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INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT



NEPAL

INTEGRATED RURAL DEVELOPMENT PROJECT  
(SAGARMATHA ZONE)

Report on the Status of Monitoring and On-going Evaluation

Rome, October 1980

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ANNEX I LIST OF PRINCIPAL CONTACTS

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## I INTRODUCTION

1.1 The Integrated Rural Development Project (Sagarmatha Zone in Nepal) - referred to as the Sagarmatha Project - aims to bring about increases in the productivity and total production of food crops in three of the Sagarmatha Zone's six administrative districts, and to raise the levels of living of the rural population generally through strengthening local health, education, drinking water and training facilities. The major components of the project include agricultural development (through improved extension, research, credit, input supply, marketing and storage services); expansion of irrigation and transport facilities; soil, water and forestry conservation; development of cottage industries; improvements in education and training; and improvements in health services and drinking water supplies.

1.2 The Sagarmatha Project was approved by IFAD in late 1978. A Loan Agreement in the sum of US\$ 13 million was signed in March 1979. The project is being co-financed with the Asian Development Bank (US\$ 14 million) which is acting as IFAD's Cooperating Institution, and by the European Economic Community (US\$ 3.7 million). Total project costs have been estimated as US\$ 37.2 million. The project implementation period is 5 and a half years commencing in mid-1979.

1.3 Even in relation to other integrated area development projects, the Sagarmatha IRDP is complex. The project description lists 8 major substantive components and 37 separately identified elements of work to be done. It is estimated from the various project documents available that 18 distinct executing agencies are required to make inputs to the project. At the same time, there is considerable flexibility within the various components, requiring detailed planning by each agency concerned during the course of implementation. The coordination of planning and implementation therefore takes on considerable importance. The results of monitoring and on-going evaluation studies in providing feedback to the executing agencies and to the coordinating authority will in turn have an important role to play in contributing to the effective implementation of the project.

1.4 A Joint ADB/IFAD Project Supervision Mission visited Nepal from 24 June till 4 July 1980. Mission members were:-

- M. Piani - Civil Engineering Specialist, ADB Manila
- J. Rogers - Development Economist, ADB Manila
- C. Relf - Monitoring and Evaluation Consultant, IFAD, Rome.

Throughout its work in Nepal, the Mission was joined and assisted by Mr. Earle C. de Silva, Rural Development Specialist serving as ADB's resident consultant in Nepal and assigned exclusively to the Sagarmatha Project.

1.5 The terms of reference for the work of the IFAD consultant on this Mission were as follows:-

1. The consultant shall join and take part in the Supervision Mission mounted by the Asian Development Bank with respect to the Integrated Rural Development Project (Sagarmatha Zone) from June 25 - July 3 inclusive. Specifically, he will:-
  - (i) assist the Supervision Mission in its work reviewing the progress and performance of the Project in relation to the Loan Agreement;
  - (ii) pay particular attention to the progress made and any difficulties encountered in the design and execution of a monitoring and evaluation system linked to the Project as specified in Article IV, Section 4.10 of the Loan Agreement;
  - (iii) work with and give technical recommendations to the project authorities in helping to overcome any difficulties encountered with respect to the monitoring and evaluation of the Project;
  - (iv) assess the resources available in the country to carry out project-based monitoring and evaluation work.
2. The consultant shall in the process of carrying out items 1 (i) - (iv) inform, discuss with and elicit reactions from the appropriate authorities in Nepal with respect to the general proposals for monitoring and evaluation as set out in the Fund's Operational Guidelines on this subject.
3. The consultant shall prepare as a result of his work:-
  - (i) a report on substantive work done in Nepal;
  - (ii) a report comparing and contrasting the progress made in monitoring and evaluating this project with the Sri Lanka Kirindi Oya Land Settlement and Irrigation Project, drawing out issues of relevance to the Fund's interest in the monitoring and evaluation of the Projects in question; in the continuation of monitoring and evaluation work linked to these projects, and in any possible future work that might have to be done in this field both in Nepal and Sri Lanka.

1.6 This report has been prepared in response to items 1 and 2 in the above terms of reference. It will be clear from the text, however, that various administrative and organisational constraints have been and are still seriously impeding most aspects of Project progress. In the circumstances it was necessary to focus more closely on attempting to overcome these basic constraints than had been expected when the terms of reference were prepared. In the specific case of the monitoring and evaluation component of the project, no final decision had been made by the Ministry of Home Panchayat at the time of the Mission's visit on which local agency would be entrusted with carrying out the baseline survey and other MOE work. In the time available, therefore, it became more important to help in expediting such a decision than to work on the detailed specifications of the work programme for the MOE component. The attention given in this report to the general shortcomings in project implementation is felt to be justified (a) because of the delays in commissioning a local MOE team, and (b) because a description of the various impediments to progress may in itself be a contribution to the overall monitoring and evaluation of the project.

#### Mission Work Programme

1.7 The bulk of the Mission's work programme consisted of discussions with the main agencies responsible for project implementation. These included the Ministry of Home and Panchayat; the newly created Ministry of Local Development (see Section 3 of this report); the Groundwater Resources Development Board; the Departments of Roads, Forests, Soil and Water Conservation, Cottage and Village Industries, and Cooperatives; the National Education Committee; the Dairy Development Corporation; and the Agricultural Development Bank of Nepal (ADBN). The IFAD consultant also held separate discussions with the Agricultural Projects Services Centre (APROSC) and with two independent local consultancy groups, New ERA, and Integrated Development Systems (see Section 4).

