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United Nations Development Programme
United Nations Centre for Human Settlements
National Planning Commission

NEPAL
RURAL URBAN PARTNERSHIP PROGRAMME (RUPP)
NEP/96/003

Report of the Interim Evaluation Mission

(99)

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I. EXECUTIVE SUMMARY A.

Introduction

Programme. The Rural-Urban Partnership Programme (RUPP) assists municipalities and their associated rural market centers to promote and expand rural-urban economic linkages to benefit the poor. The programme carries out market linkage studies in large market regions to identify market zones and linked rural and urban market centers. At the municipality level, the programme helps strengthen the municipality's ability to stimulate rural-urban marketing activity so as to link rural production with urban markets. The programme works directly with rural and urban communities and market centers, providing community mobilization, small seed grants, micro-enterprise development, and micro-finance. RUPP currently works in partnership with twelve market zones (municipalities and their "hinterlands") within three market regions. The programme document calls RUPP to expand into 20 market zones during its 4.5 years of operation. The original programme budget for support to 20 market zones over the four and a half years was set at US\$ 4.9 million.

RUPP stresses that rural areas need to be more effectively linked to markets if they are to have any hope of achieving real economic development to lift their inhabitants out of poverty.

The United Nations Centre for Human Settlements (UNCHS) is the executing agency, providing a National Programme Manager (CTA) and a staff of national professionals both at programme headquarters in Kathmandu and in the participating municipalities. The National Planning Commission (NPC) is the lead-implementing agency, providing the National Programme Director and the chair of the Programme Execution Committee. The Ministry of Local Development (MLD) and the Ministry of Housing and Physical Planning also participate in programme direction and coordination.

Evaluation. The evaluation was performed by a mission including one representative each from UNDP, UNCHS, and His Majesty's Government of Nepal (HMG), and took place between August 9 - 31, 1999. The evaluation team made field visits to seven market zones, including the towns of Pokhara, Byas, Bharatpur, Hetauda, Butwal, Nepalgunj, and Birendranagar with their associated rural market centers. Additionally the mission reviewed documents, and conferred with government officials, programme personnel, UNDP, and representatives of appropriate donor agencies in Kathmandu. (The evaluation terms of reference, lists of persons met, and brief biographies of the evaluators are presented in Annexes A, B, and C.)

B. Findings

Programme Concept. The attractive concept of strengthening rural-urban linkages in support of poverty alleviation has been given a concrete and apparently effective practical implementation strategy under RUPP. RUPP combines four different elements-(1) regional planning, (2) community mobilization, (3) micro and small enterprise creating, and (4) urban development into a mutually supporting and dynamic set of activities.

Programme Implementation. Programme implementation is strong. The programme staffs are appropriately and generally quite highly qualified for their positions, and have been effectively oriented to the concepts and activities of RUPP. All programme activities appropriate to the

beginning phase of RUPP have been performed and are of good quality. In particular, the community mobilization efforts, the formation of micro-enterprises, and delivery of micro-finance are comparable to the best work in these fields, either in Nepal or in other developing countries.

Institutional Development and "Ownership". A programme such as RUPP-comprising four different sectors represented by several line agencies and traversing the boundaries of different local authorities-presents special challenges for institutional development. RUPP is making impressive progress in establishing the important sense of ownership at the municipal, rural market centre, community, and enterprise levels. This sense of ownership is evidenced as well by the levels of financial contributions of these units and their members. The municipal authorities especially view the support organizations as part of their regular establishments. Central ministries are supportive of RUPP and the rural-urban linkages concept, but view the Agencyexecuted programme more as a UNDP activity than their own. Private sector actors are evident at the municipal and local levels, but not represented at the central level.

Impact on Poverty Alleviation. Micro-entrepreneurs participating in RUPP are doing well. There is evidence that they are receiving an annual return on their investment (including the money borrowed under RUPP and their own equity contributions) of approximately 200%, and are earning an average of NRs 1,500 (US\$ 22) per month per person from their enterprises. The creation of the target number of 100 such enterprises per market zone (municipality and surrounding rural markets) would pump approximately NRs 73 million (US\$ 1.1 million) into the economy of each participating market zone.

Based on performance to date, it is probable that RUPP will accomplish these targets for enterprises and thereby will achieve the targeted economic impact on its participating market zones by the end date of the programme.

The immediate RUPP beneficiaries are poor, including many women and those from lower castes and marginalized ethnic groups. They are drawn from the poor due to RUPP selection criteria and because of the small size of the micro-enterprise loans. These are people who are thrilled that their new enterprises earn over NRs 1,000 (US\$ 15) per month. They are probably not all representative of the very poorest. However, by establishing and expanding linkages between rural agricultural producers and urban markets, the programme should allow many of the rural and urban poor to move above their largely subsistence level existence.

Multiplier on Donor Contribution. Each dollar provided by UNDP to the micro-enterprise credit programme is multiplied by (1) the recycling of repaid loans with interest, (2) the entrepreneurs' own equity contributions, (3) the sales generated by the investment, and (4) the purchases by the enterprises and entrepreneurs associated with these revenues. As a result, each dollar from UNDP/RUPP adds at least \$20 to the local economy.

Overall, the benefits of the credit component alone provide an estimated benefit to cost ratio to UNDP of 4.0, including the entire programme budget on the cost side.

C. Conclusions

RUPP has the strong probability of achieving significant success, demonstrating an effective and cost-effective approach to strengthening rural urban linkages, and helping to alleviate both rural and urban poverty by providing market outlets for increased rural production. In so doing, RUPP will provide an attractive practical model for such programmes in Nepal and in other developing countries.

The RUPP activities are not yet far enough advanced in the current participating market zones to allow the shifting of key staff (municipal level Market Development Advisors) and other resources to additional market zones without jeopardizing programme accomplishments. The stunning potential impact of RUPP is yet to be proven, and should be proven in order to justify expansion.

The overall programme conception and framework links rural and urban activities within a regional economic perspective that includes partnership between public and private sectors. However, under the practical pressures of programme implementation to date, RUPP has tended to emphasize urban activities more than rural, government institutions more than private sector partners, and a municipal (market zone) focus more than the regional perspective.

D. Recommendations

Overall:

I . Continue RUPP until December 2001 as originally planned, in order to provide demonstration of successful approach to develop rural-urban linkages in support of poverty alleviation.

Delay Geographical Expansion:

2. RUPP should firmly establish success in the twelve market zones currently participating in the programme before initiating expansion into the additional eight market zones foreseen in the programme document. The original programme budget should be adjusted correspondingly to cover the cost of activities in the current twelve market zones. The expansion to additional market zones should be considered by the next evaluation scheduled for the year 2000.

Enhance Focus on Economic Development:

3. Enhance the focus on economic linkage activities by stressing the following activities:

- Organize toles/lanes only where there will be at least one economically-oriented seed grant project and/or at least one enterprise group.

- Emphasize the linkages of micro-and small enterprises to larger enterprises.
- Emphasize linkages between *rural market centers* (including "rural" municipal wards) and the urban markets.

- Improve monitoring system to track more effectively for economic *outputs* generated by credit and seed grant activities.

4. Formalize and strengthen the role of municipal-level private business persons (beyond the participation of the president of the local Chamber of Commerce on the PDC).

5. Include representation from the private sector (Federation of Nepal Chambers of Commerce and Industry - FNCCI) and line ministries concerned with enterprise development (Ministry of Agriculture) on the RUPP Executive Committee.

Maintain Broader Regional Economic Framework:

6. Maintain the broader regional concept of RUPP, including macro-level studies of relevant market trends for selected commodities, and monitoring changes in regional commodity flows, including exports out of the regions (and out of Nepal).

E. Lessons Learned

With an interim evaluation, many of the lessons learned are properly communicated as recommendations for the remaining period of programme implementation. Announcing general lessons learned (to be disseminated to other programmes here and abroad) is more the task of a final evaluation. However, even at this early stage there do seem to be several lessons learned through the RUPP implementation.

Fears, expressed as "risks" in the programme document, that the RUPP concept would be too novel and too complicated to be effectively understood by local authorities, have proven not to be the case. Despite the novelty and complexity of RUPP, its intent and strategies were relatively quickly understood by mayors, VDC chairmen, ward chairpersons, community leaders, and entrepreneurs.

Another fear expressed as a "risk" in the programme document was that given the required cross boundary efforts under RUPP, the inability of local authorities to cooperate might hinder programme progress. The lesson is that although such jurisdictional problems exist theoretically, they need not provide any hindrance to implementing a rural-urban linkages programme.

11. PROGRAMME CONCEPT AND DESIGN

A. Context of the Programme

The context of RUPP is the seemingly intractable problem of poverty, especially rural poverty,

in Nepal. Decades of donor-led development investment have made little dent in the percentage of Nepali citizens living in serious poverty. The per capital GNP continues to hover at just over US\$ 200. Only nine countries in the world report a lower per capita GNP, and these are mostly African failed states in the throes or aftermath of civil war. Familiar reasons are cited for the persistence of such poverty in Nepal.

