

profile



© IFAD/Fabrizio Felloni

Federal Democratic Republic of Nepal Country Strategy and Programme Evaluation

IFAD started its operations in Nepal in 1978. Since then, IFAD has approved 17 projects for a total financial volume of US\$284 million. Taking into account the counterpart funding from the Government of US\$84.7 million and external cofinancing of US\$270.2 million, the estimated cost of these operations has been US\$639 million.

In 2019, the Independent Office of Evaluation of IFAD conducted the third Country Strategy and Programme Evaluation (CSPE) in Nepal, covering the period from 2013 to 2019. This corresponds to the strategy and operations supported by IFAD since the approval of the 2013 Country Strategic Opportunities Programme (COSOP).

Main evaluation findings

According to this CSPE, the overall programme effectiveness and impacts on rural poverty have improved, compared to the previous CSPE in Nepal. The progressive emphasis on high-value products and inclusive commercialization of agriculture have been relevant to the context of rural poverty in Nepal. In the past three decades, farm fragmentation and low productivity of staple crops have put in peril the economic viability of traditional farming systems. The IFAD-funded programme

emphasis on higher-value products, such as spices, off-season vegetables, fruits, cereal and vegetable seeds, and community Boer goat-breeding (and to a lesser extent, dairy products) are examples of the programme's efforts to increase the profitability of small farms.

Linking small-scale farmers with value chains was important to enhance their economic opportunities. The IFAD-funded programme has helped improve farmers' access to markets, including international markets, and has also enhanced transparency of contracting, and stability and predictability of prices. Value chain linkages have been supported for cash crops and seeds, to some extent for milk, and less so for small ruminants where interventions have concentrated on production.

Interventions on value chain governance are still at an early stage but have generated interest from the District Chambers of Commerce. They have also promoted the



engagement of private sector actors such as aggregators, traders, agribusinesses and processors. However, in the case of cereal seed, the producer-buyer linkages that have been supported were based on large subsidies to selected agribusinesses. These are not (yet) reflected in a long-term engagement by agribusinesses to cooperate with small-scale producers.

The IFAD-funded programme also had positive experiences in community-based and integrated rural development in more remote areas. Interventions in more remote areas were effective at creating basic welfare and production conditions. However, attention to this more “traditional” intervention paradigm has tended to fade.

There is a contrast between the results achieved so far and the implementation delays and challenges faced by the most recent projects. In rural Nepal, there are special challenges in working with isolated communities, due to the underdeveloped infrastructure (notably roads and potable water). The earthquake of 2015 and the federalization process (notably the approval of the new constitution in 2015 and the local government elections in 2017) have generated additional challenges. At the same time, the IFAD projects had complex designs and tended to under-estimate the need for local staff to implement them. Eventually, project designs had to be revised and this was a time-consuming process.

The current strategy and organizational arrangements of the IFAD-funded programme in Nepal, as well as of several other development agencies, were conceived at the time of a centralized government system. They need to be adapted to the new federalization environment. The challenge is not only to adapt IFAD project designs to the new system, but also to help develop the capacity within the new system, particularly at the municipal level, to support smallholder agriculture, rural poverty reduction and rural transformation.

IFAD’s country office in Nepal has been run by a single but qualified and committed staff member. Its human and financial resources have been stretched. The increasing size of the portfolio and the number of corporate requests have severely constrained strategic knowledge management and higher-level partnership and policy engagement.

Key recommendations

- 1. Support federalization as an integral part of the preparation of the new COSOP and project designs.** The focus should be not only on how to adapt project architecture to the new system but also on how to support local governments in promoting rural development, including local infrastructure, extension and advisory services, and economic opportunities.
- 2. Continue the support to value chain development with renewed emphasis on inclusiveness.** IFAD needs to continue emphasizing the inclusion of poor and very poor small-scale producers by making special provision for them in project design. The current prefinancing requirements for beneficiaries create disincentives for very poor producers and need revisiting. Another priority is to strengthen the consultation fora between value chain stakeholders (e.g. multi-stakeholder platforms).
- 3. Bring back into the spectrum of IFAD funding the support to community development, basic infrastructure and services** as a preparatory step for further economic opportunities.
- 4. Strengthen partnerships for specialized technical support and for cofinancing.** IFAD should explore further cooperation opportunities with development agencies, non-governmental organizations and other development partners that have demonstrated technical experience in crucial portfolio topics (e.g. value chain development, support to decentralization, community-based development). This would enhance the quality and innovativeness of project design and implementation, but also build up opportunities for policy engagement and for scaling up of results.

NEPAL AT A GLANCE

Population: **29.3 million people (2017)**

Rural population: **81% (2017)**

Gross domestic product (GDP) per capita: **US\$960 (current US\$; World Bank, 2018)**

Agricultural GDP (as a percentage of total GDP): **27% of GDP in 2017 (down from 38.7% in 1997)**

Human Development Index: **0.574 in 2017 (149th out of 189 countries; and up from 0.279 in 1980)**

Chronic malnutrition (stunting) prevalence for children under 5 years: **36% in 2016 (down from 49.2% in 2006)**

Number of IFAD loans approved since 1978: **17**

IFAD investment financing provided since 1978: **US\$284 million**

Sources: World Bank and IFAD.

Further information:

Federal Democratic Republic of Nepal, Independent Office of Evaluation of IFAD, Via Paolo di Dono, 00142 Rome, Italy | www.ifad.org/evaluation | e-mail: evaluation@ifad.org | [www.twitter.com/IFADeVal](https://twitter.com/IFADeVal) | www.youtube.com/IFADevaluation