1.8 The Mission made a brief field trip (July 1 - 2) to Biratnagar for discussion with regional staff of the Department of Agriculture, and to Lahan in Siraha District, which is to be the site of the main project complex. The IFAD consultant also had separate discussions with ADBN staff in Saptari District on issues related to rural credit and to the extension of the Small Farmers Development Programme in the area.

1.9 On its return to Kathmandu, the Mission held a wind-up meeting under the chairmanship of the Secretary of the Ministry of Local Development and attended by representatives of the main implementing agencies. This was followed by a meeting with the Secretary of the Ministry of Finance.

1.10 A list of principal contacts is given in Annex I to this report.

## 2. SUMMARY OF MAIN FINDINGS, RECOMMENDATIONS AND FOLLOW-UP ACTION REQUIRED

- 2.1 The Sagarmatha Project is at present experiencing some difficulties in making an effective start. The major hold-ups are in planning, coordination, budgetary allocations and decision-making with respect to the recruitment of consultants and the appointment of a monitoring and evaluation unit.
- 2.2 In view of the delayed implementation of all substantive components of the project, it was felt that the time available to the three members of the joint ADB/IFAD mission could most productively be spent in working with the project authorities to speed up implementation generally. This included attempts to expedite decisions with respect to the appointment of a local institution to be responsible for monitoring and on-going evaluation but precluded detailed assistance in drawing up work programmes and timetables.
- 2.3 In the immediate future there are few prospects of being able to improve the coordination of project planning and implementation. Administrative changes currently under way hold out better prospects in this respect in the future. Until the changes have been fully carried through, however, it was recommended to each executing agency that separate plans and timetables for each component should be drawn up and carried out, budgetary allocations permitting. The independent procurement of vehicles and other equipment was also sanctioned. For the various parts of the project's building programme the use of local architectural consultants by each agency concerned was approved rather than to add to the already overloaded government building design service.
- 2.4 To equip each agency with adequate information to take independent action as recommended, ADB staff agreed to (a) forward additional copies of all project documentation including copies of the IFAD Loan Agreement, and (b) arrange for an immediate follow-up mission to Nepal by an ADB financial expert to brief all concerned agencies in the procedures for account-keeping and the submission of requests for reimbursement against the project Loan Accounts.
- 2.5 A brief review of local institutions led to the conclusion that the Agricultural Projects Services Centre (APROSC) is the most appropriate to take on the responsibility for monitoring and on-going evaluation work related to the Sagarmatha Project. In its detailed schedule of work, however, APROSC should make provision for the use of local consultants for some special studies which can be relatively self-contained and for contribution to the analysis of and the drawing of conclusions from the results of MOE work. Two independent consultancy groups have been identified at this stage.
- 2.6 At the conclusion of the mission, arrangements had been made to recommence negotiation between the Coordination Division of the Ministry of Home Panchayat and APROSC with a view to expediting a decision on the institutional base for MOE work.

2.7 ADB staff members undertook to forward copies of their own report on the Supervision Mission as soon as it had been cleared in Manila.

2.8 All follow-up action arising out of the Supervision Mission's work can be channelled through ADB's resident consultant attached to the Sagarmatha Project in Kathmandu, Mr. E. C. de Silva. Mr. de Silva undertook to keep abreast of (and if appropriate take part in) negotiations between APROSC and MOHP. His regular reports to ADB in Manila will indicate when the organisational arrangements for MOE work have been settled.

2.9 No immediate follow-up action by IFAD is recommended. It may be advisable to consider a further mission from IFAD dealing exclusively with MOE issues early in 1981 when the more detailed specifications of special studies could be worked out in collaboration with APROSC staff members. Much will depend on the pace with which the budgetary and organisational issues surrounding MOE work can be resolved in Kathmandu. After an hiatus of one year, however, the prospects for some progress on this front are now considerably improved.

### 3. STATUS OF PROJECT IMPLEMENTATION

#### General Status

3.1 In late June 1980, some 15 months after the signing of the IFAD Loan Agreement, the Sagarmatha Project was considerably behind schedule. In the project area the only discernible progress has been the establishment (and partial staffing) of a Project Office in Lahan and some incomplete upgrading of the north-south feeder road linking the town of Siraha to the East-West Highway. After considerable delay a 35 bigha (23 ha) plot of land has been acquired to accommodate the main Project Complex at Lahan. But the site in question is too far from the centre of Lahan, is difficult to reach by road and is subject to flooding during the monsoons. In the opinion of the Supervision Mission - and of several HMG agencies which are expected to erect buildings at the Project Complex - it is unsuitable and an alternative site must be found.

3.2 The lack of physical progress in the project stems from a variety of factors. There has been difficulty in arranging detailed planning and coordination among the various executing agencies; there is a continuing shortage of experience and competent technical and managerial staff in the government service; there are difficulties in obtaining adequate budgetary allocations to support project activities prior to reimbursement; and from mid-1979 there was an extended period of political uncertainty which adversely affected many HMG programmes including the Sagarmatha Project. Recommendations made by the Mission in Nepal may help in overcoming some of the implementation difficulties. But the early resolution of them all is difficult to foresee. The main factors responsible for the delays are discussed in more detail in the following paragraphs.

3.3 The organisational complexity of the project has already been mentioned in para. 1.3. In addition to the 18 separate agencies which have greater or lesser implementation possibilities, the Ministry of Finance and the Department of Housing and Physical Planning are also expected to provide supporting services in the form of budgetary allocations and assistance in the design of project buildings respectively. Within each executing agency the additional expenditures representing contributions to project implementation are expected to be accounted for separate from mainstream departmental work, thus adding to the administrative workload.

