

profile

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NEPAL COUNTRY PROGRAMME EVALUATION

Alleviating rural poverty in a fragile environment

Nepal, the poorest country in Asia, has a fragile natural resource environment and governance framework. The population of 30.49 million is ethnically and culturally diverse and mainly concentrated in rural areas. The economy is dominated by the agricultural sector which accounts for over one third of gross domestic product (GDP) and employs more than two thirds of the population. During the period 1999-2012 covered by the country programme evaluation (CPE), Nepal was able to reduce poverty levels – a notable achievement in the face of moderate economic growth, internal armed conflict and political instability. Poverty reduction was mainly driven by increased remittances, greater connectivity and urbanization, and a decline in the dependency ratio. Remittances now account for more than 20 per cent of GDP and ensure the food security of many households. However, poverty remains acute and problems of food security and malnutrition persist.

Since 1978, IFAD has supported 13 projects in Nepal and provided a total of US\$146 million in loans and grants. An initial CPE was carried out in 1998 to review IFAD's partnership with Nepal from the outset in 1978 until 1998. The second CPE was undertaken in 2012 by the Independent Office of Evaluation of IFAD to evaluate the partnership during the period 1999-2012. Over the evaluated period, the partnership was guided by two country strategic opportunities programmes (COSOPs), the first of which was developed in 2000 and the second in 2006. During this period, IFAD's support 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. IFAD also approved some important country-specific grants to pilot pro-poor value chain development in areas of armed conflict. These grants were implemented by NGOs, which were better able to work in the target areas than government agencies.

Main evaluation findings

Overall portfolio achievement is assessed as moderately satisfactory. This is primarily attributable to recent improvements in the support for leasehold forestry and the satisfactory performance of the Government/World

Bank Poverty Alleviation Fund (PAF) to which IFAD has made a small cofinancing contribution (US\$4 million). While the portfolio was relevant overall and many quantitative targets were achieved, the contribution to sustainable impact and innovations is assessed as moderately unsatisfactory.

The agricultural and rural development projects for Western Terai and the Western Uplands had overly ambitious thematic and geographical coverage, considering the limited implementation capacity.

IFAD played a leading role in supporting the introduction of leasehold forestry for the poorest rural households and the two IFAD-supported leasehold forestry programmes contributed to poverty alleviation, in particular through the distribution of goats. Forest cover has been re-established in some areas; however, in many cases leasehold forests could only partially meet the needs of forest user groups in terms of forest products. Many of these groups remain weak, with few common activities.



Young trees planted on steep slope in the highlands.

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IFAD programmes, as in the case of many other aid-supported programmes, have created thousands of "beneficiary groups", which primarily serve to facilitate the delivery of project services and goods. These groups are aid-dependent and often become dormant after project support has ended.

The design of the recent High Value Agriculture Project in Hill and Mountain Areas has taken some of these issues into consideration. Geographically, project support is focused on road corridors in the mid- and far-western development regions. Thematically, the project promotes commercialization along selected agricultural value chains with market potential and the development of commercially viable rural enterprises.

The two COSOPs are assessed as relevant despite their different thematic emphasis: the 2000 COSOP prioritized socio-economic development in poor and socially excluded communities in remote hill areas of the western regions; the 2006 COSOP had a more growth-oriented agricultural commercialization strategy and focused on areas with market access. However, both COSOPs underestimated the challenges of building responsive local governments to take on the implementation of activities in conflict and post-conflict contexts.

The COSOPs did not allocate sufficient resources for knowledge management, policy dialogue and donor coordination, even after IFAD's proxy field presence was upgraded to a country office in 2008 staffed with a national country programme coordinator. Non-lending activities are assessed overall as moderately unsatisfactory.

In general, IFAD's country programme (1999-2012) contributed to the alleviation of rural poverty and lowered poverty levels in many rural households, but only made a relatively modest contribution to overall poverty reduction, i.e. it was not effective in enabling poor people to emerge from poverty definitively. The programme contributed to the establishment of thousands of beneficiary groups, the majority of whom are still weak and largely dependent on project support.

NEPAL AT A GLANCE

Population: **30.49 million (2011)**

Population growth average: **1.7% (2011)**

Rural population: **25.3 million; 82.97% of total population (2011)**

Rate of GDP growth: **4.6% (2012) in real terms**

Poverty headcount ratio at national poverty line (% of population): **25.2 (2011)**

Life expectancy at birth: **69.1 years (2011)**

Human development index: **0.463 (2012);**
Ranking = **157, classified as a low level of human development**

IFAD lending since 1978: **US\$146 million**

Sources: IFAD Project and Programme Management System; International Monetary Fund; UNDP International Human Development Indicators; World Bank.

Key recommendations

- **IFAD-Nepal partnership strategy.** The CPE recommends that the partnership introduce a new paradigm aimed at developing commercial agriculture and profitable small and medium-sized enterprises and involve them in various agribusiness activities, both simple and more advanced. The goal of this new paradigm is poverty reduction rather than poverty alleviation. As this paradigm is not relevant for remote and isolated communities with difficult market access, a two-pronged strategy is recommended. The second strategy is based on a "basic needs paradigm" whose strategic goal would be to alleviate poverty and improve basic needs during a long-term process where the youth gradually leave the communities as they have been doing for the last decades.

When designing and implementing this two-pronged strategy, IFAD needs to take into consideration the conflict dimension and its impact, as well as the country's political instability and institutional fragility as the principal constraints on socio-economic development and programme results and impact.

- **Policy dialogue.** The CPE recommends that IFAD and the Government jointly identify relevant policy issues and embed them in the design and implementation of projects, allowing for necessary resource allocation. IFAD may help to mobilize grant resources to finance related activities but partners may also wish to consider funding part of the policy agenda from project budgets.
- **Operations and programme management.** The CPE recommends that the Government of Nepal hire external technical support from specialized private sector service providers and civil society organizations to address three common problem areas, namely: (i) implementation driven by quantitative targets rather than responsiveness to the demands and problems of beneficiaries; (ii) substandard financial management; and (iii) monitoring systems and indicators that do not capture changes in livelihoods. The CPE recommends the wider use of case studies of outcomes (encompassing both successes and failures), and opinion polling (to measure the extent to which implementing institutions are achieving popular legitimacy).

The CPE recommends that the pipeline projects in the next COSOP are comprehensively described in concept notes agreed by IFAD and the Government of Nepal in order to allow sufficient time to properly utilise the three-year allocations under the performance-based allocation system (PBAS).

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.