

insights

Number 24, May 2013

FROM THE NEPAL COUNTRY PROGRAMME EVALUATION

Agricultural commercialization in Nepal's hills and mountains

In 2012, the Independent Office of Evaluation of IFAD undertook the second country programme evaluation (CPE) in Nepal, assessing the IFAD-Nepal partnership over the period 1999-2012. During this period IFAD's activities focused on: (i) rural poverty alleviation through three integrated agricultural and rural development programmes; (ii) leasehold forestry through two programmes that also included rural finance; and (iii) a more recent programme targeted at agricultural value chain development along road corridors.

Road access has been an important factor in determining support strategies and approaches. There were hardly any drivable roads in the capital Kathmandu when Nepal opened up to the world in 1952. The few vehicles that could be found at that time had been imported in parts carried on the backs of porters over the hills and then re-assembled. The priority over the next few decades was to establish road connections from major population centres in the hills to the plains (the Terai) and to India. An east-west connection was created in the Terai to facilitate access to markets and promote the potential for producing an agricultural surplus. The majority of rural communities in the hills and mountains were situated far from the road network and only had limited market access, except for a few high-value-to-weight products, such as medicinal and aromatic plants. The monetary economy in these communities was negligible; the support strategy therefore addressed basic needs (water, forest products, food, health, etc.), although attempts were also made to introduce products for sale, as well as financial services.

Generally, the degree of commercialization increases from the north (mountains) to the south (plains) and from west to east. However, opportunities vary significantly even within a limited geographical area. Communities on the hilltops usually have poorer soils, restricted access to water and are further away

from the road, while neighbouring communities located in the valleys along rivers and streams and, often as consequence close to a road, experience fewer constraints. Thus, opportunities for agricultural commercialization and types of support strategies differ significantly within short distances.

Over the last decade, a number of south-north road corridors have been built to provide many hill and mountain communities with access to markets and services and opportunities for agricultural commercialization. IFAD has seized these opportunities to support agricultural value chain development along the new corridors in the western hill and mountain regions, first with pilot projects implemented by NGOs and from 2010 onwards, in the context of the High Value Agriculture Project in Hill and Mountain Areas (HVAP) implemented by the Government.



High-Value Agriculture Project in Hill and Mountain Areas. The overall goal of the project is the reduction of poverty and vulnerability of women and men in hill and mountain areas of the Mid-Western Development Region.

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Main evaluation findings

The evaluation concluded that IFAD support has contributed to alleviating poverty but that the majority of the project beneficiaries remain poor, unable to produce and/or earn enough to be food secure throughout the year. Few have escaped poverty permanently and for many households out-migration and remittances have become the main survival strategy.

The evaluation also found that IFAD – as well as other development partners – has contributed to the creation of thousands of beneficiary groups for the distribution of project goods, services and funding. At project completion, these groups often cease to exist or become dormant. Few groups have developed common economic activities that may glue members together after project closure.

Attempts were made to develop informal rotating savings and credit schemes that would continue operating after project completion. However, the skills and capacity to manage such schemes were often insufficient. Furthermore, there was a tendency for households to belong to two or more schemes created by various donor-funded projects meaning that the savings they placed in each scheme were negligible. This was particularly marked in communities with an insignificant monetary economy.

IFAD has championed the introduction of leasehold forestry in Nepal by supporting the poorest and most marginalized households by re-establishing forest cover and distributing goats to generate immediate income. In two leasehold forestry programmes and a rural poverty alleviation project in the western uplands, IFAD contributed to the establishment of thousands of leasehold forestry user groups (LFUGS). A study undertaken by the Food and Agriculture Organization of the United Nations (FAO) in 2012, which focused on some 5,000 LFUGs found that only about 22 per cent of the groups were active and that most of those groups formed during the first phases of the programme were either almost or completely passive. With respect to rural finance activities, the study found that only about 17 per cent of the LFUGs were financially active.

Nepal has an abundance of aid-dependent project beneficiary groups when compared to other developing countries; however, there are very few commercially viable agricultural cooperatives and agribusinesses adding value to farmers' produce and generating local employment and income through joint processing and marketing activities. Although there are farmers' cooperatives in Nepal, the members often procure their inputs and market their produce individually.

Nepal's agribusinesses and agro-industries are in their infancy, but the evaluation found that the new road corridors, rapid urbanization and neighbouring markets offered an opportunity to introduce a new paradigm

to achieve the goal of poverty reduction, and not just poverty alleviation. The focus of this new paradigm would be on developing profitable enterprises of economic scale that could engage in various simple activities such as packaging and semi-processing, as well as more advanced activities such as processing agricultural commodities and forest products. Such enterprises would offer employment for landless and near-landless people. If priority is given to value chains of high-value crops suited for intensive cultivation (or intensive animal husbandry), jobs would also be created in small and medium-sized farms.



Farmer working in his cauliflower field. With assistance from an IFAD-funded project, he expanded his cabbage and cauliflower farm in Seraha village. He won three prizes for the best vegetable farming in Dhading district.

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The pilot projects funded by IFAD grants have demonstrated the potential for cultivation, processing and marketing of selected products (e.g. off-season vegetables) in the hills and mountains close to the road network. The HVAP has been designed to follow up on these opportunities but is still based on the past tradition of promoting hundreds of project-created (and dependent) groups.

The new paradigm recommended by the evaluation calls for the adoption of an approach that incorporates the development of partnerships with private service providers, buyers and input suppliers. The focus of this new approach would be on clusters or growth nodes along road corridors, entrepreneurship development and support to enable a realistic number of enterprises to become profitable and self-reliant. Public sector agencies, in partnership with the private sector, would seek to facilitate the development of public goods such as roads, electricity networks, etc.

Obviously, this paradigm is not appropriate for communities located in remote and isolated mountains, hill communities living far from the road network or communities with poor soil and conditions for agricultural production and limited access to water. Given IFAD's mandate, the evaluation recommends that such communities should not be neglected but rather supported under a "basic needs paradigm" to alleviate poverty.

Further information:

Nepal, Country Programme Evaluation, Report N° 3010-NP, May 2013, ISBN 978-92-9072-388-2, Independent Office of Evaluation of IFAD, Via Paolo di Dono, 00142 Rome, Italy. The full report, Profile and Insights are available online at: www.ifad.org/evaluation; e-mail: evaluation@ifad.org.