



USAID/Nepal's Role in Agriculture and Natural Resource Management: An SO 1 Assessment

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USAID/Nepal's Role in Agriculture and Natural Resource Management: An SO 1 Assessment

by

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EXECUTIVE SUMMARY

(USAID/NEPAL'S ROLE IN AGRICULTURE AND NATURAL RESOURCE MANAGEMENT: AN SO 1 ASSESSMENT)¹

An assessment of USAID/Nepal's Strategic Objective 1, which represents USAID/Nepal's programs in agriculture and natural resource management, was conducted from November 3 to December 17, 1999. The assessment team consisted of Malcolm Odell; Albert Merkel, a Natural Resource Management (NRM) consultant (present during the 8-23 November time period); and Ben Stoner from the United States Agency for International Development/Washington DC (AID/W) office (present during the 15-23 November time period).

The purpose of this assessment is to review USAID/Nepal's Strategic Objective 1 for Agriculture and Natural Resources (SO 1), *Increased sustainable production and sales of forest and high-value agricultural products*. Specifically, the purpose of this report is to assess progress to date, advise on the validity of SO 1's current approach given the development context of Nepal and reduced funding from AID/W, assess implementation mechanisms, review the SO framework and indicators, and, if necessary, propose changes. The assessment also seeks to provide answers to the following specific questions.

- ? Have the activities under SO 1 been successful?
 - ? In what ways?
 - ? Why or why not?
- ? What problems, if any, have hindered achievement of planned results or are these activities on track to achieve planned results by their completion dates?
- ? What would be lost in terms of overall results if these activities were not continued? (Reflect on current implementation status, Nepal country realities and the Mission's strategy.)
- ? Are the activities under SO 1 more effective than other programs and other donors working in the sector?
 - ? What are the differences?
 - ? Why do they exist?
 - ? Do the differences have implications for the scale of the program?
- ? Are the activities under SO 1 sustainable in operational terms with regard to the duration of the program and funding levels?

The assessment team reviewed relevant written materials related to SO 1 including the Nepal Agriculture Perspective Plan (APP), activity descriptions, grant agreements and contracts, indicator reports, performance and consultancy reports, activity evaluations, and financial reports. These documents, along with generous support and guidance, were provided by Donna Stauffer, SO 1 Team Leader; George Like, NRM Specialist; and all USAID/Nepal's Agriculture and Rural Development (ARD) office staff. A short field trip was arranged for November 11-13. Two team members, accompanied by George Like and Sribindu Bajaracharya, traveled to project sites in the Dhading, Chitwan, Nawalparasi, Rupendehi, Palpa, Syangja, and Kaski Districts. They visited private sector research and extension activities, farms producing new high-value

¹ See Annex 10 for Synopsis/Abstract.

crops, market centers, irrigation sites, coffee producers, nongovernmental organization (NGO) partners, and experienced farmers and agriculture specialists working in rural areas.

The consultants also met with representative USAID staff, partners, Government of Nepal (HMG) officials and other donors, based on consultations with the SO 1 team leader. A ranking methodology, assessment criteria, and ranking matrix were developed and used by SO 1 team members, the consultants, and others to make assessments of SO 1 activities. The outcome of these discussions and the ranking process were combined with the results of interviews, document reviews, and field visits to indicate options for activities which should be continued in the future at low, medium, and high funding levels. The report identifies whether some activities should be turned over to other donors, terminated, or phased out, and explains the rationale for these recommendations.

The assessment found that USAID/Nepal's SO 1 is basically sound, and is moving in new, creative, and cost-effective directions. The SO has met or exceeded virtually all targets and has adjusted several of them upward. Particular progress has been made in community forestry and private sector initiatives that promote high-value crops and non-timber forest products to a degree not addressed by other donors. USAID/Nepal also has a comparative advantage over other donors and Missions worldwide in having a companion SO that directly addresses the women of Nepal who provide the majority of the labor in agriculture and forestry and are the greatest protectors and productive users of Nepal's natural environment. The assessment concludes that SO 1 is 'SO One' in that it addresses extremely important priorities in Nepal today. The vast majority of Nepal's citizens still depend directly on agriculture and the natural environment. USAID/Nepal has had a long history of excellence in this priority development sector and current initiatives are moving in the correct direction. The review finds these efforts are generally sustainable, particularly with regard to community forestry and the private sector, and together with new and more innovative efforts, should be continued.

Should budgetary constraints require termination of a substantial proportion of the SO 1 portfolio, the consequences would include ecological degradation of an important global ecosystem and a reduction of technology transfer, management skills, empowerment and incomes of local people and user groups; missed opportunities to strengthen democracy and civil society in Nepal; and loss of credibility for USAID. This assessment notes with caution that much of USAID's past 40 years of investment has been 'old wine in old bottles' and that some of these patterns continue. While old wine is generally enjoyed for its excellence, the levels of current funding and future resource constraints provide a unique opportunity for USAID/Nepal to rethink SO 1's role in agriculture and natural resource management, and to seek creative and flexible means of generating 'new wine in new bottles' for the new Millennium.

The progress made suggests that this important SO and its corresponding Intermediate Results (IRs) be tuned further to enhance emphasis on the environment and to increase focus on the marketing of high-value commodities. Specifically, the report makes the following recommendations for the SO 1 team.

-
- ? Continue the shift of SO emphasis toward environmental conservation, sustainable management, and long-term protection of Nepal's unique and globally significant environment.
 - ? Strengthen the current process of identifying and implementing innovations in both agriculture and natural resource management; continue identification of development actions with predictable positive results; increase flexibility for funding INGO/NGO innovations, including increasing the ratio of grant to contract mechanisms.
 - ? Build on USAID's experience with participatory approaches within all SOs, and use these lessons to strengthen grass roots producers' groups engaged in agriculture and natural resource management.
 - ? Continue the shift of SO emphasis toward the commercial/private sector for both agriculture and forest-related products; enhance focus on "second generation" issues arising from pioneer initiatives.
 - ? Seek new, more flexible means to enhance the outreach of activities, some of which are found in companion SOs and projects, and to increase numbers of participants reached and reduce individual participant costs.
 - ? Set new targets that will enable rural households to cover the costs of interventions from their increased productivity and incomes.
 - ? Scale back, hand over, or phase out selected activities, as appropriate, to budget realities and performance, including local currency funding to the maximum degree possible.

Given what even senior government officials and observers perceive as disappointing results from HMG collaboration, the review further recommends that USAID/Nepal:

- ? promote increased transparency and policy dialogue with its HMG partners, and
- ? work with participating NGOs, international nongovernmental organizations (INGOs), and other donors in this regard.

Internally, SO 1 would benefit from enhancing communications and linkages among all USAID/Nepal SOs as well as among SO 1 activities and partners. The changes suggested in this assessment, coupled with the synergy generated from such an interactive process, should provide a starting point for productive dialogue and partnership-building which is greatly needed. Such a process would enable SO 1 to further increase the number and scale of innovations, impact of those interventions and to explore new ways of working productively within a context of reduced budgets. The challenge facing SO 1 at this time is to turn the present environment of resource constraint into a dynamic process that will generate new opportunities for reaching larger numbers of both male and female farmers at a lower cost.

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LIST OF ABBREVIATIONS

ACAP	Annapurna Conservation Area Project
AEC	Agriculture Enterprise Center
AID/W	United States Agency for International Development/Washington
ANE	Asia Near East
APA	Appreciative Planning and Action
APP	Agriculture Perspective Plan
ARD	Agriculture and Rural Development
ADB	Asian Development Bank
BHR	Bureau of Humanitarian Relief
BSP	Biodiversity Support Project
CADI	Computer Assisted Development, Inc.
CARE	Cooperative for American Relief Everywhere, Inc.
CECI	Canadian Centre for International Studies and Cooperation
CFUG	Community Forest User Group
DANIDA	Danish International Development Agency
DH	Direct Hire
DoI	Department of Interior
EEC	European Economic Community
EFEA	Environment and Forest Enterprise Activity
ESF	Economic Support Fund
FMP	Forestry Master Plan
FNCCI	Federation of Nepal Chambers of Commerce and Industry
GNP	Gross National Product
HH	Household
HMG	His Majesty's Government
IMTP	Irrigation Management Transfer Project
IBRD	International Bank for Reconstruction and Development
IDE	International Development Enterprises
IMTP	Irrigation Management Transfer Project
INGOs	International Nongovernmental Organizations
IRRI	International Rice Research Institute
IRs	Intermediate Results
MARD	Market Access for Rural Development
MBCP	Makalu Barun Conservation Project
MoA	Ministry of Agriculture
MSI	Management Systems International
NARMSAP	Natural Resource Management Sector Program (DANIDA)

NGOs	Nongovernmental Organizations
NRM	National Resource Management
NTFP	Non-Timber Forest Products
OYB	Operating Year Budget
PRA	Participatory Rural Appraisal
PVC	USAID Office of Private and Voluntary Cooperation
SIRE	Sustainable Income for Rural Enterprise
SO	Strategic Objective
TA	Technical Assistance
TI	Transparency International
TMI	The Mountain Institute
UMN	United Mission to Nepal
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VFC	Vegetable, Fruit, and Cash Crops
WUG	Water Users Group
WWF	World Wildlife Fund

CHAPTER 1 INTRODUCTION AND OVERVIEW

An assessment of USAID/Nepal's Strategic Objective 1 — Increased Sustainable Production of Forest and High Value Agricultural Products — was conducted from November 3 to December 17, 1999. The assessment team consisted of Malcolm Odell; Albert Merkel, a Natural Resource Management (NRM) consultant (present during the 8-23 November time period); and Benjamin Stoner, an Environmental Officer from the United States Agency for International Development/Washington DC (AID/W) office (present during the 15-23 November time period).

In brief, this assessment found that USAID/Nepal's Strategic Objective 1 (SO 1) is basically sound, sustainable, moving in new and creative directions, and has made particular progress in community forestry and private sector initiatives that promote high-value crops and non-timber forest products to a degree not addressed by other donors. The SO has met and frequently exceeded its targets and has adjusted them upward correspondingly. This progress suggests that the SO would benefit from further tuning to enhance emphasis on the environmental aspects of the program and to increase focus on the marketing of valuable commodities. The report recommends that the SO 1 team strengthen the current process of identifying and implementing innovations, building on USAID's experience with participatory approaches, and continuing the shift of SO emphasis toward the commercial/private sector, forestry products, and long-term protection of the environment.

Given what observers cite as disappointing results from HMG collaboration, the review team further recommends that USAID/Nepal promote increased transparency and policy dialogue with its HMG partners, and work more closely with participating NGOs, INGOs, and other donors in this regard. SO 1 should seek new means, some of which may be found in other Mission SOs, to enhance the level and outreach of all its activities, and to increase numbers of participants reached and reduce per/participant costs. The SO should set new targets which will enable rural households to cover future intervention costs from their increased productivity and incomes. Internally, SO 1 would benefit from enhancing communications and linkages among all USAID/Nepal SOs, as well as among SO 1 activities and partners. Nepal, its people, the Himalayan ecosystem, and USAID's credibility would all be damaged if SO 1's funding were reduced dramatically. The changes suggested, coupled with the synergy generated from such interactions, should enable SO 1 to increase further the impact of its interventions within a context of reduced budgets.

CHAPTER 2 PURPOSE OF THE REVIEW

The purpose of this report is to review USAID/Nepal's Strategic Objective 1 for Agriculture and Natural Resources. Specifically, this document is to:

- ? assess progress to date;
- ? advise on the validity of SO 1's current approach given:
 - ? the development context of Nepal, and
 - ? reduced funding from AID/W;
- ? review the SO framework and indicators and, if necessary, assess implementation mechanisms, and propose changes.

This assessment also seeks to provide answers to the following specific questions:

- ? Have the activities under SO 1 been successful?
 - ? In what ways?
 - ? Why or why not?
- ? What problems, if any, have hindered achievement of planned results or are these activities on track to achieve planned results by their completion dates?
- ? What would be lost in terms of overall results if these activities were not continued? (Reflect on current implementation status, Nepal country realities and the Mission's strategy.)
- ? Are the activities under SO 1 more effective than other programs and other donors working in the sector?
 - ? What are the differences?
 - ? Why do they exist?
 - ? Do the differences have implications for the scale of the program?
- ? Are the activities under SO 1 sustainable in operational terms with regard to the duration of the program and funding levels?

The report begins with an overview of SO 1 followed by a brief review of some of the major lessons learned during USAID's active participation in Nepal's agriculture and natural resource management sectors. It concludes that SO 1 is 'SO One' for a good reason in that it addresses important priorities in Nepal today. The vast majority of Nepal's citizens still depend directly on agriculture and the natural environment, USAID/Nepal has had a long history of excellence in this priority development sector; current initiatives are moving in the correct direction, and together with new and more innovative efforts, should be continued. This assessment notes that while much of USAID's past 40 years of investment has been 'old wine in old bottles,' and that some of these patterns continue, there are also refreshing signs of innovation and change. While old wine is generally enjoyed for its excellence, the levels of current funding and future resource constraints provide a unique opportunity for USAID/Nepal to rethink SO 1's role in agriculture and natural resource management, and to seek means of creating some 'new wine in new bottles' for the new Millennium.

CHAPTER 3

USAID/NEPAL'S STRATEGIC OBJECTIVE 1 FOR AGRICULTURE AND NATURAL RESOURCES²

USAID/Nepal's Agriculture and Natural Resources Strategic Objective 1 is:

"Increased sustainable production and sales of forest and high-value agricultural products."

This strategic objective is designed to help increase agricultural and forest productivity by:

- ? improving productivity by supporting local control over forest and water resources;
- ? providing rural households with knowledge of new high-value crop varieties and sustainable agriculture technologies;
- ? helping farmers target production to take advantage of strong market demands; and
- ? promoting adoption of improved marketing practices.

The activities of the SO 1 program are key components in the US Mission strategy to help alleviate poverty. Correspondingly, the program also supports four strategic goals of the Government of Nepal: economic development, open markets, democracy, and environment. SO 1's principal Intermediate Results are:

- ? Expanded Market Participation, and
- ? Sustainable Management of the Productive Resource Base.

Together these reflect the integration of farm and forest activities. Expanded market participation is only possible in the long term if farmers use sustainable management practices and actively protect soil, water, and forest resources.

² Adapted and excerpted from consultant's Statement of Work, Annex 8.

CHAPTER 4 METHODOLOGY OF THE ASSESSMENT

The assessment team reviewed relevant written materials related to SO 1 including the Nepal APP, activity descriptions, grant agreements and contracts, indicator reports, performance and consultancy reports, activity evaluations, and financial reports. These documents, along with generous support and guidance, were provided by Donna Stauffer, SO 1 Team Leader; George Like, NRM Specialist; and all USAID/Nepal's ARD office staff.

Strategic Objective and Intermediate Results Indicators and Major Activities	
SO 1:	Increased Sustainable Production of Forest and High-Value Agricultural Products
IR1	Expanded market participation Agribusiness Development Activity (AEC/FNCCI) Market Access for Rural Development (MARD) — Chemonics and CECI
IR2	Sustainable management of productive resource base Environment and Forest Enterprise Activity (EFEA) — UMN, CARE, BSP, WWF, DoI Irrigation Management Transfer Project (IMTP) with ADB — CAD!

A short field trip, not originally planned, was arranged for 11-13 November. Two team members, accompanied by George Like and Sribindu Bajaracharya, traveled to project sites in the Dhading, Chitwan, Nawalparasi, Rupendehi, Palpa, Syangja, and Kaski Districts. This enabled team visits to private-sector research and extension activities, farms producing high-value crops, market centers, irrigation sites, coffee producers, NGO partners, and experienced farmers and agriculture specialists working in rural areas.

