

UNITED NATIONS DEVELOPMENT PROGRAMME

GOVERNMENT OF NEPAL

Livelihoods Outcome Evaluation

UNDP/Nepal Country Programme Action Plan for 2008-2010

Final Report

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February 2011

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LIST OF ACRONYMS

AEPC	Alternative Energy Promotion Centre
AIDS	Acquired Immune Deficiency Syndrome
AusAID	Australian Government's overseas aid program
AWP	Annual Work Plan
BDSPOs	Business Development Service Provider Organizations
CBOs	Community Based Organizations
CA	Constituent Assembly
CCA	Common Country Assessment
CCF	Country Cooperation Framework
CIDA	Canadian International Development Agency
CP	Country Programme
CPA	Comprehensive Peace Agreement
CPAP	Country Programme Action Plan
CPD	Country Programme Document
CPN	Communist Party Nepal
CPN/M	Communist Party of Nepal/Maoist
COs	Community Organizations
CSO	Civil Society Organization
DDC	District Development Committee
DFID	Department for International Development
DLGSP	Decentralised Local Governance Support Programme
EAFS	Enhancing Access to Finance Services
EC	Election Commission
EDF	Enterprise Development Facilitator
EU	European Union
FAO	Food and Agricultural Organization
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
GDI	Gender Development Index
GDP	Gross Domestic Product
GEF	Global Environment Facility
HDI	Human Development Index
HDR	Human Development Report
HHs	Households
HIV	Human Immunodeficiency Virus
HPI	Human Poverty Index
IDP	Internally Displaced Person
IFI	International Financial Institutions
ILO	International Labour Organization
INGOs	International Non-governmental Organizations
JICA	Japan International Cooperation Agency
KiND	Khimti Neighbourhood Development
LRP	Livelihoods Recovery for Peace

M&E	Monitoring and Evaluation
MDGI	Millennium Development Goals Initiative
MDGs	Millennium Development Goals
MEDEP	Micro-enterprise Development Programme
MGEP	Mainstreaming Gender Equity Programme
MIS	Management Information System
MLD	Ministry of Local Development
MoAC	Ministry of Agriculture and Cooperatives
MoCTCA	Ministry of Culture, Tourism and Civil Aviation
MoES	Ministry of Education and Sports
MoEST	Ministry of Environment, Science and Technology
MoF	Ministry of Finance
MoFSC	Ministry of Forestry and Soil Conservation
MoGA	Ministry of General Administration
MoHA	Ministry of Home Affairs
MoHP	Ministry of Health and Population
MoICS	Ministry of Industry, Commerce and Supplies
MoPR	Ministry of Peace and Reconstruction
MoLJPA	Ministry of Law, Justice and Parliamentarian Affairs
MTR	Mid-Term Review
NEX	National Execution
NGOs	Non-governmental Organizations
NHRC	National Human Rights Commission
NPC	National Planning Commission
NRCS	Nepal Red Cross Society
OE	Outcome Evaluation
PDP	Product Development Process
PLWHA	People Living with HIV/AIDS
PMAS	Poverty Monitoring and Analysis System
PRSP	Poverty Reduction Strategy Plan
REDP	Rural Energy Development Programme
RBM	Results Based Management
RRF	Results and Resources Framework
SAARC	South Asian Association for Regional Cooperation
SGP	Small Grants Programme
SWAP	Sector-Wide Approach
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children Fund
UNIFEM	United Nations Development Fund for Women
UNMIN	United Nations Mission in Nepal
UNV	United Nations Volunteers
USAID	United States Agency for International Development
VDC	Village Development Committee

WB	World Bank
WHO	World Health Organization
WID	Women in Development

ACKNOWLEDGEMENTS

The Mission wishes to express its deep gratitude to the representatives of the Government of Nepal for the courtesies extended while executing its mandate. Wherever the Mission went, it was met by stakeholders with utmost hospitality and generosity.

The Mission acknowledges its appreciation for the effective support provided by Mr. Robert Piper, UN Resident Coordinator and UNDP Resident Representative; the hands-on leadership of Ms. Anne-Isabelle Degryse-Blateau, Country Director; Mr. Jorn Sorensen, Deputy Country Director (Programme); Ms. Heather Bryant, Programme Analyst, M & E, made available every possible resource to the Mission; Ms. Santa Subba provided impressive logistics back up to deploy the Mission's field work in a difficult terrain.

Gratitude is extended to managers and staff of national implementing agencies, Directors, Managers and staff of all projects, and the UNDP Dadeldhura and Biratnagar Field Office teams involved in the Livelihoods Outcome exercise, who kindly spent considerable time supplying requested information and graciously accompanied the Mission during the fieldwork. In particular, the Mission has been moved by the openness with which villagers, farmers, and women from farmers households interviewed during field work have shared their motivation and enthusiasm for the expected outcomes.

EXECUTIVE SUMMARY

The Livelihoods Outcome Evaluation

Since the signing of a Comprehensive Peace Agreement (CPA) in November 2006 by the Government of Nepal and the Communist Party of Nepal, Maoists (CPN/M), both parties have been working toward peace. This historic agreement ended a ten-year armed conflict that killed approximately 13,000 people, brought about a major setback in the development process and most importantly, weakened social cohesion in communities across Nepal.

At the root of the armed conflict lay persistent inequality, poverty and exclusion from state mechanisms and development opportunities as well as legal, economic, and social arrangements which restricted the influence and prospects of a large proportion of Nepal's women and girls, Dalits, Janajatis (Indigenous Peoples), Madhesis (groups of plains origin), religious and cultural minorities, and the poor in general. Without peace the opportunities to pursue sustainable development are tenuous. Unemployment and underemployment themselves are potential threats to peace-building. Thus, for UNDP Nepal, livelihoods and employment are a vital priority of its Country Program Action Plan (CPAP) for 2008-2010.¹

Terms of Reference

This Outcome Evaluation Team [Team] has been mandated “to conduct an evaluation of [UNDP] work to date under the current Country Programme [2008-2010] ² in the area of livelihoods, primarily with respect to employment generation, micro-enterprise, and income generation activities, in order to inform the extension of the Country Programme Action Plan (CPAP) as well as the development of new programmes which will extend into the next programme cycle ” [TOR page 3.] Annex 1 contains the Terms of Reference.

Scope and Method

Concerning the scope of the Outcome Evaluation (OE), the evaluation was two-pronged. The first prong assessed progress towards the specific “livelihoods” outcome, i.e., employment and income opportunities and access to financial services enhanced, especially for youth and excluded groups and People Living with HIV/AIDS (PLWHA) in partnership with the private sector and Civil Society Organizations (CSOs), illustrated in the Outcome Results Chain of Fig. 1 [See Annex II]. Specifically, the pertinent projects were :

[a] Results achieved by “Micro-Enterprise Development Programme” (MEDEP III) *drawing primarily on the findings from the Impact Assessment.*³ [b] Preliminary results and strategies of “Enhancing Access to Financial Services” (EAFS). [c] Potentials of the “Livelihoods Recovery for Peace” (LRP).

The second prong of the evaluation examined selected livelihoods interventions under the Environment and Energy portfolio, to gather lessons learned to inform project formulation in both

¹ The Country Program Action Plan (CPAP) 2008-2010 builds on the UN Development Assistance Framework (UNDAF) for Nepal 2008-2010, the Government's Three-Year Interim Plan 2007-2010, UNDP's Corporate Strategic Plan 2008-2011, and the UNDP Country Programme Document (CPD) for 2008-2010.

² The current Country Programme [2008-2010] has a three-year framework aligned with three-year UNDAF and was designed to align with the Government's Three-Year Interim Plan [July 2007 – June 2010].

³ During the OE implementation, it became officially known that the findings from MEDEP's Impact Evaluation [IE] would not be available to the OE as stipulated in TOR. As consequence, there were permanent implications on OE's expected results. MEDEP had been evolving nationally for more than a decade in terms of livelihoods so key quantified results would not be available for the OE's assessment at the macro level. Thus, it was no longer possible to carry out the OE as anticipated in TOR because significant data would not be available. Therefore, in the [Inception Note & Debriefing Report] the Team indicated that “will examine largely those outputs that contribute directly to the realization of the outcome to ensure an outcome focus.” And “results globally achieved ...without quantification.” Since quantification will be provided eventually by the MEDEP's IE.

the livelihoods and environment portfolios, as well as formulation of the next Country Programme. The pertinent projects were:

[d] Results achieved by “Western Terai Landscape Complex Project” (WTLCP) based on the Mid Term Review findings. And lessons emerging from the Global Environment Facility/ Small Grants Programme. [e] Results achieved by Rural Energy Development Project III (REDP) based on the Winrock Impact Assessment as well as other initiatives, such as the Khimti Neighbourhood Development project (KiND).

Within the framework of UNDP guidelines for outcome evaluation,⁴ the livelihood outcome was deconstructed into three outcome-themes.⁵ [1] The Micro-enterprise & Livelihood Strategies Theme reviewed outputs that contributed directly to the realization of the outcome. [2] Energy – Environment Theme reviewed the results achieved by REDP III and incorporated selected livelihood interventions to gather lessons learned from environmental projects [WTCL and GEF/SGP] based on the WTCL Mid Term Evaluation and GEF/SGP’s success stories. The logical implications from lessons learned about current practices in NRM have been drawn. [3] Gender Equality and Social Inclusion Theme conducted a cross cutting analysis of current strategies and procedures to deal with gender equality & social inclusion in the context of the following projects: REDP III, KiND, MEDEP III and WTLCP. Also, a detailed analysis of the LRP initiative was conducted to establish the extent to which relevant policies of equality and inclusion are being applied.

Evaluation Procedure

The Livelihoods Outcome was assessed in the following manner. [1] The analysis of the “status of the outcome,” “UNDP’s contribution to the outcome-theme” and “UNDP partnership strategy” were conducted for the whole outcome. [2] The component “factors contributing to the outcome-theme” was conducted in the context of the three outcome-themes.⁶

During the planning stage the Team made initial contact with key stakeholders and reconfirmed the inventory of projects for review. It also assembled an extensive compendium of documents including project documents, planning documents, programmatic and background documents on programme rationales, policy documents reviewing issues in the Country Office. The field work was conducted in the following locations: Far Western Region (Kailali, Kanchanpur and Dadeldhura districts), and the Central Region (Mahottari, Sarlahi, Dhading and Dolakha districts). The Team interacted with more than 500 informants (Annex II: Table II.2[a]). There were slightly more women [286] than men [249]. The largest number of informants were Dalit [approximately 200] and Brahmin-Chhetri [nearly 200], followed by about 115 Janajatis and approximately 20 from other social groups. At the conclusion of the Field Work a validation exercise was conducted with UNDP senior management, programme unit heads, programme managers and other stakeholders. The Mission Report integrated field work findings with the compendium of documents associated with the outcome-themes.

Structure of the Report

⁴ UNDP Guidelines for Outcome Evaluators, New York, 2002, page 9

⁵ Management provided insightful comments for the deconstruction of the outcome and the procedures for analysis.

⁶ Analysis of factors that influence outcomes is the intellectual core of outcome evaluation. A thorough understanding of the factors that influence outcomes represents the rationale for any development intervention and UNDP involvement — bridging the gap between “what is needed” and “what can be done”. Examining the factors that influence an outcome tests the development hypothesis UNDP has formulated, as well as its underlying assumptions. This demands analytical maturity, substantive knowledge of development and affinity with reality of the national cultural, political and institutional environment. Factors influencing development are multiple, complex, interrelated and ever-changing. *UNDP Guidelines for Outcome Evaluators*, page 9

This Evaluation Report is in consequence both retrospective and prospective. The retrospective approach has been conducted through the lens of an Outcome Evaluation, i.e. the relationship between the changes observable in the livelihoods sector, and the extent to which UNDP contributions are responsible for them.⁷ This is dealt in the body of the Report. The prospective approach in relation what needs to be done so that livelihoods and employment continue improving has been discussed in detail within Annex V and VI.

Findings, Conclusions and Recommendations

Status of the Livelihood Outcome

UNDP's Livelihood Outcome specifically targeted youth and rural dwellers. A preliminary estimate (Table II.1) indicates that 54,299 people benefitted from REDP III and MEDEP III as entrepreneurs of some form or another capable or earning more income than without both projects.⁸ Taking into account that the national poverty base line is situated at USD 110 [per capita], the increase in family income has doubled on the average with respect to the proxy baseline.

Concerning gender equality, the findings are inconclusive as baselines are still being prepared. However, the MEDEP data indicates [Table III.2] that the employment generation has been greater among women [67%] than men [33%]. Micro enterprises, particular those run by women, have demonstrated a constructive application of income earned for business expansion and overall family wellbeing. Rural women benefitted considerably from rural electrification because it relieved them from the drudgery of water fetching and firewood cooking.⁹ Thus, they can now use their time in more productive activities with economic gain—this result has empowered women economically in addition to nurturing children and caring for husbands.

Micro- Enterprise & Livelihood Strategies

Overall, the micro- enterprise and associated livelihood strategies have brought about progress in the quality of living for micro entrepreneurs and their families. The majority of the enterprises are agro- or forestry-based with artisan activity. MEDEP has fomented the establishment of 48,825 micro-enterprises—which has generated employment for 49,904 persons (Table III.2). In consequence, taking income poverty line as benchmark, individual income increased nearly four times and household income has more than doubled (Table III.1). Representation of women, Dalit and Janajati has received strategic emphasis at all levels of organizations and their executive bodies promoted by MEDEP.

Overall, new entrepreneurial skills have led to a greater self-confidence and social status; a few micro-entrepreneurs have gained notoriety because of their achievements and contributions in the sector. For these individuals this has meant a net social advancement with a qualitative change of life including social relations. They have also played an advocating role for policies favourable to micro-enterprises in general.

⁷ Source: UNDP Guidelines for outcome evaluators. New York, 2002

⁸ The Outcome has brought about a considerable measure of hope to the targeted population under a fragile and conflict-affected situation. However, there are concerns about the quality of the monitoring data which are discussed in length in sec. II.1.. For example, WTLC's MTR (Annex 5) reports that average households have increased their income by 15%. However the number of households are not specified. Neither the means and strategies used to increase their income. This reflects shortcomings in the M&E process, especially the absence of a clear baseline.

⁹ Although there is no quantified data, REDP through rural electrification has provided opportunities for water purification, increased supplies of drinking water through the canals of micro-hydro systems, and the promotion of fuel wood production. Cf. REDP, op cit, 2005, p 2

Inconclusive observations in the field indicates that ethnically mixed groups have a greater chance of doing well in terms of competitiveness, creativity, mutual learning, and social harmony. They have adopted a system of internal targeting to benefit the poorer and the weaker members on a priority basis. However, ethnically homogenous groups participate in decision making with greater frequency—whereas ethnically mixed groups participate in decision making processes with much less frequency.

