelwood & fodder collection	4	15,000	ditto	Time for fuelwood & fodder collection	3	10,000
	2.9 Did adult literacy rate and/or access to information and knowledge change?								
<b>III Social capital and people empowerment</b>	3.1 Did rural people organisations and institutions change?	poorest	SFDP groups	4	15,000	ditto	Low performance SFDP, intergroups and coops did better	3	6,000
	3.2 Did social cohesion and local self-help capacity of rural communities change?								
	3.3 Did gender equity and/or women's conditions change?								
	3.4 Did rural people feel empowered vis a vis local and national public authorities and development partners? (Do they play more effective role in decision making?)								
	3.5 Did rural producers feel empowered vis a vis the market place? Are they in better control of inputs supply and marketing of their products?								
<b>IV. Food</b>	4.1 4.6 Did household food security change?								

<b>Security (Production, Income and Consumption)</b>	4.2 Did farming technology and practices change?								
	4.3 Did the frequency of food shortage change?								
	4.4 Did agricultural production change (area, yield, production mix, etc.)?	poorest	Full developm ent of HYV fodder species	4	15,000	ditto	Grasses did well, fodder trees performed poorly	3	10,000
<b>V. Envt and common resources</b>	5.1 Did the natural resource base status change (land, water, forest, pasture, fish stocks...)?	poorest	Afforestat ion, plantation	4	15,000	ditto	Afforestat ion, natural regenerati on	3	10,000
	5.2 Did exposure to environmental risks change?								
<b>VI. Institutions, policies, and regulatory framework</b>	6.1 Did rural financial institutions change?	poorest	Expansion of SFDP system	4	15,000	ditto	SFDP collapsed	1 (SFDP)	8,000
	6.2 Did local public institutions and service provision change?								
	6.3 Did national/sectoral policies affecting the rural poor change?								
	6.4 Did the regulatory framework affecting the rural poor change?								

The overall rating of the project performance and impact is “substantial” (3). Following the analysis presented in the main report, the contribution of IFAD and its partners, within their respective roles, may be rated as follows: high for DOF, substantial for IFAD, DLS and UNOPS, modest for NARC and negligible for SFDP. The TA component provided a substantial technical advisory contribution, however its contribution to the strengthening the project management unit was overall modest. A more comprehensive explanation is presented in the main report.

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## ITINERARY

Date	Time	Activity
March 10 Falgun 26	09.30-12.00 12.00-12.45 13.30 15.30-17.30	Arrival of the Evaluation Mission Members in Kathmandu Mission Internal Meeting (Summit Hotel) Lunch Break Meeting with Mr. B.K. Singh and Ms. K. Lama Mr. Felloni meeting at CECI
March 11 Falgun 27	10.00-13.00  13.00-14.00 14.00-17.00  (14.30)	Meeting with Line-Agencies at Leasehold Forestry Project Office + Meeting with Joint Secretary MFSC Lunch Break Internal meeting of the Mission Members in Summit Hotel: on survey instruments  Dr. Stromgaard and Dr. Devkota visit NARC Kathmandu (to be confirmed)
March 12 Falgun 28	10.00-13.00  14.30-17.00	Workshop with Country Stakeholders on Evaluation Approach Paper Internal meeting: Review of key field survey instruments
March 13 Falgun 29	08.00-10.00 10.00-13.30  13.30-14.00 14.00-14.30 15.00-18.00	Full Mission will travel from KTM to Baluwa (Kavre) by car Discussion with Leasehold Group members and Group Promoter, and field staff including NARC (needs ½ an hr walk) Travel from Baluwa to Dhulikhel Lunch Break Discussion with District Line-Agencies Night Stay at Dhulikhel Lodge Resort, Kavre
March 14 Falgun 30	08.00-09.30 09.30-12.30 12.30-13.00 13.00-17.00 17.00-19.00	Travel from Dhulikhel to Riyale (Kavre) by car Discussion with leasehold groups 1 hr walk Lunch break NARC site visit, and discussion with intergroup, CF-1 hr walk Return from Riyale to Kathmandu by car
March 15		Revision & reprinting of survey instruments
		<b>High Hill Group "A" Field Visit Program</b>
March 16 Chaitra 2	07.00-16.00 18.00-20.00	Travel KTM to Manthali (Ramechhap) by car Discussion with district line-agencies
March 17 Chaitra 3	08.00-10.00 10.00-12.00 12.00-13.00 13.00-15.00 15.00-16.00	Travel from Manthali to Salupati VDC by car Discussion with leasehold groups Lunch Break Discussions continued with LHGs in Salupati Salupati to old district HQ, Ramechhap and night stay
March 18 Chaitra 4	08.00-11.00 11.00-12.00 12.00-15.00	Visit LHG around Ramechhap Lunch at Ramechhap Travel from Ramechhap to Manthali and night halt there
March 19 Chaitra 5	08.00-10.00 10.00-12.00 12.00-13.00	Walking from Manthali to Bhatauli/Bhaluwjor VDCs Meetings with LHG members Lunch break