The consultants also met with over 30 representative USAID staff, partners, Government of Nepal officials, knowledgeable leaders, and other donors, based on consultations with the SO 1 Team Leader. With valuable advice from the Mission Director (Joanne Hale), the Deputy Director (William Douglass), and the SO 1 Team Leader and her staff, a ranking methodology, assessment criteria, and ranking matrix were developed and shared with Mission staff, including members of the SO 1 Team representing other SOs. These and approximately 25 others were asked to make their own assessments of SO 1 activities according to the ranking methodology.³

Limitations of the study, recognized by the Statement of Work, include the study's three-week duration, with two of the team members present for only 7-10 days of that period, minimal field assessments of SO 1 programs, and a dearth of interviews with participants. Furthermore, the ranking methodology, although tabulated quantitatively, is based on a small sample of key informants and must be considered qualitative in nature. All data should be seen within these constraints.

In partial compensation for study limitations, the team sought a measure of data triangulation by combining key informant interviews, quantitative rankings, direct observations, and document review to attempt to develop a reasonable perspective on SO 1 operations within the time available. The team included the results of individual assessments together with their own

³ See list of persons met, Annex 7.

reviews, and developed a composite ranking of activities, which they shared with USAID staff during several meetings. The outcome of these discussions and the ranking process were then combined with the results of over 24 in-depth interviews, plus the document reviews and the field visits, to indicate options for activities which should be continued in the future at possible low, medium, and high funding levels. The team also used this information, together with budget reviews, to identify whether some activities should be turned over to other donors, terminated, or phased out, and to determine the rationale for these recommendations.

CHAPTER 5 FINDINGS

A. AN OVERVIEW OF THE AGRICULTURE AND NATURAL RESOURCE SECTOR: SOME LESSONS LEARNED

The team's review of the agriculture and natural resource sector suggests a number of broad lessons that have been learned since USAID began work in Nepal that are directly applicable to SO 1.⁴ Interviews conducted with a dozen long-time observers and specialists with in-depth understanding of the sector revealed a commonality in perceptions that clustered around several important areas. These include:

- ? Nepal's comparative advantage as a biodiversity 'gold mine' that is unique in the world and explicitly addressed by SO 1 forestry and NTFP activities,
- ? primacy of participatory group approaches used by SO 1 in both agriculture and natural resource management,
- ? inefficiency of government-based delivery systems and failure of subsidy policies throughout the agriculture sector,
- ? productivity and potential of the private sector which plays a key role in SO 1 activities,
- ? success of demand-driven, 'fee-for-service' approaches being explored by other USAID SOs and relevant to SO 1 programming, and
- ? critical role played by irrigation in agriculture transformation, which forms part of the SO 1 portfolio.

Population pressures, deforestation, natural disasters, and poverty are linked in a spiral that threaten humanity and the vital biodiversity and biomass upon which Nepal and the global environment depend. Some of the most encouraging developments in Nepal that directly address this vicious circle and are directly related to SO 1's community-based natural resource management activities, include the following:

- ? *Community Forestry.* Nepal, with the active participation of SO 1 through EFEA activities under United Mission to Nepal (UMN) and CARE/Nepal, has made major strides in reversing the alarming degradation of Himalayan forests that occurred only two decades ago. In recent years, partnerships among HMG, SO 1, and a number of other donors has put in place a remarkable national community forestry program that involves over 8,000 user groups (CFUGs) and 500,000 ha. of forest land, approximately 20 percent of which is directly attributable to SO 1 activities. Forest biomass is recovering in major hill areas and sustainable utilization of timber and high-value products from community forests is generating substantial revenues for communities that multiply direct government and SO 1 investments. Satellite imagery and ground-truthing is confirming this recovery process. Forest user groups have compensated villagers suffering from attack by wild animals,⁵ and

⁴ Lessons learned from the past 3-4 decades were derived from interviews of approximately one dozen leading Nepali and international experts with long involvement in the agriculture and natural resources sectors. See Annex 7 for list of persons interviewed.

⁵ USAID's global/HBHR/PVC program with The Mountain Institute (TMI) provided support for activities concerned.

the recent EFEA review has reported communities using and matching revenues for school roofing and furniture, bridge construction, water system repair, and the upgrading of water-powered grain mills — all directly resulting from EFEA's World Wildlife Fund (WWF) activities.

- ? *Participatory community-based conservation and buffer zone management.* In various forms, and supported by SO 1, this approach is now yielding concrete returns in both biomass and biodiversity terms. EFEA activities under the Biodiversity Support Project (BSP), World Wildlife Fund, and the Dept. of Interior (DoI) are contributing to an international partnership which can boast that virtually all of Nepal's national parks and wildlife reserves, once protected only by soldiers, are now developing participatory management systems to replace state control with community management and village-based ecotourism (see below). Based on lessons from the Annapurna Conservation Area Project (ACAP) and Makalu Barun Conservation Project (MBCP), both of which received prior USAID funding and input, UNDP and HMG have developed an innovative and internationally recognized Parks and People Program which is favorably complemented by EFEA activities. Revenues generated by such initiatives are being directed both to further resource conservation and community development. One community adjoining a national park, in a model which has particular relevance for future EFEA activities in the Terai, has turned its forest into a community-managed wildlife area which has earned villagers over \$30,000 annually for the past several years.
- ? *Non-Timber Forest Products (NTFP).* SO 1's role in promoting the sustainable utilization of forest products is now going far beyond timber extraction and the traditional handicrafts of Nepal. While craft production is generating millions of dollars in revenues for village people, it is only the tip of the environmental iceberg.⁶ Medicinal plants and herbal products, known and used for centuries by local people, are now attracting international attention and markets with the active support of SO 1's activities under the Agriculture Enterprise Center (AEC). One Asian multinational corporation, with operations in both India and Nepal, is marketing over \$15 million annually in sustainable herbal and medicinal NTFPs, including Taxene, an anti-cancer drug. (see box on the following page)
- ? *Community Mobilization and Empowerment Strategies.* With direct and indirect support of SO 1 and other USAID-funded activities, a number of new approaches to facilitate community ownership, empowerment, and mobilization have been developed and tested across Nepal as part of successful community-based natural resource management efforts. Among these are Participatory Rural Appraisal (PRA) practices specifically focusing on NRM being used by CARE/Nepal, WWF, BSP, DoI, and TMI. Related approaches include a variety of empowerment tools derived from the TMI-piloted Appreciative Inquiry, and now being used by CARE/Nepal as well as SO 3's women's empowerment program in activities of direct relevance to SO 1.⁷

⁶ While overshadowed by new herbal markets, crafts remain a source of important revenues. Women in one extremely poor and remote area have formed a dozen village clubs which now are producing and marketing over \$12,000 of unique hand-spun fabric made from the nettle plant, making these women the first in the history of their communities to pay their family debts and to buy their own gold jewelry.

⁷ SO 3's Women's Empowerment Program is now using the Appreciative Planning and Action (APA) model with over 7,000 women's economic groups and 130,000 women, including 12,000 participating in Parks and People programs, along with 8,000

? *Ecotourism.* While not included as an explicit SO 1 result, ecotourism is another area where USAID-funded activities are having an impact not measured by current indicators. EFEA activities under WWF and DoI are promoting sustainable ecotourism with direct benefits to local communities. Complementary initiatives supported through September 1999 by global USAID/BHR/PVC funding have also helped develop environmentally sound, culturally sensitive, and economically productive camping and teahouse trekking models as well as pilot initiatives for sustainable extraction of firewood. These are dramatically raising incomes and sanitary conditions in local villages in some of the most backward and remote Himalayan communities. Stimulated indirectly by SO 1's WWF and DoI activities, Sheh Phaksindu and Dolpo are moving into the ecotourism circuit. Local lodge and porter associations are setting codes of conduct for visitors and local people alike and are ensuring the conservation of forest and wildlife. This protects the well-being of villagers who are ultimately dependent on natural resources for their survival and livelihoods.⁸

Lessons from SO 1 and other sectors support these general findings. Of particular note are the lessons learned from successes related to group and community-based initiatives throughout the rural development sectors. SO 1's own successful work with community forestry is now part of a national movement, strongly supported by HMG, involving several major donors and about 8,000 CFUGs that are protecting and sustainably utilizing some 100,000 ha. of forest throughout hill areas. Small farmer irrigation, now involving three-quarters of Nepal's irrigated land, has been another major success now supported by HMG with bilateral and multilateral funding. These lessons are reflected in the experiences of both SO 2 and SO 3. Rural health systems under SO 2 are working through 3,256 community literacy/health groups and mothers clubs involving over 70,000 rural households. Similarly, SO 3 has over 130,000 women engaged in literacy, economic, microenterprise, rights and advocacy, and village banking programs through over 7,000 groups in 21 Terai Districts. These collective approaches are providing the foundations necessary for provision of key inputs such as agriculture credit, natural resource management techniques, essential inputs, new technology, improved production systems, and expanded and more profitable marketing of both agricultural and natural resource-based products. SO 1's initiatives, involving over 1,500 user groups in recent years, are making an important contribution to the building of democratic institutions and the growth of civil society in one of the world's youngest and poorest democracies.

members of CFUGs, and 2,100 members of Water Users Groups (WUGs). The application of the APA process among communities adjoining the Kali Gandaki Hydro-power Project contributed to 19 village-based organizations coming together and offering voluntary service to protect the project's 17 km. access road and degraded areas around villages through the planting of almost 80,000 seedlings produced in private village-based micronurseries.

⁸ Also supported partially by USAID's global/HBHR/PVC program, but not directly related to EFEA, entire communities in a poor area several days' walk from Everest, which could only produce enough food for eight to nine months a year, have now doubled their cash incomes and dramatically improved the education, health, sanitation, and living standards of their villages. A porter with a trekking group approaching Kanchanjunga from Sikkim received international recognition when he refused to cut a tree for his group, instructing them instead in the value for all that comes from saving a tree.

A Retired Farmer and Forester Looks Back

In the course of over 20 interviews with knowledgeable figures with extensive experience in the agriculture and natural resource sector, one retired senior civil servant summed up the experience of many others in his field. Looking back on what he had learned from his 40-year career, he revealed a number of lessons that surfaced repeatedly during Team explorations:

"Of all that I've learned, several major lessons stand out," he reminisced thoughtfully. "Among these are that irrigation is fundamental to production, that big projects equal big problems, and that the adage 'Small is beautiful' seems to apply particularly well here in Nepal... A small farmer irrigation project in Chitwan, for example, handles only 260 cusecs but provides big benefits...and the irrigation spin-off from smaller hydro-projects are the same...Andhi Khola's a very appropriate model, for example. In agriculture, too, we've had very limited success, particularly with big projects...achievements are not proportional to funding... Community Forestry has been a star all over Nepal; forests are increasing in hill regions, and there has been a major turnaround in a relatively short period. [More recently]... private sector development and participation in agriculture and natural resource sectors is really paying off... But the big job ahead is...environmental conservation, protection of Nepal's biodiversity, sustainable production, sustainable use of NTFPs.... [There needs to be a] special focus on medicinal herbs; great potential all over Nepal... especially in the hills...Nepal is a... unique biodiversity laboratory for the world — a biological world treasure... Nepal's future is in the protection and the sustainable utilization of this global and national biological treasure house."

B. DOES SO 1 STILL ADDRESS THE PRIORITIES APPLICABLE IN NEPAL TODAY?

SO 1 is basically sound and properly focused. It addresses the priority sector of Nepal's economy where 90 percent of the population still depend directly on agriculture and natural resources. The SO shows an integrated plan for relevant activities with identified indicators and results. It focuses directly on USAID's goals for economic growth and the environment. It follows logically on over 40 years of direct USAID investment in the agricultural sector, including the development of major agricultural institutions and a wide-ranging program concentrated in the Rapti valley and watershed area.

SO 1 continues to address important priorities where potential is high. In particular there are two positive major factors that fully justify further participation and investment by USAID:

- ? Nepal is a biodiversity 'gold mine'. The country is important in the world as a biodiversity laboratory and 'treasure chest' for the global environment. In a space barely larger than the small state of Tennessee, Nepal contains a range of climate, topography, geology, and biodiversity equivalent to that covering the entire North American continent, from jungles to Arctic and mountain highlands.
- ? Agriculture growth and production, while below expectations, have kept pace with the doubling, almost tripling of Nepal's population since USAID assistance began. Nepal's estimated population in 1960 was less than 10 million. Today it stands in excess of 23 million. Airstrips in remote rural areas originally built by USAID to bring in thousands of tons of food aid for hungry people during the 1950s and 1960s now carry tourists, businessmen, and government officials.

Because Nepal still ranks as one of the poorest nations in the world, it lags behind its giant neighbors in terms of agricultural productivity. Nepal is a beacon of relatively peaceful democracy amid a troubled Asian political environment, and has substantial potential for sustainable growth. It is imperative that USAID remain actively engaged in the natural resource and agricultural sectors represented by SO 1.

C. SUCCESSES OF SO 1

Within this context of progress, SO 1 activities have had a number of successes, not the least of which is an impressive record in:

- ? meeting and frequently exceeding its IR targets, and
- ? ratcheting SO 1 targets upward in response to success.

The documentation of these IR achievements is matched by a similar record of success in pioneering effective group-oriented approaches, expanding marketing of agricultural and forest products, improving forest conservation, and in private sector participation. USAID/Nepal owes substantial credit to SO 1 for making the Mission a lead donor in the innovation of such new approaches and in the promotion of HMG policies for support.

"Something's Happening..."

"Something's happening," said the farmer/restaurateur in Pokhara. Involved in hill agriculture for over 30 years, he saw much to celebrate. "Agriculture is much maligned by some folks, but it has kept up with a doubling of the population over the past 30 years, and that's no mean achievement... and there's been real growth in high-value products. We can't keep up with demand for Madan Pokhara's organic coffee. Sales of Marpha/Mustang apples are booming. Our restaurant looks for the cheapest apples for cooking but the market is excellent for fresh Mustang apples. They are being selected and graded and shipped profitably to Pokhara and Kathmandu by air, even. There are several varieties of oranges and lemons that are doing very well. Pigs and poultry are much better... varieties and quality have been really upgraded, as has milk and cheese. Buffaloes are the biggest producers in Pokhara, generally, because they aren't fussy eaters like cows. Lots of private dairies have emerged, production is increasing, but there's always an annual cheese shortage. And there's still potential for lots more. No one is looking yet at nuts, including wild chestnuts and domestic pecans. Lots of them and room for lots more. It's a marvelous climate for cherries and the bird problems can be handled. I see a big market for essential oils, lemon grass, herbal products, and the like, and flowers are really taking off. And now mushrooms are coming in. Kirtipur/HMG is making spores available and farmers are taking mushrooms up successfully. Yes, something's happening all right. And it's pretty good."

Source: Assessment Team Interviews

Specifically, SO 1 has contributed significantly to success in the agriculture and natural resource management sector through mobilization of group approaches. The most obvious examples of these approaches include:

- ? *Community Forestry* — a widely heralded success, particularly in hill regions. These initiatives have demonstrated clear improvement in forest cover, especially in East, Central, and Mid-West regions. SO 1 has supported approximately 1,300 CFUGs to protect and manage 123,000 ha. of forest land. These efforts helped initiate and now add momentum to a

national movement that involves several donors and over 8,500 CFUGs nationally which are responsible for sustainable management of half a million hectares of forest land.

- ? *Community Irrigation Management* — building on earlier success in small-scale irrigation, SO 1 is now promoting the hand over of larger government schemes to local user groups. This, like its predecessors in smaller schemes, is proving viable, sustainable, and cost effective and involving over 10,000 ha. of land, is the largest such transfer undertaken in Asia. Almost 300 new WUGs have been formed with over 21,000 members and these are in the process of taking on the repair, operation, and costs of system management as the result of increased productivity and incomes, and fee-for-services.
- ? *High-value Crops and Marketing* — new and off-season varieties are adding to incomes for subsistence households. Successful high-value crops include sugar cane, tea, cardamom, coffee, apples, oranges, lemons, limes, and a variety of off-season vegetables. These crops are increasingly being augmented by an emerging range of natural, herbal, and medicinal forest products with major income-generation potential.
- ? *Private Sector Involvement* — SO 1 has made substantial progress in raising the role and profitability of private sector sustainable marketing of agriculture and natural resource products that generated \$25 million in 1998 for rural producers.