Only 5% of the micro-enterprises have become sustainable enterprises, 45% are fully operational, 20% are seasonally operational, 17% are inactive and 13% have dropped out.¹⁰

Unsurprisingly, nearly half of the income earned is used to meet the needs of the family unit [Table III.9]. The data indicates that the sustainability of the microenterprises is compromised by family subsistence needs.

The most adverse effect on micro-enterprise performance has been the absence of skills to assess profitability from market conditions for specific products and vice versa, i.e. produce according to the demands of the end-user. Similarly, losses from a lack of arrangements in cross border trading have been detrimental to micro- enterprises in many cases. These factors have exacerbated the exclusion of the poor from market transactions thus limiting their ability to get out of the entrapment of poverty.

The micro- entrepreneurs interviewed mentioned that the level of support they receive from Business Development Service Provider Organizations (BDSPO) and Enterprise Development Facilitator (EDF) is not adequate to meet their growing needs, especially in terms of cost reduction, scaling up, enterprise registration, market analysis and marketing procedures, quality tests and certification. All these elements contribute to long term sustainability. The crux of the problem is that BDSPO personnel do not have extensive practical experience necessary to lead entrepreneurs to sustainable growth.

The scope of training needs is wide. The collaboration of MEDEP with organizations such as the Federation of Nepalese Chamber of Commerce & Industry (FNCCI) would be vital as would the organization of Farmers Clubs where [1] training activities conducted by someone like FNCCI on Product Development Process (PDP) would be continuously provided to women, youth and other under privileged groups. [2] These Farmers Clubs would be the depository of knowledge and information about PDP and other knowledge-based techniques to ensure continuity in the village areas, thus ensuring sustainability.

The lack of or limited adherence to environmental conservation of some micro enterprises is a grave concern, especially with processing of oil from Non Timber Forest Products (NTFP) and trees used in the different stages of honey bee production. The range of products that entrepreneurs are pursuing is broad due to wide variety of ecosystems in Nepal.¹¹ To manage this complex situation, it will be necessary to prioritize crops, NTFPs, cottage industries and livestock according to which has the greatest economic return while being both environmentally friendly and socially viable.

¹⁰ Source: Adhikary, Arun Dhoj and Niranjana Baral, 2010: Phase Out Strategy Note for MEDEP Phase I and Phase II Districts, Proposed Three-Year Extension – MEDEP Transition Phase, 01 January 2011 to 31 December 2013.

¹¹ Nepal boasts 118 ecosystems, 75 types of vegetation and 35 types of forests as well as 635 species of butterflies, 185 species of freshwater fish, 43 species of amphibians, 100 species of reptile, 860 species of birds and 181 species of mammals (Bhujju *et al.*, 2007). Cf. NCVST (2009) *Vulnerability Through the Eyes of Vulnerable: Climate Change Induced Uncertainties and Nepal's Development Predicaments*, Institute for Social and Environmental Transition-Nepal (ISET-N, Kathmandu) and Institute for Social and Environmental Transition (ISET, Boulder, Colorado) for Nepal Climate Vulnerability Study Team (NCVST) Kathmandu.

Access to credit continues to be a limiting factor for the economic growth of micro-entrepreneurs. MEDEP's evolving partnership with a diverse range of Financial Service Providers (FSPs) as contributed to the income and employment growth of some micro-enterprises. However, the demand for credit still outstrips supply.

UNDP, along with UNCDF, support the project Enhancing Access to Financial Services (EAFS) oriented to improve access to finance. EAFS's partners have reported the inclusion of 30,000 new clients. The evidence indicates, however, that FSP's business modalities are unfriendly to the poor, especially since most villagers or peasant folk [male and female] are financially illiterate and operate their farms with traditional know-how. However, FSP's business model, such as it is, could be useful to those 5% of micro enterprises that have become sustainable.

FSP's proposal to EAFS to design high-risk loan portfolios guaranteed by UNDP appears as a mechanism to solely maximize return to capital. Typically, FSPs will assess the risk in repayment, however they seldom propose measures to manage risk on behalf of the micro-entrepreneur's so they can make profit.¹² Thus, the crux of the problem is to mount sustainable business operations so micro credit becomes an instrument of growth for the poor.

The Energy & Environment

Over the period 1996-2010, the total number of household units connected to the electricity services of various micro-hydro plants is 49,987 [Table III.6]. Over the same period, 4,395 micro-enterprises implemented as joint-products¹³ of rural electrification have generated an estimated annual gross benefit of USD 5,706,000 [Table III.10]. If we consider that the total installed capacity is 5,059 kW, then for each W installed a direct benefit of USD 1,128 has been generated. REDP's rural electrification strategy has altered the standard procedure whereby poor households were excluded from rural electrification due to their inability to pay the high connection costs and tariffs for household lighting.

There are several interrelated factors bringing about REDP's development results.

- REDP's strategy of joining energy services with micro enterprises geared to generate cash income to enhance livelihoods has broken the cycle of energy poverty and economic impoverishment. REDP's strategy for rural electrification acts as a driver for income growth in the rural world.
- From the very start the funding for capacity development played a dominant role. In time, however, communities and households contributed significantly to the implementation of rural energy systems and paid for energy services. When possible communities made cash contributions, took out bank loan, and provided labour. These contributions made up a significant portion of the financing needs.
- Rural women stood to especially benefit from rural electrification because it allowed them to spend their time engaging in more economically productive activities.

¹² In one micro credit operation financed by UNDP in Mongolia, the FSP made the similar request. After the request was approved, the risk of the operation did not diminish. As in the present case, the FSP concern was simply to obtain the market return on the capital, regardless the financial results of the micro entrepreneur.

¹³ [Response to comment from stakeholder] Joint-product is a term used in agricultural economics. It describes an enterprise combination that serve more than one purpose. For example, ... "the cost of fencing erected to control livestock so that better breeding practices maybe followed may also protect growing crops from damage by straying animals." [Source: A.T. Mosher. Getting agriculture moving. ADC, New York, 1966, p 54] This term appeared to describe better REDP's results rather than "electricity-based enterprise" or "end-use of electricity produced at the local level."

In most schools introduced by REDP, the internet facilities have been successfully integrated. There is now the full potential of internet facilities available in isolated communities. If the administration of schools would be done via the internet it would greatly benefit the community as a whole. Similarly, other government services, i.e. agriculture, could exploit the internet to conduct administrative functions. Currently, some banking operations in micro financing are being done through internet and cell phones.

REDP's awareness programs on child and maternal health and effective sanitary practices, contribute towards village sanitation conditions and have potential as an environmental health initiative. For example, indoor air pollution (IAP) and specifically the sources of IAP are vital community issues. In this context, REDP has one sustainable option to control IAP in rural households: the promotion of technologies of biogas and improved cooking stove (ICS).¹⁴ This environmental health initiative would not only enhance gender sensitive actions and improve working conditions for women but it would also have an effect on forest conservation.

The promotion of biogas and expansion of ICSs bring about observable results on the incidence of deforestation trend. Lack of information does not allow for an assessment of the status of different forest types and land uses before and after REDP interventions throughout different ecosystems. The monitoring of environmental changes occurring in the village areas covered by REDP remains weak.

Environmental Governance

Environmental management decisions are within the scope of environmental governance. Sound environmental governance requires focus on the social dimensions of natural resource use and ecosystem management. Indeed, a focus on governance adds explicit consideration of equity and inclusion to the goals of ecosystem management and is an avenue to alleviate poverty. The first step is to establish governance structures to support the sound use of forest and associated resources.

In this tenor, the value of the Small Grants Project (SGP) contribution to environmental management has been fundamental. This is because SGP contributes to both environmental conservation and poverty alleviation by developing, testing and expanding the use of small and low-cost technologies that enhance both the livelihoods of the poor and is friendly to the environment. These technologies have a good fit with the requirements of the poor and the ultra-poor who are typically asset-less and rely on their labour to make a living in marginal lands, forests and rivers.

Gender Equality & Social Inclusion

All evidence points out that MEDEP and REDP have targeted and achieved a measure of gender equality and social inclusiveness. The data available shows that both projects have developed procedures to implement gender equality and social inclusion. The absence of baseline and monitoring information precludes ascertaining the effectiveness of these mechanisms. It would be productive if in the context of the outcome management proposed for the forthcoming Programme, it could be determined in what context and under what conditions MEDEP and REDP procedures would apply best to advance gender equality and social inclusion.

¹⁴ Exposure to smoke from traditional cook stoves and open fires causes 1.9 million premature deaths worldwide annually, with women and young children the most affected. Cook stove smoke contributes to a range of chronic illnesses and acute health impacts, and gathering fuel increases pressures on local natural resources and personal security risks for women and girls. According to the World Health Organization, harmful cooking stove smoke is one of the top four health risks in developing countries. Source: <www.Community.eldis.org >Clean cook stoves save lives, September 26, 2010

Although the design of the Livelihoods Recovery for Peace (LRP) project is more focused than earlier interventions, it would be premature to prognosticate if LRP will be even more likely to bring benefits from poor women and people from traditionally excluded groups. At the end of the day, enfranchising traditionally excluded people is a political act therefore governance measures are paramount to facilitate excluded segments to simultaneously gain access to citizenship rights and access to natural resources to draw livelihood opportunities.

Relevance of UNDP's Programmes

UNDP's support to the Livelihoods Outcome (LO) has had vast relevance to the country's development priorities, especially as the country is emerging from a fragile and conflicted context. The LO responds to the real needs and priorities in the present context of transition from conflict to development, thus UNDP has been adapting proactively to the changing conditions. UNDP's approach to the expansion of employment and income opportunities including the access to financial services have been most pertinent.

There has been substantive and relevant support for women and people from traditionally excluded groups. Similarly, the Programme has been relevant in its response to the aspirations of the young people. UNDP has been constantly attempting to adapt its programming to the changing context so as to address the country's priority needs.

Regarding the generation of outputs, the evidence indicates that UNDP programme planning was focused on input delivery for the generation of outputs with emphasis on the quantification of input delivery and completion of activities.¹⁵ There is nothing inherently inappropriate in this approach. However, high delivery rates, as measured by the current procedure, do not necessarily lead to "sure" development results on the ground. Closely linked with this observation is the fact that efforts to record benefits from results achieved were less marked than registering costs.¹⁶ Logic and empirical evidence indicated that benefits have been under-recorded. This is a considerable loss because if the outputs were under-estimated it would not be possible to distinguish between success and failure. If failure couldn't be recognized, it couldn't be corrected. Above all, if positive outputs couldn't be shown, it would not be possible to obtain the support of communities and stakeholders.

Concerning the potential to exploit synergies, it is logical to suggest that to the extent that Project management is focused on the delivery of input-outputs, it precludes considering opportunities or possibilities for synergies. The input-output process that is attached to a financial delivery imposes a degree of inflexibility. Conceivably, this inflexibility in implementing procedures is bound to impede synergy.

Under the logic of the input-output process, it is conceivable that if stakeholders and UNDP jointly perceive the "big picture" [the outcomes themselves] the chances of inducing synergy may increase. Outcome management is the mechanism which makes perceiving the big picture possible.¹⁷ It is all about planning, managing and achieving the intended outcomes of a programme and having the same focus and discipline for attaining these outcomes as the Project Management has around delivering inputs to produce outputs on-time and on-budget manner.

Sustainability

¹⁵ It is important to note that despite the fact that project teams were aware of the objectives of the present Outcome Evaluation, the presentation of results achieved focused almost exclusively on input delivery. So, a clear review of the articulation of the outcome generation strategy was not always possible.

¹⁶ For example, as mentioned earlier, the Team in the field requested quantified analysis of crop budgets to establish profitability with respect to NTFP products but such information was unavailable.

¹⁷ Annex VI discusses in detail outcome management

The sustainability of outputs and outcomes from UNDP interventions are at a crossroad. During the conflict-affected period humanitarian concerns overrode sustainable development purposes whereas currently progress has been achieved that suggests sizeable progress in income and employment growth. The forthcoming Programme should build on this success by following similar development path. Two clear options emerge. One option is to upscale nationally the core projects [REDP, MEDEP] that have generated the bulk of the employment and income--with improvements particularly in the area of gender equality and social inclusion. The second option is to exploit the economic potential of peasant farms so they become sustainable farming operations linked with off-farm business including cottage industries.

RECOMMENDATIONS

To the Attention of UNDP

Forthcoming Programme: Basic Options

The combined evidence from Livelihoods Outcome Evaluation indicates that the core of employment and income growth has been generated by fomenting development activities within the framework of peasant farms and artisanal village works. For the forthcoming Programme, two clear options emerge from the OE's overall findings.

- One option is to upscale nationally the two basic projects [REDP, MEDEP] that have generated the bulk of the employment and income-- with improvements particularly in the area of equality and inclusion. This option is already under implementation to some extent.
- The second option is to exploit the economic potential of peasant farms so they become sustainable farming operations linked with off-farm business including cottage industries. Annex VI outlines a preliminary framework and tools needed to transform subsistence agriculture as a source of livelihood opportunities.

The recommendations below are in the context of the first option. They relate to [1] substantive components for the forthcoming Programme and [2] implementation issues on training modalities.

Substantive Components

○ *Product Lines*

1- Because of Nepal's varied ecology and biodiversity there is a wide variety of crops, livestock, NTFP's and cottage industries from which farmers draw their livelihoods. Under the current conditions, it would take an enormous amount of resources to make these production lines profitable as many most likely lack the conditions for profitability.

- Consider prioritizing the available production lines [i.e. crops, livestock, NTFPs, cottage industries] so those with sound economic return emerge. However, these production lines should be simultaneously environmentally friendly and socially viable.
- This prioritization has to be conducted and tested on experimental stations so when the product is available for dissemination, the farmers should be relatively fail-safe against ecological and economic breakdowns. The implementation of these production lines must be varied and staggered so farmers avoid competing among themselves. Otherwise, farmers will lose confidence in the development initiative.
- The evidence available indicates that the value-chains proposed by MEDEP III were promoted, wittingly or unwittingly, to meet the subsistence needs of the family unit, as there

was little value added being generated.¹⁸ If proposed value-chains are going to generate pro-poor growth, high-value markets must be reached at the right time and price.

○ *Microfinance*

2- EAFS project should consider tackling two tasks, the sooner the better:

[1] the appropriate microfinance model to serve the poor in Nepal's rural areas must be identified.
[2] In function of the model, EAFS should outline a strategy for augmenting the number of microfinance providers in UNDP programme area. These MFPs besides their concern to market returns to capital, must ensure the conditions of sustainable micro credit operations such that micro enterprises can be profitable for impoverished farmers and villagers. Micro credit must be an instrument of economic growth for the poor and the excluded.