3.4 Staff shortages are also a constraint to timely implementation. The IFAD Loan Agreement calls for the appointment of an additional Project Officer by each executing agency to be responsible for the field supervision of its component in each of the three Districts covered by the Project.<sup>1/</sup> So far it has not been possible for most agencies to meet this requirement. Indeed, the dearth of high calibre technical and managerial staff in many agencies does not signal that close supervision of each component will be possible without additional recruitment or, for example, the use of local consultants to supervise the various sectoral building programmes.

3.5 A further complicating factor, especially at this still early stage of implementation, is the sequential dependence of various project components. The detailed planning of training centres and other buildings at the Lahan Project Complex cannot proceed until a suitable site has been found; some farm service centres and other buildings cannot be started until the basic road links have been completed, and so forth.

3.6 One temporary hold-up to the implementation of many development projects throughout the country since May 1979 has been the political uncertainty leading up to the recent national referendum to decide Nepal's future electoral system. Now that this referendum has been completed and it is known that the panchayat system will be retained there are better prospects for progress in development projects in rural areas.

3.7 Senior staff in several executing agencies independently commented that lack of specificity in the Appraisal Report has made it difficult for them to prepare their respective components. The Mission pointed out that, unlike many other projects, no attempt was made at the appraisal stage to draw up a blueprint for implementation. The intention rather was to preserve as much flexibility as possible. The Appraisal Report was intentionally restricted to outlining the relative size and scope of different project components. It was then expected that the project coordinator, in collaboration with each executing agency, would draw up a master plan containing the necessary specifications of areas to be irrigated, locations for service centres, and a detailed timetable for these and other components. It has been the lack of such a master plan, coupled with the reluctance or inability of individual agencies to proceed in isolation with planning their own inputs that have seriously affected the implementation schedule.

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<sup>1/</sup> IFAD Loan Agreement, Schedule 3, 1.4(a).

3.8 Delays have also been caused by shortages of local funds despite the provisions in the project's international budget for extensive local cost financing. <sup>2/</sup> Such problems are partly attributable to the lack of detailed and fully costed plans from the executing agencies. Even if plans, timetables and budgets had been available, however, it is unlikely that sufficient funds would have been released to carry them out. Retrenchments by the Ministry of Finance in 1979-80 and 1980-81 have been severe. During the course of the Mission it appeared likely that costs in the development budgets of a number of HMG Departments in the 1980-81 financial year <sup>3/</sup> would make it impossible to catch up on project targets in the next twelve months. Government regulations prohibiting the carry-over of budgets from one financial year to another will exacerbate the difficulties in making up for lost time. The Ministry of Finance was reported to be in the process of drawing up a matrix of all integrated rural development projects in the country and their planned expenditure patterns sector by sector as a basis for budgetary allocations. However, since the matrix did not appear to have been finalised within two weeks of the new financial year <sup>2/</sup> and since most departments had by then already submitted their budget requests, it is unlikely that 1980-81 integrated project budgets will benefit from the new system.

#### Disbursements

3.9 Although, as mentioned, physical progress in the project is well behind schedule, there have been expenditures incurred in various aspects of the project which have not yet shown up through disbursements from the loan account. This again stems from a variety of factors the chief of which appear to be the lack of a strong organisational focus and ineffective coordination. In the case of the Department of Roads, for example, no requests for reimbursement have been made for the procurement of vehicles for road building contracts completed mainly because it was thought that the project coordinator should be responsible for these matters. In the case of some other executing agencies, their lack of familiarity with the procedures involved would in any case have been a stumbling block. The ADB staff on the Supervision Mission undertook to arrange a follow-up mission by a financial analyst from Manila to hold a series of briefing workshops with the HMG agencies involved to familiarise them with reimbursement procedures. It will then be expected that each agency will submit its own requests to ADB without channelling them through the project coordinator.

#### Planning and Coordination

3.10 Of all the various causes of delay to the project it appears to be the difficulties in establishing adequate planning and coordination that are the most obvious roots of the problem. There are insufficient staff with insufficient authority in the Coordination Division of the Ministry of Home Panchayat (MOHP) to tackle these functions effectively. The original full-time coordinator for the Sagarmatha Project was replaced in late 1979. But his successor has not been

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<sup>2/</sup> See also para. 3.32.

<sup>3/</sup> Starting on July 15.

able to achieve much improvement. He lacks technical staff capable of discussing planning issues on an equal footing with the line agencies. He also lacks the organisational authority and backing to be able to require individual agencies to draw up and submit medium-term plans for their respective areas of responsibility. It has not so far been possible to institute regular procedures even for the submission of agency progress reports to the project coordinator.

3.11 At the same time, various executing agencies feel that MOHP should take a stronger lead and provide an organisational focus in the planning and coordination process. But the project coordinator has no office or staff in Kathmandu and whether he is in the capital or in the field he cannot easily be contacted.

3.12 In practice, the MOHP Coordination Division reported that it is no longer making any efforts towards the development of a master plan for project implementation. It is instead hoping to rely on a system of annual plans drawn up by each executing agency. This has not worked well so far and it is difficult to see how the situation might improve unless individual agencies begin to take the initiative in coordinating with others when their own project inputs are sequentially dependent on work in other sectors.

3.13 The general weakness in coordination is partly attributable to the rapid increase in recent years in the number of internationally financed integrated rural development projects in various Zones of Nepal. In one way or another the planning, preparation, negotiation and implementation of these projects have added considerably to pressure of work in the MOHP Coordination Division while there do not appear to have been commensurate increases in the number and calibre of staff available.