The recent efforts of UNDP and other international agencies in Nepal are reaching directly out to poor rural areas to stimulate self-help development, savings mobilization, and enterprise formation. The government of Nepal through its recent local government acts has empowered local authorities to take direct action and responsibility for the conditions of their citizens. Districts, Village Development Committees, municipalities, and small communities have begun to play a stronger role in planning and implementing the development investments.

Although there is evidence that many of these efforts are stimulating rural production, these products lack markets. In some respects, these programmes have ironically emulated on a local scale the sort of production-oriented and services-oriented development that has proven inadequate on a national scale. Unless marketable goods are produced and sold to wider markets, the economic level of Nepal's rural communities will not rise.

B. Programme Document

1. The Problem and the Technical Approach

Linking Rural Producers to Urban Consumers. Nepal's mountainous terrain is often cited for making it difficult and expensive to deliver services to many communities and for effectively cutting these populations off from participating in the wider market. However, large concentrations of the poor live in areas that are at least relatively accessible, but still they barely participate at all in the regional or national economy. The programme document cites studies that demonstrate that large quantities of basic agricultural products are imported every year from India to feed the residents of Nepal's growing secondary municipalities in the terai, while poor rural producers on fertile land in nearby Nepali jurisdictions grow low value subsistence crops. The problem addressed by RUPP is how to organize the linkages between rural producers and urban consumers so that Nepali farmers can respond to this growing urban demand and thereby funnel an increasing share of urban spending out into Nepal's rural areas.

Four Types of Intervention. The technical approach combined the elements of four different types of interventions into a single programme:

- Regional/Spatial Economic Planning;
- Community Mobilization;

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- Small Business Promotion; and
- Urban Development.

Although the precise mechanisms for utilizing each of these in concert with the others was left

to the flexibility of implementation, the programme document stressed the synergy among the elements, rather than an approach relying on any one element alone. RUPP was not intended as another urban development project, although it concerns urban development. It was not intended as another micro-enterprise credit project, although such credit plays an important role. Similarly, social mobilization was foreseen as a key activity, but in support of the larger issue of improving rural-urban economic linkages.

These general concepts have been worked out on a practical basis during RUPP implementation, and each of these four elements now has its defined place in the RUPP strategy:

- **Regional Planning.** The analytical perspectives and tools of regional/spatial planning provide the overall framework for decisions regarding the locations of programme interventions in selected municipalities and in associated rural market centres. Additionally, the research provides information on products with economic potential for each large market region and smaller market zone.
- **Community Mobilization.** The community mobilization activities focus on the *tole* ("lane"), a small neighborhood consisting of between 30 and 90 households. This unit takes responsibility for its own development planning and action, and, most important, provides the enabling context for the development of sustainable enterprises linking the rural and urban markets. The micro-enterprises are developed out of the community and are responsible to the community.
- **Business Promotion.** The business development activities of RUPP are extensive, including enterprise formation, a micro-credit programme, rural-urban labour linkages, linkages between small producers and medium sized urban businesses, and public-private partnerships. It is this business development activity that provides the rural-urban economic linkages and is responsible for creating the multiplier effect contributing to the alleviation of poverty.
- **Urban Development.** Urban development is enhanced by strengthening the ability of municipal authorities to address issues of economic development and market stimulation, in addition to their time-honored responsibilities for infrastructure development and services delivery.

2. Objectives, Indicators, and Major Assumptions

Development Objective. The development objective of the programme is to "enhance the involvement of both the rural and urban populace to improve their livelihoods and strengthen the local economies by taking advantage of the social and economic development opportunities that can be obtained by strengthening rural-urban linkages at the local level."

Immediate Objectives. This development objective is supported by two immediate objectives:

- Support the people of secondary urban centres, rural market centres, and rural villages in three market regions to undertake social and economic initiatives by strengthening ruralurban functional and spatial linkages *through the formation of economic enterprises.*
- Support the *National Planning Commission* to develop policies, strategies, and institutional capacity at the local level to undertake effective local development programmes to strengthen the local economies by making optimum use of the development opportunities obtainable through strong rural-urban spatial, social, and economic linkages.

Success Indicators. The Programme Document provides an overly-ambitious list of 16 success indicators of three types. One type of indicator provides direct quantitative targets for the programme outputs, the second type presents qualitative assessments of institutional development and commitment of appropriate authorities to the programme's approach and activities. The third type of indicator attempts to measure indirect social impacts resulting from improved incomes.

Direct Programme Targets:

Enterprise Development:

- 2,000 enterprises formed in 20 market zones.
- 30-50% of these enterprises will be formed and managed by women.
- Trust-like funds will be established to assure the continued provision of credit and other services after the termination of the RUPP programme.

Institutional Development.

- 200 staff members of HMG, local authorities, and NGOs are trained to implement ruralurban partnerships.
- Participating Municipalities and VDCs allocate at least 2% of their funds for programme related activities.

Assessments of Institutional Development:

- Other local authorities begin to recognize the importance of rural-urban linkages and initiate activities replicating those of RUPP.
- Information related to successful RUPP activities is disseminated widely.
- Ownership of programme activities is demonstrated by the participating local authorities.
- The Association of Municipalities allocates NRs. 1 million in support of training programmes.
- National policies developed by the National Planning Commission will influence the use of 25% of the regular Government budget allocated to the districts and 10% of all revenues generated by the municipalities and small market centres.
- Training programmes are widely recognized and accepted by the local authorities.

Social and Economic Impact.

- 40% of the communities in the programme areas (municipalities and associated hinterlands) will benefit from the increased employment and income levels.
- Income levels in participating communities will increase by 25%, leading to 80% of all children attending school.
- Diversification and intensity of agricultural land use is increased by 50% with farmers producing cash crops that are exportable and directed at urban consumption.
- Revenue of the participating local authorities will increase by 50%.

These numerous indicators of success are for the most part reasonable summaries of various effects that one could expect to be generated by the successful implementation of RUPP. And they highlight the broad impact that is anticipated from strengthening rural-urban linkages. But they do not, as originally presented, provide a system for the monitoring of programme results and impacts.

In some instances there are methodological issues to be resolved. For instance some of the indicators present problems of attribution of the results to RUPP efforts. Municipal revenues may increase or decrease due to many factors exogenous to the RUPP interventions. Similarly, school attendance and agricultural diversification, while both quite likely to be stimulated by RUPP, certainly reflect a range of other factors.

Other methodological challenges include establishing baselines. How many students presently attend school in each community? Is 80% enrollment a reasonable target in all instances? What are current income levels in the programme areas?

Although it was foreseen that RUPP would design and carry out baseline studies, implementing all of these success indicators would require research that is perhaps beyond what is needed to assess the programme's success. Much work will need to be done to develop and implement the type of research required to track the impact of RUPP (and all other UNDP programmes) on poverty alleviation.

The success indicators stress, on one hand, the immediate programme targets and, on the other hand, the indirect social impacts of poverty alleviation. They omit the more easily documented direct economic benefits of the enterprise development programme. These indicators could include: the return on investment, the increased income for the participating entrepreneurs, the increased incomes of rural suppliers to these enterprises, and the overall increase of economic activity generated in the market zone by these enterprises. Surveys on RUPP entrepreneurs can also determine how they spend their earnings (on education of children, on locally-made products, or on imported goods and amusements?) this would help indicate the indirect effects of the RUPP programme interventions on the local economy and social well-being.

Assumptions. The programme design assumes that, despite RUPP's need to work across jurisdictional boundaries (geographical as well as functional), the various participating

governmental entities (municipalities, DDCs, VDCs, and several line ministries and bodies) will be able to achieve a practical level of cooperation. Additionally, it was assumed that these same governmental bodies would come to understand the fundamentally new concept of RUPP.

Regarding both of these assumptions the evaluation mission finds that they were warranted. Although there are those in Kathmandu who worry about the theoretical problems of municipal authorities working directly with VDCs in neighboring DDCs (outside of municipal jurisdiction), there is not yet a single instance where this has proven to be a problem. Additionally, and more importantly, the evaluation mission found that municipal, urban ward, and VDC leaders clearly understand and welcome the RUPP concept and the relation to RUPP activities to achieving improved rural-urban linkages and poverty alleviation.

3. Beneficiaries

The primary beneficiaries are the population of the participating municipalities, rural market centres, urban lanes (*toles*), and rural villages linked to market centres. The programme stipulates that a large percentage (30-50%) of the most direct beneficiaries (those receiving micro-enterprise loans or benefiting from the community seed grant projects) should be female. It is also intended that most of these direct beneficiaries should be near or below the poverty line.

The question arises whether a project such as RUPP is designed in such away that it risks increasing the gap between the poorest residents and those more fortunate. The answer must be yes for RUPP as well as for all other successful poverty-alleviation programmes, as long as the overall Nepalese economy is largely stagnant. No matter how many poverty-stricken persons RUPP assists directly, and no matter how many more poor persons benefit indirectly (as sellers of vegetables to vegetable traders, for instance), there will remain others (many others) as yet untouched. Given that 60% of rural residents are currently in poverty, the rural income gaps must widen before they can be narrowed by increasingly integrated rural-urban market linkages. However, with its entry point with the poor and forward and backward economic linkages at the micro level, RUPP provides the maximum potential spread of benefits to the poor, given its resources.