○ *Gender Equality*

3- Micro-enterprises run by women have demonstrated a genuine initiative for re-investment of income earned for business expansion and overall family wellbeing. Consider customizing training for women in a flexible manner so they can fit with their family responsibilities. The following training issues and themes are predominant: 1- literacy and numeracy, 2- fundamentals of profit/loss and bookkeeping, 3- assessment of customers' needs before production. In terms of micro credit, the following customized elements are essential: 1- financial literacy focused on skills needed to make responsible financial decisions, 2- legal access to an independent credit account, 3- credit amount in function of the size of business enterprise, 4- the credit loan's profitability conditions must be jointly reviewed and agreed upon with MFPs. In other words, "market based micro credit" must be discouraged, unless client is totally comfortable with the conditions.

4- REDP should consider incorporating a gender sensitive/ environmental health component in forthcoming projects. REDP can foster Indoor Air Pollution (IAP) control in rural households. REDP can promote extensively improved cooking stoves and biogas technologies. For example, the target of 70-80% of beneficiary households to have one or both options could be considered. Implementing IAP would bring about an additional positive repercussions on forest conservation by diminishing the deforestation trend. However, a systematic monitoring system would be essential to measure the cause and effect linkages between the IAP management measures on [1] the health of women and children from rural households and [2] forest conservation.

○ *Social Inclusion*

5-The ultra poor have become an excluded segment by default. They face massive challenges in launching ventures due to the fact that the information available about prices and markets is severely asymmetrical. This is exacerbated by a nearly total absence of access to resources and political capital. The ultra poor need technological packages supported by access to resources [physical and financial]. These technological packages must be ecology-specific, economically and socially viable. The technology must be calibrated so it is an improvement over the current level of livelihood operations but not beyond the grasp of peasant farmers or artisanal villagers. However, the technological package before dissemination must be thoroughly tested so it is fail-safe. It is an effort that will take at least 3 to 4 agricultural seasons.

¹⁸ The information available suggests that MEDEP III selected ten commodities for value chains: 1-Allo [1154 entrepreneurs], 2-Honey [3,705 entrepreneurs], 3- Dhaka textile [1175 entrepreneurs], 4- Ginger [1237 entrepreneurs], 5- Lokta Nepali paper [293 entrepreneurs], 6- Ogange and Sweet Orange [528 entrepreneurs], 7- Bamboo Products [1247 entrepreneurs], 8- Chyui [192 entrepreneurs], 9- Incense stick [2142 entrepreneurs], 10- Lapsi [256 entrepreneurs]. However, the data indicates that only one commodity: Allo, was the subject of a desk study without a profitability analysis [Cf. MEDEP III. Value Chain Analysis-*Allo Value Chain Analysis Series: 1* (MEDEP-NEP/08/006) Bakhundole, Lalitpur, 2010]. There is no systematic account of the remainder of the 9 commodities, except incense stick and honey that were promoted empirically with mixed results.

6-Bringing effective improvement in the livelihoods of excluded segments [Dalits, Janajatis] remains a challenge, as these social segments are landless and asset-less; they can only count on their labour. It is cardinal to conduct a diagnosis as to how to enhance the skills of these disadvantaged groups; this is an assessment of the existing capacity assets so as to determine the future capacity needs. The fundamental building block is to start up with the existing capacities that can and should be built upon. Subsequently, it would be necessary to prepare a capacity development action plan.¹⁹ In this context, through participatory approach communities can learn to manage and maintain infrastructure needed to improve their life quality.

○ *Environmental Conservation & Quality Regulation*

7- There are resource conservation principles that are not being adhered to. This is of utmost gravity since UNDP projects themselves are promoting, wittingly or unwittingly, these practices. It is the principle that matters not the extent of the actual damage at this point in time. There are micro enterprises within the framework of UNDP projects, wittingly or unwittingly, involved in:

- unsustainable forest exploitation in the production of and distillation of oil from menthe and camomile; the crux of the problem is that there are no figures on: 1- the number of ha used for the production of chamomile and menthe, and 2- the area of forest used for firewood to extract oil from camomile and menthe.
- honey production where certain tree species are being used for this purpose at a rate higher than they are replaced;
- there are several operations with clear potential environmental degradation, i.e. goat keeping, brick manufacturing, buffalo rearing; these operations run without adherence to conservation regulations.

Consider drawing a joint agreement among all stakeholders involved for the sustainable use of the resources involved.

- As the regulations required for the sustainable use of resources is complex because of the country's varied ecology and biodiversity, consider launching a consultancy with the purpose of reviewing comprehensively the natural resource use by UNDP projects in the country [within the forthcoming Programme] and propose procedures for the sustainable use of natural resources within ecosystems or Integrated Landscape Planning (ILP).
- In coordination with national authorities a regulatory framework should be considered for hygienic standards in food handling and food processing together with registration procedures for public health purposes.
- Consider anchoring these recommendations on broad inter-sectoral initiative such as the UNDP/ UNEP Poverty and Environment Initiative (PEI) purporting to contribute to poverty reduction and improved well being of poor and vulnerable groups through mainstreaming of poverty and environment linkages into national development processes.

○ *Environmental Governance*²⁰

8- Sound environmental governance requires a focus on the social dimensions of natural resource use and ecosystem management. GEF finances the enhancement of world environmental benefits. Development stakeholders are expected foster the governance of the environment. In this connection, the first step may be to begin establishing the governance structures to support the sound use natural resources within ecosystems. Fostering good governance is not an easy task because the core of the decision-making must rest with those whose livelihoods depend from a balanced-ecosystem.

¹⁹ UNDP. 2009, op cit , pp 2126

²⁰ This recommendation should be anchored within the framework poverty reduction and improved well being of poor and vulnerable groups through mainstreaming of poverty environment linkages into national development processes; such as the UNDP/ UNEP Poverty and Environment Initiative (PRI) [www.unep.org].

◦ *Energy Issues*

9-Taking into consideration the characteristics of the country's energy development and constraints, KREC offers a model with potential for future replication: the generation-distribution of electricity for sale to consumers at the district level as a livelihood opportunity. The success of selling electricity hinges on sound management. KREC needs specific technical assistance in the management of technical-human systems associated with the generation-distribution of electricity, in particular electricity economics.

Programme Management Issues

◦ *Outcome Management, Base Line Studies, Synergy and M&E*

10- All evidence shows that current Project Management focuses on the delivery of outputs without providing the "big picture" [the outcomes themselves] as to why UNDP is undertaking the initiative.

- Consider applying Outcome Management in the forthcoming Programme. Outcome Management focuses on ensuring that a project contributes outputs to outcomes within UNDP Programmes as discussed in detail in Annex VI. Outcome Management process means very little without an established Base Line Study. This is where the interrelatedness arises because these tools complement each other as part of the M&E system. This is why the weakest link compromises the performance of the whole system. Annex VI outlines the complexities of configuring a baseline study under the current Programme so as to sketch out a preliminary architecture of a base line study.
- The current use of local measures and weights in monitoring reports, while connecting the CO with the field realities, precludes international comparisons of value, efficiency and analysis of comparative advantage. A table should be configured where each local weight and measure has its equivalent under the metric system.

◦ *Programme-design*

11- Consider configuring programmes which are complementary with the national development path. Complementary programmes would allow greater opportunities for synergies that would lead to successful outcomes. The following components should be considered.

Integrated Landscape Planning (ILP) has been operating under the framework of WTLCP.²¹

ILP is a programme planning framework capable to coordinate the best use of resources, information, experts, decision makers, and stakeholders in the planning process. ILP key attributes are the following, additional ones reflecting the future Programme could be added.

- ILP is capable of developing a consensus in group decision making for the purpose of moving forward the principles of equality and inclusiveness.
- ILP is applicable to plan projects in different fields particularly, agriculture, forestry, health, education, transportation.
- ILP is able to marshal the natural resource information required for sustainable development purposes.
- ILP address issues of larger ecosystem while considering ecological, social and economic aspects of conservation and development; in this manner, it ensures that regional or national conservation priorities are integrated into business planning;
- ILP improves collaboration between multiple management authorities and other partners with the purpose of inducing and realizing synergies;

²¹ To build capacity it is essential to make the most of local skills, and knowledge. A modified ILP should ensures the best fit for the context.

- ILP provides the spatial unit to carry out a baseline survey which would be applicable for the set of project within the unit as well as additional efforts in project monitoring and outcome management exercises. This should reduce policy fragmentation, duplication and poor coordination.

The second essential element is *pro-poor growth*. It must be rooted in the activities within IPL. Although there is no standard approach to pro poor growth, the OE results indicate that Nepal's growth pattern must be agrarian-oriented and rooted in policies of equity and inclusion.

- Despite continued attempts to increase production and productivity, the per-capita food availability has eroded over the years due to almost stagnant productivity levels against the annually increasing population pressure.²² Thus, almost all options are reduced to enhancing the productivity of land and labour.²³
- The key technical features to enhance productivity of land and labour supported by sustainable micro credit are described in Annex V. The combined effect of these technologies contribute to an increase in overall food production and enhanced the capacity of farmers involved in these efforts—which in turn can lead to improve farmers' living standards.

The third component, based on the ILP framework oriented to implement pro-poor growth as characterized above, is to consider focusing on a few strategic programmes. Each programme or set of complementary projects must be anchored to structures which are knowledge-based that purports to enhance the productivity of land and labour within the relevant programmes.

Implementation of Training Modalities.

12- Consider shifting the content of training from a formal to a practical approach where the trainer must have practical experience and tested know-how. Specifically:

- Future micro- entrepreneurs should be able to identify the needs of customers before production. This will ensure that products meet the needs of customers and can be produced at affordable and remunerative prices.
- Achieving these goals is not solely a marketing problem nor is it solely a design problem or a production problem: it is product development problem involving all these functions supported by adequate financing and legal frameworks. Annex 6 contains a detailed analysis of the influence of these factors in the production-marketing continuum.
- Procedures for information diffusion to beneficiaries may need reconsideration. Given the fact that the bulk of the operations take place in a rural setting, consider using agriculture extension methods. They have produced significant results in the process of diffusion information to modify behaviour or techniques prevailing among farmers of the region, i.e. Bangladesh, India, Thailand and others.²⁴
- Ultimately, organizing Farmers Clubs in collaboration with organizations such as the Federation of Nepalese Chamber of Commerce & Industry should be considered. The purpose would be to mainstream the provision of [1] training activities on production-marketing system continuously for women, youth and other underprivileged groups, [2] these Farmers' Clubs would be the depository of knowledge and information about the production-marketing know-how in the community to ensure sustainability. To the extent possible,

²² UNCTAD op cit 2008, table 3, page 141

²³ . Opportunely, the country has enormous potential for agriculture development due to its enviable agro-biodiversity where it is possible to grow a wide range of crops (cereals, pulses, oilseed crops, fruits, vegetables and other cash crops). Animal husbandry can be an integral part of the Nepalese farming system. Farmers have been raising for generations cattle, buffalo, goat, pig and poultry. The scope for aquaculture development including rice-fish culture is also growing in the recent years

²⁴ See, for example: FAO Agricultural extension methods. A reference manual. Rome, 1984, pp 89-196. Also : Government of the People's Republic of Bangladesh. Ministry of Agriculture. Agricultural extension manual. Dhaka, 1999, pp 110-176

Farmers Club activities must be in the budget of the national ministry so that at least once a year there would be a Farmers Fair where products, techniques, messages would be exchanged with the nearby villagers.

- This approach should be applied especially in areas where direct cash advances are granted as incentive without training. It is vital to avoid dependency on project's inputs.²⁵

I. INTRODUCTION

I.1 Poverty, Conflict and the Peace Process

Since the signing of a Comprehensive Peace Agreement (CPA) in November 2006 by the Government of Nepal and the Communist Party of Nepal, Maoists (CPN/M) both parties have been working toward peace. This historic agreement ended a ten-year armed conflict that killed approximately 13,000 people, brought about a major setback in the development process and most importantly, weakened social cohesion in communities across Nepal—especially its poorest rural areas and the Terai region.

At the root of the armed conflict lay persistent inequality, poverty and exclusion from state mechanisms and development opportunities as well as legal, economic, and social arrangements which restricted the influence and prospects of a large proportion of Nepal's women and girls, Dalits, Janajatis (Indigenous Peoples), Madhesis (groups of plains origin), religious and cultural minorities, and the poor in general.²⁶ Apart from this, youth in Nepal are an important demographic group that continues to fuel a volatile situation especially among the youth wings of the political parties. This is especially prevalent in the Terai region where the majority of the people are poor and most have not yet benefited from "peace dividends."

Poverty, inequality and social exclusion are pervasive. Without peace the opportunities to pursue sustainable development are tenuous. Unemployment and underemployment themselves are potential threats to peace-building. Consequently, the creation of livelihoods opportunities is vital to sustain peace in the country. As expected, emphasis has been per force on providing both quick results as peace dividends and long-term solutions to problems of unemployment, underemployment, economic recovery, and social cohesion. Thus, for UNDP Nepal, livelihoods and employment are a vital priority of its Country Program Action Plan (CPAP) for 2008-2010.²⁷

I. 2 Evaluation Criteria, Scope and Method²⁸

Terms of Reference

This Outcome Evaluation Team [Team] has been mandated "to conduct an evaluation of [UNDP] work to date under the current Country Programme [2008-2010]²⁹ in the area of livelihoods, primarily with respect to employment generation, micro-enterprise, and income generation

²⁵ Social service methods applied to NRM have had limited or no results in the past. There are agricultural extension methods to diffuse technology that have been used successfully in the region, i.e. Bangladesh, India, Thailand, etc.

²⁶ A study conducted on "Access to Justice during the Armed Conflict" (2005) concluded that lack of access to justice by the poor and disadvantaged was among the roots of the conflict, and that in conflict access to justice is as vital to saving people's lives as access to food and water. The report further concluded that access to justice is key to peace building in Nepal.

²⁷ The Country Program Action Plan (CPAP) 2008-2010 builds on the UN Development Assistance Framework (UNDAF) for Nepal 2008-2010, the Government's Three-Year Interim Plan 2007-2010, UNDP's Corporate Strategic Plan 2008-2011, and the UNDP Country Programme Document (CPD) for 2008-2010.

²⁸ Annex II contains the full version of the evaluation criteria, scope and method.