	13.00-15.00 15.00-17.00	Meeting with another LHG groups and CFUG Return to Manthali and night stay
March 20 Chaitra 6	08.00-10.00 10.00-11.00 11.00-14.00 14.00-16.00	Manthali to Malu (Dolakha) Lunch Break on the way Meetings with LHG in Dolakha 1 hr walk Return from Malu to Dolakha and night stay at Panorama hotel
March 21 Chaitra 7	08.00-10.00 10.00-17.00	Meeting with district line-agencies Return from Dolakha to Kathmandu by car
March 22 Chaitra 8		Full Mission in Kathmandu
March 23 Chaitra 9	12.00-16.00 16.00-19.00	KTM to Chautara (Sindhupalchok) by car Meeting with district line-agencies and night stay
March 24 Chaitra 10	08.00-10.00 10.00-12.00 12.00-13.00 13.00-16.00	Chautara to Syaule by car Meeting with LHG members Lunch break Meeting with CF and LHGs. Night stay at Chautara
March 25 Chaitra 11	08.00-09.30 09.30-12.00 12.00-13.00 13.00-16.00 16.00-17.30	Chautara to Thulosirubari by car Discussion with LHGs in NARC site Lunch break Discussion with CF and intergroup – 1 hr walk Return Chautara and night stay
March 26 Chaitra 12	08.00-09.00 09.00-12.00 12.00-13.00 13.00-15.30 15.00-16.00	Chautara to Daduwa, Thulosirubari by car Discussion with leasehold groups Lunch break Visit another LHGs and intergroups Return Chautara and night stay
March 27 Chaitra 13	08.00-10.30 10.30-11.30 11.30-16.00 16.00-17.00	Chautara to Bhimtar by car Lunch break 1 hr walk and visit LHGs and discussions Bhimtar to Melamchi (Sindhupalchok) by car
March 28 Chaitra 14	08.00-10.00 10.00-11.00 11.00-16.00 16.00-17.30	Melamchi to Shikharpur 1.30 hr walk Lunch break Discussion with LHGs Return to Bhagwatisthan, Kavre and night stay
March 29 Chaitra 15	08.00-12.00 12.00-13.00 13.00-16.00	Visit leasehold groups in Bhagwatisthan (Kavre) Lunch break Discussion with another LHGs and night stay there
March 30 Chaitra 16	08.00-09.00 09.00-12.00 12.00-13.00 13.00-14.00	Travel to Anaikot by Car Discussion with leasehold groups Lunch break at Palanse Travel to Dhulikhel Lodge Resort Kavre and night stay
March 31 Chaitra 17	08.00-09.00 09.00-12.00 12.00-13.00 13.00-14.00 14.00-15.30	Travel from Dhulikhel to Devitar Discussions with leasehold groups Return from Devitar to Dhulikhel Lunch break Return Kathmandu from Dhulikhel
		<b>Midhill Group "B" Field Program</b>
March 16 Chaitra 2	08.00-15.00 16.00-18.00	Kathmandu to Hetauda (Makwanpur) by car Discussion with district line-agencies and night stay
March 17 Chaitra 3	08.00-12.00 12.00-13.00 13.00-15.00	Hetauda to Raksirang – 1 hr drive and 3 hrs walk Lunch break Discussion with LHGs and GP