D. PROBLEMS THAT HAVE HINDERED ACHIEVEMENT

These successful endeavors in agriculture and natural resource management have not been without their fair share of external problems; the least of which is Nepal's overall performance in agricultural growth (which has continually fallen short of both need and targets). Despite ambitious National Development Plan targets, growth has stagnated at three percent per year during the past two decades and has kept only a half percentage point ahead of population growth. This is an important sector but performance has been poor in spite of substantial investments made by HMG and its major donor partners, including USAID. Behind this stagnation lie a number of factors, including:

- ? Negative or conflicting policies of HMG — reluctance to accept market-driven, private-sector approaches. Due to political, economic and social factors, HMG has not been able to serve as the reliable, committed partner which effective programs require. Inexperience and inefficiency, including poor use of local currency funds, continue to pose special problems. After nine years of democracy, there continues to be a lack of transparency within HMG, as well as among some local NGO partners. Senior HMG officials themselves, together with experienced observers, have reported ongoing mismanagement, leakages, and high transaction costs.
- ? Misdirected concentration on input subsidies — HMG systems have been and remain unable to provide adequate or timely essential inputs. Fertilizer supply has proved to be particularly problematic. Private-sector potential regarding input supply has not been adequately developed.

-
- ? Low management and technical skills of user groups. These include insufficient capacity to handle 'second-generation' issues including equity, benefit distribution, technical planning and operational management issues.
 - ? Lack of cooperation and teamwork among SOs, activities, and partners. Synergy remains an elusive goal in spite of the intentions of the SO/IR Results Package Approach and its predecessor (SIRE). An independent 'project mentality' remains alive and well. SOs, activities, projects, and partners operate without adequate linkages, communications, or shared information and resources. Frequent changes in direction from Washington, staff changes within SO 1, and frequent changes in the government in Nepal have further exacerbated these problems.
 - ? The emergence of Maoist groups in several USAID-targeted districts — these have caused program dislocations and necessitated withdrawal of SO 1 activities in most of the former Rapti project area. With the notable exception of activities operated by CARE/Nepal and the AEC of the Federation of Nepal Chambers of Commerce and Industry (FNCCI), SO 1 activities are not currently operating in these areas.

E. ROLE OF HMG: TIME FOR A PARADIGM SHIFT TOWARDS SELF-RELIANCE

A shift in paradigm is needed in SO 1 to acknowledge that the government is not the driving force for promoting broad-based economic development, sustaining the environment, and promoting grass-roots democratic institutions. Exceptions to this general finding are found, most notably the strong support HMG has given to Community Forestry and AEC.⁹ Success or failure in these areas will depend largely on actions by civil society organizations (private sector, NGOs, user groups, etc.). HMG has an important role in providing a policy environment that will allow the changes needed to move forward more quickly, but civil society, not government, will be the driving force for this development (see Annex 3). These problems are widely recognized within HMG and not just by outside observers and the press. Some relevant quotations from senior HMG officers interviewed during this assessment bear this out:

“Redbook support doesn’t really pay off very well... it is inefficient and not well used by HMG... and should be tightened up... There are some good HMG offices and good NGOs... find the best and see how to replicate them rather than feed them money that doesn’t get results.”

“Agriculture sector as a whole has had a poor record regarding cost-effectiveness...not much progress... disappointing performance by HMG...research has not been successful...AEC ...(is) in touch with the people out there in the private sector and we are not...”

“HMG has not been able to provide technical officers...and many political changes have negatively affected performance...we are frustrated and know HMG’s performance

⁹ The Assessment Team was informed that HMG has invested some Rs. 1,500,000 to support AEC activities, an important precedent and one to be built upon for future policy development.

in the Rapti area has been poor... the major problem comes from HMG side and as for political instability, we can't blame the donors..."

"The DFO protection program is not working... there is encroachment and corruption, inefficiency...."

"Go on reducing local currency funding toward zero... we did this successfully with World Bank programs and some user groups are supporting us. For example: One user group brought tires for a government vehicle, another provided a computer, another gave DFA to our staff... this way we become more responsive to local communities and user groups."

F. HOW ARE SO 1 ACTIVITIES PERCEIVED BY OTHER DONORS?

Overall, USAID's SO 1 is perceived in the donor community as:

- ? a recognized lead donor, an innovator, in new geographic areas and new approaches;
- ? flexible in approach and able to work effectively with NGOs and the private sector; and
- ? having high credibility with other donors and with HMG.

Discussions with a range of donor and HMG representatives revealed that USAID, in spite of reduced funding, is recognized as a lead donor with long and rich experience, as a donor responsible for many of the most significant and successful innovations in Nepal, and one which continues to lead the way in new and important directions. Multinational donors frequently cite USAID as one of the leading creators of new initiatives, such as those in community forestry, small farmer and community irrigation, NGO strengthening, and private-sector development, which, after testing, are handed over to the international banks for wide-scale implementation under loan funding.

Social Mobilization and Capital Formation

A seasoned rural development veteran, based for years in Syangja District not far from Tansen, sees the major successes in agriculture and rural development in human terms. In his view, "the major success in ARD sector is social mobilization; it provides the foundation for all inputs such as agriculture, credit, natural resource management, inputs, technology, production, and marketing. New technology is best for bigger farmers with more land... but the poorer section needs low-cost irrigation systems. Natural resource management needs social capital, norms, rules, regulations, and governance, for which we again need social mobilization. For the extension of sectoral service delivery to the ground, which is not effective now in reaching the people, we need village specialists, paratechnicians who can reach rural people effectively. Paratechnicians can bring new, appropriate, low-cost technology to people and the people can pay these technicians to deliver this new software, information, and technology. They can also help facilitate capital formation, which after social mobilization, is the next most important step. Capital formation is nothing more than money or assets generated locally in forms of savings mobilized by local people and managed by them. They can raise amazing amounts of money if they are mobilized... even millions of rupees among people we think of as poor rural villagers.

Source: Assessment Team Interviews

Other donors cite USAID as a leader in the policy dialogue process, such as that which created the Agriculture Perspective Plan, and other initiatives, including current private-sector and marketing initiatives, that subsequently are taken up by others.

While subject to the same bureaucratic constraints as most large institutions, USAID has maintained an unusual ability to find means that enable flexibility in funding and implementation. Grant funding to NGOs, support to private-sector initiatives such as AEC/FNCCI, and the SO approach itself are often cited as evidence of USAID's capacity to remain remarkably flexible within the bureaucratic framework of a major national management system. USAID's credibility and stature in fact, seems significantly higher than perceived by the agency itself.

G. OPPORTUNITIES FOR CHANGE

Perhaps due to budget and staff cuts, USAID as a whole, and SO 1 in particular, appear to be experiencing a drop in morale and corresponding self-esteem in which perceptions are affecting reality. While USAID has been going through a budget reduction process for several years, it remains a major donor and one with seniority, experience, and credibility built up over decades. Reform-minded HMG officials and donors credit USAID for having played a significant role in HMG's policies regarding agriculture and natural resources, and for spearheading the innovations described above. What these observers do not understand, however, is what they perceive to be an attitude of some timidity on the part of USAID in taking a stand for further reforms and policy improvements.

Nepal today has the first clear majority government since the reintroduction of multiparty democracy, an increasingly vocal and articulate free press, and a climate of mounting pressure from many quarters, including the donor community, for increased transparency and performance on the part of government. Nepal also has gained recent stature internationally as a leading member of Transparency International (TI); an organization dedicated to the fight against corruption worldwide.¹⁰ This means that there now is more opportunity for effecting needed changes than any time in recent years. If USAID steps up to the plate it is likely to find there are many others in the batter's box ready and willing to join a concerted movement for meaningful and effective management and policy change.

¹⁰ Dr. Devendra Raj Pandey, former Minister and Secretary of Finance, HMG, and a founding member of TI was recently elected director of TI worldwide at their international meeting in Durban, South Africa. The activities of TI globally have been regularly reported in Nepal's press during the past year. ADB and IBRD have been among the leading supporters of change and the efforts of TI in Nepal and elsewhere. A. M. Shrestha has also recently published a book, *Bleeding Mountains of Nepal*, on corruption and mismanagement. (*Kathmandu Post*: 4 Nov., 26 Nov., 7 Dec.)

Donor Collaboration and Perceptions

Conversations with major international donors revealed the credibility and innovation that USAID brings to the development community in Nepal. One senior advisor captured the viewpoints of several other leading donors in his remarks to the team:

"Our goal is to encourage cross-fertilization: avoid overlapping activities, learn from everyone, and coordinate and gain inspiration from other donors and projects like USAID, which leads the way in terms of innovation. This is satisfactory because we have good... links with other donors...borrow their methodologies and data; cross fertilization is better here than anywhere else I've been; USAID has played a valuable part in this... Success is based on such... links.

[One useful model is the] ..Coordination Committee — while not perfect, a lot of good comes out of such a committee; ideas are thrashed out at the technical level and then vetted through this body... we implement nothing that doesn't come forward from HMG in one way or another... usually vetted by this committee...."

"...when we find HMG can't do something we suggest that some other organization try it... (In this we are behind the Swiss and USAID); this is now reasonably well accepted [at the Ministry level], but still viewed with suspicion at [the local level]...."

"Working exclusively through HMG is not really working; capacity, staffing, ability to get things done are all very limited, grossly inefficient. [We're finding it better to] involve, instead, civil society external agencies, NGOs, [individuals], user groups, networking links, women's groups... Central HMG undermining of programs is not unusual... [USAID] has been effective in stemming such things in the past... [There has been] considerable misuse of funds at the regional and district levels... a continuing problem... and we hope USAID will throw its weight behind our joint efforts to turn [things] around."

Source: Assessment Team Interviews

H. ARE ACTIVITIES UNDER SO 1 SUSTAINABLE?

The activities under SO 1 are sustainable through the active participation of local communities, the private sector, and NGOs. Specifically:

- ? Incomes have been raised and benefits continue to flow within the Rapti area, in spite of Maoism and the withdrawal of most USAID-supported activities.
- ? Community forestry is successfully expanding nationwide, has wide support throughout rural areas, local and national government, NGOs, and the wider donor community; CFUGs are now holding over \$1 million in their collective accounts, generated from user fees and sustainable harvesting.
- ? Private sector initiatives, such as AEC/FNCCI are now generating their own funds from companies, and local producers are covering many, if not most, of the expenses required for new seeds, technology, and information.
- ? Local community user groups are assuming leadership, management, and financial responsibility for water as well as forestry management and, in addition, are generating additional resources that they are using for the overall development of their communities.
- ? Harvesting of NTFPs and ecotourism are generating substantial incomes, with little or no subsidies, that are raising local incomes significantly, making major contributions to Nepal's GNP and foreign exchange earnings, and increasing awareness and promoting local action for long-term environmental protection.

Doubling Sugar Cane Incomes through Private Sector Leadership

A 20-year veteran contemplated the changes in the rural sector and role of the private sector: "Overall in Nepal it is encouraging to see education booming, girls going to school, the private sector stepping up to the plate and getting recognition, support, and making major contribution to the economy. A great example is sugar cane, which, through Agriculture Enterprise Center (FNCCI) and private sector support is doubling farmers incomes. The growing season has been increased to 6-7 months, up from 4 months. This is due mostly to the private sector bringing in new early, mid-late, and late-maturing varieties from India that extend the season. Farmers now get an average of 70 MT/ha. instead of 35 MT/ha. Some get as many as 90 MT/ha.. Now about 500 farmer outgrowers are generating an extra Rs.20 million more than before. Not long ago farmers were getting about Rs. 37,500/ha./year; now they are about Rs. 85,000 and even as high as Rs. 125,000/ha./yr. That's a pretty good income for relatively small farmers, and the impetus for this is coming from the private sector, through AEC.

Source: Assessment Team Interviews

I. PERCEIVED PERFORMANCE OF SO 1 ACTIVITIES

In consultation with the Mission Director and SO 1 Team Leader, and with reference to the Scope of Work for the assessment team, a number of criteria were selected for assessing the performance of SO 1 activities and partnerships. The team then developed a ranking scale for each of the selected criteria, from which a questionnaire/matrix was developed for key-informant ranking. All members of the SO 1 team, including the members appointed from SO 2 and SO 3, plus a sample of experienced individuals working with SO 1 partners who had broad familiarity with the programs, were asked to rank each activity according to the criteria provided. Team members, on the basis of field observations, document review, interviews, and analysis of financial and performance data provided from SO 1 reports and records also ranked each activity. This section provides the criteria, ranking indicators, and results of this ranking process. Details on the methodology and sample matrix forms and summaries appear in Annex 1.

1. Criteria for Assessment and Ranking Methodology

Guided by the Mission Director and SO 1 Team Leader, the assessment team developed the criteria for assessing activity performance. (See Annex 1 for the instruments developed and used.)

2. Performance Assessment

Using the criteria and indicators elaborated in Annex 1, a numerical scoring system was developed to indicate, through tabulation of individual assessments, general performance ratings of *high*, *medium*, and *low*.

While these rankings must be viewed with the validity of collective subjective judgments, they do represent a general consensus among knowledgeable observers, including the conclusions of available evaluation and monitoring reports. Furthermore, the ranking methodology, although tabulated and presented quantitatively, is based on a small sample of key informants and must be considered qualitative in nature. Thus all data should be seen within these constraints. With these qualifiers the following are provided as summary observations and rankings:

-
- ? The highest performing activities are in the natural resource management sector with environmental forestry programs. UMN activities, followed closely by those of CARE, BSP, and WWF, stood out with almost equally high rankings.
 - ? The next highest performing activities are in the marketing access sector, with AEC standing out as a high performer, its ranking being equivalent to the best performers in the natural resource sector.
 - ? The lowest ranked according to Mission performance criteria are HMG local currency investments and activities in the agriculture policy sector, with Winrock showing the marginally highest ranking in that category.

As a whole, SO 1 activities had the following characteristics, according to Mission criteria:

- ? highest rankings for meeting or exceeding SO/IR indicators, sustainability, and meeting HMG and USA priorities;
- ? lower rankings for cost-effectiveness, maximizing prior investment, hand over and innovation potential; and
- ? lowest overall performance rating for HMG local currency, 'Red Book,' investments under SO 1.

An indication of the relatively low morale among the SO 1 team and compartmentalization among activities is the relatively low performance ranking given to SO 1 activities by SO 1 team members themselves. Comparison of rankings done by the Assessment Team, outsiders, and SO 1 staff shows that the lowest rankings came not from the outsiders or evaluators, but from the SO 1 team (see Annex 1). This, coupled with the results of team interviews, clearly suggests the need for an affirmative approach to team building.

J. COMPARATIVE PERFORMANCE OF SO 1 AND OTHER PROGRAMS AND DONORS

While a broad sector analysis is beyond the scope of this assessment, a number of observations can be made regarding the relative effectiveness of SO 1 compared to other programs and other donors working in the sector. As indicated in Section F above, SO 1 is recognized among large international institutions as a lead donor with high credibility and an above-average capacity for flexibility and innovation.

In particular, SO 1 has a comparative advantage with its potential for innovation. USAID has a reputation among donors for the development and testing of new approaches and technologies. Many SO 1 partners and their subcontractors are engaged in testing and implementing innovative technologies that enhance the marketing of high-value crops and natural resource products. Other SOs are pioneering creative options for reaching large numbers of households and small businesses at low cost.