²⁹ The current Country Programme [2008-2010] has a three-year framework aligned with three-year UNDAF and was designed to align with the Government's Three-Year Interim Plan [July 2007 – June 2010].

activities, in order to inform the extension of the Country Programme Action Plan (CPAP) as well as the development of new programmes which will extend into the next programme cycle ” [TOR page 3.] Annex 1 contains the Terms of Reference.³⁰

UNDP’s programmes in Nepal from 2008-2010 took place during a period of governance in continuous evolution. This made it challenging for UNDP to achieve the goals it attached to its programmes. This Outcome Evaluation [OE] acknowledges this limiting context as an important condition of UNDP’s performance. Therefore, understanding UNDP’s success in reaching its outcomes must be approached from a nuanced perspective: it is important to observe what difference UNDP has made under difficult circumstances. UNDP achieved some important results against some difficult odds as governance has been in continuously evolving which militated continuity due to frequent personnel turn over. UNDP’s deployment of quick-results initiatives were within the logic of this situation.³¹ Given that Nepal has recently emerged from a decade of hostilities, expressing this reality through in a counterfactual conditional, logic dictates that it was essential to deploy the interventions characterized in the current CPAP.³²

Scope and Method

Concerning the scope of the Outcome Evaluation (OE), the evaluation was two-pronged. The first prong assessed progress towards the specific “livelihoods” outcome, i.e., Employment and income opportunities and access to financial services enhanced, especially for youth and excluded groups and People Living with HIV/AIDS (PLWHA)³³ in partnership with the private sector and Civil Society Organizations (CSOs), illustrated in the Outcome Results Chain of Fig. 1 [See Annex II]. Specifically, the pertinent projects were :

Prong 1:

- a) Results achieved by “Micro-Enterprise Development Programme” (MEDEP III) *drawing primarily on the findings from the Impact Assessment.*³⁴
- b) Preliminary results and strategies of “Enhancing Access to Financial Services” (EAFS) as well as potential institutional synergies between the micro-enterprise programme and the access to finance programme
- c) Potentials of the “Livelihoods Recovery for Peace” (LRP).

The second prong of the evaluation examined selected livelihoods interventions under the Environment and Energy portfolio, to gather lessons learned to inform project formulation in both

³⁰ Specifically, the evaluation’s purpose was [TOR page 5]: First, “to assess progress towards the livelihoods outcome, assess UNDP’s contributions thereto, and make recommendations for adjustments to the programme and targets for the two-year CPAP extension.” Secondly to assess the overall effectiveness of UNDP’s support to improving livelihoods, particularly for the most excluded, in order to make recommendations for UNDP’s new programme(s). Specifically and most immediately, lessons learned will be applied to the formulation of the next phases of MEDEP and the Rural Energy Development Programme (see below), and will also be adjusted to further strengthen other programmes, such as the LRP.”

³¹ UNDP has been using the quick-results approach in conflict situations such as Afghanistan, Sudan, Iraq, Liberia, and others. Under the context of conflict recovery, no other organization has been able to come up with anything better. In fact, the quick- results approach was one important factor in the crisis recovery of Iraq; there was no other initiative. In consequence, as this exercise will show, the quick-results approach has brought about a measure of relief and hope among the beneficiaries, though expectations of economic growth remain unfulfilled.

³² Counterfactual is defined as “the situation or condition which hypothetically may prevail for individuals, organizations, or groups were there no development intervention.” OECD. Glossary of Key Terms in Evaluation and Results Based Management. Development Assistance Committee. Paris [no date]

³³ Although people living with HIV/AIDS and the incorporation of ex combatants were target groups of the outcome, the Team did not have the opportunity to interact with these groups. Therefore, they cannot be considered as part of the evaluation.

³⁴ During the OE implementation, it became officially known that the findings from MEDEP’s Impact Evaluation [IE] would not be available to the OE as stipulated in TOR. As consequence, there were permanent implications on OE’s expected results. MEDEP had been evolving nationally for more than a decade in terms of livelihoods so key quantified results would not be available for the OE’s assessment at the macro level. Thus, it was no longer possible to carry out the OE as anticipated in TOR because significant data would not be available. Therefore, in the [Inception Note & Debriefing Report] the Team indicated that “will examine largely those outputs that contribute directly to the realization of the outcome to ensure an outcome focus.” And “results globally achieved ...without quantification.” Since quantification will be provided eventually by the MEDEP’s IE.

the livelihoods and environment portfolios, as well as formulation of the next Country Programme. The pertinent projects were:

Prong 2:

- d) Results achieved by “Western Terai Landscape Complex Project” (WTLCP) based on the Mid Term Review findings. And lessons emerging from the Global Environment Facility/ Small Grants Programme—which supports local interventions promoting environmental benefits and livelihoods enhancements activities.
- e) Results achieved by Rural Energy Development Project III (REDP) based on the Winrock Impact Assessment as well as the value-added enterprises conducted within REDP and other initiatives, such as the Khimti Neighbourhood Development project (KiND).

Method

Conducting an OE is not a straightforward process. The outcome path is fraught with a host of influencing factors³⁵ and these should be taken into account to substantiate a measure of credibility.³⁶ Under the circumstances, the Team will use its best evidence-based professional opinion to carry forward the logic of evaluative analysis and reporting. In this light, the key influencing factors have been subsumed under the issues below.³⁷ It must be noted that in this process, Management provided insightful comments for the deconstruction of the outcome and the procedures for analysis. Their support was invaluable.

- Information on the outcome. As discussed below, baseline data is budding. The information on the progress and status of the outcome that would normally have been gathered through systematic outcome monitoring is germinating with vigour. Thus, the Team has used contextual information, project documents and information from stakeholders to estimate approximately where the baseline was when the programme or intervention started. Whenever possible proxy indicators have been used to reveal performance trends in order to increase awareness of problems or success areas.
- Outcome performance. Due to the variations in timeframes, scope and design among projects, the outcome was deconstructed into its various parts so as to focus more on the local or organizational level changes implicit in the outcome rather than the overall, aggregate and national-level changes.
- Project-based approach to outcome evaluation. The Team used an outcome-oriented project evaluation, that is, a project was linked to the outcome and then it was examined the way in which it may have plausibly contributed to the outcome.

The logic of the situation, therefore, impelled the deconstruction of the livelihood outcome into three outcome-themes.³⁸

[1] The Micro-enterprise & Livelihood Strategies Theme reviewed outputs that contributed directly to the realization of the outcome, such as, the behaviour of micro enterprises and the different livelihood strategies arising from different social segments and gender which influenced performance. However, it did not measure to what extent the performance of these micro enterprises has contributed to the realization of the outcome. Presumably these figures will be

³⁵ This is as it should be since an OE intends to ascertain the overall effect that a set of initiatives have had on the sector as a whole. Within the results framework, UNDP or any other donor can control factors up to the level of outputs. There are too many factors beyond the control of donors in the outcome path and even more so at the level of impact.

³⁶ For example, there are discrepancies between the CP's timeframe and those of the projects in both prongs. The methodological implications from this state of affairs are clear. Firstly, in the context of contribution to results, it is evident that an undetermined portion of outputs and outcomes have been generated from projects/programmes from previous CPs. Secondly, the information available to assess the outcome is per force fragmentary' that is, it is composed of fragments disconnected in time.

³⁷ Often these issues are considered challenges limiting an evaluation but in our view these are standard issues in outcome evaluation. Cf. UNDP, op cit 2002 p 9. Also UNDP Handbook on monitoring and evaluating for results. New York, 2002, pp 66-68

³⁸ Management provided insightful comments for the deconstruction of the outcome and the procedures for analysis.

provided by the MEDEP Impact Evaluation. In addition, the early results of the EAFS initiative has been discussed in the context of the Outcome.

[2] Energy – Environment Theme reviewed the results achieved by REDP III, based on the Winrock Impact Assessment, as well as the value-added enterprises conducted within REDP III, encompassing initiatives, such as the KiND project. It incorporated selected livelihood interventions to gather lessons learned from environmental projects [WTCLP and GEF/SGP] based on the WTCLP Mid Term Evaluation and GEF/SGP's success stories. The logical implications from lessons learned about current practices in NRM have been drawn.

[3] Gender Equality and Social Inclusion Theme conducted a cross cutting analysis of current strategies and procedures to deal with gender equality & social inclusion in the context of the following projects: REDP III, KiND, MEDEP III and WTLCP. Also a detailed analysis of the LRP initiative was conducted to establish the extent to which relevant policies of equality and inclusion are being applied. A sharp focus has been given to structural factors giving rise to exclusion and inequality. Lessons learned have been drawn to propose operational recommendations for the forthcoming Programme.

Baseline and Monitoring Data on CPAP 2008-2010

In countries under conflict situation, the monitoring function of projects is challenging. The priority is to deploy quick-results to assist the population.³⁹ For example, the CPAP Monitoring Framework - Indicators Tracking Table [last updated at the end of 2010] provides germinal information for the evaluation of livelihood outcomes [Outcomes and Outputs 3.1.1]. As an indicator for the outcome, it proposes the “proportion of population below national poverty line (disaggregated by caste/ethnicity)”. As the baseline for 2007, it indicates that the proportion of the national population living below the poverty line is 31 %. The target for 2010, set in 2007, was the national target of 24%. In 2010, a national publication estimated the figure to be 25.4% (NPC's Nepali language publication, “Measuring Poverty and the Population of the Poor in Nepal 2067 B.S. (2010 AD). The target for the extension (2012) refers to the GoN's target is 21% as per the Approach Paper for the next three year plan (2010 July – 2013 July). This is the best that can be done under the circumstances.⁴⁰

Nonetheless, it cannot be overemphasized that baselines are the fundamental keystone to gauge change. There is a nascent trend to develop and use baselines that needs continuous strengthening.

- Winrock conducted a development results assessment based on REDP socio-economic surveys conducted at the beginning of each intervention in the programme communities [Winrock, page 18]. This is an example of proxy monitoring data. However, what is informative is that REDP did not continue carrying monitoring work from 2008 onwards based on the Winrock study. Nonetheless, it must be acknowledged that REDP did a considerable effort to update the monitoring information for the OE.
- WTLCP has the resources and is mandated to carry out a baseline data including socioeconomic indicators and biodiversity indicators using GIS in Year 1 [Prodoc, page 2-3]. Five years later, the MTR gives the understanding that the baseline is not yet ready. One of the expected output of Year 2 was GIS maps of land use. This could make a difference in

³⁹ UNDP in adverse circumstances such as in Sudan, Afghanistan, Iraq, Liberia, had to conduct the “quick-results” approach as well. The debate is open on the merits of this approach, however, no better alternative looms on the horizon. Perhaps the crux of the issue is if UNDP, through the quick-results approach, can still articulate a corporate vision and a focused programmes under conditions of crisis and chaos.

⁴⁰ The Team agrees with Management that the outcome indicator “proportion below the national poverty line”, as determined by the Nepal Living Standards Survey, though not necessarily the best indicator for a CPAP monitoring framework as the survey is only conducted every 5 years, is the second best indicator. There was no other regular survey data providing a relevant indicator. This one is at least aligned with Government indicators and provides a proxy macro-level indicator for the “status of the outcome.” This situation illustrates the fact that monitoring is a second-tier system that depends on national statistics services.

the sustainable development of the Western Terai because it would be possible to calibrate the rate of the resource exploitation in function of the demand, thus avoid rapid depletion and waste.⁴¹

The lack of “M&E culture” is common in most of the developing countries and many countries of the developed world as well. There is improvement when strong national leadership emerges and is carried out by one or two national leaders—according to the WB’s findings.⁴²

Evaluation Procedure

Operationally, the Livelihoods Outcome was assessed in the following manner.

- First, as there is only one outcome, the analysis corresponding to the “status of the outcome, ” “UNDP’s contribution to the outcome-theme” and “UNDP partnership strategy” were conducted for the whole outcome.
- Second, the component “factors contributing to the outcome-theme” was conducted in the context of the three outcome-themes.⁴³

The evaluation implementation took place in five phases each involving different approaches to information collection and analysis. During the planning stage the Team made initial contact with key stakeholders, i.e. senior UNDP management, programme unit heads or their programme managers, and national counterparts. The Team also reconfirmed the inventory of projects for review. It also assembled an extensive compendium of documents including project documents, planning documents, programmatic and background documents on programme rationales, policy documents on UNDP’s involvement in Nepal’s recent Comprehensive Peace Accord (CPA) as well as documents reviewing issues in the Country Office. Copies of principal materials were made in the compendium for all members of the Team who reviewed and commented on them in order to ensure all were similarly familiar with the historical context and with the range of viewpoints regarding the activities of the UNDP Country Office for Nepal.

Based on the Inception Note,⁴⁴ the field work was conducted in the following locations: Far Western Region (Kailali, Kanchanpur and Dadeldhura districts), and the Central Region (Mahottari, Sarlahi, Dhading and Dolakha districts). The Team interacted with 535 informants (Annex II, Table II.2[a] & [b]). There were slightly more women [286] than men [249]. The largest number of informants were Dalit [approximately 200] and Brahmin-Chhetri [nearly 200], followed by about 115 Janajatis and approximately 20 from other social groups. A research matrix was designed to ensure a focused investigation. In this manner, the same evaluation questions, emanating from TOR, were posed to all respondents, under the same evaluation criteria defined by UNDP outcome evaluation guideline.⁴⁵ At the conclusion of the Field Work a validation exercise was conducted with UNDP senior management, programme unit heads, programme managers and other stakeholders. On October 13, a Debriefing Report was delivered

⁴¹ One dictum of geo-space science is that contrary to the belief that only rich countries have accurate maps, countries become rich because they invest in accurate maps.

⁴² WB. How to Build M&E Systems to Support Better Government. World Bank Independent Evaluation Group. Washington, D.C., 2007. <http://www.worldbank.org/ieg/ecd>

⁴³ Analysis of factors that influence outcomes is the intellectual core of outcome evaluation. A thorough understanding of the factors that influence outcomes represents the rationale for any development intervention and UNDP involvement — bridging the gap between “what is needed” and “what can be done”. Examining the factors that influence an outcome tests the development hypothesis UNDP has formulated, as well as its underlying assumptions. This demands analytical maturity, substantive knowledge of development and affinity with reality of the national cultural, political and institutional environment. Factors influencing development are multiple, complex, interrelated and ever-changing. *UNDP Guidelines for Outcome Evaluators*, page 9

⁴⁴ This was finalized and submitted on 20 September 2010. Outcome Evaluation : Inception Note UNDP/ Nepal Country Programme Action Plan (CPAP) for 2008-2010. The Note contained a research matrix to undertake focused investigations and to coherence and reliability.

⁴⁵ Cf. Outcome Evaluation : Inception Note UNDP/ Nepal Country Programme Action Plan (CPAP) for 2008-2010, pp 6-9

based primarily on the field interview data and observations. The Mission Report integrated field work findings with the compendium of documents associated with the outcome-themes.

Structure of the Report

This Evaluation Report is in consequence both retrospective and prospective. It assesses past performance while aiming to be forward-looking so as to propose to UNDP strategies to respond to changing circumstances in the near and long terms.