	15.00-19.00	Return to Hetauda (3 hrs walk and 1 hr drive)
March 18 Chaitra 4	09.00-10.00 10.00-12.00 12.00-13.00 13.00-16.00 16.00-17.00	Hetauda to Manahari by car Discussion with intergroup Lunch break Discussion with SFCL and CF Return to Hetauda by car
March 19 Chaitra 5	08.00-09.00 09.00-11.00 12.00-13.00 13.00-17.00 17.00-18.00	Travel to Hatiya groups by car Discussion with LHGs and NARC Lunch break Discussion with LH Cooperatives and CF Return Hetauda
March 20 Chaitra 6	08.00-09.00 09.00-12.00 12.00-13.00 13.00-17.00 17.00-18.00	Hetauda to Handikhola by car Discussion with group and cooperative Lunch break Discussion with CF Return Hetauda
March 21 Chaitra 7	08.00-09.00 09.00-12.00 12.00-13.00 13.00-17.00 17.00-18.00	Hetauda to Padampokhari by car Discussion with group and cooperative & NARC Lunch break Discussion with CF Return Hetauda
March 22 Chaitra 8	08.00-14.00	Hetauda to Kathmandu Return by car
March 23 Chaitra 9	08.00-14.00 15.00-17.00	Travel from Kathmandu to Damauli (Tanahu) by car Meetings with district line-agencies and night stay
March 24 Chaitra 10	08.00-09.30 09.30-12.00 12.00-13.00 13.00-15.00 15.00-16.30	Damauli to Barbhanjyang Meetings with LHGs Lunch break Meeting with LHG cooperatives Return to Damauli and night stay
March 25 Chaitra 11	08.00-09.30 09.30-12.00 12.00-13.00 13.00-15.00 15.00-16.30	Damauli to Dulegauda Discussion with LHGs, Lunch break Discussion with SFCL, intergroup Return to Damauli
March 26 Chaitra 12	08.00-09.30 09.30-13.00 13.00-14.00 14.00-15.00 15.00-16.30	Damauli to Bhimad Discussion with LH groups – 1 hour walk Lunch break at Bhimad Meetings with CF group Return Damauli
March 27 Chaitra 13	08.00-08.30 08.30-12.00 12.00-13.00 13.00-16.00	Travel to Vyas LHGs Meeting with groups and LH cooperatives Lunch break Travel from Damauli to Chitwan by car & night stay & discussion with district line-agencies
March 28 Chaitra 14	08.00-10.00 10.00-12.00 12.00-13.00 13.00-16.00 16.00-18.00	Travel from Bharatpur to Korak – 1 hr drive & 1 hr walking Discussion with LHGs Lunch break (Pack lunch) Discussions with other LHGs – 1 hr walking Return to Bharatpur
March 29 Chaitra 15	08.00-10.00 10.00-12.00	Travel from Bharatpur to Dahakhani by car Discussion with LHGs



	12.00-13.00 13.00-16.00 16.00-18.00	Lunch break at Bharatpur Discussions with Shaktikhor LHGs Return to Bharatpur
March 30 Chaitra 16	08.00-09.30 09.30-13.00 13.00-14.00 14.00-18.00	Travel from Bharatpur to Darechok by car & 20 min walk Discussion with LHGs Lunch break at Kurintar Night stay at Food Home Hotel, Highway (Near Cable Car)
March 31 Chaitra 17	08.00-11.00 11.00-12.00 12.00-15.00 15.00-18.00	Visit Dhusa SFCL, Dhading Lunch Break Visit Baireni SFCL, Dhading Return Kathmandu
April 1		Mission prepares Aide Memoire
April 2		Mission prepares Aide Memoire
April 3	12.00	Aide Memoire sent to partners
April 4		Workshop to present field results
April 5		Mission meetings/report writing
April 6		Mission departs from Kathmandu