3.14 The IFAD Loan Agreement requires the MOHP to "carry out coordination... through the existing Central Project Coordinating Committee (CPCC)." <sup>4/</sup> There is indeed an existing CPCC. But it seems that this Committee has been concerned with the establishment and general implementation issues of all integrated projects in the country. There appears never to have been a central coordinating body concerned exclusively with the Sagarmatha Project. In consequence, the functions of setting guidelines for implementation, ensuring coordination among executing agencies and reviewing and monitoring the progress of the project have not been carried out either by a central body or (for reasons given above) by the project coordinator himself.

3.15 At the project level, although the Loan Agreement requires the establishment of a District Coordinating Committee in each of the three Districts included, these committees do not yet exist, nor do there appear to be any plans to create them. This has a good deal to do not only with the lack of physical progress but because there are as yet no district level project officers representing each executing agency. Instead, there is a Zonal Project Coordinating Committee (ZPCC) under the chairmanship of the Sagarmatha Zonal Commissioner and including

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<sup>4/</sup> IFAD Loan Agreement, Schedule 3, Section 1, para.2.

in its membership the Regional Directors of the main executing agencies (who are based at Biratnagar, outside the Sagarmatha Zone) and the Chief District Officers of Siraha, Udaipur and Saptari Districts. This committee is reported to have met three times in Lahan since the commencement of the project. But in the opinion of the chief of the Coordination Division, MOHP (who has attended two ZPCC meetings), the committee is unable at present to make much in the way of a useful contribution towards generating momentum in project activities. This seems to be due partly to the absence of a master plan or comprehensive inter-agency annual plans which might be the basis for the decentralisation of initiative in the project. Equally significant is the lack of authority on the part of any Zonal or Regional staff to press for decisions to be made in Kathmandu. There is also the ancillary problem that all line agency staff in the field are directly accountable to -- and have close limits to their discretion set by -- their head offices in the capital.

3.16 Finally, in the absence of close coordination of the project, the lack of adequate project documentation is a serious handicap in several executing agencies. ADB staff undertook to supply additional copies of the Appraisal Report and Loan Agreements.

#### Planned Administrative Changes and Their Effects on Project Coordination

3.17 Project planning and coordination have been further impaired recently by administrative changes affecting the role of MOHP. Although the proposed changes are designed to improve coordination, until the details have been settled, they have inevitably tended to direct the attention of senior MOHP staff away from issues affecting the implementation of existing projects. Such features of the changes as are known at this stage are outlined below.

3.18 The growing number of foreign-assisted integrated rural projects in Nepal means that significant proportions of the development budgets of the concerned HMG departments are derived from -- and tied to -- these projects. Clearly, in the interests of preserving a coherent national policy framework for rural development it is as important to ensure coordination among the Zonal projects themselves as among the individual components of each. It has therefore been decided to create a new Ministry of Local Development (MLD) by upgrading the old Local Development Department of the Ministry of Home Panchayat. The functions of the MLD will include general responsibility for the planning and coordination of all integrated rural projects. In addition it will continue to implement the small scale rural works schemes, drinking water system and the like which have previously been the responsibility of the Local Development Department. A Secretary has been appointed to head the MLD but the remainder of the procedures to inaugurate the new Ministry are not yet complete. Decisions have still to be made on the full range of responsibilities of MLD, its organisational structure and staff appointments. It is unlikely that these matters will be settled before the end of 1980.

3.19 The creation of the new MLD will provide an opportunity for establishing a hierarchy of coordination with respect to national policy issues related to all integrated projects and for individual projects at the Zonal level. However,

it is not yet clear how this will be done nor how effective the MLD will be with respect to coordinating the inputs of other line agencies responsible for specific aspects of each project (e.g. roads, agriculture, health, education and so on). At the field level an important question to be resolved will be the relationship between Chief District Officers, Panchayat Development Offices and their staff on the one hand and the MOHP and MLD on the other. CDO's and PDO's have both administrative and implementation responsibilities which, when the Local Development Department was part of MOHP, all came under one Ministry. It is not yet clear whether MLD will establish its own network of Zonal, District and Panchayat offices or whether dual accountability will be placed on the existing field personnel of MOHP. Experience in Nepal and many other countries suggests that the latter approach could cause some difficulties.

3.20 Pending the settlement of all issues connected with the establishment of the new MLD it would be unrealistic to expect any high-level coordination meetings dealing exclusively with the Sagarmatha Project before the beginning of 1981. In the circumstances, therefore, the Supervision Mission recommended to all the executing agencies involved that they should proceed on their own initiatives in drawing up plans, specifications and timetables for their respective contributions to the project. Each agency was urged to collaborate with others on an ad hoc basis where the exchange of information might be required in the planning of work schedules. As mentioned in para. 3.3, the normal arrangements for all building programmes would be for the Department of Housing and Physical Planning to assist in the design and supervision processes. In view of the backlog of work in the Department, however, the Mission recommended that each executing agency should, to the extent necessary, employ local consultants to provide these services. This is consistent with the provisions of the Loan Agreement. 5/

#### Status of Key Substantive Components

3.21 Project Complex at Lahan. The site obtained is inappropriate (see para. 3.1). Negotiations are underway with the Department of Roads to explore the possibility of acquiring the old Indian Cooperation Mission base camp complex at Lahan. This was established during the construction of the East-West Highway and has officially been handed over to the HMG Roads Department. A decision on whether it will be possible for the project to acquire the complex is not expected before October this year.