- As a retrospective inquiry, it reviews the livelihood outcome and offers conclusions on progress in the Livelihoods Outcome.
- As a prospective exercise, it strives to extract from regional and UNDP experience what needs to be done in terms of livelihoods such that employment and income levels continue improving.

The retrospective approach has been conducted through the lens of an Outcome Evaluation. An Outcome Evaluation shows a relationship between the changes observable in a particular sector, e.g. livelihoods, and the extent to which UNDP contributions are responsible for them.⁴⁶ This is dealt in the body of the Report. The prospective approach in relation what needs to be done so that livelihoods and employment continue improving has been discussed in detail within Annex V and VI.

⁴⁶ Source: UNDP Guidelines for outcome evaluators. New York, 2002

FINDINGS AND CONCLUSIONS

II. STATUS OF THE OUTCOME

Backdrop

As discussed, an Outcome Evaluation aims to improve understanding of the outcome, its status and the factors that influence or contribute to its evolution. We are no longer concerned with the process of input delivery, therefore our attention has been focused on development results: outputs leading to outcomes. We sought real-time answers about the outcome, such as it is. Inevitably, we have used the best data available and the information has been triangulated.

As discussed in sec. I.2, operationally, we have proceeded thusly;

- 1- An assessment of the Livelihoods Outcome status as a whole was performed.⁴⁷
- 2- Subsequently, for analytical purposes we have deconstructed the Livelihoods Outcome into three outcome-themes: 1- “micro-enterprises and livelihood strategies,” 2- “energy and environment” and 3- “gender equality and social inclusion.”
- 3- For each outcome-theme, we have reviewed the factors contributing to the outcome-theme.
- 4- Lastly, we have examined 1- UNDP’s contribution to the outcome, and 2-UNDP’s partnership strategy, for the whole outcome.

II.1. The Livelihoods Outcome Impact on Employment and Income Levels

*Aggregating Outputs into Outcomes*⁴⁸

Ordinarily UNDP and most donors report development results under an output context. One case in point is the recent UNDP M&E report.⁴⁹ Increasingly, however, donors are turning to outcome management procedures. In consequence, as discussed in Annex VI, in the process of outcome management there would be activities related to harvesting the benefits of outputs so as to fully realize the end results at the level of outcome. In consequence, this would allow for reporting outcomes as development results.

In this OE exercise available outputs from different projects had to be aggregated to determine the current status of Livelihoods Outcome—so as to obtain a glimpse of the Outcome’s effects on income and employment using national statistics. Ordinarily these aggregates are part of the information available to evaluators so their task is to verify these results. In fact, evaluators are discouraged from doing operations like aggregating data because national teams possess greater knowledge of the quality of the data system for aggregation. Thus to advance the OE the Team had no other option but to aggregate the outputs.⁵⁰

⁴⁷ It must be noted that the conceptual discussion for the deconstruction of the outcome is found in Annex II,

⁴⁸ This is a response to comments received from stakeholders.

⁴⁹ UNDP. Findings from the Field 2010. Context, Challenges, Results, and Recommendations for 2011. January 2011. Although the information is highly relevant and results obtained are vital facts to build up a monitoring reports, the facts remain that there is no linkage from outputs reported to their possible effect on outcomes. This has been acknowledged in previous UNDP monitoring reports.

⁵⁰ 1-In [sec. III.1] we have used data from MEDEP Power Point presentation to the Team on 16 September, 2010 [32 slides without photo gallery].

2- In [sec. III.3] we have worked with the latest monitoring information submitted by REDP after the Team had disbanded. So gaps were found. These are mentioned in the report.

3- WTLCP’s Mid Term Report (Annex 5) indicated that average households have increased their income by 15%. However the number of households is not specified. Neither are the means used to increase their income. This information was not aggregated to the outcome.

Stakeholders' concerns with the quality of the monitoring data for aggregating outputs to outcome converged with those of the Team. Specifically from Tables III.6 to III.10 the Team indicated the shortfalls of the data with repercussions on the results obtained. For example, Table III.8 and others there are gaps coming from the data source (REDP, op cit , 2010).

It should be kept in mind that there are thousands of households within WTLCP that have increased their income by 15%, i.e. from RNs 38, 856 to RNs 44,476 [WTLCP's Mid Term Report (Annex 5)] However, information about the precise number of households and how they have increased income is unavailable. Therefore, these figures were not aggregated to the outcome. In brief, though thousands of household beneficiaries from the WTLCP have been disregarded because of fragmentary data, it is reasonable to submit as a preliminary conclusion that there has been sizable effect on employment and income. The Outcome has brought about a considerable measure of hope to the targeted population under a fragile and conflict-affected situation.

The teachable moment for M&E teams is that a monitoring system is an opportunity to demonstrate achievement of development results. Indeed, purposeful monitoring makes implementation and management effective as well as facilitating the gathering of data and evidence to objectively corroborate achievements. It is also evident that weak monitoring, necessarily, under reports benefits from projects. Despite REDP's commendable effort to update their monitoring information during the OE exercise, the information became available after the Team had disbanded. Thus there was no opportunity to check the gaps which are discussed in sec. III.3. However, the accuracy of the figures used in this exercise can be improved by back-tracking the information provided to the Team. It would be a useful exercise for the forthcoming Programme, if the core projects [MEDEP, REDP, and WTCLP] would agree on coherent framework for monitoring outputs and outcomes.

The Livelihoods Outcome Impact on Employment and Income Nationally

Most peoples' livelihoods crucially depend on income from work for wages or on self-employment. Thus, employment is the key link between economic growth and income poverty reduction. The majority of people who live in poverty are either unemployed or under-employed. They lack sufficient work or, more commonly, are trapped in employment of such low productivity that – even with long, hard hours – it pays too little to enable them to escape poverty.⁵¹ In this light, ascertaining the effect of the Livelihood Outcome on unemployment in Nepal is intricate on two accounts: [1] the concept of unemployment is multifaceted as reflected in the last Nepal Labour Force Survey 2008 (2008 NLFS);⁵² and [2] the information available on employment generation from the Livelihood Outcome is scanty.⁵³

From the data available (2008 NLFS) a complex portrait emerges of the conditions of employment, underemployment and unemployment in the country. As expected, it reflects the complexities of the national social structure.⁵⁴ According to the 2008 NLFS, “a person is counted as currently employed if s/he did at least one hour's work in the previous seven days or if s/he did not work but had a job attachment.” Under this criterion, there is a total of 11 .8 million

⁵¹ Susanna Lundström and Per Ronnäs. Integrated Economic Analysis for Pro-Poor Growth. In: Poverty in Focus. Analysing and achieving Pro-Poor Growth. International Poverty Centre. 2007, pp 12-13

⁵² GoN Report on the Nepal Labour Force Survey 2008, Central Bureau of Statistics, National Planning Commission Secretariat, Kathmandu.

⁵³ As this limiting context has been acknowledge, we will therefore continue using our best evidence-based professional opinion to carry forward the logic of evaluative analysis to assess progress in the Livelihoods Outcome.

⁵⁴ Cf. A glimpse of the complexity of the national social structure can be obtained from the latest National Human Development Report.

people employed in Nepal—of which 7.5 million (or 64%) are engaged in subsistence agriculture.⁵⁵ However, figures indicate that 8.7 million (73.9 %) people work in the agriculture sector as a whole.⁵⁶ The difference reflects those operating in commercial agriculture. The remaining 3.10 million are employed in activities other than agricultural, as discussed hereunder.⁵⁷ The survey estimated that 5.5 million of the 11.8 million currently employed and hold second jobs in addition to their main job. Figures reveal that almost 28 % of those classified in subsistence agriculture as the main job are found to have elementary jobs as their second job.⁵⁸ Of these elementary occupations, the major activities undertaken are fetching water and collecting fire wood.

The notions of time-related underemployment and labour underutilisation have considerable influence as to how unemployment is perceived. The 2008 NLFS defined time-related underemployment as the currently employed who worked less than 40 hours in the reference week and who wanted to work more but did not for involuntary reasons.⁵⁹

Labour underutilisation has four components: unemployment, time-related underemployment, those with inadequate earnings and those with skills mismatch. In the 2008 NLFS, earnings data was not collected from the self-employed and therefore it is not possible to calculate an estimate of self-employed with inadequate earnings. Hence, the estimate of underutilisation is an undercount. For the 2008 NLFS, 30.0 % of the total currently economically active population (3.5 million people) were classified as underutilised (49.9 % in urban areas and 26.9 % in rural areas). For males, 32.2 % of the economically active were underutilised and for females, 22.8 % of the economically active were underutilised. The labour underutilisation rate was highest for the 20-24 years age group (46.0%).⁶⁰

In terms of unemployment, the 2008 NLFS uses the “relaxed” definition of unemployment rather than the “strict” definition (those who are looking for work) outlined in international standards. In the 2008 NLFS, there were 253,000 currently unemployed persons aged 15 years and above— an overall unemployment rate (using the relaxed definition) of 2.1 %. The male unemployment rate (2.2 %) was slightly higher than the female unemployment rate (2.0 %). The unemployed rate in the urban areas was 7.5 % and that in the rural areas was just over 1.2 %.

Under the “strict” definition of unemployment, which is used internationally, the 2008 NLFS indicates that there were 157,000 persons in this category, which corroborates a strict unemployment rate of 1.3 %.⁶¹ Of the currently unemployed, 19.8 % were aged 15 to 19 years and 67.6 % (more than two-thirds of total unemployment) were under 30 years of age.

Summary: the Status of the Livelihoods Outcome

⁵⁵ It is not clear how these total figures are derived since the NLFS 2008 is based on a stratified national sample. However, UNDP’s HDR 2007/2008 uses the same figures when discussing unemployment in Nepal, cf. Table 21, page 300

⁵⁶ 2008 NLFS : Table 7.6

⁵⁷ There are important considerations in reporting labour force distribution. “About 26 thousand persons were employed in the ‘Electricity, gas and water supply’ industry group in 1998/99. The survey estimates that this industry group now employs four times more to engage some 109 thousand persons, and that the number of persons working as private household workers (mainly women) has declined sharply from the 289 thousand to a mere 33 thousand persons. These compensating changes are because those who solely collect firewood have now been classified in the ‘agriculture, hunting and forestry’ group and those solely collecting water have been classified to ‘electricity, gas and water’ industry whereas they were classified to the ‘Private household’ industry group in the 1998/99 survey.” [page 54]

⁵⁸ 2008 NLFS : Table 7.15

⁵⁹ Previously this was called visible underemployment.

⁶⁰ 2008 NLFS: Table 8

⁶¹ 2008 NLFS : Table 9.2

In absolute numbers unemployment under each enumeration [relaxed or strict] represents 253,000 or 157,000 people, respectively. The fact that nearly two-thirds of either unemployment enumeration corresponds to those who are less than 30 years-old is a concern. However, of greater concern are the following facts: [1] the labour of one-third of the economically active population is underutilised, representing about 3.5 million people; [2] nearly half of the economically active population held second jobs in addition to their main jobs, representing 5.5 million people, and [3] labour underutilisation affects the most to those in 20-24 years age. The conclusion is that albeit the fact that unemployment enumeration figures are comforting estimates for any country, the fact remains that the bulk of the economically active population [9 million] is barely making ends-meet: 5.5 million hold a second job, and an additional 3.5 million people’s labour use is underutilised.

UNDP’s Livelihood Outcome targeted specifically the youth and the rural dwellers, without specifying clearly the categories used by the 2008 NLFS. A preliminary estimate (Table II.1) indicates that 54,299 people benefitted from REDP III and MEDEP III as entrepreneurs of some form or another capable or earning more income than without both projects.⁶² Taking into account that the national poverty base line is situated at USD 110 [per capita], the increase in family income has doubled on the average with respect to the proxy baseline. In other words, on the average, without the Projects families had an income just about equal to the poverty line. With the Projects these families have an income slightly twice above the poverty line.⁶³ As indicated both projects did not use the categories of the 2008 NLFS when targeting beneficiaries, so it is not possible to establish which category’s rate of unemployed or under employed the Livelihood Outcomes has been able to reduce the rate.

Concerning gender equality, the findings are inconclusive as baselines are still being prepared. However, the MEDEP data indicates [Table III.2] that the employment generation has been greater among women [67%] than men [33%]. Micro enterprises, particular those run by women, have demonstrated a constructive application of income earned for business expansion and overall family wellbeing. Women’s participation in rural electrification is prominent. Rural women benefitted primarily from rural electrification because it relieved them from the drudgery of water fetching and firewood cooking. Thus, they can now use their time in more productive activities with economic gain—this result has empowered women economically in addition to nurturing children and caring for husbands.

Strategically, from the results obtained it is possible to sketch a development path for the country’s poverty alleviation. Lastly but no less important, the Team has witnessed substantial potential untapped among the direct beneficiaries who displayed their earnest motivation for wider economic growth.

Table II.1: Estimated Summary of Income and Employment Generation

Item	MEDEP III	REDP III***	Aggregate
Family* Income Without Project [Proxy indicator: national poverty base line]	USD 441**	USD 550	USD 495 [average]
Current Family* Income/With	USD 686 * *	USD 1571 ***	USD 1128

⁶² WTLCP’s MTR (Annex 5) reports that average households have increased their income by 15%. However the number of households are not specified. Neither the means and strategies used to increase their income. This reflects shortcomings in the M&E process, especially the absence of a clear baseline.

⁶³ For the purposes of the present exercise the following exchange rate has been used throughout. 1 USD = 70 Rs

Project			[average]
Number of Entrepreneurs Without Project	NA	NA	NA
Number of Entrepreneurs/With Project	49, 904* *	4,395 ****	54, 299

* Assumes 5 members per rural household: Table 4.1, NLFS, 2008

** MEDEP PP Presentation of 16 Sep 2010, slides # 18 and # 21

*** REDP . Income Generation and Micro Enterprises. Tentative Benefits Estimation. Information prepared for the UNDP Livelihoods Outcome Evaluation. October 2010. Note, however, there are 49,987 household connected to electricity supplies.

III. FACTORING CONTRIBUTIONS TO THE OUTCOME

Micro-Enterprise & Livelihoods Strategies

Under the Micro-Enterprise & Livelihoods Strategies, the following projects expected to deliver outputs to the Livelihood Outcome have been reviewed.

- The Micro-enterprise Development Programme III (MEDEPIII), which within the framework of poverty alleviation, has aimed at enhancing the income of families below poverty line by fostering skills for entrepreneurship, thus reducing their vulnerability to economic and environmental threats.
- Enhancing Access to Finance Services (EAFS), which plays a pivotal role in fostering the growth of micro enterprises which in turn is crucial in employment generation for rural folks. The projects was launched recently.