**List of Persons Met from March 09 to April 04 2003**  
(Alphabetical Order)

Title	Name	Surname	Function	Organisation
<b>HMGN - Kathmandu</b>				
Mr.	Shiva	Adhikari	Section Chief, Small Farmers Development Centre	Agricultural Development Bank of Nepal
Mr.	Gyanendra	Baral	Director, Small Farmers Development Center	Agricultural Development Bank of Nepal
Mr.	Shree P.	Baral	Planning Officer, HLFFDP	Department of Forest, Ministry of Forest and Soil Conservation
Mr.	Dil	Basnet	Section Chief, Small Farmers Development Centre	Agricultural Development Bank of Nepal
Mr.	Tanka Prasad	Bhatta	Section Chief, Small Farmers Development Centre	Agricultural Development Bank
Mr.	Madhusudan	Bista	Chief, M&E Division	Ministry of Forest and Soil Conservation
Mr.	Badri Raj	Joshi	Project Coordinator	HLFFDP, MFSC
Mr.	Damodar	Paradjuli	Chief, Foreign Coordination Division,	HMGN Ministry of Forest and Soil Conservation
Mr.	Dinesh	Pariyar	Pasture and Fodder Specialist	Nepal Agricultural Research Council
Mr.	Dala Ram	Pradhan	Deputy Director General	Department of Livestock Services
Mr.	Krishna	Pradhan	Executive Director	Microfinance Department, Nepal Rastra Bank
Hon'ble Dr.	Badri Prasad	Shrestha	(former) Finance Minister	HMGN Government of Nepal
Mr.	Biju Kumar	Shrestha	Section Officer	National Planning Commission Secretariat
Mr.	Chandi P.	Shrestha	Secretary	Ministry of Forest and Soil Conservation
Mr.	Manhomar Kumar	Shrestha	Director	Microfinance Department, Nepal Rastra Bank
Mr.	Jamuna Krishna	Tamrakar	Director General	Department of Forest, Ministry of Forest and Soil Conservation
<b>HMGN – District Line Agencies</b>				
Mr.	Keshav	Acchari	Livestock Officer	District Livestock Services Office, Gorkha
Mr.	Tek Narayan	Acharya	Loan Officer	ADBN Hetauda (Makwanpur)
Mr.		Bhandari	District Forest Officer, Makwanpur	Department of Forest, Ministry of Forest and Soil Conservation
Mr.	Tara Nath	Baral	Assistant Manager	ADBN Supervision Office, Bharatpur, Chitwan
Mr.	Gaya Prasad	Baral	Assistant Forest Officer	District Forest Officer, Chitwan
Mr.	Narayan	Bhattarai	Ranger	District Forest Office, Tanahun
Mr.	T.B.	Budhathoki	Branch Manager	ADBN, Kavre
Mr.	Padam Prasad	Gautam	Loan Officer	ADBN Branch Office, Gorkha
Mr.	Raj Narain	Jaiswal	District Forest Officer	District Forest Office, Tanahun
Dr.	Binod Kattel	Kafle	Veterinary Officer	District Livestock Services Office, Gorkha
Mr.	Govinda Bahadur	Neupane	Assistant Forest Officer	District Forest Office, Chitwan
Mr.	S.K.	Neupane	Ranger	District Forest Office, Chitwan