Table 1. Criteria for Assessment and Ranking Methodology

Criteria	Ranking Indicators
? Meets Strategic Objectives & Intermediate Results	? Meets or exceeds SO and IR indicators; addresses 'lessons learned from sector experience
? Is cost effective	? Has measurable impact on large number of households at low cost per household
? Shows sustainable impact and replicability	? Cost and management can be borne by household, user group, business, rather than by government or donor
? Maximizes prior USAID investment	? Builds on Rapti, Rampur Agriculture Institute, Pokhara Institute of Forestry investments
? Fits HMG priorities, including APP and Forestry Master Plan (FMP)	? Meets public HMG commitments, including APP and FMP priorities
? Fits US government and national priorities	? Meets public USA commitments, Congressional priorities
? Maximizes potential for hand over or phase out, fall-out minimized	? Households and user groups can take over operations vs. need for ongoing government. or donor management
? Demonstrates innovation potential	? 'Outlyers' with high potential for meeting criteria in future, especially regarding scaling up and maximizing impact and consequence

Some of the innovations linked directly or indirectly to SO 1-funded organizations or activities that came to the attention of the assessment team included:

- ? low-cost drip and sprinkler irrigation systems (Rs. 800 - Rs. 2,000) which are both affordable to poor farmers and are doubling yields of high-value commodities, generating from Rs. 2,000 to 20,000 over 6 months for a rural household [CECI subcontract to International Development Enterprises (IDE)]; preliminary trial suggest that problems inherent in other drip systems, such as cost, maintenance, lifespan, and returns on investment, are being addressed successfully; expansion of pilot testing could yield important benefits for hill agriculture;
- ? organic coffee production, roasting and packaging being conducted by local user groups, that is tripling incomes from small holdings (AEC). Action-research should take account of fact that there is no legally accepted definition of 'organic' in Nepal, and seek to establish standards that will be accepted internationally. Coffee now grown in Nepal under the 'organic' label may not meet currently accepted international criteria;
- ? vegetable seed marketing programs that make guaranteed high quality seeds available to small producers in remote areas through small-scale private-sector dealership networks; and

- ? outgrower operations for sugar production that have introduced new varieties that have increased the production season from four months to seven months with two crops a year instead of one, and have tripled smallholder incomes.

The Maturing of the Private Sector in Nepal: A Case Study of NTFPs

Dabur Nepal, an active and contributing member of FNCCI and its Agriculture Enterprise Center (AEC), draws a substantial proportion of its revenues from NTFPs. The company, a subsidiary of a major Indian firm, currently has annual sales of over Rs. 1 billion (US\$15 million). The majority is from exports that account for a significant portion of Nepal's total exports to India.

Dabur Pharmaceuticals are based on traditional herbs and include the production of Taxene resin, an important cancer-fighting drug. This is derived from *Taxus baccata*, a yew plant that grows at about 6,000-10,000 ft. elevation all along the Himalayas. Taxol is taken from the plant's leaf, thus making it a sustainable natural resource product. Dabur purchases about 300 tons of leaf per year under an HMG agreement made in 1996 that includes royalties paid to the district from which it is obtained, and shipped for preliminary processing to Dabur's factory in Parwanipur, near Birganj. (By contrast, it is understood that one of the major US suppliers of Taxene, Bristol-Meyer, in partnership with Weyerhaeuser Corp., uses an American yew species, *taxus breifolia*, from which they use bark to produce the Taxene resin, rather than the leaves as in Nepal, thus requiring the harvesting of virtually the entire plant.)

Dabur has a high-tech greenhouse near Banepa which has a capacity of three million plants in its 15,000 sq. ft. facility. From there, seedlings are distributed for outgrowing in four districts by local farmers and CFUGs. The company is working with three types of programs/production systems:

- ? contract cultivation — the farmer provides land and irrigation, Dabur does the planting, costs are deducted from total production and the balance is divided 50/50 with farmer. There Dabur has full control and can do research and statistical analysis. This involves almost 50 farmers and a lease hold forestry group in Makwanpur, Hitaura, several tea estates in Dhankuta area, and 800 ha. at the Dang Sanskrit University which produce piper longum (long) and piper pepolidis (round);
- ? outgrowing program — farmers come, buy plants, Dabur provides technical assistance and a guaranteed price, although the farmer can sell on his own to any buyer if he likes; and
- ? Dabur-leased farms totaling 10 ha. which the company runs entirely on its own.

Dabur also has a beekeeping system for small producers in rural areas. The cost to a local farmer is Rs. 2,500 (US\$37) for a complete system including plastic beehive, combs, queen bee, workers, technical assistance training, and a guaranteed market for the product. Expected yield: 30-50 kg. annually, or about Rs. 3,000 to 5,000 for the honey and wax alone, with additional income potential from royal jelly, bee venom, pollen grains. The Dabur equipment, manufactured in Nepal, also is being exported. In November 1999, for example, Dabur exported 20 containers of bee-keeping equipment, produced in Nepal, each valued at \$20,000, for a total of \$400,000 shipped to the USA. The same month Australia placed an initial order of \$100,000 for similar equipment.

Source: Dabur Nepal, Assessment Team interviews, and The Kathmandu Post, 24 Nov. 1999

Innovations undertaken by other USAID SOs include:

- ? literacy-led microfinance and microenterprise systems reaching 130,000 women in 7,000 economic groups at costs that are one-fourth to one-tenth that of conventional approaches and are affordable by the users themselves; costs per participant for meeting program targets are among the lowest in the world, with literacy, village banking, and microenterprise interventions costing as little as \$1 per woman per month, and dropping as numbers increase;
- ? bottom-up savings-led village banking systems for women that are not dependent on external credit institutions and are helping support and expand 10,000 microenterprises in 21 Terai districts which are meeting IR income targets;

-
- ? Parks and People, participatory biodiversity conservation through local communities involving 700 SO 3 groups and 12,000 women;
 - ? village-based SO 3-supported paratechnicians in health, safe motherhood, and HMG-supported local veterinary technicians where medicine and other costs are covered by local users; and
 - ? synergy potential among SO 2 and SO 3 women's groups that are serving as mechanisms for multisectoral development including 8,000 women in CFUGs, 2,100 in WUGs, 5,600 in farmers groups.

Innovations undertaken by other organizations and donors that relate closely to SO 1 objectives, where future collaboration may be appropriate, include:

- ? affordable pumps (Rs. 500) that can bring irrigation to small holdings and increase family incomes by Rs. 5,000 to 25,000 per year; applied/action research will need to look at repair and replacement costs and availability of necessary inputs as well as private sector distribution and servicing options;
- ? small-scale, affordable beekeeping systems including hive, combs, queen, workers, technical assistance, training, and guaranteed markets promoted completely by private sector. Given failures experienced by Peace Corps, the French and other European Economic Community (EEC) donors, action research should focus on potential problems of overproduction, quality control, collection, and marketing constraints that could limit benefits;
- ? inexpensive rural telephone systems that are bringing valuable and timely marketing information to remote communities not served by road systems, and are proving to have a greater immediate stimulus for economic development at far lower cost, particularly for the poor, than rural roads themselves; and
- ? outgrower operations for herbal medicines, essential oils, and pharmaceutical ingredients, including major new breast cancer treatment ingredients, including technical assistance, training, and guaranteed markets promoted completely by private sector.

These are representative of a wide range of creative initiatives that are currently being fostered directly or indirectly by USAID/Nepal that have considerable potential for greatly increasing the scope and scale of impacts possible under SO 1 within the present context of diminishing resources. Through constructive synergy linkages and dialogue among partner organizations and other donors, and through increasing the flexibility of existing initiatives, SO 1 can identify and bring into its portfolio more such innovations, which can effectively further its objectives within limited funding parameters.

CHAPTER 6 RECOMMENDATIONS

A. STRATEGIC FRAMEWORK

Overall, SO 1's strategic framework is basically sound, although it needs tuning to address important environmental concerns and to broaden a rather narrow focus on valuable commodities.

- ? SO 1 is appropriate and working in the correct sectors and should be continued.
- ? SO and IR statements could be revised to better reflect environmental objectives that are already being targeted and achieved.
- ? Teamwork for program management should be enhanced to improve overall coordination and performance of the SO, partners, and activities.

Further analysis and options for action are found in Annex 3. Some suggestions include the following:

- ? The Mission should consider a reformulation of SO 1, and associated intermediate results and indicators, to reflect the broader focus and to provide clarification for program and program management changes. The SO 1 team should review division of responsibilities within the team and determine how to best work to implement the reformulated SO 1. Coordinated work of the team should be encouraged to integrate program activities (grants and contracts) to achieve planned results. The decisions on how to modify the portfolio of existing activities should follow from the revised SO 1. The transition to the new revised SO 1 should be gradual, approximately over a two-year period. SO 1 should continue to build on the successes and lessons from its work in Rapti.
- ? SO 1 faces a major reduction in future budgets. This calls for strategic planning to focus the program on the most important elements and on the most important partners. Because of the budget cuts, the Asia Near East (ANE) Bureau in AID/W will be looking for substantive program changes. The strategy needs to be explicit about changes, about what was cut and why. At the same time it needs to be well positioned to actively seek additional funds, from both Mission Operating Year Budget (OYB) and AID/W central funds.

In considering a reformulation of SO 1 and associated IRs and indicators, and to provide clarification and focus for program and program management changes, the following options may merit consideration, at least as a starting point for dialogue within the SO team:

SO 1: Improved Natural Resource Management

- ? Indicators:
 - ? NRM biophysical indicator (i.e., forest cover, biomass, etc.),
 - ? economic production and sales indicator, and
 - ? social welfare/governance indicator.

IR 1.1 Strengthened local organizations (user groups, NGOs, associations)

- ? Indicators:
 - ? number,
 - ? type, and
 - ? level of institutional development using a tool like the Organizational Development Framework (used by MSI, and BSP/Kemala).

IR 1.2 Liberalized policy for decentralization, devolution, and privatization.

- ? Indicators:
 - ? forest policy implemented for community forest management,
 - ? agriculture marketing restrictions lessened, and
 - ? irrigation policies implemented for user groups.

IR 1.3 Adoption of improved technologies and management practices

- ? Indicators:
 - ? forest management,
 - ? agribusiness marketing, and
 - ? irrigation management.

B. COMMUNITY FORESTRY

Community forestry appears to be the most successful of SO 1's activities and, while HMG and several other major donors are now actively involved in the sector, it is not yet time for complete hand over of USAID's activities. Annexes 3 and 4 provide additional analysis and some detailed suggestions for consideration. In brief, the following specific recommendations are offered:

- ? existing EFEA work should continue until present grants are completed;
- ? follow-on programs should be designed to focus on strengthening existing user groups to:
 - ? address second-generation technical problems of sustainable and equitable forest management,
 - ? expand market linkages for forest products, and
 - ? strengthen CFUGs' operations as independent business and civic organizations;
- ? transfer social, literacy, microfinance, village-banking, and nutrition activities and funding to SO 2 and SO 3 as appropriate since funds for these purposes will be more efficiently used by SOs that are specifically mandated to carry out these functions; and
- ? transfer routine hand over activities to HMG and other donors such as DANIDA.

C. HIGH-VALUE CROP MARKETING AND AGRIBUSINESS DEVELOPMENT

Marketing and agribusiness development are hampered by having a number of discrete activities with little apparent connection or productive interchange. The shift from a production orientation to a market-driven approach has not adequately taken place within and among SO 1 activities. The following specific recommendations are made (for details see Annex 4):

- ? Take immediate steps to integrate program management and enhance teamwork.

-
- ? Modify existing activities to emphasize market-driven approaches and to reduce production orientation.
 - ? Strengthen farmer groups with follow-on activities to help them become market-led agribusinesses.
 - ? Promote dialogue among donors and HMG to reduce policy constraints.

In continuing to support agribusiness development, SO 1 will need to keep in mind the risks associated with supporting any production programs where price subsidies are involved. Sugarcane, for example, is potentially vulnerable to market changes and to subsidies offered by HMG and those provided by other countries that could affect the Nepal market.

D. OTHER RECOMMENDATIONS

A number of additional recommendations are made which relate more broadly to the entire SO 1 portfolio, including:

- ? Focus monitoring and reporting more on results and lessons learned, including impacts wherever possible, rather than on inputs and outputs.
- ? Reduce or eliminate HMG local currency support through the Red Book — use this type of funding only where demonstrated, measurable links can directly enhance achievement of program objectives.
- ? Concentrate SO 1 resources on fewer geographic areas, while recognizing the need for operations in NTFP forest areas, for the better integration of:
 - ? service delivery to specific localities,
 - ? SO 1 objectives and priorities, and
 - ? target user groups.

While development progress regarding the above will require greater direct support for civil society organizations, SO 1 will still need, nonetheless, to maintain good working relationships with HMG. It is particularly important to maintain open communications for policy dialogue at the national level. A reduction in the level of local currency support is called for and prospects for doing this appear good in the forestry sector, but more difficult in the agricultural sector, although the need for change is acute in that sector.

E. OPTIONS FOR SAVINGS

There is scope for reduction in the program if necessary. In the sections above, recommendations have been made about the program and the potential to strengthen the focus of activities more directly on core SO 1 priorities. Those recommendations are reflected in the series of options for potential savings summarized in Table 2 on the following page.

In keeping with Mission mandates to plan for medium and low budget scenarios, the following options are suggested for examination by the SO 1 team as possible avenues for cost savings:

- ? Wrap up policy and research activities as planned
- ? Explore hand over of IMTP to the Asian Development Bank and World Bank

Table 2. Options for Savings

Options/Activities¹¹	Comments
Policy research	Discontinue existing activities as planned; phase out policy research activities or substitute with increased marketing initiatives; explore additional substitutions through MARD partnerships with CARE/Nepal, AEC and policy dialogue activities.
Local currency funding to HMG for MARD, agriculture production, and irrigation	Phase out all local currency funding as rapidly as possible; first funding to cut is for those programs that are not part of SO 1 (e.g., watershed management, etc.); phase out all local currency; follow with cuts of MARD and EFEA local currency funding (see below).
Livestock, fruit tree, and nutrition support in MARD	Not much money is allocated here, but considerable resources are required and activity focus lost; not essential to SO 1.
Increase synergy/linkages with other SOs	Utilize or hand over outreach activities to community-based organizations, women's groups, and paratechnicians using models from SO 2 and SO 3.
Red book support to community forestry dropped	HMG is providing substantial support for community forestry and also has major funding from a number of other donors; cutting USAID local currency support would leverage increased efficiency without risking program operations.
Irrigation	While this activity is the least central to the SO, it follows on a solid foundation of SO 1 support to small farmer irrigation and paves the way for important decentralization of large HMG systems which have not proved effective. Major multilateral donors will be able to take over in the near future. Recommend completing current activity until ADB is in a position to continue this funding.
WWF and DoI funding	Negotiate with AID/W on the possibility of centrally funding these activities.
Reduce costs, increase outreach of MARD activities	MARD activities originally planned for Rapti area carried out through lower cost CECI/Chemonics partnerships with CARE/Nepal and AEC.
Chemonics-supported districts removed from MARD	This would require a contract negotiation with Chemonics. Chemonics would continue marketing support to the other MARD activities.
Hand over community forestry programs to HMG and DANIDA/NARMSAP	It is likely that DANIDA and HMG may be willing to pick up the majority of community forestry costs, particularly for hill programs; ensure continuing funding for Terai and 'second generation' activities.

- ? Reduce or eliminate local currency, Red Book support to HMG operations.
- ? Seek Global/USAID funding for DoI and WWF activities.
- ? Discontinue MARD livestock, fruit tree, and nutrition.¹²

¹¹ Priority for elimination from top to bottom. While funding was not the major cut criterion, these cuts would result in reductions in required funding. This is the same order of reduction that the Assessment Team would recommend for either funding constraints or management constraints.

¹² Support activities related to fruit trees that are already bearing should not be discontinued

-
- ? Transfer routine CFUG hand over activities to HMG and other donors, such as DANIDA.
 - ? Explore synergy relationship that would enable hand over of appropriate activities to other SOs.