III.1 Micro-Enterprise Development Programme III (MEDEP III)

MEDEP was launched in 1998. It has been evolving for over a decade. It aims at raising the income of individuals below the poverty line, i.e., annual per capita income of NRs. 7,696,⁶⁴ by fostering entrepreneurial skills and facilitating access to credit, technology and markets. Disadvantaged groups, women and unemployed youths are targeted; 60 % of the new enterprises must be owned by women. Activities were initially launched in three districts and the program expanded to 36 districts during Phase III (2008-2010). The VDC coverage within each district ranges between 30% and 80%.

Organization of Micro- Entrepreneurs' Groups

MEDEP provides assistance to the poor by organizing them into a group of minimum 5 members based on the product of their choice. The group provides a forum for work sharing and mutual learning. These groups are then federated at the market centre, district and the national levels.

Observation in the field indicates that ethnically mixed groups have a greater chance of doing well in terms of competitiveness, creativity, mutual learning and social harmony—as compared to more homogeneous groups.

For practical reasons in both ethnically mixed and homogenous groups the decision-making is ordinarily left in the hands of a few who are relatively more informed and economically better off. The impoverished people have little or no participation in decision-making because of constraints of information and time. Both groups, however, need training in community mobilization and group facilitation until they reach a stage where they feel more self reliant.

⁶⁴ This amount has been estimated at 2007 market prices. As mentioned, for the purpose of this exercise this amount is equivalent to USD110 where the exchange rate is USD 1.00= NRs 70.00

Preliminary observation indicate that the mixed groups have a system of internal targeting which gives preference to the poor and the weak members. More analysis is necessary to understand this behaviour and determine if other groups have similar behaviour pattern.

Representation of women, Dalit and Janajati has received strategic emphasis at all levels of organizations and their executive bodies promoted by MEDEP.

Microenterprise's Livelihood Strategies Reflected in Case Studies

A set of case studies was compiled from the field visits conducted by the Team (Annex IV).⁶⁵ These case studies testify the extent to which MEDEP services have improved the quality of beneficiaries' lives. It also shows shortcomings in the delivery of technical knowhow and resources to facilitate getting people out of the poverty trap.

Box 1: Microenterprise's Livelihood Strategies

- The bulk of the entrepreneurs have improved the levels of their income, employment and quality of life after they started their micro-enterprises with initial support from MEDEP. The extent of improvement varies. Some micro-entrepreneurs have been able to expand and diversify their undertakings by taking advantage of their new business skills, experiences and networks.
- Micro-enterprises for which skills and markets are readily available (for example, traditional businesses or new enterprises based on existing skills) have worked better compared to new enterprises for which access to needed skills and markets is more complex.
- Cooperation and co-existence among family members were considered paramount factors for success by those micro-entrepreneurs who shared the reasons of their success.
- Significant part of the income earned by the micro-entrepreneurs, especially by women entrepreneurs, was re-invested to further expand the business, acquire physical assets like land and house and improve the education and nutrition levels of the family members.
- Micro-entrepreneurs intend to expand and diversify their enterprises and improve the quality of their products. They have learned that linkage with the market is the main constraint. Even when market linkages are established, then credit availability, shortage of skills and adequate technology can hinder economic growth. The level of support available from current service providers appears insufficient for the expansion and diversification of the enterprise.
- Currently, money lenders, savings, cooperatives, and some banks have been the sources of credit for the micro entrepreneurs. However, micro entrepreneurs perceive that the amount of credit available from these sources is insufficient to meet the investment needs for expansion, diversification and quality improvement. Moreover, the conditions attached to the loan, i.e. bi-weekly repayments, 12 months waiting period for eligibility for an additional loan, and others, are impediments to the growth potential of micro-entrepreneurs. These conditions attached to the loan, however, will ensure the profitability level of the loan providers. Therefore, the current policies of loan providers are not an instrument of growth for the micro entrepreneurs.
- As micro-entrepreneurs succeed with their enterprises, they become involved with brokering activities, i.e. wholesale buying of the products of their fellow entrepreneurs, or even providing business counselling to their colleagues. In this manner, they gain recognition and respect in society and get opportunities to represent micro-enterprises at the district and the national levels. Hence, their social standing grows simultaneously with the growth of their micro-enterprises. This pattern provides a moral incentive for economic growth which is to a large extent inclusive and equitable.
- The key factors accounting for low performance and often failure of an enterprise are the following. 1- selection of wrong products, 2- conducting a production line without proper market assessment, 3- shortage of technical skill, and 4- absence of a pricing strategy of products for the market.
- Entrepreneurship skills received from MEDEP have fostered self-confidence for folks of all walks of life, especially women, to start up new enterprises. Wittingly or unwittingly this has induced collective economic action as many individuals are benefitting from the initiative of few individuals.

Source: Annex IV

⁶⁵ The Team did not have the resources to summarize all the benefits derived from this important project. The impact assessment of MEDEP was delayed and so its results could not be available to the Team which it was expected to use for the outcome evaluation.

Performance of Business Development Service Providers

Field level services to micro-entrepreneurs are crucial to fostering entrepreneurship. MEDEP ordinarily carries out field level services through an organization known as Business Development Service Provider Organization (BDSPO) in all 36 districts where MEDEP has been operating. Over the years, BDSPOs have gained experiences in the field of assistance to micro-entrepreneurs including training, counselling and business plan preparation.

Although MEDEP's partnership with BDSPO has been constructive in fostering new enterprises, BDSPO exhibits shortcomings in fomenting growth to existing entrepreneurs. This is partly due to contractual arrangements with BDSPO. They work part time and focus on delivering training to new entrepreneurs on the formalities of enterprises, i.e. business plan preparation. The micro entrepreneurs interviewed mentioned that the level of support they receive from Business Development Service Provider Organization (BDSPO) and Enterprise Development Facilitators (EDFs) is not adequate to meet their growing needs, especially in terms of cost reduction, scaling up, enterprise registration, market analysis and marketing procedures, quality tests and certification. All these elements contribute to long term sustainability. The crux of the problem is that BDSPO personnel are short of practical experience needed to lead entrepreneurs to sustainable growth.

It is crucial to train future entrepreneurs with operational skills so they can understand market potential and make production plans accordingly. Entrepreneurs should be able to understand the needs of customers to create products that meet these needs and can be produced at affordable and remunerative prices.⁶⁶

Achieving these goals is not solely a marketing problem, nor is it solely a design problem or a production problem: it is product development process (PDP) involving all these functions supported by adequate financing and legal frameworks. The stepwise stages to customize PDP is illustrated in Table VI.1 of Annex VI.

The bulk of the micro- enterprises are rural folk primarily involved in peasant farming. The markets, even village markets, are increasingly influenced by regional global players. It is not uncommon to find agricultural produce from India, China, and Thailand in local markets.⁶⁷ Peasant farmers cannot cope with these formidable global players. Therefore, there is scope for searching partners that can compensate the needs of micro- entrepreneurs. The Federation of Nepalese Chambers of Commerce and Industries (FNCCI) appears to be a relevant partner. The FNCCI could be invited to participate in the delivery of customized business development training to enhance micro- entrepreneurs skills so they can understand the intricacies of price formation and associated strategies.

Income and Employment Generation

MEDEP reported substantial increases in individual and household income levels resulting from varied income generation activities. Table III.1 indicates that individual income increased nearly four times and household income has more than doubled.

Table III.1 MEDEP: Income Generation

⁶⁶ The Team interviewed a few cases of garment-making micro enterprises run by women. During discussions on profitability, they allowed that they did not include the cost of their labour in the sale price. They were not aware that the final price includes all costs plus a profit mark up.

⁶⁷ Annex 5 analyses these issues in detail.

Individual (in R)			Household (in R)		
Without MEDEP	With MEDEP	% Increase	Without MEDEP	With MEDEP	% Increase
5,329	20,954	393%	30,917	48,031	155%

Source: MEDEP: PP Presentation to the Team on 16 Sep 2010, slide # 21

MEDEP has fomented the establishment of 48,825 micro-enterprises—which have generated employment for 49,904 persons (Table III.2). Regarding the type of micro-enterprise, 50% were agro-based, 33% were forest-based, 15 % were artisan-based, 7 % were service-based, 2 % tourism-based and the remaining 3 % were others.

MEDEP's focus on enhancing the income and employment of the poor, especially women, substantiates the national government and the UNDP's priority of empowering women. The poor people in the regions and in the hills and the low lands visited by the Team have testified that MEDEP support played instrumental role in uplifting their economic and social status.

In the case of women, according to figures of Table III.2 the employment generation has been greater among women [67%] than men [33%]. From the total number of informants [535] interviewed by the Team, slightly more than half [286] were women. Therefore, it can be logically inferred that women's voices have been captured throughout this evaluation. It must be noted that the necessary baselines to make accurate measurements about gender mainstreaming are under preparation by UNDP's M&E team.

Table III.2 MEDEP: Employment Generation by Gender⁶⁸

Gender	Without MEDEP	With MEDEP	Change [%]
Male	Unavailable	16,400	33%
Female	Unavailable	33,504	67%
Total	--	49,904	100%

Source: MEDEP. PP Presentation to the Team on 16 Sep 2010, slide # 18

In consequence, the following key outputs have made a positive contribution in the lives and the livelihood status of micro-entrepreneurs include: training in micro-enterprise creation, assistance in preparing business plans, links with micro credit institutions, provision of technical training on different trades from specialized agencies, and facilitation of market linkages.

Use of the Income Earned

Table III.3 indicates that nearly half of the income earned is used to meet the needs of the family unit. Although information is unavailable to determine if the income was based on credit loan earnings alone, what is evident is that value added is not prominent. It is noteworthy that similar amounts of resources are allocated to expand the enterprise and the children's education. This suggests that the sustainability of the microenterprises is compromised by family subsistence needs. Economic logic suggests that value added should be enhanced to secure the sustainability of microenterprises.

Preliminary estimates conducted by independent consultants to assess performance of micro entrepreneurial achievement provide a glimpse into the issue of sustainability.⁶⁹ It has been estimated that approximately 5% of the micro-enterprises have become sustainable enterprises,

⁶⁸ The length and conditions of employment were not specified. Anyone employed for any length of time and for any amount of payment was counted as a person employed. Seemingly ILO's broad definition of employment as work carried out in return of payment has been applied. Cf www.ilo.org : Bureau of Library and Information Service.

⁶⁹ It is difficult to overstate that these figures are preliminary as there was no baseline information for comparison.

45% are fully operational, 20% are seasonally operational, 17% are inactive and 13% have dropped out.⁷⁰ It is difficult to ascertain performance as there is no baseline information for preliminary comparison. The data suggest globally that the enterprises' central purpose is to meet the subsistence needs of the family unit. These enterprises are not designed with long term sustainability criteria.

Table III.3: MEDEP Use of Income Earned

Purpose	Income Expenditure (%)
Household consumption	47.4
Investment on enterprise expansion*	13.2
Children education	14.8
Clothing	8.6
Health care	4.1
Buying ornaments	2.9
Others	9
Total	100

*Asset creation include purchase of land, home improvement besides enterprise expansion

Source: Centre for Empowerment and Development (CED-Nepal). Impact Study of Micro Finance in MEDEP, Lalitpur, Nepal: October, 2009. Table 14, p. 35

Prioritization of Production Lines

There is an inherent complexity in the livelihood operations of the current Programme. Nepal has diverse climatic conditions from tropical to alpine, and almost everything in between.⁷¹ It is possible to grow every crop known in one of those ecological niches. Therefore, the range of products that micro entrepreneurs are pursuing is broad and comprises product lines from two totally distinct domains :

- Crop Production & Agro Processing, i.e. large variety of vegetables and fruits, cereals, dairy production, honeybee.
- Cottage Industries, i.e. manufacturing activities carried on in people's homes or rented spaces, involving, e.g., carpentry, handicrafts, tailoring, bakery.

It would take an enormous amount of resources to make each production option profitable, which may not even be possible. Therefore, it will be necessary to prioritize the NTFPs, crops, agro-processing, livestock, and cottage industries according to the greatest economic return that is simultaneously environmentally friendly and socially viable. The prioritization exercise has to be conducted and tested on experimental stations so when the product is presented to the future entrepreneur it should be free of potential ecological and economic risk.⁷² Otherwise, the dissemination process will be compromised. Thus, calibration of PDP is vital if this approach is used. The greater the range of products the more complex it becomes to manage the calibration process. This is why successful PDP is challenging under any institutional context because it demands substantive levels of capacity development across the board.

⁷⁰ Source: Adhikary, Arun Dhoj and Niranjana Baral, 2010: Phase Out Strategy Note for MEDEP Phase I and Phase II Districts, Proposed Three-Year Extension – MEDEP Transition Phase, 01 January 2011 to 31 December 2013.

⁷¹ This wide spectrum in turn accounts for Nepal's multiple ecosystems and much biodiversity: within its 147,181 km², Nepal boasts 118 ecosystems, 75 types of vegetation and 35 types of forests as well as 635 species of butterflies, 185 species of freshwater fish, 43 species of amphibians, 100 species of reptile, 860 species of birds and 181 species of mammals (Bhuju *et al.*, 2007). Cf. NCVST (2009) *Vulnerability Through the Eyes of Vulnerable: Climate Change Induced Uncertainties and Nepal's Development Predicaments*, Institute for Social and Environmental Transition-Nepal (ISET-N, Kathmandu) and Institute for Social and Environmental Transition (ISET, Boulder, Colorado) for Nepal Climate Vulnerability Study Team (NCVST) Kathmandu.

⁷² The Team during field visits has witnessed instances of garden crops introduced to asset-less beneficiaries. Regrettably there were no follow up to technical problems associated with plant health. In fact, it seemed as if that the garden crops were introduced without taking into account potential plant health problems. Beneficiaries were disillusioned.

A more comprehensive way to tackle the total production -marketing system is through value-chains.⁷³ This is more complex than prioritizing production lines as markets, marketing mechanisms, and production procedures are reviewed in depth. The evidence available indicates that the value-chains proposed by MEDEP III were promoted, wittingly or unwittingly, to meet the subsistence needs of the family unit, as there was little value added being generated.⁷⁴ If proposed value-chains are going to generate pro-poor growth, high-value markets must be reached at the right time and price.

Quality Considerations in Production Lines

Globally, the products of micro-enterprises required quality upgrading, especially hygienic standards in food handling, food ingredients and food processing. Linking up with entrepreneurs at the higher end of the value chain should fill this gap to some extent as there are successful cases in the poultry and NTFP based enterprises. There is little margin to omit global quality standards as regional players have been doing it for about a decade, i.e. China, India, Thailand.⁷⁵ Strategic partners like FNCCI can play a constructive role in this context.