3.22 Irrigation. The Groundwater Resources Development Board has included funds in its 1980-81 budget for vehicle procurement. Although this function is intended to be part of the responsibility of the project coordinator's office, the Mission approved the independent action of the Board. Drilling rigs (covered by the IFAD loan) are expected by January 1981. International consultants are required to help with the surveys for tubewell installation. Prices quoted by a range of suitable consultants are from US\$ 7 000 to 8 000 per man-month. But HMG has an upper limit of US\$ 6 000 per man-month and no action can be taken at present. Detailed planning of the tubewell component

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5/ Article IV, Section 4.03(a).

is contingent on the results of survey work. The survey cannot now commence before December 1980 after the monsoon season. Meanwhile, the Agricultural Development Bank has gone ahead in ordering 1 400 pumps (roughly half the envisaged total) for installation in the tubewells.

3.23 Roads. Budgetary difficulties have surrounded the procurement of vehicles but most of these were expected to be overcome by the urgent release of Ministry of Transport funds before the end of the 1979-80 financial year. Some vehicles already procured have been held up by customs officials following an increase of duty payable up to 290% <sup>6/</sup>. The Mission again approved the procurement of vehicles by the Roads Department independently of the project coordinator's office.

3.24 The construction of project roads is in the hands of a decentralised team based in the project area and with authority to issue the necessary local contracts. Progress has been slow, however. In view of the difficulties in meeting adequate design and construction standards, the Mission discouraged the Roads Department in its request to reduce the width of roads in the project area. Sufficient funds will be available in the 1980-81 budget to press on with road construction work faster than has been possible hitherto.

3.25 Drinking Water. Senior staff in the Local Development Department responsible for this component were not available for discussion. A few shallow dug wells have been constructed but proper records of physical progress were not available.

3.26 Health. Senior staff were also unavailable to report on progress. Although the Health Department has standard specifications for health centres, staff housing and the like, inputs are still required by the Department of Housing and Physical Planning. But there is a minimum of 6 months backlog of work in DHPP and the Mission approved the use of local consultants for the adaptation of designs where necessary and for construction supervision. Certain parts of the health component building programme are in any case dependent on progress in establishing road links.

3.27 Cottage Industries. Field work has now been completed in a feasibility study for cottage and village industries in 110 of the 157 panchayats in the project area. Four surveys have been included in this study, viz:-

- (i) a survey of local opinion (from village leaders and HMG personnel);
- (ii) a household survey covering approximately 16.5% of households in 220 wards in the project area;
- (iii) a "pocket" survey of existing industries and enterprises, both registered and unregistered;

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<sup>6/</sup> Since the new regulations were imposed after the signing of the Loan Agreement, the Secretary of Finance subsequently gave assurances to the Mission that a solution would be found and the vehicles in question released.

- (iv) an institutional survey of banks and government services in the area.

The analysis of results of these surveys is underway and it is too soon to draw any conclusions either with respect to the detailed planning of the cottage industry component or to the possible relevance of the surveys to the monitoring exercise. English translations of the questionnaires used are on file in EPD.

3.28 Meanwhile, there are some difficulties surrounding the role of a cottage industries emporium at Lahan. It is not clear how the emporium might benefit existing entrepreneurs who already have their own lines of raw material supply organised and are also familiar with local markets. There appear to be some differences in policy with respect to cottage industries between the Cottage and Village Industries Department and the Agricultural Development Bank of Nepal. The Mission suggested that the two agencies should meet to formulate mutually acceptable policy framework before proceeding with detailed plans for the component.

3.29 Agriculture (including livestock). The Department of Agriculture expects to be able to identify suitable locations for a minimum of 19 market centres in the project area by October 1980. It was reported, however, that difficulties in acquiring land for such centres are common in Nepal and may lead to delays. Unfortunately, the absence of detailed plans for the agricultural component has meant that no item covering Sagarmatha Project expenditures has been included in the 1980-81 budget. Funds may still be made available by the Ministry of Finance but again the procedures may take some time. A request was made to be able to include piggeries and poultry schemes under the livestock component, although these items are not explicitly mentioned in the Appraisal Report. ADB staff undertook to review this request again when specific proposals have been drawn up.

3.30 Education. The main constraint faced under this component has been the inability to proceed with the building programme. It is to be hoped that the Mission's suggestion to employ local architectural consultants to take charge of building design and supervision will overcome the delays inherent in relying on the Department of Housing and Physical Planning.

3.31 Cooperatives. The main focus of this component is the construction of cooperative godowns including one cold store. The Department of Cooperation is now concerned however, about the number of Primary Cooperative Societies that are running at a loss owing partly to heavy repayment obligations on the 300 ton capacity godowns. It is understandably taking a cautious approach in ensuring that societies in the project area really do want godowns and will be able to afford them.

3.32 Financial Control. Budgetary retrenchments by the Ministry of Finance have already been mentioned. Senior staff at the Ministry itself underlined the difficulties in providing local currency allocations to meet the growing requirements of development projects even though many include provisions for

the reimbursement of substantial proportions of local costs. A request was made as to whether IFAD and/or ADB would consider making advances available against project commitments to ease the burden. The Mission's response was that this would not be possible though training courses could be mounted for those responsible for submitting requests for reimbursement in an effort to speed up the process of disbursement. Ministry of Finance staff also suggested that much closer control of accounts is required at the project level in future. There have been significant numbers of cases in which project accounts could not be located and requests for reimbursement could not therefore be made. It was nevertheless agreed, however, that in view of the coordination difficulties being faced in the Sagarmatha Project, it would be acceptable as an interim measure for individual executing agencies to be given authority to submit reimbursement requests directly to ADB.