With regard to the last option, a series of recent evaluation and assessment studies for programs under SO 2 and SO 3 indicate that there is considerable potential for synergy and hand over of relevant activities now being carried out under SO 1. Among these are health, nutrition, literacy, microenterprise, and village banking activities which are currently within SO 1 portfolios being handled by community and women's groups operating under SO 2 and SO 3. These are programs where assessments demonstrate the success, sustainability, and cost-effectiveness of innovative models that are reaching large numbers of households at lower per household cost than similar initiatives under SO 1. SO 2, for example, has successfully pioneered 'fee-for-service' and volunteer initiatives among local women that are bringing nutrition and health information and inputs to large numbers of households at low cost. SO 3 is now working with almost 7,500 women's groups (equivalent to the number of total CFUGs organized over the past 15 years). These groups include some 8,000 women members of CFUGs, 2,100 members of WUGs, 5,600 female members of farmers groups. An additional 700 SO 3 women's groups with 12,000 members are actively participating in the Parks and People program. Approximately 40,000-50,000 SO 3 women are actively developing Nepal's first women's village banking program. Both of these sets of activities are directly related to SO 1 objectives and linkages and/or transfer of related SO 1 activities to these SOs should merits close examination.

F. SPECIFIC RECOMMENDATIONS BY IR AND ACTIVITY

Some specific options for cost saving under conditions of low, medium, and high funding levels include the following:

LOW FUNDING LEVEL:

- ? Discontinue Red Book local currency support for Ministry of Agriculture (MoA), except for Policy Dialogue.
- ? Discontinue/phase out Department of Interior activities.
- ? Discontinue/reprogram MARD livestock, fruit tree, and nutrition activities; enhance marketing activities.
- ? Reduce/eliminate Agriculture Policy Research support; substitute Agriculture Policy Dialogue support.
- ? Hand over Irrigation Management Transfer Project activities to ADB, and IBRD.
- ? Hand over hill district community forestry to NARMSAP (with the exception of CARE in Rapti areas — to be determined through negotiation).
- ? Facilitate linkages, synergy, cross-fertilization, and learning among activities and all SOs; develop and integrate vision among the SO teams, reduce rivalries and 'turf' battles; hand over appropriate activities to other SOs, especially those involving literacy, microfinance, microenterprise, health and nutrition.
- ? Facilitate enhancement of transparency among all partners, HMG, NGOs; consider formal linkages, support to TI.

MEDIUM FUNDING LEVEL:

- ? Continue Terai Community Forestry second generation activities; develop low-cost, scaling-up model(s).
- ? Continue gender-based funding for academic study for women in agriculture and forestry (consider handing over to SO 3).
- ? Continue presence of USAID in policy and technical advisory arena; promote private and NGO partnerships outside HMG for agriculture and natural resource sectors.
- ? Redesign MARD and all high value programs to become market-driven, including selection and packaging; to develop low-cost, scaling-up model(s); to provide marketing TA to other activities including those of AEC, UMN, CECI, CARE, and WWF.
- ? Facilitate linkages, synergy, cross-fertilization, and learning among activities and all SOs.
- ? Facilitate enhancement of transparency among all partners, HMG, and NGOs.

HIGH FUNDING LEVEL:

- ? Expand CARE programs in former Rapti area to include market access and private sector linkages to AEC and MARD (redesigned); and develop low-cost, scaling-up model(s).
- ? Expand AEC support into former Rapti area, strengthen linkages to CARE, MARD (redesigned); and develop low-cost, scaling-up model(s).
- ? Facilitate linkages, synergy, cross-fertilization, and learning among activities and all SOs.
- ? Facilitate enhancement of transparency among all partners, HMG, and NGOs.

CHAPTER 7 ISSUES FOR FURTHER CONSIDERATION

Within the framework of the findings and recommendations discussed previously, there are a number of related issues that the SO 1 team will wish to consider as it reviews their plans for the next five years. Some of these relate to existing programs where modifications may be appropriate, while others may imply the need for new or reallocated resources. These include:

- ? land ownership and tenure arrangements, and underlying ethnic and social relationships, which impede widespread development of market-oriented agribusiness, and equitable and productive management of water and forest resources;
- ? community forestry advancement in the Terai, where economic and ecological demands warrant the expansion of CFUGs, but where competing interests and HMG policies are ambivalent and land issues are problematic;
- ? synergy necessary among SOs, especially for maximizing the potential of user groups, as indicated above;
- ? security, political, and social issues arising from Maoist activities in key target areas which are a challenge to development, but which include considerable potential for creative solutions; and
- ? high-level policy dialogue, to be initiated among the US Embassy, HMG, USAID, and leading development partners, to explore development-led conflict mitigation approaches, especially with regard to forestry and agribusiness user groups in selected Rapti districts.

Under conditions of major budgetary constraint, the Mission may also have to consider closing down SO 1 and/or the majority of its current activities. Such a decision would have a number of anticipated consequences. These include:

- ? greater ecological degradation and reduced forest and agricultural productivity,
- ? less technology transfer in high-value agricultural production,
- ? reduced management and technical skills of local people and organizations,
- ? reduced local empowerment and slower democratic development,
- ? loss of credibility of USAID if current commitments are not met, and
- ? loss of opportunity to use funding constraints as opportunity for leveraging needed HMG policy changes.

CHAPTER 8

SUMMARY OF GENERAL CONCLUSIONS, RECOMMENDATIONS, AND NEXT STEPS

- ? SO 1 is basically sound, although it needs tuning to address important environmental concerns and to broaden a rather narrow focus on valuable commodities.
- ? Use the formula: 'Build on success; seek innovation' — it is time for some 'new wine in new bottles'.
- ? Shift, where feasible, toward a higher ratio of grant funding to contract funding to enable increased flexibility and innovation.
- ? Work with participatory group-based institutions that promote democracy and civil society, such as CFUGs, WUGs, and conservation area/buffer zone communities.
- ? Shift SO emphasis increasingly toward the commercial, private sector; encourage HMG's increasingly positive attitude toward acknowledging the role of the private sector.
- ? Promote transparency and ongoing policy dialogue around lowering the government profile; demonstrate how local currency support works against long-term HMG interests, fuels opposition, and generally raises frustrations among public.
- ? Support policy dialogue and donor action to enhance HMG's own revenue-raising capacity to replace dependency on donors.
- ? Identify/devise means to involve a large number of farmers at lower per unit cost; Nepal has had numerous successful programs, but the problems are large and the scale of the interventions too small; SO 1 needs to look hard at innovative, alternate models.
- ? Lessons from Rapti can/must be shared through local farmer-to-farmer exchanges and training of trainers to spread know-how using organization(s) that can work in and/or tap resources within Rapti area, as well as spread know-how through and beyond Rapti area.

Next Steps

Internally, SO 1 would benefit from enhancing communications and linkages among all USAID/Nepal SOs, as well as among SO 1 activities and partners. The changes suggested in this assessment, coupled with the synergy generated from such an interactive process, should provide a starting point for productive dialogue and partnership-building which is greatly needed. Such a process would enable SO 1 to further increase the number and scale of innovations, the impact of those interventions, and to explore new ways of working productively within a context of reduced budgets. The SO's main task is to turn the present environment of resource constraint into a dynamic process that will generate new opportunities for reaching larger numbers of farmers, both male and female.

ANNEX 1

ANNEX 1

PERFORMANCE ASSESSMENT: CRITERIA AND RANKING METHODOLOGY

Guided by the Mission Director and SO 1 Team Leader, the assessment team developed the following criteria for assessing activity performance.

Criteria	Ranking Indicators
Meets Strategic Objectives & Intermediate Results	Meets or exceeds SO and IR indicators; addresses 'lessons learned' from sector experience
Is cost effective	Has measurable impact on large number of households at low cost per household
Shows sustainable impact and replicability	Cost and management can be borne by household, user group, business rather than by government or donor
Maximizes prior USAID investment	Builds on Rapti, Rampur Agriculture Institute, Pokhara Institute of Forestry investments
Fits HMG priorities, including Agriculture Perspective Plan (APP), and Forestry Master Plan (FMP)	Meets public HMG commitments, including APP and FMP priorities
Fits US government and national priorities	Meets public USA commitments, Congressional priorities
Maximizes potential for hand over or phase-out, fallout minimized	Households and user groups can take over operations, vs. need for ongoing gvt. or donor management
Demonstrates innovation potential	'Outliers' with high potential for meeting criteria in future, esp. regarding scaling-up and maximizing impact and consequence

These criteria were ranked from on a scale from 1 to 10, low to high, as indicated in the table on the following page. The following scoring system was used in summarizing results of the individual assessments:

<u>Score</u>	<u>Ranking</u>
1-3	Low
4-6	Medium
7-10	High

Performance Assessment Matrix

Project/Activity:

Contractor:

SO:

IR(s):

Criteria Ranking	SO/IR Ranking	Cost-Effective	Sustainable Replicable	Maximize USAID Investment in Sector	Government Priority/Nepal	Government Priority/USA	Hand over/Phase-out	Innovation Potential	Performance Summary
HIGH	Meets SO, exceeds IR, lessons	Low cost/ unit of impact/HH	Households will pay all costs	Builds on all USAID investments	Addresses high HMG priorities	Addresses high USA priorities	Households take over all activities	High impact, low cost/HH sustainable	High performance all criteria
10	= SO, > IR = lessons	< \$1 per HH to meet SO, IRs	HH meets costs and all management	Builds on all USAID investments	Addresses public HMG commitments	Addresses public USA commitments	HH already taking over activities	High impact, low cost/HH sustainable	High performance all criteria
9		< \$2 per HH to meet SO, IRs							
8	= SO, > IR, = lessons	< \$3 per HH to meet SO, IRs	User Group meets cost & all mgt.	Builds on most USAID investments	Addresses high APP & 5 yr. plan priorities	Addresses high USA & USAID priorities	User Group taking over activities	High impact, med. cost, sustainable,	High performance on most criteria
7		< \$4 per HH to meet SO, IRs							
6	= SO, = IR, < lessons	< \$5 per HH to meet SO, IRs	Business/ company pays costs	Builds on half of AID's investments	Addresses med. APP, 5 yr. priorities	Addresses med. USA priorities	Bus./comp. taking over activities	Med. impact, med. cost, sustainable,	High & med. perform. on most criteria
MEDIUM 5		< \$6 per HH to meet SO, IRs							
4	= SO, < IR, < lessons	< \$7 per HH to meet SO, IRs	Assn/ Federation meets costs	Builds on some USAID investments	Addresses low APP, 5 yr. priorities	Addresses low USA priorities	Assn/Fed'n. taking over activities	Med. impact, med. cost, sustainable	High & med. perform. on few criteria
3		< \$8 per HH to meet SO, IRs							
2	< SO, < IR, < lessons	< \$9 per HH to meet SO, IRs	Government meets costs and mgt.	Builds on a few USAID investments	Addresses a few low APP & 5 yr. priorities	Addresses a few low US/USAID priorities	Government taking over activities	Med. impact, high cost, sustainable	Poor performance on most criteria
1	Not SO, no IR, no lessons	>\$10 per HH to meet all IRs, SO	Donor pays all costs and management		Addresses no APP & 5 yr. priorities	Addresses no USA priorities	Donor operating all activities	Low impact, high cost, sustainable	Poor perform. on all criteria
LOW	Does not address SO IRs, lessons	High cost/unit of impact/HH	100% dependent on donor	Builds on no USAID investments	Does not address HMG priorities	Does not address US priorities	No feasible take over anticipated	Low impact, high cost, not sustain.	Poor perform. on all criteria

Example of a Summary Assessment Table: SO 1 Assessment Team

Activity	Imple- menter	SO/IR Rank	Cost- Effective	Sustainable Replicable	Maximize Investment	HMG Priority	USA Priority	Hand over/ Phase-out	Innovation Potential	Performance Summary
Agricultural Policy/ Research	Winrock	High	Low	Low	Low	Low	Med	Low	Low	Low
	Chemonics	Med	Low	Low	Med	Med	High	Med	Med	Medium
Agribusiness	AEC	High	High	High	High	High	High	High	High	High
Market Access	MARD/ Chemon.	Med	Low	High	Low	Med	High	Low	Low	Medium
	MARD/ CECI	Med	Med	Med	Med	Med	High	Med	Med	Med/high
	AED/ Educ.	Med	Low	Low	Low	High	Med	Low	Low	Med/low
	HMG/ Red bk.	Low	Low	Low	Low	High	Low	Low	Low	Low
Agricultural Production	Chemonics	Med	Low	Med	Med	Med	High	Low	Low	Low/med
	CECI	High	Low	Med	Med	Med	High	Med	Med	Medium
	Farmer/ farmer	Low	Low	Low	Low	Low	Med	Low	Low	Low
	HMG/ Red bk.	Low	Low	Low	Low	High	Low	Low	Low	Low
Environ. Forestry	UMN	High	High	High	High	High	High	High	High	High
	BSP	High	High	Med	Med	Med	High	Med	Med	High
	CARE	High	Med	High	High	High	High	High	High	High
	WWF	High	High	High	Med	Med	High	High	High	High
	DoI	Med	Med	Med	Med	Med	Med	Low	Med	Medium
	HMG/ Red bk.	Med	Low	Low	Med	High	Low	Med	Low	Low/med
Irrigation	CADI	High	Med.	Med.	High.	Med.	Med.	Med	Med	Med/high
Summary	All	Med+	Med	Med	Low	Med+	Med+	Med	Med	Med/high

Example of a Summary Assessment Table: SO 1 Staff Assessments

Activity	Implementer	SO/IR Rank	Cost-Effective	Sustainable Replicable	Maximize Investment	HMG Priority	USA Priority	Hand over/Phase-out	Innovation Potential	Performance Summary
Agricultural Policy/ Research	Winrock	High	Low	Low	Low	Med	Med	Low	Low	Low
	Chemonics	Low	Low	Low	Med	Low	Low	Low	Low	Low
Agribusiness	AEC	High	High	High	High	High	High	Med	High	High
Market Access	MARD/ Chemon.	Med	Low	High	Low	Med	High	Low	Low	Medium
	MARD/ CECI	Med	Med	Med	Med	Low	Low	Low	Med	Medium
	AED/ Educ.	Low	Low	Low	Low	Med	Low	Low	Low	Low
	HMG/ Red bk.	Low	Med	Low	Low	High	Low	Low	Low	Low
Agricultural Production	Chemonics	Low	Low	Med	Low	Med	High	Low	Low	Medium
	CECI	Med	Low	Low	Med	Med	Med	Low	Med	Medium
	Farmer/ farmer	Low	Low	Low	Low	Low	Low	Low	Low	Low
	HMG/ Red bk.	Med	Low	Low	Low	Med	Med	Low	Med	Low
Environ. Forestry	UMN	High	High	High	High	High	High	Med	High	High
	BSP	High	High	Med	Med	Med	Med	Med	Med	High
	CARE	High	Med	Med	Med	Med	High	Med	Med	Med/high
	WWF	High	High	Med	Med	Med	Med	Med	Med	Med/high
	DoI	Low	Low	Low	Low	Low	Low	Med	Low	Low
	HMG/ Red bk.	Low	Low	Low	Low	Low	High	Med	Low	Low
Irrigation	CADI	Med	Med.	Med.	Med.	Med.	Med.	Low	Low	Med/low
Summary	All	Med	Low	Medium	Low	Medium	Medium	Low	Low	Medium

ANNEX 2

ANNEX 2
KEY INFORMANT QUESTIONNAIRE

Name: _____ Designation: _____ Date: _____
Organization: _____

Background:

Big Picture:

What is working in Ag. and NRM Sectors? What is the best of what's out there?

What's NOT working? Where are the opportunities for doing even better?

Major funding sources, support, and direction?

What has been your experience with high value crops and marketing?

What has been your experience with forest and NTFP production?

Meeting SO/IR Targets

How would you rate this activity, compared to other activities, in terms of meeting all relevant (SO and IR) targets?