Promoting Access to Credit

From Phase I, MEDEP has adopted the provision of credit as an integral part of micro-enterprise development. MEDEP tried to make constructive adaptations about institutional choices for the delivery of credit as new constraints and opportunities evolved. In the current phase, a range of options were adopted to enhance access to credit to micro-entrepreneurs. Savings and credit or multi-purpose cooperatives were promoted and helped them link with FSPs operating in the districts. Also, access to wholesale loans from RSRF of NRB was facilitated.⁷⁶ However, the coverage remained low and the financial services to the micro-entrepreneurs were inadequate. A survey report confirmed that cash flow shortage was the most common problem (76%) of the micro-entrepreneurs who usually had to pay for their supplies up front.⁷⁷ The case studies summarize the micro entrepreneurs' predicament clearly.

· Currently, money lenders, savings, cooperatives, and some banks have been the sources of credit for the micro entrepreneurs. However, micro entrepreneurs perceive that the amount of credit available from these sources is insufficient to meet the investment needs for expansion, diversification and quality improvement. Moreover, the conditions attached to the loan, i.e. bi-weekly repayments, 12 months waiting period for eligibility to an additional loan, and others, are impediments to the growth potential of micro-entrepreneurs. These conditions attached to the loan, however, will ensure the profitability level of the loan providers. Therefore, the current policies of loan providers are not an instrument of growth for the micro entrepreneurs.

III. 2 Enhancing Access to Financial Services (EAFS)

⁷³ Value chain is the sequencing of productive processes from the provision of inputs for a particular crop, transformation, marketing and up to final consumption. In this process, institutional arrangement linking and coordinating producers, processors, traders and distributors of a particular product are pivotal for the success of the process.

⁷⁴ The information available suggests that MEDEP III selected ten commodities for value chains: 1-Allo [1154 entrepreneurs], 2-Honey [3,705 entrepreneurs], 3- Dhaka textile [1175 entrepreneurs], 4- Ginger [1237 entrepreneurs], 5- Lokta Nepali paper [293 entrepreneurs], 6- Oganje and Sweet Orange [528 entrepreneurs], 7- Bamboo Products [1247 entrepreneurs], 8- Chyui [192 entrepreneurs], 9- Incense stick [2142 entrepreneurs], 10- Lapsi [256 entrepreneurs]. However, the data indicates that only one commodity: Allo, was the subject of a desk study without a profitability analysis [Cf. MEDEP III. Value Chain Analysis-*Allo Value Chain Analysis Series: 1* (MEDEP-NEP/08/006) Bakhundole, Lalitpur, 2010]. There is no systematic account of the remainder of the 9 commodities, except incense stick and honey that were promoted empirically with mixed results.

⁷⁵ Annex 5 explains this situation in some detail.

⁷⁶ Centre for Empowerment and Development (CED-Nepal). Impact Study of Micro Finance in MEDEP, Lalitpur, Nepal: October, 2009. P.12

⁷⁷ Ibid, p. 31

Access to financial services plays a pivotal role in fostering the growth of micro enterprises which in turn is crucial in employment generation for rural folks. The Access to Finance Project (EAFS), has been designed jointly by UNDP and UNCDF in collaboration with World Bank.⁷⁸

An enhanced access to finance can play a vital role in fomenting economic opportunity and alleviating poverty. It hinges, however, on the necessity to foster a vision of inclusive finance. This vision promotes, among other elements, the access by all eligible households and enterprises to a full range of services at a reasonable cost, including savings, short and long-term credit, mortgages, insurance, pensions, payments, local money transfers, international remittances, and leasing.⁷⁹

The outcome from the vision of financial inclusion would provide financial services for poor and low-income people and micro and small enterprises. This sector should include a continuum of financial services, each with its own comparative advantages and each presenting the market with an emerging business opportunity. This is a complex undertaking because it requires broad legal and banking transformations. Foremost the business model on which micro credit is predicated must work for the poor.

EAFS was launched in late 2008, and implementation started in 2010. To build an inclusive financial sector, EAFS managed to forge partnerships with Financial Service Providers (FSPs). In the Country Programme framework, the two outputs, “micro-entrepreneurship development” and “access to financial services” are considered as mutually dependent so both outputs are necessary to achieve the outcome.

Although it is too early to verify results on the ground, the partner FSPs has reported the inclusion of 30,000 new clients because of the support from EAFS. Therefore, the Team has been mandated to review the initial work, the results gained so far, and the strategies planned to achieve the results.⁸⁰

To obtain a glimpse on these evaluation questions, the Team has taken into consideration EAFS documentation, an interaction with the central team leading the Project, another interaction with a representative of a FSP in the field, as well as current trends in microfinance in the region, i.e. India, Bangladesh. These two countries lead different approaches to micro credit. Nepal is not necessarily impervious to their influence.

⁷⁸ EAFS consists of five closely interrelated components [Prodoc, page 4]:

(i) A Fund for Inclusive Finance to strengthen the capacity of financial institutions to expand access to underserved market segments and to carry out a financial literacy campaign. The underserved segment that will be targeted include urban MSMEs and rural and urban households. (ii) Technical assistance to support reforms of the legal/regulatory and supervisory framework for microfinance, and the implementation of a secured transactions registry. (iii) A line of credit for financial institutions with limited liquidity and interest in serving MSMEs, especially previously unbanked ones. (iv) Technical assistance to reform state-owned microfinance institutions, i.e., the Rural Self-Reliance Fund and the Regional Rural Development Banks. (v) Technical assistance to fund a public information campaign, project implementation, monitoring and evaluation. This project is the sub-set of above project and will support the implementation of first (A Fund for Inclusive Finance) and fifth (Technical assistance to fund a public information campaign, project implementation, monitoring and evaluation) component of the larger project.

⁷⁹ The elements of inclusive finance are: (a) Access by all bankable households and enterprises to a full range of financial services at a reasonable cost, including savings, short and long-term credit, mortgages, insurance, pensions, payments, local money transfers, international remittances, leasing and factoring; (b) Soundness of institutions, which is maintained through performance monitoring by stakeholders and, where required, sound prudential regulation; (c) Financial and institutional sustainability as a means of providing access to financial services over time; (d) Multiple providers of financial services, wherever feasible, to bring cost-effective alternatives to customers, including sound private, non-profit and public providers. [Prodoc, page 5]

⁸⁰ Specifically, to what extent synergies between the support provided to micro-enterprise and to access to FSPs have been or are they likely to be effective? Further, are the necessary institutional mechanisms to ensure this synergy in place? Would other approaches or mechanisms to promote access to finance for micro-enterprise development be likely to be more effective?

As of September 2010, EAFS reported that a total of 8 strategic partners and 8 innovative partners have been working with EAFS with Performance Based Agreements (PBA). The partners include banks and NGOs operating with a range of models in the sector of inclusive financing. By July 2010, partner FSPs had reached a total of 49 districts and nearly 30,000 new clients. The aim is to expand the coverage to 64 of the 75 districts of Nepal by Mid-July 2012. Table III.4 summarizes the new clients incorporated by FSPs.

Table III.4 : EAFS. Number of Clients Reached by Partners

Indicator as per UNCDF PBA	Baseline Feb 2010	Mid- July 2010	Target of Mid-July 2010 (as per PBA)	Actual Achievement	Achievement (%)
Number of active clients	538,444		564,838	568,155	100.6%
Total active new clients	-		26,394	29,711	112.6%
Total active new clients in priority districts			5,884	4,363	74.2%
Total active new clients in new branches supported by EAFS Project			8,341	8,403	100.7%

Source: EAFS presentation to the OE Team, September 2010

Table III.5 shows the new client’s composition by ethnicity and gender. It is noteworthy that the totality of new clients so far is women. Because of the absence of baseline information, it is not possible to ascertain if the given ethnic composition is representative of the population.

Table III.5 EAFS Ethnicity and Gender of Partners Clients

Ethnicity	Base-line as of Mid-February 2010 (all female)	Number of Clients as of Mid-July 2010 (all female)
Hill Dalit	41,484	44,932
Terai Dalit	30,741	32,857
Hill Janajati	98,413	104,006
Terai Janajati	94269	101,572
Hill BC	86,767	89,082
Terai BC	25,337	27,255
Muslims	33,336	34,002
Other Madhesi	47,413	49,775
Others	30,542	31759
Total	538,444	568,155

Source: EAFS presentation to the OE Team, September 2010

The Team did not meet any of EFA’s partners. In Dadeldhura the Team met a representative of the Nirdhan Utthan Bank Ltd. EAFS had not been in touch with representative, nor was the representative aware of any connection with EAFS. Therefore, the Team’s discussion with the banker centered on the notion of profitability while serving the poor—which is a legitimate business proposition. The banker shared that he was eagerly attempting to make a dent in the region with his credit operations. The interest on loans was 18% for individual loans for a period of 2 years and for group loans for period of 1 year. The administrative charge is 10% including the depreciation charge.

In sum, the Team, due to the absence of discussions about the strategies of EAFS’s partners, is unable to make any comments on actual or potential synergies between micro enterprises and FSPs. Nor is it possible to make any comments on institutional mechanisms to ensure synergy. However, the Team has apprehensions on the sustainability of micro credit operations. This is based on the information available on small holders’ micro credit performance.

Sustainability of micro credit operations

From the MEDEP case studies and regional information on the micro credit industry, the Team's concerns relates to the business model used by FSPs. The evidence indicates that the economic logic of FSPs is to maximize return to capital. The fact that micro entrepreneurs are financially illiterate and lack technical know-how to mount sustainable business enterprises—is a moot issue for FSPs. In consequence, this model is unfriendly to impoverished micro entrepreneurs.

Until the early 2000s, most of the micro credit industry was run by NGOs. To attract more funds, some NGOs switched to a new "for profit" model and expanded rapidly. Banks, attracted by returns guaranteed by the combination of repayment rates of up to 98% and interest rates of between 25% and 50%, poured in cash.

Regional data discloses aggressive debt collectors ensuring market returns to capital in villages across Andhra Pradesh, for example. One industry spokesman admitted that many microfinance institutions had been "reckless" in their lending and some had charged very high interest rates and over paid its directors' salaries. "This kind of behaviour is hard to defend," said Mahajan, whose own company, Basix, has 500,000 customers.⁸¹

Although in MEDEP's case studies there are no aggressive debt collectors, the conditions of micro credit operations are not sustainable—despite the fact that rural credit demands outstrips supply.⁸² The core issue seems to be that family subsistence needs compromises the sustainability of investments. Impoverished villagers and farmers use their loans to finance the subsistence needs of the family unit [see Table III.9]. Moreover, through interviews micro entrepreneurs indicated that: "there are too many businesses that have not been properly assessed for lack of technical assistance. Sometimes when the funds are available, there are difficulties with the market conditions or unexpected technical difficulties; and there is nobody to turn to for technical advice." Another factor which militated against sustainable micro credit operations was financial illiteracy. Rural folks with limited or no assets and financially illiterate are persuaded to take loans with consequent negative results.⁸³

Under these circumstances, one stakeholder allowed that EAFS has not been able to reach "ultra poor" households.⁸⁴ This is because FSPs consider the ultra-poor as "high risk loan portfolio clients." FSPs have indicated that the repayment rate is as low as 60- 70 % with average loan size of 10,000 NRs. Therefore, they have requested that EAFS share the "risk of the loan."

Typically, FSPs do assess the risk in repayments. However they seldom assess the technical and economic reasons underlying the risk in the operation. Much less do they propose measures to manage risk on behalf of the micro entrepreneur's so they can make profit.⁸⁵ Thus, the crux of the problem is to mount sustainable business operations so micro credit becomes an instrument of growth. In this tenor, REDP's strategy for rural electrification appears to provide a teachable moment. REDP identified the economic opportunities where potential beneficiaries can generate

⁸¹ Impoverished Indian families caught in deadly spiral of microfinance debt <www. guardian.co.uk> 1 Feb 2011

⁸² "Total rural credit requirement in the country is estimated at Rs 23.3 bn (USD 313 mn), while the total supply from the formal and semiformal sectors is only Rs 9.6 bn (USD 129 mn). Of the approximate 2.1 mn households living below the national poverty line, nearly half are deprived of services from the formal microfinance sector." Source: The South Asian Microfinance Network.

'Prospects for Investment in South Asian Microfinance', Nepal, 2010, page 85

⁸³ During the field visit the Team came across several cases where the poor rural folk were persuaded by their group to take loans targeted to them. Business plans were quickly prepared to get the loans disbursed rather than to invest in a profitable investments. As the borrowers were not yet ready to start any enterprise, they discontinue their attendance to group meetings, depositing their monthly savings or paying interest.

⁸⁴ Comments on Draft 2 of Livelihoods Outcome Evaluation Report. 25 January 2011, page 5

⁸⁵ In one micro credit operation financed by UNDP in Mongolia, the FSP made the similar request. After the request was approved, the risk of the operation did not diminish. As in the present case, the FSP concern was simply to obtain the market return on the capital, regardless the financial results of the micro entrepreneur.

income. The income generated was sufficient to pay the electricity connection and monthly tariff and other costs. At the end of the day, some beneficiaries realized that this business operation to pay the electricity bill could also become a going business which could improve their life quality.⁸⁶

In sum, the evidence indicates that FSP's business modalities are unfriendly to the poor, especially since most villagers or peasant folk [male and female] are financially illiterate and operate their farms with traditional know-how. FSP's request of preparing high-risk loan portfolios is a mechanism to ensure exclusively return to capital. To put together sustainable business operations financed by micro credit, FSPs would need to jointly work with villagers and peasant folk to find out how the necessary ingredients of sustainability in micro credit operations. However, FSP's business model, such as it is, could be useful for those 5% of micro enterprises that have become sustainable.

The second option is the Grameen Bank model for consideration and customizing to the local conditions. It proposes micro credit that can serve the poor to get out of the property trap. Box 2 contains a succinct definition of the structure and function of this option outlined by M. Yunus.

Box 2. Structure and function of micro loans in Grameen Bank.

Grameen Bank, where I am managing director, has 2,500 branches in Bangladesh. It lends out more than \$100 million a month, from loans of less than \$10 for beggars in our "Struggling Members" program, to micro-enterprise loans of about \$1,000. Most branches are financially self-reliant, dependent only on deposits from ordinary Bangladeshis. When borrowers join the bank, they open a savings account. All borrowers have savings accounts at the bank, many with balances larger than their loans. And every year, the bank's profits are returned to the borrowers — 97 percent of them poor women — in the form of dividends.

More microcredit institutions should adopt this model. The community needs to reaffirm the original definition of microcredit, abandon commercialization and turn back to serving the poor. Stricter government regulation could help. The maximum interest rate should not exceed the cost of the fund — meaning the cost that is incurred by the bank to procure the money to lend — plus 15 the fund is 10 percent. So, the maximum interest rate could be 25 percent. However, we charge 20 percent to the borrowers. The ideal "spread" between the cost of the fund and the lending rate should be close to 10 percent.