Another set of direct beneficiaries are the mayors, deputy mayors, municipal staff, VDC chairmen, ward chairmen, and leaders of *Tole/Lane* organizations assisted by the RUPP programme.

At the central level, the National Planning Commission should benefit through the development of policies and strategies for strengthening rural-urban linkages. The Ministry of Local Development and the Ministry of Housing and Physical Planning should also find some benefit to their programmes from the lessons learned under the RUPP.

Execution Modality

The United Nations Centre for Human Settlements (UNCHS) is the executing agency, in close cooperation with the National Planning Commission, the Ministry of Local Development, and

the Ministry of Housing and Physical Planning. Although almost all UNDP-assisted programmes in Nepal are nationally-executed, the experimental, multi-sectoral, cross jurisdictional nature of RUPP is seen as appropriate for execution by a UN technical agency in cooperation with the National Planning Commission (rather than with any one line ministry).

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III. PROGRAMME IMPLEMENTATION

This chapter evaluates the manner in which the RUP Programme has been implemented so far. It includes one section describing the activities undertaken, and a second section assessing the quality of monitoring and backstopping.

A. Activities

This section compares the activities outlined in the programme document with those that have been implemented, identifies problems that arose along the way, reviews the extent of support from central and local government, highlights innovative features, and assesses the quality of technical support and programme management.

With a few exceptions noted below, the RUPP Team has initiated virtually all the activities envisaged in the programme document, and in several cases has already completed them. Workplans anticipated a start date in April 1997, whereas the programme document was not signed until July 1997 and activities in fact began in September 1997 with the appointment of the CTA / NPM. For the purpose of comparing the planned and actual start dates for activities, these are indicated in the following tables in terms of months relative to September 1997. Where the meaning of the activity in the programme document is unclear, it is compared with the closest corresponding activity that has been implemented.

The following paragraphs discuss the activities associated with each of the outputs mentioned in the programme document.

Output 1.1 Institutional system developed

Table III-1

Activities	Planned start	Actual start	Comments
111 Establish network forums	Month 2	Month 15	RUNET for RUPP municipalities
112 Area Consultative Forums	2	5	ACFs and PCFs set up
113 Credit & seed grants system	2	4	Manual prepared Dec 97
114 Develop Trust Fund	10	4	Set up MDFs in 12 municipalities
115 SO methods	NS	10	Manuals prepared 3Q 98
116 Self-help methods	NS	10	Manuals for CEs prepared 3Q 98
117 Develop information system	2	3	Set up in 12 municipalities
118 Conduct social research	2	4	Market linkage studies completed for three regions

119 Baseline surveys	NS	15	Data collected for 12 market zones
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The RUPP Team has completed all the main tasks specified to set up an institutional framework for the programme. In early 1998, RUPP established in each of three regions Area Consultative Forums (ACFs) comprising representatives from municipalities and VDCs, and Private Consultative Forums (PCFs) comprising representatives from private sector organisations. Both

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these forums met several times during 1998, but further meetings were suspended in January 1999 pending UNDP's approval of the workplan for this year, which is still awaited.

At a meeting in Hetauda in December 1998, the mayors of all municipalities included in RUPP set up the Rural-Urban Linkage Network (RUNET). While the original workplan called for setting up this network in month 2, it was postponed 12 months until participating municipalities had been identified and implementation had proceeded far enough to justify its formation. Its purpose is to enable mayors to share experience, exchange ideas and develop proposals for improving the programme.

Where the programme document envisaged setting up one Trust in each market region to sustain programme activities after UNDP support ends, the RUPP Team has instead set up Market Development Funds (MDFs) in each of 12 market zones (municipalities) for the same purpose. RUPP staff members have also completed reports and manuals for operating the MDFs and Support Organisations (SOs), administering loans and seed grants, and forming community organisations and micro-enterprises.

In addition, RUPP established in September 1997 a central programme office in Kathmandu and in early 1998 regional offices in each of three market regions - Bharatpur, Biratnagar and Nepalgunj. Two of these offices - in Biratnagar and Bharatpur - were closed down six months later, since they were expensive to run, and deemed cost-ineffective. Their activities are now coordinated by the central office.

At the outset of the programme, RUPP also set up an Executive Committee and a Coordination Committee. The former comprises officials from NPC, MLD, MHPP, UNDP, UNCHS, the Presidents of MuAN and the DDCA, and the NPD. The latter includes less senior officials from most of the same agencies.

Output 1.2 Local Authorities charged and mobilised

Table III-2

Activities	Planned start	Actual start	Comments
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121 Enhance Muni'pl capacity	10		PDCs set up in 12 municipalities
122 Form Support Organisations	10	10	Set up in all 12 municipalities
123 Prepare comm'y mobilis'n	9		Covered under 115
124 Baseline survey for impacts	9	10	Undertaken when setting up TLOs
125 Exchange tour /case studies	NS	14	Tour took place 4Q 98
126 Mobilise urban communities	NS	12	TLOs and CEs formed in many wards
127 Private provision of services	NS	10	Mainly marketplaces

Starting in November 1997, RUPP has set up Partnership Development Committees (PDCs) in 12 municipalities. These are chaired by the Mayor, and typically comprise municipal officials, ward chairmen, the Executive Officer, the chairman of the local Chamber of Commerce and Industry, local representatives of the MHPP and a commercial bank, and the RUPP Market

Development Advisor (MDA). The purpose of these PDCs is to provide policy guidelines, monitor implementation, and mobilise resources for programme implementation.

To expedite quick decisions and facilitate programme activities, the PDCs have each formed an Implementation Management Committee, comprising the Mayor, the Executive Officer and the MDA.

Starting in the second quarter of 1998, RUPP has also set up Support Organisations (SOs) in each municipality, which are intended to support the PDCs in implementing the programme. These are headed by the MDA, and usually include a deputy manager, finance officer, up to six Community Mobilisers (CMs), and a secretary.

Starting in August 1998, staff of the SOs have been mobilising the community by forming *Tole/Lane* Organisations (TLOs) and Community Enterprises (CEs) in an increasing number of wards in each municipality. The programme document did not explicitly envisage the need to set up TLOs, but programme staff determined that this was a necessary step to strengthen municipal capacity for planning local development and to enhance the longer term sustainability of CEs.

Overall, staff turnover within the SOs has been low. Two MDAs were replaced, and a handful of CMs have left for personal reasons.

Output 1.3 Rural Farmers and entrepreneurs

organised **Table III-3**

Activities	Planned start	Actual start	Comments
131 Enhance VDC capacity	10	19	TOPs signed with 13 VDCs
132 Form Support Organisations	11	22	Appointed Market Center Facilitators

133 Prepare comm'y mobilis'n	9		Covered under 115
134 Baseline surveys for impacts	9	16	Completed for 27 VDCs so far
135 Exchange tour/case studies	NS		None yet
136 Mobilise rural communities	NS		Not yet

In line with programme objectives of strengthening linkages between urban and rural areas, RUPP has started to expand its initial activities in municipalities into rural communities in the hinterland. In recent months, SOs have signed agreements with 13 Village Development Committees (VDCs), and appointed Market Center Facilitators in 9 of them. Staff have initiated limited activities in some of these areas, but have postponed full scale mobilisation pending UNDP's approval of the workplan for 1999.

Output 1.4 Labour linkages organised

Table III-4

Activities	Planned start	Actual start	Comments
141 Baseline surveys	15	3	Covered under 117
142 Identify manufacturing firms	20	15	Through info system & CCIs
143 Form rural labor links	12	17	E.g. garments, tannery, shoemaking
144 Training programs	11	19	As for 143

This component of the programme aims to create jobs and provide skill training for rural workers by linking them to urban industries. Starting this year, arrangements have been made with various firms, including a slaughterhouse, a tannery, a garment manufacturer, a retailer of shoes and a community health service.

Output 2.1 Action research studies conducted

Table III-5

Activities	Planned start	Actual start	Comments
211 Prepare NPC guidelines	21	12	Concepts included in 9 th Five year Plan
212 Conduct research	15	4	Undertaken by Regional offices & SOS
213 Liaise with research units	13	6	University links initiated

Activities associated with this component include inputs to the 9th Five Year Plan prepared by the NPC, several studies completed by the staff of regional offices and SOs, and support to a number of academic research studies.

Output 2.2 Networks

established **Table III-6**

Activities	Planned start	Actual start	Comments
221 Network forum for MPs	10		Not yet. Deemed premature.
222 Network forum for profess'ls	10	5	Formed Central Consultative Forum
223 Document discussions	2	2	Ongoing

In January 1998, RUPP set up a Central Consultative Forum (CCF) comprising 49 members. The aim of the CCF is to establish central level linkages with government agencies, NGOs, PSOs, professionals, academicians and practitioners. The CCF has since met four times, most recently in July 99.

The proposed network for MPs has been postponed, since it was felt to be premature and would serve no useful purpose until funds are available to expand the programme to a significant number of new market zones.

Output 2.3 Technical packages developed to manage and monitor programme activities

Under this component, RUPP staff from the central office have designed and instituted a highly detailed system for monitoring field activities undertaken by the SOs in [municipalities](#). [SO](#) staff have also adopted a uniform accounting system, which has yet to be computerised, and compiled extensive databases for each market zone. Later, it is intended to couple these to a GIS.