#### 4. STATUS OF MONITORING AND EVALUATION

4.1 The IFAD Loan Agreement stipulates that satisfactory arrangements are required to monitor the economic and social impact of the project. A detailed plan of such arrangements was required by the end of 1979 <sup>7/</sup>. By late June 1980, however, it had not been possible to make a start with any aspect of monitoring and on-going evaluation work.

4.2 Part of the difficulty again stems from pressure of work in the Coordination Division of MOHP and from the creation of the new Ministry of Local Development. It is unofficially envisaged that the MLD, as part of its functions in ensuring a nationally coherent policy framework with respect to all integrated rural development activities, will itself take on supervisory responsibilities for the monitoring and evaluation of the various Zonal projects. Nevertheless, it is recognised that it would be unrealistic (at least in the short term) to expect the MLD to establish an in-house national monitoring and evaluation capability and to recruit adequate numbers and calibre of staff to carry out monitoring work directly in the field. Outside assistance from local institutions and/or international consultants will be needed. But because the MLD is not yet operational and because there is no established policy with respect to interim arrangements for the monitoring and on-going evaluation (MOE) of existing projects, it has not been possible to take any action on the MOE component for the Sagarmatha Project.

4.3 At the time of the Mission's visit the only initiative that had been taken was the submission to the MOHP Coordination Division in June 1979 of a draft proposal for a Sagarmatha Project MOE system by the Agricultural Projects Services Centre (APROSC). Unfortunately, copies of this proposal were not

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<sup>7/</sup> IFAD Loan Agreement, Article IV, Section 4.10. Being one of the earlier co-financing arrangements undertaken by the Fund, no specific provision was made in project costs to cover the monitoring and on-going evaluation component. The Borrower is therefore required to provide the necessary funds.

traceable either at APROSC or MOHP during the course of the Mission. It was reported that MOHP had not responded mainly because it was felt that the estimated cost of the proposed work at NRs 800 000 (US\$ 67 000), was excessive. Without being able to examine the proposal it is not possible to comment on this.

#### Selection of the Monitoring and On-going Evaluation Institution

4.4 The MOHP Coordination Division reported that it was keen to examine all local institutions capable of assisting in MOE work before formulating a detailed policy. In view of the need to make an early decision on the organisation of MOE work for the project, the IFAD consultant made independent enquiries into some local institutions that could have a role to play.

4.5 The institutions considered were:-

- (i) the Centre for Economic Development Administration (CEDA);
- (ii) the Agricultural Projects Services Centre (APROSC);
- (iii) New ERA (Educational Reform Association);
- (iv) Integrated Development Systems (IDS);
- (v) the Development Research and Consultancy Group (DRCG);
- (vi) East Consulting Engineers;
- (vii) the Centre for Educational Research and Innovative Development (CERID);
- (viii) the Research Centre for Nepal and Asian Studies.

4.6 In the time available after the completion of the Mission's supervision work, it was not possible to visit all the agencies listed above. On advice from various other contacts in Kathmandu it appeared that the last three institutions would probably not be able to undertake major MOE responsibilities. East Consulting Engineers is said to be a commercial consulting group which is carrying out socio-economic studies, but mainly as a complement to engineering feasibility assignments for rural infrastructure proposals. CERID, as its title implies, specialises in educational research and curriculum reform. The Research Centre for Nepal and Asian Studies is reported to be mainly concerned in cultural research and exchange.

4.7 Of the remaining institutions, no visit was paid to CEDA, owing to the absence of both the Director and his Deputy. Without prejudice to the prospects for the involvement of CEDA in project-based MOE work, it can be said that the Centre's sphere of research interest is very wide and it is questionable whether its policy would include taking on a relatively narrow involvement in a particular project or projects for an extended period of time. The Development Research and Consultancy Group is a relatively new institution which is said to have been initiated by a member of the Planning Commission. There was insufficient time to arrange a meeting with any representatives of the DRCG.

4.8 New ERA was visited. It is a non-governmental, non-profit organisation which came into being in 1972 when it was associated with the development of the New Educational System Plan. Since then it has diversified its interests and has carried out research, feasibility studies and evaluation of commercial development schemes and various small-scale rural development projects. In view of the association's relatively small staff and existing commitments it would probably not be able to take on the overall responsibility for monitoring and on-going evaluation of the Sagarmatha Project. It is recommended, however, that new ERA be considered for undertaking on a consultancy basis some of the special studies that will be necessary during the course of the project. The association has experience in evaluating training programmes and drinking water schemes, both of which are components of the Sagarmatha Project. A copy of New ERA's "Statement of Research Capabilities" has been placed in the country file of the Monitoring and Evaluation Unit in EPD.

4.9 Integrated Development Systems (IDS) is another non-governmental, non-profit consultancy group which was visited. More recently established than new ERA, IDS has as its founder-directors some extremely distinguished figures in the intellectual and political life of Nepal. As yet, however, IDS is relatively small with a current staff of 10 - 12 research assistants working on a part-time basis. Its sphere of interest is wide, ranging from economic analyses of tele-communications projects to evaluation of the Small Farmers Development Programme. IDS is not recommended as an appropriate agency to take on overall responsibility for MOE work on the Sagarmatha Project. As with New ERA, however, IDS would be ideally suited to undertake selected special studies, especially those which would not involve questionnaire-based surveys but on which the experience, insights and analytical capabilities of senior IDS staff could be brought to bear. It is also recommended that IDS be brought in to the MOE institution as visiting consultants to review the results of MOE surveys and studies and to work in collaboration with the MOE team in drawing out and presenting analytical synopses, conclusions and recommendations from the work done. A copy of the IDS brochure has also been placed on file in EPD.