Mr.	Nizan	Oktar	Ranger	District Forest Office, Makwanpur
Mr.	Keshav	Pandit	SFDP Bharatpur	
Mr.	Sitaram	Paudel	Loan Officer	ADBN Damauli (Tanahun)
Mr.	Bal Krishna	Regmi	Assistant Livestock Development Officer	District Livestock Services Office, Damauli (Tanahun)
Mr.	Nanda Lal Sharma	Sharma	Office Assistant	ADBN Branch Kavre
Mr.	Mahendra Pratap	Shah	Assistant Veterinary Officer	District Livestock Services Office, Makwanpur
Mr.	Manyal Prasad	Shah	District Livestock Services Officer, Makwanpur	Ministry of Agriculture and the Cooperatives
Mr.		Shivakoti	Junior Technical Assistant	District Livestock Services Office, Makwanpur
Mr.	Y.B.	Thapa	District Forest Officer	District Forest Office, Gorkha
Mr.	B.K.	Yadab	District Forest Officer	District Forest Office, Chitwan
<b>Donors and International Organisations</b>				
Mr.	Radha P.	Acharya	Senior Professional	GTZ-RUFIN
Ms.	K.	Daniels	Officer, NARMSAP	Royal Danish Embassy
Mr.	Nara Hari	Dhakal	Programme Specialist	Asia-Pacific Programme on Macroeconomics of Poverty Reduction; C/O UNDP-SURF
Mr.	Lakshman	Gautam	Programme Officer	FAO - Nepal
Mr.	Dinesh	Paudel	Forestry Development Coordinator	SDC- Nepal
Mr.	Gopi Prasad	Paudel	Community Forestry Specialist	Nepal-Australia Community Resource Management and Livelihood Project
Mr.	Shiva	Paudyal	Senior Programme Officer	Royal Danish Embassy - Nepal
Mr.	Chresten	Petersen	Minister Counsellor,	Royal Danish embassy - Nepal
Dr.	Bharat	Pokhrel	Team Leader, Nepal Swiss Community Forestry Project	SDC- Nepal
Mr.	Karl	Schuler	Second Secretary (Development) Assistant Resident Coordinator	SDC- Nepal
Mr.	Kazuyuki	Tsurumi	FAO Representative in Nepal	FAO - Nepal
Dr.	Frank H.J.	van Schoubroeck	Sector Officer, Biodiversity Sector Support Programme	SNV-Nepal
<b>Non-governmental Organisations, LF Members and Others</b>				
Mr.	Pitamber	Acharya	Executive Director	Development Project Services (DEPROSC)
Mr.	Indra	Bahadur	LF Member	Riyale (Kavre)
Ms.	Radhika	Bhandari	LF group member	Bhimad, Tanahun
Ms.	Bishin	B.Ka	LF group member	Korak, Chitwan
Ms.	Parbati	B.Ka	LF group member	Bhimad, Tanahun
Mr.	Dwarika Nath	Dhungel	Executive Director	Institute for Integrated Development Studies
Ms.	Urmila	Khanal	LF group member	Vyas, Tanahun
Ms.	Laxmi	Karki	LF group member	Shantikor, Chitwan
Mr.	Mohan Bahadur	Khati	LF group member	Barbarnjyang, Tanahun

Ms.	Kanchan	Lama	Project Chief Advisor	Society for Partners in Development
Mr.	Thupten Gyalpo	Lama	Executive Director	Society for Partners in Development
Ms.	Rada	Nepali	LF group member	Barbarnjyang, Tanahun
Mr.	Hemant	Ojha	Team Member	ForestAction
Ms.	Santa Kumari	Praja	LF group member	Korak, Chitwan
Mr.	Somdai	Praja	LF group member	Raksirang, Makwanpur
Mr.	Suman K.	Rai	Coordinator, Equity and Poverty Programme, Mountain Natural Resources Division	ICIMOD
Mr.	Bharat	Rasaili	LF group member	Hatiya, Makwanpur
Mr.	Kailash	Rijal	Micro Credit Specialist	DEPROSC
Mr.	Kedri Prasad	Risal	LF group member	Hatiya, Makwanpur
Mr.	Bihari Krishna	Shrestha	Freelance Consultant	
Mr.	Krishna Babu	Shrestha	Chairman	SFCL Manakamana (Gorkha)
Mr.	Bijay Kumar	Singh	Forestry Expert Consultant	
Mr.	Subhadur	Tamang	LF group member	Riyale (Kavre)