Table III-7

Activities	Planned start	Actual start	Comments
231 Impact assessment & monitoring system	4	17	Developed success indicators and monitoring system for field activities
232 Financial management	4	3	Accounting system for SOs, to be computerised
233 Database and GIS			Database formed, GIS to follow

Output 2.4 Human resource development initiatives undertaken and information disseminated

Table III-8

Activities	Planned start	Actual start	Comments
241 Training packages	15	3	See below in section on "Outputs"
242 Disseminate Best Practices	22		Not yet
243 Area "micro-fairs"	22		Not yet
244 Replicate Best Practices	46		Not yet
245 Training programs	2	5	See below in section on "Outputs"
246 Newsletter	3	5	Started but suspended

247 Disseminate information	5	4	Ongoing
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Since RUPP started, staff have undertaken an extensive series of training programmes and prepared accompanying packages of training materials, which are detailed in the next chapter under the section on "Outputs". The first issue of a Newsletter was published in January 1999, but further issues have been suspended at the request of UNDP.

2. Problems in Implementation

Some critics have charged that the programme was slow to get off the ground, but we do not find this charge justified. The RUPP concept is new and untried. As such, staff needed time to work with municipalities and other actors in thinking through the operational implications of the programme's objectives and many of the proposed activities. Given the tasks involved, we find

the programme generally made good progress during the first 18 months up to the first quarter of 1999.

Progress since then has been significantly impeded by UNDP's delay in approving the workplan for 1999 and their decision to release funds only for basic operating costs. This decision was apparently made because UNDP was concerned about RUPP's performance and the size of its budget, and wished to complete an evaluation before committing more funds. It should be noted that UNDP made this decision unilaterally.

The adverse impact of this delay on progress in implementation may be seen from the table below. Although RUPP started work in three more municipalities in March 1999, bringing the total to twelve, none have received funds allocated in 1999 for business loans and seed grants. Despite this, several municipalities have spent their own funds on behalf of the programme, but RUPP has been unable to reimburse them.

Table III-9

Additions	1	Q4 98	Q1 99	Q2 99	Aug-99
New municipalities		9	3	0	0
New wards	r	42	39	i 23	0
New TLOs		299	¹ 73	5	2
New CEs		33	69	j 22	13

The RUPP team advanced rapidly during the first quarter of 1999, assuming that UNDP would soon approve their plan and release funds accordingly. When this did not happen, the team was obliged to cut back their activities sharply in the second quarter, as funds advanced in 1998 began to dry up. Although they started data collection in 23 more wards (compared to 39 the previous quarter), they formed only 5 more TLOs (compared to 73) and 22 more CEs (compared to 69).

Based on an interim report from this evaluation mission, UNDP has since indicated informally that they plan to resume funding, although the precise level has yet to be

determined. It is anticipated that the issue will be resolved following the Tripartite Review meeting held on August 30th.

In our interviews with HMG officials from both central and local government, they consistently expressed strong support for RUPP. They see the programme as complementing national efforts to alleviate poverty, and regard its strategy of strengthening rural-urban linkages as closely consistent with the government's current Five Year Plan.

Representatives of central government are involved in the overall policy guidance of the programme through their participation in the Executive Committee, and in programme implementation through the Coordination Committee. The member of the NPC responsible for urban planning, water and infrastructure chairs the Executive Committee, and an Under Secretary from NPC serves as National Programme Director (NPD) and chairs the Coordination Committee.

3.

Support from Government

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However, apart from participation in these committees, central government contributes no counterpart funds, and few staff or resources to the programme. RUPP is not directly linked to any central government agency, although officials from NPC, MHPP and MLD do conduct periodic inspections and observations of programme activities in the field. MLD staff members, in their capacity as Executive Officers to municipalities, also participate as members of PDCs.

Government support to RUPP is much stronger and more evident at the local level. As mentioned above, officials and staff from participating municipalities and VDCs serve as members of the PDCs in each market zone. These local governments are also contributing counterpart funds and resources to the programme. As the next table shows, municipalities have so far contributed 13% of programme funds for market zones, and VDCs some 8% for market centers. Municipalities are also providing office space for the SOs and staff assistance in implementation.

Table III-10

LOCAL GOVERNMENT CONTRIBUTIONS TO RUPP (NRs)

Market Zone	Contributions for market zones				VDCs	Contributions for market centers		
	Muni'pality	RUPP	Total	Muni %		RUPP	Total	VDC %
Bharatpur	250,000	1,540,336	1,790,336	14%				
Biratnagar	250,000	2,323,968	2,573,968	10%	100,000	1,144,288	1,244,288	8%
Birendranagar	150,000	1,121,796	1,271,796	12%	25,000	360,000	385,000	6%
Butwal	500,000	1,001,096	1,501,096	33%				
Byas	350,000	1,374,620	1,724,620	20%	36,000	822,463	858,463	4%
Dhankuta	200,000	2,358,580	2,558,580	8%	25,000	333,673	358,673	7%
Hetauda	200,000	1,382,100	1,582,100	13%	50,000	495,859	545,859	9%
Nepalgunj	150,000	1,440,852	1,590,852	9%				
Pokhara	300,000	2,011,848	2,311,848	13%	50,000	454,986	504,986	10%

Tansen	200,000	1,806,624	2,006,624	10%	62,786	617,855	680,641	9%
Tribhuvannagar	160,000	1,577,260	1,737,260	9%	72,620	763,002	835,622	9%
Tulsipur	130,000	1,288,600	1,418,600	9%				
(Total	2,840,000	1 19,227,680	22,067,680	13%	421,406	14,992,531	5,413,126	J 8%

The RUP Programme incorporates several innovations, and has extended innovative ideas recently introduced in other programmes in Nepal such as PDDP and LGP. Perhaps the most important innovation is the basic programme strategy of strengthening linkages between urban and rural areas, primarily by connecting producers (mostly in rural areas) to consumers (mostly in urban markets). While this notion has been discussed at length in the development literature, few attempts have been made to put it into practice, mainly for lack of knowing how. RUPP is one of two projects currently being supported by UNCHS that explicitly aims to do this. (The other one is in Indonesia.) After more than ten years of cumulative experience, PDDP is also now moving in this direction, after realising that the scope for rural enterprises to grow is limited unless they are connected to larger outside markets.

4.

Innovations

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RUPP aims to forge these links in various ways: a) by forming enterprises that include both producers and traders; b) by forming groups around a focal agent that can assist in marketing goods produced by other members of the group; c) by arranging contracts between larger enterprises and groups of skilled workers to produce inputs required by the larger enterprise; and d) by forming networks in which large firms purchase commodities collected or produced by small enterprises.

Another innovation is the manner in which RUPP "grows" community enterprises (CEs) out of *tole* (lane) organisations (TLOs). Where PDDP focuses on organising groups to save and lend to themselves, RUPP offers credits to CEs formed from households who are all members of the same TLO, in the belief that their community roots will enhance the longer term sustainability of the enterprises.

A third innovation evolved by RUPP is the method of recruiting staff. This was first applied in recruiting Market Development Advisors (MDAs) for each of the municipalities, and later for recruiting Community Mobilisers (CMs). In each case, this comprises an initial interview of a shortlist of applicants, followed by a programme of training and orientation over several days, an assessment of their performance during training, a final interview and a follow-up training session for successful candidates. This package has since been formalised in a recruitment manual, and is being used for all subsequent hiring of staff.

RUPP has also extended the concept of Local Trust Funds (LTFs) introduced by PDDP among district authorities by setting up Market Development Funds (MDFs) for market zones. While

the concept is similar, the MDFs break new ground in two ways: by focussing primarily on local economic development; and in crossing local government jurisdictional boundaries by incorporating both municipalities as seats of market zones and VDCs as market centers in the hinterland.

5. Training and Technical Support

As mentioned above, RUPP has carried out an extensive set of training activities. This has clearly been most effective in raising the level of awareness and understanding among staff and participating actors about the concept, goals and methods of the programme. We were particularly struck by the knowledgeable way in which mayors and other municipal officers discussed RUPP activities, and the thorough and professional manner in which MDAs and other SO staff are undertaking their assignments.

So far, RUPP has called on little outside technical expertise to assist the programme. At the request of UNDP, one expatriate, the Director of the Orangi Pilot Project in Karachi, Pakistan, conducted a brief assessment of RUPP's methods and practice of community mobilisation. His report included several comments that were helpful to the Team.

The programme hired three national consulting firms to conduct studies for demarcating market regions and market zones associated with Bharatpur, Biratnagar and Nepalgunj. These studies were completed during the first quarter of 1998 and were used as the basis for selecting municipalities and hinterland communities (VDCs) to include in the programme.

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RUPP also contracted out two other assignments. One was to design a computerised database system encompassing information on spatial, social and economic linkages in market regions. The other was to design the modalities of what were originally called Regional Trust Funds. This was completed in 1998 Q1, and the consultant's proposals have since served as the basis for what are now known as Market Development Funds.