Cost-Effectiveness

How would you rate this activity, compared to other activities, in terms of cost effectiveness?

Sustainability

How would you rate this activity, compared to other activities, in terms of sustainability?

Maximizing Investment of USAID

How would you rate this activity, compared to other activities, in terms of maximizing investment of USAID?

HMG Priority

How would you rate this activity, compared to other activities, in terms of meeting top HMG priorities?

USA Priority

How would you rate this activity, compared to other activities, in terms of meeting top USA priorities?

Hand over/Phase-out

How would you rate this activity, compared to other activities in terms of potential for smooth hand over to local institutions or phase-out with minimal fall-out?



Innovation Potential

How would you rate this activity, compared to other activities in terms of innovation potential? (such as large nos., low cost, high impact, sustainable)

Does Maoism affect this activity? How?

If USAID no longer supported 'Red Book' funding, how would this activity be affected?

If funding were cut, would any other organization be willing/able to pick up these activities?

What is your perspective on the general sharing of information, linkages, synergy among other components of this activity, compared to other activities?

Among other activities in USAID's SO 1?

Among relevant activities in other USAID SOs?

Do you have any other observations or questions relevant to an overall assessment of USAID's SO 1?

ANNEX 3

ANNEX 3
NEPAL SO 1
STRATEGIC, PROGRAM, DESIGN, AND MANAGEMENT ISSUES
(Ben Stoner)

I. Strategic Objective Issues

? Role of HMG

A shift in paradigm is needed in SO 1 to acknowledge that the Government is not the driving force for promoting broad-based economic development, sustaining the environment, and promoting grass-roots democratic institutions. The success or failure in these areas will largely depend on actions by civil society organizations (private sector, NGOs, user groups, etc.). The HMG has an important role to provide a policy environment to permit the changes to move forward more quickly, but civil society, not government, will be the driving force for this development.

? Economic Growth and Environment

Economic and democratic institutional development in Nepal is dependent upon the prudent management of the natural resource base (forest, land, water) for sustained productivity through conservation. Although the endowment of natural assets varies greatly by region and Agriculture climatic zone, these natural resources are the most broadly distributed asset that Nepal has. The distribution, conservation, and use of these natural assets by local communities and households will play a major role in determining the development future of Nepal.

? Restatement of SO 1

The Mission should consider a reformulation of SO 1, and associated intermediate results and indicators to reflect the above and to provide clarify and focus for program and program management changes discussed below.

II. Program Management Issues

? Moving from Project to Program Management

The SO 1 Team should review division of responsibilities within the team and determine how to best work to implement the reformulated SO 1. Coordinated work of the team should be encouraged to integrate program activities (grants and contracts) to achieve planned results.

? Modifying the Existing Portfolio to Build on Success

At this stage, the SO 1 Teams needs to clearer define strategy revisions. The decisions on how to modify the portfolio of existing activities should follow from the revised SO 1. The transition to the new revised SO 1 should be gradual, over a two-year period or so. SO 1 should continue to build on the successes and lessons from its work in Rapti.

The EFEA (Environment and Forest Enterprise Activity) program of the current SO 1 appears in general to be right on track. The program should continue to gradually shift its emphasis to strengthening the management and technical skills of Community Forest User Groups (CFUGs). There are over 2,000 CFUGs in the EFEA target areas and rapid expansion continues, despite security problems in some areas. The mixture of activities, implementing strategy, combination of implementing partners, cooperation among partners, program-wide monitoring and coordination appear good. The recommendation is to stay in the current target area and focus on the development of CFUGs as independent local institutions for sustainable forest and forest enterprise management. This program is having a wide-scale positive impact to a cumulative beneficiary population of around a million persons. Stay the course. Figure out how to work through local private groups and NGOs to deal with the current political and security problems. Maintaining continuing development as the solution to these problems is likely to be the most important contribution that USAID can provide to Nepal.

The MARD (Market Access for Rural Development) program of the current SO 1, suffers from a number of problems, stemming from the design, choice of strategy, mixture of partners, and security problems that have caused resources to be diverted to new target areas. A rethinking of the implementation strategy and redesign of the implementation approaches are needed. Nonetheless, it should not be forgotten that this program is also building on the tremendous successes of VFC (vegetable, fruit and cash crop) development in the Rapti Zone. The private-sector driven production and marketing of these crops continues to expand and is a model being replicated in other areas through assistance by other donors. An example of this is that 69% of all vegetable seed produced in Nepal last year came from the Rapti area. This program focuses on higher potential production pockets and thus has less broad-based impact than EFEA, but it complements and enforces EFEA through its market-oriented business approach. The SO 1 teams need to figure out how to work through local private groups and NGOs to deal with the current political and security problems. Again as with EFEA, maintaining continuing development as the solution to these political problems is likely to be the most important contribution that USAID can provide to Nepal.

? Dealing with Planned Budget

SO 1 faces a major reduction in future budgets. This calls for strategic planning to focus the program on the most important elements and on the most important partners. Because of the budget cuts, the ANE Bureau in AID/Washington will be looking for substantive program changes. The strategy needs to be explicit about changes; about what was cut and why. At the same time it needs to be well positioned to actively seek additional funds, from both Mission OYB and AID/W central funds.

Two suggestions for possible additional funds:

- ? The Maoist challenge and the development solution. USAID should dialogue with the Embassy and State and seek ESF Democracy and Governance funding for selected forestry and agribusiness support to local users groups in affected areas of the Rapti Zone.

-
- ? Environment funding. The positive environmental impacts of the EFEA program should be emphasized and the Mission should push for more environmental funding, particularly from biodiversity conservation and climate change funding.

III. Program Design Issues

- ? Identifying Implementing Partners and Mechanisms

SO 1 Team needs to determine the best tactics for achieving results under a revised strategic framework. A thoughtful political/institutional analysis of partner organizations and grant/contract mechanisms will be needed for this.

- ? Working with HMG

While development progress per the above will require greater direct support for civil society organizations, SO 1 will still need, nonetheless, to maintain good working relationships with the HMG. It is particularly important to maintain open communications for policy dialogue at the national level. A reducing level of local currency support is called for, but must be done gradually and tactfully. Prospects for doing this appear good in the forestry sector, but more difficult in the agricultural sector.

- ? Working with other Donors

Donor sector-level cooperation has been strong in Nepal and USAID has been a key actor in rural development, forestry, and agriculture. Maintaining this is important to achieving good results under SO 1. It is also extremely important to policy change that will encourage further decentralization, devolution, and liberalization. Proposed USAID strategy revisions should be discussed with other donors and their support solicited.

- ? Geographic Focus

The current portfolio of activities under SO 1 is spread throughout a wide number of districts. The new strategy needs to consider various options for geographic focus, the advantages, disadvantages, and tradeoffs from geographic focus. Per item II above, USAID is highly respected by the HMG, other donors and our implementing partners from our work and successes with community forestry and VFC agribusiness in Rapti. Building on this is recommended.

IV. Restatement of SO 1

The Mission should consider a reformulation of SO 1, and associated intermediate results and indicators to reflect the above and to provide clarify and focus for program and program management changes.

This might look something like the following:

SO 1: Improved Natural Resources Management

? Indicators:

- ? NRM biophysical indicator (i.e., forest cover, biomass, etc.),
- ? Economic production and sales indicator, and
- ? Social welfare/governance indicator.

IR 1.1 Strengthened local organizations (user groups, NGOs, associations)

? Indicators: Number, type, level of institutional development using a tool like the Organizational Development Framework (used by MSI, and BSP/Kemala).

IR 1.2 Liberalized policy for decentralization, devolution, and privatization.

? Indicators:

- ? Forest policy implemented for community forest management,
- ? Agricultural marketing restrictions lessened, and
- ? Irrigation policies implemented for user groups.

IR 1.3 Adoption of improved technologies and management practices

? Indicators:

- ? Forest management,
- ? Agribusiness marketing, and
- ? Irrigation management.

ANNEX 4

ANNEX 4 STRATEGIC OBJECTIVE 1 REVIEW

23 November 1999

Albert L. Merkel

METHODOLOGY

This analysis is based on personal interviews with USAID staff and its partners. A number of reports, evaluations, and other documents were read and discussed. A three-day field trip to activity areas provided first-hand knowledge of the work supported by the Strategic Objective. George Like and Donna Stauffer freely gave their time to discuss the various findings and recommendations in this report as did the other members of the ARD Office. Representatives from other SO Teams also provided insight into the synergy among the SOs. I feel that it is important to note that the very short period allowed for this visit may result in oversights in this report. For that, I sincerely regret any inconsistencies or errors.

DISCUSSION

The discussion will follow a general to specific course or SO to sector to activity. Findings are followed directly by their relative recommendations. Where findings do not require recommendations there are none.

A. SO 1 FRAMEWORK

Review of the SO 1 framework shows an integrated plan of activities with identified indicators and results. The framework keys primarily economic concerns and relates directly to USAID's goal for economic growth. The SO also supports the goal for environment. The framework is well written and is easy to follow from level to level. The stated approach is reasonable and clear.

There is considerable potential for greater collaboration between the SOs. For example, SO 3 has formed a number of women's groups for credit and other activities. Connecting these to the MARD and Forestry activities may be a way to spread development faster.

1. **Finding:** *The SO is appropriate and is working in correct sectors of the Nepal economy. The target population is appropriate. The activities are relatively successful. I can only make general comments about the geographical location selected for work although the extent of the area covered by the activities will be discussed. There is adequate interaction and coordination with partners but this could be improved. The SO activities do not overlap to any great extent with other donors and seem to be complementary where they are working in similar areas of the sectors. USAID/Kathmandu should continue most of these activities until the end of the present Strategy.*
2. **Finding:** *After reviewing the program and discussing it with the USAID staff and the implementation partners, I feel that complete achievement of the results planned may be difficult by the end of the SO period, especially under MARD.*

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2. **Recommendation:** The activities under this SO are managed as distinct projects as was the system before reengineering. There is insufficient coordination among the different activities. Lessons learned about what works are not shared freely. Partners are not well integrated into the review and decision process of the Team. (See ADS 202.5.2 and ADS 202.5.5) In order to better manage the activities under the SO, the SO Team must develop their skills for effective teamwork and actively participate in team management of all the activities of the SO.

Because of the adherence to activity structure, inefficiencies exist in implementation of the activities. There is considerable intra-office (ARD) criticism of activities under the SO. Unfortunately, this criticism is not open or constructive and is used to prove that one part of the MARD activity is better than another activity. Transfers of lessons learned or group discussions of success or problems are minimal and ineffective.

In the SO framework, the approach section provides several goals and a vision for managing activities. The ARD staff does not fully understand the SO Framework 'Approach' statement, therefore it is not fully implemented, although most agree that it should be followed. The Approach could become a 'Vision' statement for the SO with only minor changes.

Existing conditions in ARD support transition to teamwork management for improved implementation of SO 1. The staff appears willing to collaborate on improved management to have a better chance of success. The ADS provides clear guidance on the requirements and duties of SO teams (ADS 202.2 and ADS 202.5). Also, a publication in the ADS 202.6.1a, *Tool Kit for Effective Teamwork*, may be helpful to the SO 1 Team. I suggest that the SO Team review these requirements and develop working systems that encourage and reward teamwork and collaboration between the USAID staff and its partners.

The geographical distribution of the activity sites, the changes in work methods, and the adoption of new sites resulting from the Maoist activities, and the nature of the present marketing program in MARD create constraints that may not be resolvable with the level of resources available to the activities. With this said, the activities can achieve significant results and, with some changes in management systems and focusing of activities discussed later under the MARD Activity, may be able to achieve all programmed results

3. **Finding:** *SO 1 supports both economic growth as well as environmental concerns. As written the SO and the IR statements do not adequately reflect the environmental objectives that are both targeted and achieved.*
3. **Recommendation:** The SO, and the appropriate IRs, and indicators should be restated so that the environmental results are presented. The SO will result in better managed forests, increased protection of biodiversity, improved watershed performance, and sustainable production of forest products. The present measure of biomass is an insufficient measure of the above results. An appropriate indicator at the SO level would be the number of Community Forests being managed following approved management plans as well as the total area under these plans. Note that the difference is forests actually being managed following the plans, not just forests with plans in place. At the IR level, some measure of

sustainable production from the forest without damage to the ecological base could be made. An example could be the sustainable removal of fuel wood based on a percentage of annual production of fuel wood.

4. **Finding:** *SO activities are dispersed and in some cases located in places where communication and access are poor. Those in the Rapti area are in Maoist controlled zones. The MARD activity especially suffers from complex implementation mechanisms, using three four partners and wide geographical range with insufficient resources to address these problems. This results in poor communications among the different partners as well as inefficient transfer of technologies.*
4. **Recommendation:** The chances for success in areas that have relatively poor support infrastructure and technical resources are meager. The resources of the activities should be managed so that they provide synergistic, mutual support to the other inputs of the activity. All partners in an activity should have work results keyed to the indicators and results of the SO. All partners should be held equally accountable for the achievement of the results of the activity. Each activity should have only one work plan with all partners work included. All partners should be held accountable if the work plan is not accomplished.
5. **Finding:** *Additional resources are provided to Nepal through USAID Centrally Funded Activities. Those in agriculture and natural resources, including 'Farmer to Farmer' among others, should be cooperatively managed with Washington by the ARD office.*
5. **Recommendation:** ARD should contact the activity managers of each of the programs working in Nepal and develop a cooperative management plan for Nepal activities. These should be confirmed in a formal cable to the Global Office chief concerned with the activities. Those relevant Washington activity managers should be made virtual members of the SO 1 Team. The results achieved by these activities should be reported in the R-4 as well.

B. NATURAL RESOURCE MANAGEMENT ACTIVITIES

Community forestry is the principal natural resource management activity of SO 1. WWF, Department of Interior, BSP, CARE, and others implement several other activities. I could not fully review these programs. Field trips to these activities were not possible and time constraints made interviews with many representatives of the field activities difficult. With that said, I believe that I can make worthwhile recommendations on most of these programs.

Community Forestry (CF) is one of the success stories of development in Nepal. Considerable areas of national forest lands have been officially allocated to local communities for management. These community forests have management plans, are producing valuable products, and are being properly used, if reports are correct. The ecology in the community forests is improving, watersheds are becoming more productive and wildlife habitat is improving. All this indicates environmental improvement.

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1. **Finding:** *Community forestry work is successful. USAID/Kathmandu is supporting CF in the Terai and meeting of the SO and IR indicators. Other donors are supporting CF in other parts of the country. USAID should continue to fund this activity until the present grant with CARE is completed. By that time, there will have been more than 35 percent of the forest appropriate for CF turned over to local groups. Should funding for the SO be difficult, discussions with DANIDA indicate that they would be open to providing the funding required to continue turnover of forest lands should USAID not continue to provide this support.*

 2. **Finding:** *Creating new community forests and passing these to local groups is an activity that is sustainable in Nepal. It is accepted by the HMG, the methodology is well developed, and a number of donors are already playing a bigger role than USAID. USAID/Kathmandu is a small donor and must key its resources to resolving development problems where other donors are not already well represented. For this reason, USAID should move to another area of support for CF.*

 2. **Recommendation:** As CF turnover is phased out, USAID/Kathmandu should consider providing services to those CF user groups (CFUG) that have been in existence for several years. The DANIDA representative as well as others have identified a need for up-dating the management plans of the older CFs. As the forest improves with protection, changes rapidly occur. The total biomass is increased but more importantly, valuable resources start to accumulate. Fuel wood quantities and quality increases. Where there was once only twigs and grass, limbs, fruits, and other more valuable minor forest products now exist. Larger diameter wood is worth more. Early plantings of valuable crops begin to mature. Setting appropriate shares and their distribution become more difficult. Management decisions are more complex and better knowledge of the resource is required. More than 100,000 ha. of forest have been turned over to 92 user groups comprised of almost 250,000 people under the EFEA activity alone. These 'second generation' questions need to be addressed.