4.10 Of the eight institutions listed in para 4.5 APROSC appears to be the most appropriate to act as the monitoring and on-going evaluation agency for the Sagarmatha Project. APROSC is an autonomous, semi-governmental institution affiliated to the Ministry of Food and Agriculture. It was created in 1975 since when it has made a major contribution to the formulation and preparation of agricultural and rural development projects. Understandably, APROSC's role in helping to set up more than 50 such projects<sup>1/</sup> has given it a keen interest in monitoring and evaluating their implementation - a function that is built into its institutional objectives but which has hitherto been of secondary importance. With a permanent staff strength in the order of 75 professionals, it is felt that APROSC has sufficient manpower and reserves of expertise in a wide range of fields to turn more attention now to project monitoring and evaluation.

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<sup>1/</sup> Including contributions to the preparation of a Small Farmer Development Project which has been proposed for financing by IFAD.

4.11 As a reflection of its serious intentions to examine the effectiveness of rural projects, APROSC has recently drafted an outline proposal for a national project based information system aimed at increasing the efficiency of collection and utilisation of data at all stages of project analysis. A copy of this proposal is on file in EPD. As it stands, it does not constitute an appropriate basis for the design of an MOE system for the Sagarmatha Project. Nevertheless, it does represent a first-step towards the creation of a national-level capability to analyse the results of various rural development initiatives as an input to their replication or revised design. This is one of the explicit functional requirements of monitoring and evaluation recognised by IFAD.

4.12 It has already been mentioned in para 4.3 that APROSC had submitted a draft proposal for a Sagarmatha Project MOE system soon after the signing of the IFAD Loan Agreement. No action has been taken since then nor has a decision in fact been made on how to organise the MOE component. During the course of the Mission the only contribution that could be made in speeding up the establishment of a Sagarmatha MOE team was to arrange that Mr. de Silva - ADB rural development specialist assigned to the project - would liaise between the MOHP Coordination Division and APROSC to (i) explore the possibilities of a minimum-cost approach to MOE work, (ii) negotiate the provision of the necessary funds (since none have been budgeted so far), and (iii) draw up a new proposal within the available financial resources, including provisions for the use of local consultants on an ad-hoc basis as recommended in paras 4.8 and 4.9.

4.13 The recommendations made in the next section of this report should facilitate the preparation of an MOE work plan that will be within reasonable cost limits.

4.14 One other outstanding issue with respect to the organisation of MOE is the recruitment of an international consultant to be responsible for the detailed design and supervision of the system. Project costs make provision for up to 12 man-months of international consultancy inputs. ADB had located a possible candidate but in the absence of terms of reference, a draft contract or any other necessary documentation, no action had been taken. Senior staff in APROSC stressed that if they were to be given main responsibility for the MOE component there was little need for outside assistance - but if a consultant was to be employed he should arrive in good time to begin work with APROSC personnel rather than joining the team later on when methodologies and timetables had already been established. It was decided that this issue should also be discussed between the MOHP Coordination Division and APROSC.

## 5. RECOMMENDED SCOPE OF WORK IN MOE

5.1 The recommendations contained in this Section are intentionally restricted to suggesting the scope of work that might be appropriate in the MOE system rather than attempting to specify a work plan. The chief reasons for the adoption of this approach are:-

- (i) no decision has yet been made by the MOHP concerning the institution that will be responsible for MOE work;
- (ii) it is not known what level of funding will be available to cover MOE costs (though general financial stringency in the country suggests that funds will be limited);
- (iii) in view of the delays in implementation which mean that an effective commencement of the project in the field cannot be expected before 1981 there is still ample time to draw up a detailed work plan after issues (i) and (ii) above have been resolved.

5.2 The typical sequence of activities in monitoring and evaluation calls for a general baseline study before an effective start has been made in project implementation. As recommended in the IFAD Operational Guidelines, the baseline study would usually comprise a baseline survey of a control group or a control area; a baseline survey of the target group or target area and a series of special studies designed to add baseline information on key issues, institutions, areas or groups which might be expected to change as a result of the project, or about which particular information might be required to help in the management of the project. The prime purpose of a control group survey is to enable subsequent comparisons to be drawn up "with" and "without" project levels of living, farming practices, yields and the like. The ease with which a control group can be identified depends partly on the specificity of project targets and partly on the degree of certainty with which it can be assumed that likely control groups will benefit neither from the project in question nor any other project, programme or development.

5.3 In the particular case of the Sagarmatha Project, there is no specification in the project documents of a particular target group or area beyond the estimated 847,000 rural population in the Saptari, Udaipur and Siraha Districts. It will only be as the project progresses that specific target groups can be identified for different project components. In the irrigation component, for example, some 43,000 holdings are expected to benefit from some form of irrigation facility. But the detailed planning of this component hinges on the results of hydrological feasibility studies. In some other components such as soil and water conservation, infrastructure development and social services it will be target areas rather than target groups which will become clearer as plans are drawn up.

5.4 The difficulty in identifying a control group in the Sagarmatha Project is compounded by two further features. First, the sheer range and spread of project components means, for example, that there may be some beneficiaries of the irrigation component in the south of the area who remain relatively disadvantaged with respect to health services while elsewhere there will also be differing degrees or types of benefit accruing to different groups or areas from different project components. The concept of a control group in relation to the project as a whole is therefore difficult to establish. Secondly, the intentional flexibility that is built into both the schedule of components and the timing of their implementation mean that even if a control sample or samples could be constructed, it may become invalid later in the project.