6. Programme Management

Meetings of the Executive Committee and the Coordination Committee have been less frequent than envisaged in the programme document, but they have provided an effective forum for discussing policy issues and facilitating coordination where needed. Meetings of the Executive Committee were suspended for six months between December 1998 and July 1999 at the request of UNDP, while they conducted an in-house assessment of the programme. There have been three different National Programme Directors in less than two years, and delays in appointing replacements have each time lead to long periods between meetings of the Coordination Committee.

UNDP has provided close monitoring and oversight with frequent field visits by the Programme Officer responsible for RUPP, who has been replaced twice since it started less than two years ago. UNDP has also assisted RUPP in refining its implementation strategy, borrowing from and linking to other related UNDP programmes, especially PDDP and LGP. By holding up approval of the workplan and budget for 1999, UNDP has slowed implementation as indicated above.

UNCHS has performed the responsibilities of an executing agency, including technical backstopping, providing information on initiatives associated with rural-urban linkages in other countries, and promoting RUPP in international forums. The Deputy Director of the UNCHS office in Fukuoka, Japan, has visited RUPP on three occasions.

Preparations were made for a Tripartite Review meeting in September 1998, involving HMG, UNDP and UNCHS, but this was cancelled at the last minute by UNDP. Another TPR meeting was held on August 30, 1999, at the conclusion of this evaluation.

RUPP has done an excellent job of recruiting qualified personnel at every level. The Team has developed an efficient information system which has contributed to strong management of the programme at both central and local levels, and effective use of financial and human resources. Staff members have made little effort to publicise the programme to outsiders, partly because UNDP requested them not to do so. Despite this, the programme has received considerable attention in the national press.

7. Quality of Monitoring and Evaluation

RUPP has installed an effective system for internal monitoring of the programme. Community Mobilisers maintain daily logs of their work in the field and compile weekly progress reports. Using this and other sources of information, the MDA prepares a monthly report, a copy of which is sent to central office, consisting of numerous forms, some of which are indicated in Table III-11 below. Central office compiles its own report based on information submitted by the MDAs in each SO.

Table III-11

Form number	Title	Contents
MZS-1	Community Mobilization Details	Information on number of wards, households and population; sensitization coverage, formation of TLOs, participants, CEs and focal agents
MZS-2	Summary Report of Community Mobilization	Summary of above information
MZS-3	Summary Report on Support Components Delivery	Information on clients, type of support, type of enterprise, chair, membership, sector activity, details of credit or seed grant, disbursements, repayment installments
MZS-4	Credit / Seed Repayments Details	Information on borrowers, disbursements, credit, equity, repayments, and beneficiaries
MZS-5	Status of (PDC) Fund	Balance, receipts and expenditures by category
MZS-6	Over Due Loan Statements	Details of borrower, amounts due, due dates, follow-up actions, prospect of repayment
MZS-7	Outstanding Balance Report	Information on loans, borrower and amounts
MZS-8	Market Development Fund	Balance, repayments received, credits disbursed, outstanding amounts, bank balance

This information system has helped to ensure sound management of the programme. MDAs and their staff are able to keep close tabs on community activities, particularly the status of loans to enterprises. SOs have been able to collect most repayments on time, some with minor delays, and have managed to maintain the default rate at zero. The central office receives detailed up to date information and is able to monitor progress in each SO.

Prior to this mission, there has been no in-depth evaluation of RUPP. In early February 1999, at the request of UNDP, the leader of the team evaluating the PDDP programme conducted a one week desk review of RUPP, but reportedly made no significant recommendations. Soon thereafter, as mentioned above, a partial interim assessment was made on social mobilisation, which concluded that the NPM and EDA should spend more time providing guidance in the field.

Preparations were made for a first Tripartite Review meeting in September 1998, involving HMG, UNDP and UNCHS, but this was cancelled at the last minute by UNDP. In anticipation of the TPR, RUPP staff together with representatives of concerned government agencies prepared the first Annual Progress Report. After reviewing progress, the government representatives rated the programme's performance as highly satisfactory. However, since no three way discussion was held, there was no opportunity to identify potential differences of opinion among the parties concerned, or to decide on remedial action where required. A second TPR meeting is scheduled for 30 August 1999.

For comments on the role of UNDP and UNCHS in monitoring and backstopping, please see the section above on programme management.

IV. PROGRAMME RESULTS

A. Relevance

RUPP is perhaps more relevant today than at the time of the programme formulation.

Ninth Development Plan. Since that time, the Ninth Development Plan was finalized, stressing poverty alleviation as the unqualified goal of this phase of national development.

Agricultural Perspective Plan. Also since the formulation of RUPP, the Agricultural Perspective Plan was approved as the main 20-year strategy for addressing the problem of poverty in Nepal. With its focus on the development of commercial agriculture, the APP speaks directly to the issues that animate RUPP. There is also an important complementarity between RUPP and the key elements of the APP. The APP stresses infrastructure (irrigation, roads, electricity), inputs (fertilizer and improved varieties of seeds and animals), and credit. RUPP's emphasis is more on "the software"-the mini-market linkages and the increased capacity of local authorities to think and plan outside the limitations of the boundaries of their jurisdictions.

PDDP and LGP Evaluation Findings. Within the context of UNDP's Country Cooperation Framework RUPP is also increasing in relevance. The recent comprehensive evaluation of the

PDDP and LGP, UNDP's twin flagship programmes, stressed the need to link the expanded production generated by the participating rural community groups to improved market mechanisms, larger enterprises, and urban consumers.

RUPP implements its programme with impressive efficiency.

Like other UNDP programmes in Nepal, RUPP relies on national expertise rather than on expensive international advisors. These national professionals at RUPP headquarters and in the market zones provide excellent analytical, professional implementation, and administrative services. At the field level, RUPP's community mobilisers (CMs) are locally recruited and paid at levels that are completely consistent with the remuneration systems of municipalities. Additionally, the municipalities will gradually assume part of the expense of their salaries during the life of the programme.

RUPP benefits from significant contributions from participating municipalities, VDCs, communities, and entrepreneurs. This ensures watchfulness on appropriate expenses at the local level. From the mayor down to the vegetable seller, all participants have a financial stake in RUPP efficiency.

The RUPP programme also makes efficient use of the contribution of the donor. The evaluation mission estimates that each dollar that UNDP puts into the micro credit programme provides more than twenty dollars of direct economic impact in the market zone, largely targeted to the poor and significantly benefiting women. (See the discussion under "Impact".)

B.

Efficiency

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C. Outputs

Output 1.1 The institutional system developed and implemented

RUPP has developed and implemented an institutional system for the programme.

At the outset, RUPP set up an Executive Committee and a Coordination Committee. Later the Team set up an Area Consultative Forum and a Private Consultative Forum, and mayors of municipalities participating in RUPP set up a Rural-Urban Linkage Network (RUNET). Instead of a single Trust to sustain programme activities after UNDP support ends, the RUPP Team has instead set up Market Development Funds (MDFs) in each of 12 municipalities for the same purpose. To implement the programme, RUPP has established a central office in Kathmandu, and three regional offices of which two have since been closed.

Output 1.2 Local Authorities charged and mobilised

RUPP has mobilised local authorities to promote local economic development through strengthening urban-rural linkages.

Terms of Partnership (TOPs) and Memoranda of Agreement (MOAs) have been signed with

twelve municipalities. In each of these, RUPP has formed Partnership Development Committees and Support Organisations (SOs). TOPs have also been signed with 13 VDCs covering market centers in the hinterland of eight of these municipalities.

To finance activities in the field, RUPP and these Local Authorities have contributed funds to twelve PDC Funds, totaling more than NRs 27 million. Of this total, 80% is destined for activities in the market zones (municipalities), and 20% for market centers. Municipalities have so far contributed 13% of the funds for market zones, and VDCs 8% of the funds for market centers. (See table in Chapter III.)

In each municipality, the SOs have been vigorously working to mobilise communities at the grass roots level. To date, they have initiated work in 104 wards encompassing some 62,000 households in these municipalities, or 58% of the total. Staff of SOs have held mass meetings covering 67% of the households in these wards to sensitize them to the RUP Programme. They have also formed 379 *Tole/Lane* Organisations (TLOs), encompassing nearly 18,000 households, an average of close to 50 families per TLO. Of all households in each *Tole/Lane*, an average of 71% have become members of the TLO.

TABLE IV-1 COMMUNITY MOBILIZATION IN RUPP MUNICIPALITIES							
Municipality	Selected wards	Hholds in sel'd wards	Hholds Sensitised	TLOs formed	Total Hholds in TLs	Member HHs in TLOs	(7)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bharatpur	5	4,600	2,794	28	1,114	921	83%
Biratnagar	10	10,419	9,273	32	1,746	971	56%
Birendranagar	12	4,845	5,713	32	1,055	1,055	100%
Butwal	5	4,705	1,451	22	1,192	739	62%
Byas	11	7,639	1,781	28	1,832	775	42%
Dhankuta	9	2,777	3,996	34	1,436	1,107	77%
Hetauda	10	7,391	3,528	31	2,366	2,093	88%
Nepalgunj	10	3,603	2,103	60	2,877	2,026	70%
Pokhara	6	6,242	966	8	836	551	66%
Tansen	5	1,079	921	18	871	667	77%
Tribhuvannagar	11	5,173	6,072	46	1,070	748	70%
Tulsipur	10	3,954	3,513	40	1,338	960	72%
Total	104	62,427	42,111	379	17,733	12,613	71%

With help from the SOs, members of the TLOs have been actively generating and implementing ideas for community projects and other initiatives. So far, 12 of these have received seed grants from local PDF Funds, amounting to NRs 327,000, an average of NRs 27,000 each, benefiting a total of some 4,700 households. (See Table IV-2 below.) Grants have been used for a variety of projects, such as a community meeting place, marketplace improvement, a drinking water reservoir tank, a dug well and hand pump well, gravity and pump irrigation schemes.