Many CFs in the world failed because the local people could not manage the second-generation problems and did not have access to technical assistance to help resolve the new problems. This is the major cause of failure of CF activities. There are no other donors providing this support to most of the CF groups. It should be noted that the Australians are providing a wide range of services in a very intensive program to only two districts. Developing an indigenous resource of technical assistance in advance CF management appears to be an ideal follow-on activity to the Environment and Forest Enterprise Activity.

Services required are professional forestry technical assistance, motivators and expeditors to assist with revision of management plans, marketing expertise, audit and accounting services. A potential partner could be FECOFUN, the CFUG advisor organization.

3. **Finding:** *Monitoring reports prepared by BSP/New Era provide valuable and quantified reporting on the activities of the USAID/Kathmandu forestry support. This report is among the best I have seen in any USAID activity. The report keys sections to the USAID/Kathmandu's SOs, and its IRs. It presents results as results, gives good accounting of inputs and outputs, and provides success stories. There is a good discussion of issues and opportunities (lessons learned). If such a document could be prepared for MARD,*

considerable benefit would be realized. See additional discussion of this point under the section on MARD.

Note: As I could not adequately review the other programs associated with Forestry/Natural Resources Management, I shall not comment on them except to say that the SO Team should carefully analyze their work. The Team should judge whether those activities are actually associated with the SO and its results and if these activities can be managed to the extent needed with the resources available.

C. AGRICULTURE AND IRRIGATION

USAID/Kathmandu's activities in this sector are more dispersed than in the forestry sector. There are a number of partners involved. Coordination between the partners is difficult. There are several technologies being implemented with similar expected results. In some cases, irrigation for example, the activity may be not central to the SO and be contributing to lack of focus in the program.

1. **Finding:** *The USAID/Kathmandu Agriculture Sector Program is meeting its results but could do better through decreasing management load by becoming more focused and reducing activities that are not central to achievement of the overall IRs.*
1. **Recommendation:** Irrigation management through water-user groups is being supported under SO 1. The ADB is loan-funding repairs to these systems. HMG is allowing local management of these systems. These programs are working well but are not well integrated into the rest of the agriculture programs of SO 1. They are working with different people, in different geographical locations, and are not in high value crop production. The SO 1 Team should consider not providing additional funding for this outlier program. It is very possible that the ADB will provide funding for this direct support to their program.

Under the MARD activity, livestock and fruit tree production is supported. These efforts are small but they do utilize scarce resources and add management burden to an already difficult to manage activity. Both livestock and fruit tree management require extensive training and effort if they are to produce high value and high quality results. These efforts are not marketing-driven in the first stages. In effect providing improved varieties of animals and fruit trees is only a first, but unsustainable, step in increasing the value of products of livestock and fruit tree production. The activity can do little in delivering the systems of improved feed and disease control for animals or improved pruning and defruiting techniques for fruit growers to be able to materially improve the quality of these products. Yet valuable efforts are made and scarce resources used in these areas. These efforts and resources should be redirected to other high value crops.

There are several other examples such as the nutrition activity operated by Chemonics and the women's literacy activity that may also require review. I do not have either technical expertise or enough first-hand information to be able to advise on the appropriateness of these activities to the SO 1 Results.

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2. **Finding:** *Management of the MARD activity and its various subactivities is done as if each activity were a discrete project. This results in partners and activity managers operating as if they were in competition. Competition for scarce resources, proprietary protection of what works in the activities so that credit can be taken, criticism of approaches by partners to implementation without proposing better methods is common. The essence and objective of teamwork management is not found in the MARD Activity.*
2. **Recommendation:** The USDH Activity Manager should redo the management structure for the MARD Activity and include AEC as part of the MARD activity. This would first entail development of a new activity management strategy and “vision” for the MARD Activity. At first level, this would be done with the sub-activity managers. Some of the outputs from this action would be:
- a) common management goals,
 - b) work requirements that were common to each manager,
 - c) agreed on results,
 - d) periodic reviews by the management team of MARD,
 - e) encouraged open communications among implementers,
 - f) developed performance monitoring and agreement to execute the system,
 - g) shared methodology and problem solving, and
 - h) acknowledged equal responsibility for success or failures.

After reaching agreement with the MARD management team, a similar exercise would be conducted with the other partners. Where possible, contracts, cooperative agreements, and grants would be modified to reflect this requirement for mutual collaboration in implementing this activity.

In the SOAG, there is a system of committees and other such groups to review management and progress. These no longer function. I suggest that some mechanism be put in place where all partners as well as customer representatives periodically review progress and constraints. This meeting should be a working meeting to the extent possible. Avoid, at all costs, a 'dog and pony show' while keeping the meeting as short as possible with a focused agenda.

3. **Finding:** *MARD is working in too many diverse geographical locations. The activity is being strained to provide assistance over all these areas. USDH and contractors cannot enter the Rapti zone because of Maoist activities. There are partners working without collaboration of other partners because they are too far apart. Considerable effectiveness is lost and efficiency is reduced by this constraint.*
3. **Recommendation:** I could not visit the activity sites nor could I find quality evaluation of the activities in the different areas. The MARD management Team should assess the work of the different partners, the areas where they are located, and the effectiveness of activities. Those where sustainability will not be possible given the level of inputs available should be appropriately closed.

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4. **Finding:** *Monitoring and evaluation of progress toward achievement of the results of the SO and the IRs is not adequate. There is over reporting of inputs and outputs with insufficient ties to results. ADS 203.5.5. provides guidance for monitoring systems. The reporting system for MARD should provide the needed information for appropriate evaluation of progress and management decisions.*
 4. **Recommendation:** MARD should follow the system used by the BSP/New Era for the community forestry activity. The reports are appropriate and well done. I recommend that MARD funds be used to contract for such services.
 5. **Finding:** *The MARD Activity is putting too low an emphasis on market linkages, buyer-producer connections, and market-driven production. Production support is overemphasized.*
 5. **Recommendation:** While production is an important part of MARD, there is little need for providing intensive support to farmers in production. Their principal needs are for timely inputs such as seed and fertilizer, containers and transportation. In other parts of the world, these inputs come from interested buyers or from farmer-owned businesses located close to production areas. At this time, farmer-owned businesses do not exist in Nepal. Therefore the best sustainable source for inputs as well as access to markets will come from producer-buyer relationships (contracts and input provision). The buyer is often willing to provide the inputs on a credit basis as well as providing other services as well such as TA. The Nepal seed industry already works this way. Indications are that producer-buyer association is working in the Rapti zone. Proof that there was some sustainability after USAID pulled out. Improved producer-buyer contacts and relationship strengthening could result if ADC and Chemonics were to work together collaboratively in this area.

D. LOCAL COST FUNDING

Local cost funding is used to reimburse HMG the cost of support for USAID funded activities. These costs are considerable, in excess of \$600,000 each year for SO 1. In times of reducing resources and in light of the fact that the USAID development program is directly addressing problems that are identified in HMG Development Plan, reduction of these expenditures seems wise and appropriate. Conversely, insuring government support is often necessary to implementation and the traditional method of insuring support is local funding.

1. **Finding:** *USAID/Kathmandu should engage HMG at the highest levels to discuss the availability and use of funds provided to the Red Book for USAID development programs. Options to the present systems need to be found. Perhaps some system of sharing or a different formula of funding may help. Although I do not know the rules for ESF, the Maoist movement in the Rapti zone may indicate use of ESF. This may offset some of the cost of the SO 1 programs as they do have significant democracy development inherent in empowerment of local populations.*
2. **Finding:** *There are few quantitative reports on the activities of HMG and how these support the indicators and results of the SO. As some of the work is in areas where USAID DH and contractor employees are barred from entering, even observation of HMG activities is difficult. Partners in MARD report that HMG extension agents are not using the*

methodology approved by the MARD activity. This indicates that, at best, information is being transferred poorly, and at worse, farmers are being denied information and resources provided under MARD. In the community forestry activities, the work is better defined and can be monitored. There are also other HMG activities funded with local currency support. I have not looked into these to any extent.

1. **Recommendation:** HMG is a partner in the activities of SO 1. As with any partner, regardless of funding source, including them in the planning and decision process leading to implementation is appropriate and encouraged. This means at all activity levels and in all activities. Inducing attention to results and diminishing attention to input/output tracking will improve implementation through any system. Results based planning and implementation requires government officials to do tracking of the results of their activities. Developing activity action plans in conjunction with all partners, with each given accountable results to achieve, and a performance based monitoring system that requires attention to results is needed. All SO 1 activities should develop these plans with ALL partners as soon as possible.

FUNDING OPTIONS

Annex 5 of this report provides a table with a baseline amount that represents the amount required to fund SO 1 activities through 2002. There are three options provided for funding until 2007 with the high, medium, and low amount of new funding expected to be received between now and 2007. These figures and options were arrived at by the SO 1 team and are the most reasonable scenarios. I assisted them but the work and conclusions are primarily those of the ARD staff. I believe that these scenarios are the most appropriate for the Mission to use in its planning exercise. Of note is that the SO can complete all present activities with funds already committed or in the pipeline. Few if any new activities could be started without additional funding. But even with the low scenario for funding, new activities could be initiated.

OPTIONS FOR REDUCING THE PROGRAM

There is scope for reduction in the program if necessary. In earlier recommendations in this report, several recommendations have been made about the program and the potential to focus it better. Those recommendations are reflected in this ranking.

ISSUES

1. Land ownership in the agriculture regions of Nepal where USAID/Kathmandu has their programs is a concern. Most farmers in the region are sharecroppers on lands that are owned by absentee landlords. The farmers pay the landlord a percentage of the crop as rent. Significantly changing crops from basic grains to vegetables could disrupt the payment system and could result in resistance by the landlords to crop changes. There is no proof of this happening but I believe that it would be worth while to investigate this issue.
1. Transfer of technology has proven to be the least expensive and most productive way to induce development. The programs in ARD use very few technology transfer methods. There is heavy reliance on local sources of expertise. Even in the contracted TA teams, most of the

advisors are locals. Short-term TA is not emphasized. Production technology relies on local supplies. Much of the world uses non-indigenous seed for their production. All highly productive agriculture systems rely on hybrid seed. What would be the conditions in Nepal today if IRRI rice seed was not introduced? My recommendation is that USAID/Kathmandu must increase its use of outside technology and technical assistance. This is an issue that USAID/Kathmandu must resolve if the pace of development is to be accelerated.

Activity ¹³	Comments
Irrigation	This activity is the least central to the SO. Recommend no additional funding be given. ADB may be in position to continue this funding.
Local cost funding to HMG	The first funding to cut is for those programs that are not part of SO 1 (e.g. watershed management, etc.)
WWF and DoI funding	Negotiate with USAID Washington on the possibility of centrally funding these activities
Livestock, fruit tree, and nutrition support in MARD	Not much money here but considerable resources are required and activity focus lost.
Chemonics supported districts removed from MARD	This would require a contract negotiation with Chemonics. Chemonics would continue marketing support the other MARD activities.
Red book support to community forestry dropped.	It is possible that DANIDA may be willing to pick up these costs. There is some question if funding would be only for the hills or the Terai as well.
Close MARD	This is a drastic action and should be done only if funds are severely limiting
Close Community Forestry	This would close out the SO.

¹³ Priority for elimination from top to bottom. While funding was not the major cut criteria, these cuts would result in reductions in required funding. This is the same order of reduction that I would recommend for either funding constraints or management constraints.

ANNEX 5

ANNEX 5
ECONOMIC DATA AND FOREIGN AID DISBURSEMENTS FOR NEPAL (1996-2007)
ECONOMIC PLAN OF HMG OF NEPAL

23 November 1999
 Al Merkel

	1996/97	1997/2002	1999/2007
GDP Growth rate at cost factor	4.9	6	7
AGDP growth rate		4	5
Contribution of AGDP	41.7	38	34
Investment % of GDP		25	27
Irrigation Ooha	1056	1198	1390
Total agric land %	40	45	53
Total Road km	11714	13564	
Agriculture road km		2238	5146
People below poverty line %	47	32	23
Unemployment %	4.9	4	3.6
Underemployment %	47	32	23
Installed cap. Electricity	300	606	
Literacy rate %	40	70	
Sectoral allocation Agri/For/Irri	33,977 mil	51,284 mil	
% allocation of total	26.22	27.05	
Total Dev Expenditure in Million		21,517	
% of total Expenditure		11.35	
Foreign Aid Disbursement 1991 to 1998 in Rs. Million			
Year	Grant	Loan	Total
91/92	126.4	270.4	396.8
92/93	171.4	553.5	724.9
93/94	263.9	1801	2064.9
94/95	492.4	810	1302.4
95/96	83.8	1013.5	1097.3
96/97	162.4	273.7	436.1
97/98	144.4	780.5	924.9
Total	1444.7	5502	6947.3

ANNEX 6

ANNEX 6
DRAFT OUTLINES OF POTENTIAL NEW STARTS

23 November 1999
Al Merkel

1. POLICY DIALOG

Duration: 3 to 5 years

LOP funding: \$400,000

Annual expenditure:

Design: \$40,000 (two consultants for 1 month)

Year 1: \$ 50,000

Year 2: \$100,000

Year 3: \$100,000

Year 4: \$100,000

Year 5: \$ 50,000

Results: Regular discussion meeting for AG/NRM Policy between donors and HMG; Fifteen policy subjects analyzed and presented in discussions; Five policy areas improved and constraints lessened.

Potential discussion topics:

Seed distribution,
Farmer group registration,
Octod and other taxed on AG production,
Community Forest in the Terai, and
Tree-cutting from Community Forests.

Components: The activity would develop a methodology for identifying topics to be discussed by a working group of AG/NRP decision makers and donor representative. The working group would be made up of the HMG at permanent secretary level, and of donors' representatives at division head level.

An Iocel contractor/grantee would be selected to host the meetings under the direction of HMG. This contractor/grantee would expedite the selection of a topic in conjunction with the working group members. Each topic would be specific, related to a problem identified in the field, and of a nature that resolution of the constraint is possible by the working group.

The contractor/grantee would prepare a working document that details the policy constraint, the affect in the field, and options to remove the constraint

Meetings would be held two to three times a year, All parties would be encouraged to freely offer their views. The meetings would be closed to those not in the working group. Funding would be available for further study on a problem if the group decided it was necessary. The key

to this activity is in the regular gathering of equal level decision-makers in an atmosphere of common understanding and trust.

Potential Contractor/Grantee: No-Frills Consultancy, AEC

2. FARMER AGRIBUSINESS DEVELOPMENT (FAD ACTIVITY)

Duration: Five years

LOP Funding: \$3,750,000

Annual Expenditure:

Design: \$150,000
Year 1: \$ 300,000
Year 2: \$ 750,000
Year 3: \$1,000,000
Year 4: \$1,000,000
Year 5: \$ 700,000

Results: Fifty farmer-owned businesses formed; average membership 250 farmers; average number of farmers served 10,000 by each business.

Components: Farmer-owned businesses (FOB) are the next progression to the old concept of farmer cooperative. The FOB traditionally offers a local market outlet for inputs such as fertilizer, seed, pesticides, and packaging materials. In addition, the FOB usually provided credit to its members and to others under special conditions. Normally the FOB employs a professional staff including a manager/administrator, agriculture extension services, and marketing services. There is generally a member-elected board of directors. As the number of FOBs grows, some sort of audit authority is required as well as access to outside assistance in technical subjects and management assistance.

A technical assistance team of expatriate and local experts would be required. Suggested members are a FOB development expert, a small business management expert, an agricultural marketing expert, and an expert on agriculture and culture in Nepal. Short-term TA would be required in technical and administrative subjects.

A working fund used to assist in developing the services of the FOB would be in the form of loans to FOBs. As this fund was retired, reflows would be captured in a fund that would be used to fund new FOBs and cover the costs of the audit/oversight authority.