5.5 For these technical reasons, but in view also of the limited resources likely to be available for MOE work, it is suggested that a baseline control group survey should not be included in the MOE work plan.

5.6 The baseline study should instead concentrate on a series of target group/area surveys and special studies of key issues and key components. Even here, the baseline study will also differ from the typical pattern. It has already been mentioned that difficulties in project coordination have led to the recommendation by the Supervision Mission that each executing agency should press on as fast as it can with the planning and implementation of its own contribution to the project. Different components will therefore take shape at different times in different places with different rates of progress. Baseline investigations will thus probably be required over an extended period of time.

5.7 In order to keep the baseline target group surveys within manageable bounds it will also be necessary to establish a priority ranking of components for which baseline surveys should be carried out. Establishing these priorities is a question both of the relative project expenditure devoted to each component and to the benefits that can be expected from each project activity. Suggested priority components are as follows:-

- (i) Irrigation: This component in turn comprises three different categories of work, each of which should be included in baseline investigations. These are:-
  - (a) ADBN on-lending to farmers and groups of farmers for the procurement of pumps, casings and other hardware for installation in about 2,900 shallow wells. Total planned area to benefit is 15,000 ha. But the detailed planning of this component is contingent on hydrological survey and drilling by the Groundwater Resources Development Board. Little progress in the field can be expected before the middle of 1981.

- (b) Improvements in existing gravity irrigation schemes at Chandra, Western Kosi and Eastern Kamla. Total planned area to benefit from the construction of secondary, tertiary and field channels is 9,000 ha. The target groups cannot be identified until the physical works have been planned.
- (c) Pilot deep tubewells. Although this component is relatively small, expecting to irrigate only 1,200 ha through 15 pilot wells, MOE work will be important in drawing conclusions for the future replication of such schemes. For this component, however, baseline studies can be given lower priority. More important will be to study the reliability of water supplies, the organisational arrangements adopted for the sharing of water, and the effects of possible interruptions to water supplies. In other words, monitoring and on-going evaluation will be more important than "before" and "after" comparisons.
- (ii) Rural Service Centres The planned network of 27 rural service centres will be the project's main outreach mechanism for general improvements in agriculture, including livestock. It is difficult at this stage to estimate the likely areas of influence of these centres since their locations in relation to topography and the existing (and planned new) road network are not finalised. As reported in para 3.29 the Department of Agriculture has identified 19 possible sites. As soon as these sites have been finally acquired household surveys should be carried out in the likely areas of influence of at least three of them. The samples should be small and purposively constructed to include different farm size holdings at different distances (in terms of travel time) from each centre. The focus of the questionnaire used should be on those aspects of agriculture that the centres are expected to improve (e.g. inputs, credit, yields, livestock husbandry practices). It should not be necessary to estimate total household incomes and expenditures in these surveys.
- (iii) Horticulture. This component aims to establish 3,000 small citrus orchards and 2,000 seed potato farms through the provision of credit, planting material, other inputs and demonstration services. In view of the much-discussed fruit and vegetable potential of Nepal's Hill districts, and since it is the intention of HMG to extend the Sagarmatha Project further into the Zone's Hill areas, monitoring and evaluation of this component will be essential in drawing up plans for future assistance. A baseline study for this component should ideally include a household questionnaire among a sample of the target group and an analysis of the constraints and impediments faced by farmers who may already have started citrus and/or seed potato plots on their own initiative.

(iv) Cottage Industries. Pending the results of the surveys already carried out by the Department of Cottage and Village Industries (DCUI) (see para 3.27) it would be premature to suggest what further baseline work may be required. Since it is not yet clear to what extent this component will attempt to expand cottage industry activity to new households or groups and to what extent it will concentrate on up-grading the work of existing entrepreneurs it is also too early to know what kinds of other studies may be appropriate. Rather, the MOE institution, as soon as it has been commissioned, should collaborate with the ADBN and DCUI to assess what sorts of baseline studies, if any, could make a useful contribution to the planning of this component.

(v) Health Apart from improvements to existing hospitals in the area, the project's main outreach service on health will be the construction of 24 new health and family planning clinics. If possible, a few simple questions on frequency of visits to health centres, distances travelled, services received and so on should be included in household questionnaires used in sample surveys related to other aspects of the project. Without knowing the locations of the proposed new health centres in relation to the planned rural service centres, or irrigation projects it is difficult to assess the feasibility of this approach. If separate surveys are required for the health component they should focus on issues of the use of health centres rather than on assessments of health standards amongst the target population.

(vi) Other special studies. Three other project components that should be included in a minimum baseline study are roads and bridges, cooperative warehouses, and market centres. For these components it would not be necessary to carry out household surveys. Instead, senior staff in the MOE team, together with a small group of research assistants, should carry out a series of special studies aimed at identifying the chief determinants of the success of these components and, in the case of market centres and cooperative warehouses, the criteria by which decisions can be made in choosing the most appropriate locations and in providing the minimum necessary support services to ensure their viability.

5.8 It must be stressed that the suggestions made in the above paragraphs are very tentative and are intended only as somewhat more specific guidelines to complement those already published by the Fund. It will only be when the MOE institution has been commissioned and when senior MOE staff have been able to discuss the various components of the project with the concerned executing agencies that a proper design for the first stages of the MOE system can be worked out.

## LIST OF PRINCIPAL CONTACTS

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|                      |  |
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