TABLE IV-2 RUPP FUNDS FOR SEED GRANTS			
Municipality	No of grants	Amount of grant (NRs)	Hholds benefited
Bharatpur	5	60,000	178
Biratnagar	0		
Birendranagar	3	178,000	3,810
Butwal	1	33,000	90
Byas	0		
Dhankuta	1	38,000	209
Hetauda	0		
Nepalgunj	1	14,475	240
Pokhara	0		
Tansen	0		
Tribhuvannagar	1	4,000	157
Tulsipur	0		
Total	12	327,475	4,684
Average		27,290	390

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On a pilot basis in one ward of each of three municipalities - Biratnagar, Birendranagar and Dhankuta - SOs have formed a small number of saving-and-loan groups based on the PDDP model, to test if these work in urban areas and if there is demand for them.

Output 1.3 Farmers and entrepreneurs organised

In both urban and rural areas, RUPP has organised farmers and entrepreneurs into self-managed institutions to take advantage of market opportunities.

Starting from the TLOs, RUPP solicits proposals from groups of member households to form Community Enterprises (CEs). SO staff assist selected groups to develop viable investment proposals, and train them in basic business principles. On completing the training satisfactorily, groups are awarded a certificate, recognizing them as "matured" and eligible to receive credit from the programme.

Within the 379 TLOs formed to date, SOs have matured 206 potential CEs. (See Table IV-3.) Of these, 137 have received credit from RUPP amounting to NRs 3.0 million, an average loan of NRs 22,000. Members of these enterprises have contributed their own equity, representing 43% of total investment, or 76% of total credits.

TABLE IV-3 RUPP COMMUNITY ENTERPRISES							
Municipality (1)	No of CEs Matured (2)	No of CEs Disbursed (3)	Amount of credit (4)	Amount of Equity (5)	Total investment (6)	% equity / investment (7)	Amount of Repayment (8)
Bharatpur	14	0	0	0	0	na	Na

Biratnagar	20	17	289,260	124,100	413,360	30.0%	145,312
Birendranagar	21	20	416,500	145,200	561,700	25.9%	167,037
Butwal	22	20	486,500	103,001	589,501	17.5%	32,000
Byas	26	9	225,000	435,040	660,040	65.9%	57,706
Dhankuta	23	12	256,309	38,179	294,488	13.0%	69,720
Hetauda	18	14	277,850	321,770	599,620	53.7%	133,369
Nepalgunj	29	23	537,800	566,834	1,104,634	51.3%	262,368
Pokhara	0	0	0	0	0	na	Na
Tansen	9	0	0	0	0	na	Na
Tribhuvannagar	14	10	245,000	223,437	468,437	47.7%	169,908
Tulsipur	10	12	297,120	336,166	633,286	53.1%	163,925
Total	206	137	3,031,339	2,293,727	5,325,066	43.1%	1,201,345

Since RUPP first started providing loans to CEs in December 1998, borrowers have already repaid NRs 1.2 million in principle and interest, or 40% of the total credit issued (column 8). The interest rate charged by RUPP is 18%.

-- o,,,1.1 Irhan Partnership Programme

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The record to date for this credit scheme is impressive, equal to the best to be found. With the exception of a few minor delays in repayment, the rate of default is zero. RUPP staff attribute this to the careful preparation of investment proposals, thorough training of the group prior to borrowing, and the strong ties of the enterprise to their local community through membership in the TLO.

RUPP has also established Market Development Funds in each municipality. These are designed as revolving funds, which gradually acquire resources through the repayment of RUPP loans initially issued from the PDC Fund. As implied above, the MDFs have so far received NRs 1.2 million from loan repayments. RUPP's aim in setting up the MDFs, is to enhance the sustainability of RUPP activities in each market zone. Funds are to be used for credit to microenterprises, seed grants for community projects, and related training and technical support.

Output 1.4 Labour linkages organised

As indicated in chapter 3, RUPP has started organising a number of schemes in collaboration with larger retail and manufacturing firms in urban areas, for the purpose of training workers primarily from rural areas, and purchasing outputs produced by independent groups of workers.

Output 2.1 Action research studies conducted

RUPP has undertaken considerable research on a variety of topics since it started. This has been done by staff at all levels, including the central office, the regional offices and the SOs. Topics covered include the delineation of market areas and hinterlands, consumption patterns, marketing systems for various commodities, surveys of enterprises, and feasibility studies of proposed community projects. A full list of research and development activities is included in

Annex YY.

Output 2.2 Networks established

RUPP has set up a Central Consultative Forum (CCF) to establish central level linkages with government agencies, NGOs, PSOs, professionals, academicians and practitioners. This has met five times. The proposed network for MPs has been postponed, since it was felt to be premature.

Output 2.3 Technical materials developed to manage and monitor programme activities

RUPP has designed a highly detailed reporting system which allows management to monitor programme activities in an effective manner. The system includes a large number of reporting forms covering virtually all aspects of work, most of which are completed on a monthly basis. As we witnessed during the course of this evaluation, the system allows staff at the central office to produce a wide range of reports on numerous aspects of the programme on demand in a timely fashion.

Output 2.4 Human resource development initiatives undertaken and information disseminated

RUPP has undertaken a variety of initiatives associated with human resource development.

Training programmes: In response to the needs of the programme and demands from client groups, RUPP has been carrying out training activities in six broad areas: skill transfer, enterprises management, leadership, orientation to the RUPP programme, data collection for field enumerators, and refresher courses for RUPP staff (see next table). Altogether these training activities have served 1,335 people, including RUPP staff, municipal officials and staff, members of TLOs and CEs.

Judging from the results indicated previously and our interviews with RUPP staff and people in the field, these training activities have been highly effective, particularly in improving public understanding of the programme. enhancing the skills of staff, and preparing members of CEs to launch enterprises.

TABLE IV-4 RUPP TRAINING PROGRAMMES		
Training Areas	Number of participants	% total
Skill transfer	392	29.4%
Enterprise management	34	2.5%
Leadership	333	24.9%
Refresher	104	7.8%
Programme orientation	256	19.2%
Enumerators	216	16.2%
Total	1,335	100.0%

Training documents: To support their training programmes, RUPP has also produced several documents for different purposes, a small sample of which is listed in the next table.

TABLE IV-5: SAMPLE OF TRAINING DOCUMENTS		
Ref No	Title	Date
TR 03/98	Orientation Training for MDAs	3 Q 98
TR 06/98	Orientation Training for SO Staff	3 Q 98
TR 07/98	Training on Financial Systems	3098
TR 08/98	Training for SO staff	Nov 98
TR 09/98	Training programme for SO staff	Dec 98
TRR 01/98	Roster of Selected Training Institutes	4Q 98
ED 01/98	Manual on Enterprise Formation Procedure	3 Q 98
ED 02/98	Account Manual for Support Organisation	3 Q 98
ED 03/98	Operational Process for Credit Facility	3 Q 98
ED 04/98	Process for Community Mobilisation	3 Q 98

Information materials: In the course of their work, RUPP staff have also produced over 60 publications and reports, which have been distributed widely to interested people and organisations. These include research studies mentioned earlier, manuals and guidelines, proceedings of workshops and meetings, and proposals of various kinds.

Price Information System: RUPP has also established an information system in each municipality designed to collect and disseminate data and information on rural-urban linkages. One output of this system is a daily publication of prices on agricultural commodities in markets around the country. Based on field observation, this daily listing is used fairly widely, particularly among wholesalers and traders, who indicated that it provided them with useful information they would otherwise have difficulty in finding.

D. Immediate Objectives

Immediate Objective 1: Support the people of secondary urban centres, rural market centres, and rural villages in three market regions to undertake social and economic initiatives by strengthening rural-urban functional and spatial linkages through the formation of economic enterprises.

There is important and significant progress toward achieving this immediate objective. RUPP is successfully implementing the almost all of the activities and achieving the anticipated outputs under this objective. As a result of RUPP assistance, micro-entrepreneurs have joined together into small enterprises and are purchasing agricultural products from a wide area around the municipalities, transporting and reselling them in the urban markets. Market facilitators are working in rural markets to link local products to urban purchasers for processing or sale, depending on the nature of the commodity. This objective is being met across a wide area of Nepal including twelve key municipalities (in terms of domestic and cross

border trade) and their associated rural hinterlands.