## FINAL EVALUATION WORKSHOP PARTICIPANTS AND ENDORSEMENTS TO THE ACP

### Participants at the Final Evaluation Workshop Kathmandu, September 30, 2003

Name	Designation	Contact
<b>HMGN Headquarters</b>		
Mr. Damodar Paradjuli	Chief, Foreign Aid Coordination Division, MFSC	Phone 4223862; email: <a href="mailto:facd@wlink.com.np">facd@wlink.com.np</a>
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## Endorsements to the ACP



His Majesty's Government  
Ministry of Forest and Soil Conservation  
**Department of Forest**  
Hills Leasehold Forestry and Forage Development Project



☎257870

Babar Mahal

Ref. No. 186

Date: 20 October, 2003

To: Mr. Luciano Lavizzari  
Director  
Office of Evaluation  
IFAD, Rome, Italy  
Fax: +390654597158

CC: Mr. Fabrizio Felloni  
Associate Evaluation Officer  
Office of Evaluation  
IFAD, Rome

Subject: Interim Evaluation of HILFFDP- Agreement at Completion Point

Dear Mr. Lavizzari,

This refers to your fax of 12 October 2003 on above-mentioned subject. We are pleased to inform you that Department of Forests and Department of Livestock Services of Nepal has decided to agree on the recommendations of the workshop organised in Kathmandu on September 30, 2003, which was sent by your office as a final draft.

Thanks for your kind collaboration.

Dada Ram Pradhan  
Deputy Director General  
Department of Livestock Services  
HMG/N Ministry of Agriculture and  
the cooperatives

Jamuna Krishna Tamrakar  
Director General  
Department of Forest  
HMG/N Ministry of Forest  
and Soil Conservation





OFFICE MEMORANDUM

TO: Mr L. Lavizzari  
Director, OE

DATE: 16 October 2003

FROM: Nigel Brett  
CPM, PI

SUBJECT: Agreement at Completion Point (ACP) for the Hills Leasehold Forest and Forage Development Project (Loan No. 250-NP)

I kindly refer you to the final version of the ACP received from Mr Felloni yesterday, and to the "ACP Workshop" convened in Kathmandu by the Ministry of Forests and Soil Conservation of His Majesty's Government of Nepal on 30 September 2003.

In line with established procedure, I would like to confirm that Asia and Pacific Division are in broad agreement with the ACP. As agreed with Mr Felloni and as endorsed by the PDT for this new project, an Inception Memo attaching the Inception Report for the "Leasehold Forestry and Livestock Programme (LFLP)" was submitted to the Assistant President PD on 9 October 2003 and subsequently signed. As is clear from the Inception Report, the design of the new project has been based on the ACP recommendations. I look forward to continue the excellent working relationship between OE and PI in the further development of this new project.



Asia Office  
Level 8 Wisma Amanah Raya Berhad,  
10 Jalan Seri Semantan 1, Off Jalan Semantan,  
Damansara Heights 50490 Kuala Lumpur, Malaysia

## |Fax Transmission|

Date: 29 October 2003

To: Mr. Lucchiano Lavizzari

Director, OE

CC: Mr. Fabrizio Felloni

Evaluation Officer, OE

Organization: IFAD

City, Country: Rome, Italy

Fax Number: (3906) 5459 7158

From: Narsing Rao Singayapally 

Sender's Fax Number: (603) 2087-5565

Pages: 1

Subject: **Agreement at Completion Point**

**Interim Evaluation of Hills Leasehold Forestry and Forage Development Project (HLFFDP), Nepal**

I refer to the discussions and recommendations made by various sub groups in the final workshop on 30 September 2003 in Kathmandu. I confirm my agreement with the issues identified and recommendations made, as incorporated in the revised version of the **Agreement at Completion Point (ACP)**.

Best regards