Potential partners: ADC1 from the US, VOCA, and a local NGO/PVO that supports development in the rural areas.

3. ASSISTANCE TO COMMUNITY FORESTRY GROUPS

Duration: 4 Years

LOP Funding: \$3,000,000

Annual Funding:

Design: \$200,000 (this is more expensive because many of the procedures to manage the forest need to be properly priced. Should be done during the design. Recommend modified design/deliver procurement)

Year 1: \$ 300,000

Year 2: \$ 900,000

Year 3: \$1,000,000

Year 4: \$ 800,000

Results: At least 50 Community Forest User Groups (CFUG) would have new management plans, be instructed in their use, and be actively managing the forests to realize maximum, environmentally wise outputs. Social integration and appropriate sharing of the benefits of the community forests will be measured by changes in income levels and increasing the production of goods and services, both marketable and non-marketable.

Components: Development of the methodology required to assess the value of the community forest and to analyze CFUG requirements so that management plans can be appropriately updated will require considerable work in the first year. A team consisting of a local senior forester, a non-PSC, non-institutional expatriate contractor who is a qualified community forester will support this. Both these experts will be assigned to work with the local partner doing the fieldwork. An expatriate NGO/PVO will participate by providing short-term assistance. Potential short-term activities are medicinal plants specialist, minor forest products specialist, forest utilization specialist, ecologist, and social community organizational specialist, small business specialist.

All CFUG members will receive training on the implementation of the management plan, proper care of the forest, and appropriate harvesting methods.

Potential partners: FECOFUN/Nepal, US WWF, Nature Conservancy, or IUCN

ANNEX 7

**ANNEX 7
LIST OF PERSONS MET**

USAID/NEPAL

Joanne Hale, Director
William Douglass, Program Officer
Donna Stauffer, SO 1 Team Leader
George Like, NRM/Agricultural Development Officer
Cheryl Hoffman, Assistant Program Officer
Harsha Bajracharya, Program Specialist/SO 1
Sribindu Bajracharya, Program Specialist/SO 1
Bijnan Acharya, Program Specialist/SO 1
BN Pradhan, Program Specialist/SO 1
Ram Thapa, Program Specialist/SO 1
Lyndon Brown, SO 1 Team Member (from SO 2)
Anne Peniston, SO 3
Nancy Langworthy, SO 1 Team Member (from SO 3)
R. David Harden, Regional Legal Advisor, South Asia
Marilyn B. Buchan, Contract/Grant Advisor
James Norris, Strategic Planning Advisor

HMG/N

Dr. Udaya Sharma, Chief, Planning Division, Ministry of Forests & Soil Conservation
Dr. Surendra Shrestha, Joint Secretary, Ministry of Agriculture
Indra S. Karki, Director General, Department of Forest
B.K. Khanal, Deputy Director General, Department of Forest
Dr. Tirtha M. Maskey, Director General, Department of National Parks and Wildlife Conservation
Narayan Poudel, Ecologist, Department of National Parks and Wildlife Conservation

BSP/NEW ERA

M.L. Jayaswal, Liaison Officer, BSP/New ERA
Rana B. Rawal, Team Leader, BSP/New ERA

WWF/NEPAL

Dr. Chandra P. Gurung, Country Representative
Mingma Sherpa, Regional Director, South Asia
Anil Manandhar, Program Coordinator, EFEA-WWF/NMCP Activity

CARE/NEPAL

Mr. Robin Needham, Country Director
Gobinda Rajbhandary, Coordinator



UNITED MISSION TO NEPAL

Ms. Karen Stoufer, Director, Rural Development

COMPUTER ASSISTED DEVELOPMENT, INC.

Dr. Indra Lal Kalu, Team Leader, Irrigation Management Transfer Project

CHEMONICS/MARKET ACCESS FOR RURAL DEVELOPMENT

T. Teele, President, Chemonics International

Dr. Larry Morgan, Team Leader/Nepal

Dr. Brahma B. Mathema, Ag. Specialist

**CANADIAN CENTRE FOR INTERNATIONAL STUDIES AND COOPERATION
(CECI)/MARKET ACCESS FOR RURAL DEVELOPMENT**

Mr. Claude Perras, Regional Director

Francois Lafrenier, Project Team Leader

FEDERATION OF NEPALESE CHAMBER OF COMMERCE AND INDUSTRY (FNCCI)

Mr. Pradip Shrestha, President

AGRICULTURE ENTERPRISE CENTER (AEC)

Mr. Suraj Vaidya, Chairman

Dr. Dev B. Shakya, Managing Director

Dr. A.S. David, Agribusiness Development Advisor

NEW ERA

Dr. Bal Gopal Vaidya

WINROCK INTERNATIONAL

Dr. Ram P. Yadav

PARTNERSHIP FOR BIODIVERSITY

Stuart Gardner, In-Country Coordinator

OTHERS

No-Frills Consultancy

Dr. Badri N. Kayastha

Dabur Nepal, Herbal Medicine Forum

Mr. Manzooral Haque, Director

CREST

Dr. Kamal Banskota, Director

UNDP/UNOPS/South Asia Poverty Alleviation Project

Dr. Jaysingh Sah, National Coordinator/Nepal

Transparency International (TI)

Dr. Devendra Raj Pandey, International Director

Dr. Michael Wiehan, Director, TI Germany, International Director

Nepal Press Institute, Himal Assn., Radio Sagarmatha, Worldview Nepal

Bharat D. Koirala, Chairman/Secretary General/Director

Royal Palace, Secretary (Ret)

Narayan Prasad Shrestha

ANNEX 8

ANNEX 8 STATEMENT OF WORK FOR SO 1 REVIEW

BACKGROUND

USAID will conduct a review and reformulation of its assistance strategy for Nepal over the last months of 1999, culminating in the preparation of a new strategy proposal for the upcoming three to five years. This will be submitted to USAID/ Washington in March 2000. Based on consultations held in Washington earlier this year this strategy process will combine reviews and evaluations of ongoing activities (being carried out to achieve our strategy approved in 1995) with investigations of selected new potential areas of focus. During the overall review, analysis and formulation process consultations will be held with the Government of Nepal, various beneficiary groups, partner organizations of all types, relevant private sector organizations, other donors and international organizations. All of the analyses and reviews which are carried out to elaborate the pros and cons of new activities or continuing existing activities need to be done without making or implying any commitments to the government, partners or potential recipients that USAID support will be forthcoming under the new strategy. Unlike some strategy exercises, this process is guided by quite clear resource parameters set by Washington. These indicate that our overall resource levels for Nepal are likely to be lower than those received over the past five years, and that within overall levels approximately 75 - 80 percent of resources will be directed to health and family planning sectors. There will obviously be a number of competing priorities for the allocation of the 20 - 25 percent of funds outside the health and family planning area. Within the strategy proposal the Mission is being asked to focus on priority activities and results at a base level of assistance, and then to specify what could be achieved at a level 1/3 lower than the base, and what more could be achieved with 1/3 more resources (low, medium and high funding scenarios). Decisions will be made on proposed strategic priorities at the Mission level in December, following reviews and consultations, and these will be reflected in strategy documents to be prepared in January and February. Final decisions on the strategy and allocations of resources will not be made until after the strategy is reviewed in Washington in March or April 2000.

SO 1: Agriculture and Natural Resources USAID/Nepal's Strategic Objective 1 (SO 1) *Increased Sustainable Production and Sales of Forest and High-Value Agricultural Products* is helping increase agricultural and forest productivity by: 1) improving productivity by supporting local control over forest and water resources; 2) providing rural households with knowledge of new high value crop varieties and sustainable agriculture technologies; 3) helping farmers target production to take advantage of strong market demands; and 4) promoting adoption of improved marketing practices. SO 1 also strengthens grassroots democracy by providing training and institutional development assistance to farmer and forest user groups. These groups provide practical experience with democratic procedures and valuable leadership opportunities for rural families with little previous exposure to democracy. More than 12,000 people have been elected to leadership positions in USAID supported forest, water and electricity user groups. Both women and men from these groups are using this exposure to contest elected local government positions. The SO 1 program contributes to three US national interests: economic prosperity, global environment issues and democracy.



The activities of this program are key components in the US mission strategy to help alleviate poverty. Correspondingly, the program is critical to four strategic goals of the Government of Nepal: economic development, open markets, democracy and environment. SO 1's principal Intermediate Results are 1) Expanded Market Participation and 2) Sustainable Management of the Productive Resource Base, reflecting the integration of farm and forest activities. Expanded market participation is only possible in the long term if farmers use sustainable management practices and actively protect soil, water and forest resources. The SO 1 program is benefiting the lives of approximately 1.2 million people who reside principally in the Central, Midwestern and Western Development Regions of Nepal. Farmers and forest users benefit from new varieties and technologies that increase sales and from increased understanding of seasonal and regional marketing opportunities. With greater knowledge of production and marketing systems and greater control over resources, farmers routinely report per hectare yield and sales increases of 300 to 700 percent as compared with subsistence technologies. Traders benefit from greater quality and quantity of produce and lower marketing losses.

Consumers ultimately benefit from lower prices. Replication of the USAID high-value crop model by other donors and the HMG broadens the impact of this program. The multiplier effects of these activities, combined with USAID interventions to improve the policy environment, have positive development implications for the agricultural sector as a whole. The activities of SO 1 represent a continuation of many of the successful elements of USAID supported activities in agriculture, natural resources management and rural development, to directly improve the lives of rural Nepalis, which have been underway for decades. Prior to the SO 1 review, evaluations of two of the major components under SO 1 will have occurred.

The consultant will have these documents available for the overall review.

Purpose general review of SO 1 is needed as strategic priorities are refined by USAID/Nepal. This review will assess what opportunities and areas of involvement under this SO merit continuation, whether some should be turned over to other donors, and/or should be terminated or phased out.

One consultant will be needed for three weeks to work in close consultation with USAID/Nepal and a technical officer from USAID's Global Bureau's Environment Center. The consultant will review relevant written materials related to SO 1 including (but not limited to) the Nepal Agriculture Perspective Plan, activity descriptions, grant agreements and contracts, indicator reports, performance and consultancy reports, activity evaluations, and financial reports. These documents will be provided by USAID/Nepal's ARD office. The consultant will meet with selected USAID staff, partners, Government of Nepal officials and other donors based on prior consultation with the SO 1 team leader. This consultant will review the strategy of SO 1 overall, assess progress to date, and advise whether the overall approach and current emphases are still valid, appropriate and adequate taking into consideration changes in the development context in Nepal and reduced funding from AID/W for SO 1 activities. The consultant will assess and consider the mechanisms through which the strategy has been implemented and, as needed, recommend changes to achieve greater impact. Similarly, the consultant will review the SO level indicators and, if necessary, propose revisions.

The consultant will answer the following questions:

- ? Have the activities under SO 1 been successful?
 - ? In what ways?
 - ? Why or why not?
- ? What problems, if any, have hindered achievement of planned results or are these activities on track to achieve planned results by their completion dates?
- ? What would be lost in terms of overall results if these activities were not continued? This should be answered reflecting current implementation status, Nepal country realities and the Mission's strategy.
- ? Are the activities under SO 1 comparatively more effective than other programs and other donors working in the sector?
 - ? What are the differences?
 - ? Why do they exist?
 - ? Do the differences have implications for the scale of the program?
- ? Are the activities under SO 1 sustainable in operational terms with regard to the duration of the program and funding levels?

The consultant will consider the targets and structure of SO 1 (and IRs) and whether the same or different structure is appropriate in each of the possible low, medium and high funding scenarios. These levels will be provided by USAID/Nepal.

Based on these inputs, and following a ranking methodology and criteria developed in agreement with the SO 1 team leader, the consultant will rank and annotate which activities should be continued in the future at possible low, medium and high funding levels. The consultant will identify whether some activities should be turned over to other donors, terminated or phased out, and explain the rationale for these recommendations. The consultant will identify the positive and negative consequences of discontinuing or rapidly phasing out various assistance activities or for initiating possible lower cost, higher impact assistance opportunities. This review will be speculative, trying to identify what could be done and what the results would be without knowing the resources which will actually be allocated for this sector. The consultant must be extremely careful to avoid raising expectations that assistance will definitely result from this work. The consultant will work under the guidance of the SO 1 Team Leader.

DELIVERABLES

A document in the English language will be prepared by the consultant and delivered in final to USAID before departure from Nepal. This document will appraise the overall strategy of SO 1 assessing the current effectiveness and appropriateness of approach and recommending changes in SO structure, emphasis, mechanisms and indicators in light of the low, medium and high funding possibilities. There will be a section on each IR that assesses the current approach and outlines recommended changes (if any) in direction, emphasis, mechanisms and indicators including revisions based on various projected funding levels and the possible involvement of other donors. The report will also be provided on a computer diskette in the Microsoft Word format. The document shall have an executive summary of 2 to 3 pages. This executive summary shall include: 1) the purpose of the review; 2) a short statement on the methodology used (field trips, interviews, surveys, etc.); 3) a synopsis of the findings (this should be the gist of the

summary) 4) a list of recommendations and 5) suggested next steps (if any). The consultant will also brief the Mission's strategy working group and other Senior Mission staff 2 days before departure to discuss findings and recommendations. The consultant will provide a computer, if needed, as well as typing and secretarial services and arrange for all in-country and foreign transportation.

QUALIFICATIONS OF PERSONNEL PROPOSED

The services of one US expatriate consultant are required to work with USAID/Nepal staff to review the current status, relative effectiveness and potential future sustainability of SO 1 activities, supplemented by structured interviews with Mission staff, selected partners and government counterparts. The work will largely be conducted in Kathmandu, no field activities are envisioned. This consultant will have the following qualifications and characteristics: Demonstrated skill and experience in conducting evaluations for USAID; fifteen or more years of increasing levels of expertise in development programs and projects related to the agriculture and natural resources sector; extensive professional field experience in Nepal Demonstrated analytic and research skills; strong English writing skills; good organizational skills; and demonstrated ability to complete projects on time.

TIME FRAME

The review of SO 1 will be conducted during a contiguous three week period from November 1- November 19. The deliverable will be presented before the consultant departs from Nepal. A six (6) day workweek is authorized.

ANNEX 9

ANNEX 9 BIBLIOGRAPHY

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ANNEX 10

ANNEX 10 SYNOPSIS/ABSTRACT

USAID/Nepal's Role in Agriculture and Natural Resource Management: An SO 1 Assessment

USAID/Nepal's Strategic Objective 1 (SO 1) is basically sound, sustainable, moving in new and creative directions, and has made particular progress in community forestry and private sector initiatives that promote high value crops and non-timber forest products to a degree not addressed by other donors. The SO has met and frequently exceeded its targets and adjusted them upward correspondingly. This progress suggests that the SO would benefit from further tuning to enhance emphasis on the environmental aspects of the program and to increase focus on the marketing of valuable commodities. The report recommends that the SO 1 team strengthen the current process of identifying and implementing innovations, of building on USAID's experience with participatory approaches, and of continuing the shift of SO emphasis toward the commercial/private sector, forestry products, and long-term protection of the environment. Given what observers cite as disappointing results from HMG collaboration, the review team further recommends that USAID/Nepal promote increased transparency and policy dialogue with its HMG partners, and work more closely with participating NGOs and INGOs and other donors in this regard. SO 1 should seek new means, some of which may be found in other Mission SOs, to enhance the level and outreach of all its activities, and to increase numbers of participants reached and reduce per/participant costs. The SO should set new targets which will enable rural households to cover the costs of interventions in the future from their increased productivity and incomes. Internally, SO 1 would benefit from enhancing communications and linkages among all USAID/Nepal SOs, as well as among SO 1 activities and partners. Nepal, its people, the Himalayan ecosystem, and USAID's credibility would all be damaged if SO 1's funding were reduced dramatically. The changes suggested, coupled with the synergy generated from such interactions, should enable SO 1 to further increase the impact of its interventions within a context of reduced budgets.

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