The significant element of this immediate objective is the *formation of economic enterprises*. Although the quality and achievements of the enterprises so far established are strong, many more will need to be established if this immediate objective is to be met. To date only 170 enterprises have been started. However, the formation of enterprises can only come after the whole series of other activities and outputs have been achieved-region market studies, establishment of PDCs and SOs in the municipalities, mass sensitization and community organization. All of these precursors have been completed on a large scale and the process of enterprise formation has begun and proven effective. Progress has been slowed during the past six months by the uncertainty of the programme's future, lack of approved workplan, and reduced budget. With a clear mandate from the funding agency, all other components are in place for achieving this objective.

Immediate Objective 2: Support the National Planning Commission to develop policies, strategies, and institutional capacity at the local level to undertake effective local development programmes to strengthen the local economies by making optimum use of the development opportunities obtainable through strong rural-urban spatial, social, and economic linkages.

This objective pertains to the institutional development support for appropriate governmental agencies at the central level and for local authorities, especially municipalities. RUPP has made significant progress toward achieving this objective with the local authorities, municipalities and selected VDC that include significant rural markets linked to municipalities. This is especially evident with the creation and successful operation of the Partnership Development Committees (PDCs), the support organizations (SOs), and the establishment of the beginnings of municipal information centers that provide important sources of relevant economic and trade data.

It is premature to accomplish those aspects of this objective that pertain to the policy level. Lessons learned and the development of new policies to foster rural-urban linkages must await fuller and more certain results from the field.

E. Development Objective

The demonstration of a successful and cost-effective strategy for expanding and strengthening rural-urban economic linkages and creating an environment with a more varied set of economic opportunities for the rural poor would make an important contribution to Nepal's ability to succeed with its 20-year Agricultural Perspective Plan (APP). The RUPP programme promises to demonstrate the institutional and social mechanisms that must accompany the infrastructural investments and agricultural inputs stressed under the APP. Also the APP, like RUPP, stresses the importance of increased access to credit. RUPP's sustainable revolving credit programme, when complete and successful will provide an important example.

F. Effectiveness

RUPP began with somewhat different points of entry for key activities, and, facing some

difficulties, adopted more effective approaches. The programme originally had planned to emphasize the region as the main point of entry, with regional advisors overseeing a number of market development advisors serving in municipalities. As part of this approach, the Market Development Fund was viewed as a regional entity, with three such funds being planned. RUPP found it more effective and more efficient to work more directly at the market zone level in cooperation with the municipal authorities, since the regional level lacks an official entity to take ownership of the programme.

Similarly, in its approach to community mobilization, the RUPP programme found it more effective to drop down a level from the ward to the neighborhood (*tole/lane*). The *tole/lane*, as a unit of approximately 40 households provided a cohesive entity. RUPP had borrowed the social mobilization methodology from the PDDP programme that works in rural parts of VDCs where wards are smaller and more cohesive than in urban areas. This shift downward has proven effective in mobilizing communities and supporting the wards' and municipalities' roles in urban development.

Coupled with the shift to organizing at the *tole/lane* level, RUPP changed its mode of micro-enterprise formation. Enterprises are now formed out of the *Cole/lane* organization itself. In order to receive RUPP credit, the enterprise must be approved by the *tole/lane* organization. This provides a means of assuring that the entrepreneurs are credit worthy, it provides community pressure on the entrepreneurs to succeed and repay their loans on schedule.

In all of these areas, RUPP has refined its programme to improve effectiveness.

G. Capacity Building

Human Resource Development. The training of the SO staff for all of the municipalities has provided the municipalities with community mobilisers who are trained, committed, and experienced in organizing at the grass-roots level in urban and rural areas in support of enterprise development, community development, and urban participatory planning. RUPP has also provided orientation and training to municipal personnel on rural-urban linkages, social mobilization, participatory planning, and changes in the local government laws. Although general management development and strengthening of the municipal administration is beyond the scope of RUPP, these focused efforts at human resource development appear to add to the capacity of the municipalities. At the community level, RUPP has provided orientation and training to the presidents and secretaries of hundreds of *Tolellane* organizations. New micro-enterprises have been assisted with training on enterprise management and record keeping. This training is very basic as befits these tiny enterprises. There has also been assistance from RUPP in arranging skills training for the new entrepreneurs, usually provided by the appropriate government institution. In all of these situations there is evidence that the training and experience is being utilized by most persons in ways that strengthen the institutional capacity at the appropriate level.

Institutional Development. The community organizations (*tolellane*) and local Support Organizations are developing into potentially sustainable and effective bodies. The Partnership Development Committees are effective local organizations to provide guidance and approval of all RUPP programme activities, but their role in a post-RUPP world must yet evolve. Their future role will depend on just how the Marketing Development Funds are finally established.

Enabling Environment. Municipalities in Nepal (and elsewhere) have traditionally been concerned with urban infrastructure investments and the provision of basic urban services. Under RUPP's focus on rural-urban economic linkages, most participating municipalities have come to accept and understand their role in fostering local economic development as well.

H. Impact

RUPP is proving to be surprisingly effective in spurring local economic development.

Given the goals of the programme, we undertook an assessment of its economic impact to date, and from this projected its potential impact over the life of the programme ending December 2001. We also examined several key factors that determine whether RUPP will achieve this potential, and estimated the potential return on UNDP's investment in the programme.

1. Success of Micro-enterprise Credit Programme

RUPP's credit program for micro-enterprises is proving to be highly successful.

To evaluate the performance of the credit programme and the micro-enterprises supported by it, we conducted an analysis of aggregate data provided by RUPP and detailed data available for a sample of 12 enterprises. Based on this analysis, we determined that:

- For each dollar of RUPP loans, CEs put up 76 cents of their own equity in enterprise investments. (In the sample of 12 enterprises, members matched loans dollar for dollar.)
- A dollar of initial investment in an enterprise produces about 7 dollars of sales over a period of one year.
- Annual returns or gross profits (sales less direct expenses) from the initial investment in an enterprise average close to 200%
- Gross profits yield an average of NRs 1500 per month for each member of the enterprise
- As mentioned earlier, CEs have already repaid 40% of credits received, with a zero default rate.

(For details, see Annex D.)

2. Potential Economic Impact

The RUPP credit programme has the potential to make a strong impact on the local economy - especially among poor households and the female population

To estimate the potential economic impact of the RUPP credit programme on the local economy, we computed four multipliers, applied these to initial RUPP investment in the credit

programme, and compared this to a crude estimate of the size of the local economy. The figure used for the initial RUPP investment in the credit programme is 60% of the amount budgeted in the project document, which is proportional to the number of municipalities currently supported (12) relative to the original target (20). The size of the local economy was estimated simply by multiplying the combined population of the 12 municipalities by a figure of 223 representing national per capita gross domestic product (gdp in US dollars).

Based on conservative assumptions, we estimate that funds from UNDP / RUPP for the credit programme are multiplied by:

- A factor of 1.75, representing the multiplier associated with recycling loan funds repaid with interest before the end of the project in December 2001, assuming that loans in one year are not recycled until two years later.
- A factor of 1.57, representing the multiplier associated with entrepreneur equity added to the initial loan, adjusted for investments that would likely have been made anyway.
- A factor of 5.03, representing the multiplier associated with sales generated during the first year by investment, adjusted for sales that would likely have taken place anyway, and
- A factor of 1.79, representing the multiplier associated with business purchases, consumer spending and savings by entrepreneur households which result from their sales revenue.

Based on these multipliers, we estimate that:

- Each dollar loaned from the credit scheme to community enterprises adds \$14 to the local economy (see Annex D).
- Each dollar allocated by RUPP to the credit scheme adds in the order of \$25 to the local economy.
- Within a year after RUPP terminates, funds allocated to the credit scheme could generate some \$1.1 million of additional economic activity in each market zone (municipality).
- This represents an average increase in local economic activity of somewhere between 2% - 4% per year over the period 1999 - 2002.

3. Can RUPP Achieve this Impact?

There are solid indications that RUPP can achieve these results.

Based on the manner in which RUPP is operating at present, these results can be achieved on condition that: a) adequate funds are allocated to the credit scheme; b) there are enough potentially viable CEs to absorb these funds; c) SO staff can form CEs fast enough; d) by implication, SO staff can organise TLOs fast enough; and e) there are sufficient funds to provide seed grants to all the TLOs that are formed (assuming this is necessary).

The first condition is outside the control of the programme, since it requires UNDP to provide 60% of the funding originally allocated in the project document, and to release these funds in a timely fashion, especially for the current year.

There appears to be no shortage of potential entrepreneurs to absorb projected credit funds. Up to June 1999, RUPP has been creating CEs at the rate of 1.57 per 100 household members of TLOs. (See Annex D.) This implies a potential yield of nearly 1700 CEs from municipalities alone, before adding others in the hinterland. To absorb the funds available from the credit scheme, this number of CEs would need to assume average loans of NRs 38,000. The current average is NRs 22,000, but this reflects common practice of limiting loans to a maximum of NRs 25,000, and there is strong demand to increase this ceiling.

To form a sufficient number of CEs to absorb projected credit funds, SO staff will need to accelerate the formation of CEs. This is feasible since activity during the second quarter slowed considerably due to uncertainties over funding. (See table xx in Chapter 3.) They are unlikely to be able to form 1700 CEs before the end of 2001, but it is reasonable to expect them to reach the present target of 1200 or more. (See Annex D.) This implies an average loan for each CE in the order of NRs 50,000, which may be closer to demand.

Assuming RUPP continues with the current practice of establishing TLOs before forming CEs, SO staff will also need to accelerate the formation of TLOs, and more importantly increase the number of CEs to be "grown" from each TLO. Both are feasible. Based on their performance during the period October 1998 through March 1999, SOs should be able to organise at least another 1500 TLOs before the end of 2001, bringing the projected total to close to 2000. To

reach the target of some 1200 CEs, SO staff would need to raise the yield of CEs per TLO by about 50%. This should not be too difficult, once the brake on earlier activities is released, and as a larger proportion of households gradually become members of TLOs.

Finally, funding for seed grants should not be a constraint. Based on an allocation of 60% of the amount budgeted in the project document, and the average size of seed grants to date, there should be ample funding for the number of TLOs to be formed.

4. The Return on UNDP's Investment in RUPP

Assuming, then, that RUPP can achieve the economic impact envisaged, and assuming further that the total programme budget for 12 municipalities is revised downwards to say \$3.5 million, society may expect to see a return of nearly 4 times UNDP's investment. (See Annex D: Table D6.)

The design of the RUPP programme builds in many factors to enhance and ensure sustainability of programme activities and benefits beyond the life of the programme itself.

Market Development Fund. The most important element is the proposed creation of a Market Development Fund (MFD) in each participating market zone. If the appropriate revisions in Nepal's trust laws can be put in place, then these funds (and the similar District Trust Funds under PDDP and LGP) will be able to continue providing micro enterprise credit at 18% per

year for many years to come. To the extent that these funds are also utilized as mechanisms to receive other financial infusions, they should be able to continue to help support the activities of the Support Organizations (SOs) in each market zone.

High Rate of Loan Repayments. The extremely high rates of loan repayments (almost 100%) with full interest indicate the sustainability of the revolving credit programme beyond the end of direct UNDP assistance. This also points (so far) to the sustainability of the enterprises themselves and to their continued ability to produce an economic impact.

The Support Organizations. The commitment of the municipalities to assume responsibility for the salaries of the SO staff, combined with their current responsibility for providing facilities for the SOs, indicates that this local level outreach capacity developed under RUPP will continue functioning following the termination of UNDP financial support. The presence of a local deputy manager of each SO also should facilitate the continued operation once the UNDP Market Development Advisor moves on.

J. Follow-up

Depending on the approval of the evaluation mission's recommendations, UNCHS, UNDP, and NPC will need to revise the Programme Document. This revision should take into account the proposed reduction in geographical scope of the programme, the level of expenditures to date, and the refinements of implementation introduced by the programme based on their practical experience in the field. At the same time, a detailed workplan must be quickly prepared and approved so that programme activities can immediately resume with full force.

I.

Sustainability

V. CONCLUSIONS

Strong Probability of Achieving Success. RUPP has the strong probability of achieving significant success, demonstrating an effective and cost-effective approach to strengthening rural urban linkages, and helping to alleviate both rural and urban poverty by providing market outlets for increased rural production. In so doing, RUPP will provide an attractive practical model for such programmes in Nepal and in other developing countries.

Potential not yet Proven. The RUPP activities are not yet far enough advanced in the current participating market zones to allow the shifting of key staff (municipal level market development advisors) and other resources to additional market zones without jeopardizing programme accomplishments. The period of uncertainty regarding the programme's future (combined with the lack of a 1999 workplan and a freeze on all but essential budget lines) has put the programme behind schedule, especially regarding the important elements of enterprise development, rural market centre agreements, and public-private partnerships. The stunning potential impact of RUPP is yet to be proven, and should be proven in order to justify expansion.

Imbalances in Activities to Date. The overall programme conception and framework links rural and urban activities within a regional economic perspective that includes partnership between public and private sectors. However, under the practical pressures of programme implementation to date, RUPP has tended to emphasize:

- Urban activities more than rural;
- Government institutions more than private sector partners; and
- Market zones more than the regional perspective.

Some of these "imbalances" are the result of the slowdown in programme activities in 1999, and others derive from the natural and practical tendency to begin operations closer to the entry environment (municipalities). Unless RUPP breaks out of this mode, the accomplishment of the programme's goal of fostering rural-urban economic *linkages* will be jeopardized.

VI. Recommendations

Overall:

1. *Continue RUPP until December 2001 as originally planned, in order to provide demonstration of successful approach to develop rural-urban linkages in support of poverty alleviation.*

Comments: This recommendation recognizes that fears regarding the effectiveness of the experimental RUPP approach combined with its very large budget had put the issue of RUPP's continuation on the table. The evaluation mission is signaling in the strongest terms its view that the programme should be continued.

Delay Geographical Expansion:

RUPP should firmly establish success in the twelve market zones currently participating in RUPP before initiating expansion into the additional eight market zones foreseen in the programme document. The original programme budget should be adjusted correspondingly to cover the cost of activities in the current twelve market zones. The expansion to additional market zones should be considered by the next evaluation scheduled for the year 2000.

Comments: This recommendation recognizes the danger of continued expansion into new municipalities (three new municipalities were added this year). The expansion to eight new market zones this year would jeopardize the programme's chances of achieving its objectives and demonstrating a stunningly effective strategy for strengthening rural-urban linkages.

Regarding adjustments to the current budget, the evaluation mission prepared and

analysed a detailed draft budget for the remaining programme period. The mission determined that with a 40% decrease in the number of participating market zones, RUPP will require at least 60% of the original budget. Any reductions below that level will compromise the ability of the programme to achieve its anticipated results.

It is the view of the evaluation mission that once the effectiveness of the RUPP approach is demonstrated, expansion of the approach to other market zones and even other market regions will likely follow quickly.

Enhance Focus on Economic Development:

3. Enhance the focus on economic linkage activities by stressing the following activities:

- *Organize toles/ lanes only where there will be at least one economically oriented seed grant project and/or at least one enterprise group.*
- *Emphasize the linkages of micro-and small enterprises to larger enterprises.*
- *Emphasize linkages between rural market centers (including "rural" municipal wards) and the urban markets.*
- *Improve monitoring system to track more effectively for economic outputs generated b_y credit and seed grant activities.*

Comments: All of the above elements are in the programme document and are being pursued to some extent in programme implementation. The evaluation mission notes, however, that more emphasis will need to be placed on these activities if the programme targets are to be accomplished. The programme will need to reach out beyond the municipality, beyond the public sector institutions, and beyond social mobilization if it is to truly expand and enhance the economic linkages between urban markets and rural suppliers.

4. Formalize and strengthen the role of municipal-level private business persons (beyond the participation of the president of the local Chamber of Commerce) on the PDC.

Comments: Both the Habitat II National Plan of Action and the RUPP programme document stress the importance of a broad partnership between local authorities, private businesses, NGOs and CBOs. The Partnership Development Committee (PDC) provides a framework for this, but to date is very heavily weighted to public sector representatives.

5. Include representation from the private sector (Federation of Nepal Chambers of Commerce and Industry - FNCCI) and line ministries concerned with enterprise development (Ministry ofAgriculture) on the RUPP Executive Committee.

Comments: The importance for RUPP of private sector participation, and of economic activities (especially the development of commercial agriculture) should be signaled by the composition of the lead execution body for the programme.

Maintain Broader Regional Economic Framework:

6. *Maintain the broader regional concept of RUPP, including macro-level studies of relevant market trends for selected commodities, and monitoring changes in regional commodity flows, including exports out of the regions (and out of Nepal).*

Comments: The regional approach of RUPP is an important part of what makes the programme unique and promising. In practice RUPP implementation has found it more effective and cost effective to focus on the market zone (municipality) level. The regional offices that were critical at the programme outset have been gradually phased out. The evaluation mission concurs with the elimination of that administrative layer in programme implementation, however, economic and market analysis beyond the market zone level will still be required. These studies can be designed and implemented (and/or contracted out) by the RUPP headquarters professional staff.

VII. LESSON LEARNED

With an interim evaluation, many of the lessons learned are properly communicated as recommendations for the remaining period of programme implementation. Announcing general lessons learned (to be disseminated to other programmes here and abroad) is more the of a final evaluation. However, even at this early stage there do seem to be several lessons learned through the RUPP implementation.

- **Rural-Urban Linkages Approach is Easily Understood by Local Participants.** The concern, expressed as "risks" in the programme document, was that the RUPP concept would be too novel and too complicated to be effectively understood by local authorities. Despite the novelty and complexity of RUPP, its intent and strategies were relatively quickly understood by mayors, VDC chairmen, ward chairpersons, community leaders, and entrepreneurs.
- **Cross-Jurisdictional Activities Required for a Rural-Urban Linkage Programme Do not Present a Practical Impediment in the Field.** Another fear expressed as a "risk" in the programme document was that given the required cross boundary efforts under RUPP, the inability of local authorities to cooperate might hinder programme progress. The lesson is that although such jurisdictional problems exist theoretically, they rarely provide any hindrance to implementing a rural-urban linkages programme.