To enforce such a cap, every country where microloans are made needs a microcredit regulatory authority. Bangladesh, which has the most microcredit borrowers per square mile in the world, has had such an authority for several years, and it is devoted to ensuring transparency in lending and prevented excessive interest rates and collection practices. In the future, it may be able to accredit microfinance banks. India, with its burgeoning microcredit sector, is most in need of a similar agency.

There are always people eager to take advantage of the vulnerable. But credit programs that seek to profit from the suffering of the poor should not be described as "microcredit," and investors who own such programs should not be allowed to benefit from the trust and respect that microcredit banks have rightly earned.

Governments are responsible for preventing such abuse. In 1997, then First Lady Hillary Clinton and Prime Minister Sheikh Hasina of Bangladesh met with other world leaders to commit to providing 100 million poor people with microloans and other financial services by 2005. At the time, it looked like an utterly impossible task, but by 2006 we had achieved it. World leaders should come to gether again to provide the powerful and visionary leadership to help steer microcredit back on course.

Source: Muhammad Yunus. Sacrificing Microcredit for Megaprofits. New York Times, January 14, 2011

Energy & Environment

Under the Energy & Environment Outcome-Theme, the following projects expected to deliver outputs to the Livelihood Outcome have been reviewed.

- The Rural Energy Development Programme (REDPIII), which promotes micro-hydroelectric generation in remote districts by fostering micro and small enterprises.
- The Khimti Neighborhood Development (KiND) project which promotes community electrification, infrastructure and micro-enterprises development through public-private

⁸⁶ REDP. Promoting business development for sustainable operations and management of community managed micro hydro systems. Holistic approach to productive uses of energy. [typographed] Kathmandu, 2005, page 2

partnership. Within the KiND project MEDEPIII was sub-contracted to conduct specific activities.

The Western Terai Landscape Complex project (WTLCP) and the Small Grants Programme/Global Environmental Facility (SGP/GEF) provided selected livelihood interventions to gather lessons learned which will inform project formulation in the forthcoming Programme. Logically by implication lessons learned from current practices in natural resource management (NRM) have been inferred.

III.3 Rural Energy Development Programme III (REDP III) : Income Growth through Rural Electrification

Since 1996 REDP has been piloting a program with UNDP funding that is focused on the promotion of rural energy technologies, primarily community managed micro-hydro systems, within the framework of poverty reduction.⁸⁷

In 2008, an impact assessment study sought to quantify the links between REDP's energy initiatives and development outcomes in the context of the MDGs in rural Nepal.⁸⁸ The data gathered from rural communities confirmed the vital role that energy plays in the rural development process, especially because REDP has been providing energy services in an integrated manner; it includes skills development, enterprise development, information services, institution and capacity building, fuel supply, technology manufacturing, operations and maintenance. The study suggested that because of these encouraging outputs, REDP could be considered *as a best practice model*.

REDP provides improved energy services jointly with micro projects capable of generating cash income or improving livelihoods.⁸⁹ As it will be shown hereunder, REDP's rural electrification strategy generates income growth by providing improved energy service.⁹⁰

Table III.6 shows that over the period 1996-2010, REDP has managed to realize an installed capacity 5,059 kW with a projection to double this amount. This installed capacity has benefited 49, 987 rural household units. Nepal has a population of 23.5 million and approximately 85% of the total population lives in rural areas [19.9 million]. It has been estimated that 1.6 million rural dwellers have access to electricity,⁹¹ of which approximately 15% have been connected by the REDP efforts, assuming that there are five members in each household [Table 4.1: NLFS, 2008].

Table III.6 REDP: Beneficiaries and Load Growth

Capacity	Current 1996-2010 [kW]	Projected [kW]
Micro-Hydro	5, 059	6, 315

⁸⁷ The intended outputs were: [1] lessons and best practices of REDP and other experiences to be used for the design of a new model and continuous learning in rural energy and poverty alleviation in Nepal; [2] capacity built at local level to increase energy access through a community management model in 40 districts ; [3] capacity built at local level to link energy services to poverty alleviation through productive and other end uses, including for women and socially excluded in 40 districts; [4] support to AEPC for energy planning in line with the key elements of an operational/functional Rural Energy Policy and local level environment mainstreaming started in 75 districts and national levels; [5] innovative approaches for long-term micro-/mini hydro and RETs sustainability are piloted, including developing micro-hydro projects such as a Clean Development Mechanism project; and [6] through a holistic community development model and integrated rural energy planning, over a two and half year period from 2007-2009, the project will deliver 1.7 MW of community-managed micro-/mini hydropower, 2,200 toilet-connected biogas plants, 9,000 improved cook stoves, and 550 solar home systems to 20,000 households in 40 districts of Nepal.

⁸⁸ Winrock International Nepal. Report on Assessment of Rural Energy Development Programme (REDP) Impacts And Its Contribution In Achieving MDGs 2008, pp 52-55

⁸⁹ This approach was a central finding recommended in UNDP regional study. Cf. UNDP Making energy services work for the poor: good practices for the Asia Pacific Region. UNDP Asia Pacific Regional Centre. July 2010

⁹⁰ The Team acknowledges REDEP management for updating the monitoring information. Cf: REDP. Income Generation and Micro Enterprises. Tentative Benefits Estimation. Information prepared for the UNDP Livelihoods Outcome Evaluation. October 2010

⁹¹ Cf. World Bank. Power and people: the benefits of renewable energy in Nepal. SE Asia Energy Unit. June 2010, pp 12-15

Plants		
Household	49, 987	64, 449
Units		
Estimated	249, 935*	257, 796
Beneficiaries		

* Assumes 5 members per rural household: Table 4.1: NLFS, 2008

Source : REDP. Income Generation and Micro Enterprises. Tentative Benefits Estimation. Information prepared for the UNDP Livelihoods Outcome Evaluation. October 2010

Table III.7 shows 520 ongoing micro agro-processing enterprises and cottage industries where 877 rural folks have participated.⁹² Gross annual revenue range from as low as USD 428 for incense stick making, to USD 8, 571 for Chuirri processing. The revenue distribution is severely skewed. In this situation, the median, i.e. the mid point value in the distribution, is a better measure to gauge growth. Accordingly, the median annual gross revenue is USD 1,571. These figures illustrate the significant effect the REDP approach has on revenue, specifically its combination of energy services with micro projects to improve rural livelihoods.

Table III.7 REDP Micro Enterprise: Agro-processing and cottage industries

SN	Particulars	Number	Annual Gross Revenue in Rs. '000	Total Gross Revenue in Rs.'000	Total Employment
a	b	c	d	e=c*d	f
1	Agro Processing Mill	150	120	18,000	150
2	Rural Furniture/Carpentry	30	150	4,500	60
3	Rural Communication Center	20	75	1,500	20
4	Cable TV Network	100	250	25,000	200
5	Computer Institute	25	120	3,000	50
6	Noodle Making	5	100	500	10
7	Poultry Farming	50	80	4,000	100
8	Video Hall/Recreation Center	10	200	2,000	20
9	Stone Cutting	3	200	600	9
10	Grill/Mechanical Works	5	100	500	15
11	Pharmacy /Hospital	5	120	600	15
12	Cotton Beater	5	60	300	5
13	Rural Bakery	5	100	500	10
14	Pork Rearing	1	200	200	2
15	Bee Keeping	5	60	300	5
16	Incense Stick making	3	30	90	3
17	Battery Charging	10	150	1,500	10
18	Grocery/Consumer Store	10	150	1,500	10
19	Lift Irrigation	2	300	600	2
20	Electric Services Centers	10	20	200	10
21	Goat Rearing	2	100	200	2
22	Rittha Processing	1	200	200	2
23	Chuirri Processing	1	600	600	2
24	Sauna	1	300	300	2
25	Coffee Pulping	5	60	300	5
26	Thanka painting	2	150	300	4
27	Mobile tower Charging	2	150	300	2
28	FM Station Charging	1	30	30	1
29	District Civil Aviation Tower	1	200	200	1
30	Restaurant/Lodge	50	200	10,000	150
	Total	520		77,820	877

⁹² It must be understood that under the category of “employment,” the length and conditions of employment were not specified. Seemingly, ILO’s broad definition of employment as work carried out in return of payment has been applied. Cf. <www. ilo.org> Bureau of Library and Information Service.

Source : REDP. Income Generation and Micro Enterprises. Tentative Benefits Estimation. Information prepared for the UNDP Livelihoods Outcome Evaluation. October 2010

The lowest gross revenue [USD 428] would be equivalent to the “dollar- a- day” measure. As the median of this revenue stream is USD 1, 571, this would represent about 4- dollars- a- day.

REDP’s used the modality of micro- enterprise to include on-farm micro projects to give resource-poor small-holders or landless farmers access to electricity services. Table III.8 shows annual gross revenue earned by approximately 3,000 small-holders in primarily on-farm activities with some handicrafts. Regrettably there are errors in this table, as the magnitude of revenues in certain categories is out of context. However, Table III.8 does illustrates REDP’s efforts to ensure that poor households earn the necessary amount so they could afford to pay for the electricity connection and monthly tariff.⁹³

Table III.8 : REDP Income Generation Opportunities for Small-Holders

SN	Activity	Gross Annual Revenue in Rs. '000	Number	Gross Total Revenue in Rs.'000	Total in Employment
a	b	c	d	e=c*d	f
1	Crops – high value crops, multiple farming	10,000	5	50,000	...
2	Livestock – buffalo, cow, goat, pig	15,000	10	150,000	...
3	Birds – chicken, duck, bee keeping	3,000	5	15,000	...
4	Non Timber Forest Products – herbs, bamboo, grass	300	10	3,000	...
5	Skill – doko, namlo, blacksmith, tailoring, sewing	1,500	12	18,000	...
6	Handicrafts – thanka, wooden utensils, bags, incense stick	200	10	2,000	...
	Total	238,000	3,000

Source : REDP. Income Generation and Micro Enterprises. Tentative Benefits Estimation. Information prepared for the UNDP Livelihoods Outcome Evaluation. October 2010

The design, implementation, and operation of micro-hydro systems requires a cadre of managers and technicians capable of maintaining and operating a micro-hydro system. This cadre of managers and technicians come from the village areas where the hydro systems are built. Table III.9 shows the annual salaries earned by the personnel of about 518 involved in the operation and maintenance of micro-hydro systems. The annual median salary earned is USD 8, 571. This signifies substantial capacity building which will be discussed below.

Table III.9 REDP Salaries Earned by Personnel Involved in the Operation of Micro-Hydro Plants

SN	Particulars	Number	Annual Salary in Rs. '000	Total Salary in Rs.'000	Total Employment
a	b	c	d	e=c*d	f
1	District Energy & Environment Sections	40	600	24,000	140
2	District Energy & Environment	32	400	12,800	60

⁹³ This was reconfirmed by the Team’s visit to the Mabekhu Khola MHP plant in Mahadevshthan, Dhading. Within the last 6 months the following facilities were installed: an electric mill, a poultry operation based on electrical light bulbs to facilitate the marketability of broilers, tailoring operations using electrical machines that save 30 minutes of time in each operation plus the facility of ironing, a school with 5 computers that has opened up the world of the internet to students of the higher levels plus the ability of apply several computer programmes. However, no comprehensive quantification of these benefits has been conducted except the direct costs.

	Units				
3	Support Organizations	40	600	24,000	200
4	Rural Energy Services Centers	20	600	12,000	100
5	Rural Energy Development Programme	1	600	10,800	18
		133		83,600	518

Source : REDP. Income Generation and Micro Enterprises. Tentative Benefits Estimation. Information prepared for the UNDP Livelihoods Outcome Evaluation. October 2010

Table III.10 contains preliminary figures which require substantial scrutiny. They illustrate the benefits generated by implementing rural electrification jointly with micro projects.

Over the period 1996-2010, the total number of household units connected to the electricity services of various micro-hydro plants is 49,987 [Table III.6]. Over the same period, 4,395 micro-enterprises implemented joint-products⁹⁴ of rural electrification. These micro-enterprises have generated an estimated annual gross benefit of USD 5,706,000. If we consider that the total installed capacity is 5,059 kW, then for each W installed a direct benefit of USD 1,128 has been generated.

Table III.10 REDP Preliminary Summary of Benefits

SN	Particulars	Number	Total Benefits in Rs.'000	Total Employment
1	Micro Enterprise	520	77,820	877
2	Income Generation	3,000	238,000	3,000
3	Personnel Salaries	133	83,600	518
		3,653*	399,420	4,395

Source : REDP. Income Generation and Micro Enterprises. Tentative Benefits Estimation. Information prepared for the UNDP Livelihoods Outcome Evaluation. October 2010

The Effects of Capacity Development on Rural Electrification

Factors affecting development can be interrelated as is the case here. REDP, through capacity development, has displayed ingenuity in mobilizing resources (financial and human) to secure economic opportunities in such a manner that both poverty alleviation and rural electrification can be undertaken.⁹⁵ In fact, one report highlights that the development of REDP's holistic rural energy system depends fundamentally on capacity building and participation of the community members.⁹⁶ In the beginning, it required community mobilization so the villagers took ownership of the initiative of electrification and economic growth. Rural women stood to benefit especially from rural electrification because it relieved them from the drudgery of water fetching and firewood cooking.⁹⁷ Thus, they can use their time in more productive activities with economic gain—this situation empowered them economically in addition to nurturing children and caring for husbands. Unsurprisingly women's participation in rural electrification is high.

⁹⁴ [Response to comment from stakeholder] Joint-product is a term used in agricultural economics. It describes an enterprise combination that serve more than one purpose. For example, "...the cost of fencing erected to control livestock so that better breeding practices maybe followed may also protect growing crops from damage by straying animals." [Source: A.T. Mosher. Getting agriculture moving. ADC, New York, 1966, p 54] This term appeared to describe better REDP's results rather than "electricity-based enterprise" or "end-use of electricity produced at the local level."

⁹⁵ Furthermore, from a post-conflict economic recovery standpoint, one cardinal element to strengthen the indigenous drivers for economic recovery is securing economic opportunities and job security UNDP. Post-conflict economic recovery. Enabling local ingenuity. BCPR. New York, 2008, pp 48-96

⁹⁶ REDP Promoting business development for sustainable operation and management of community managed micro-hydro systems: holistic approach for productive uses of energy. Katmandu, 2005, 8 pages

⁹⁷ Although there is no quantified data, REDP through rural electrification has provided opportunities for water purification, increased supplies of drinking water through the canals of micro-hydro systems, and the promotion of fuel wood production. Cf. REDP, op cit, 2005, p 2

It has been estimated that capacity building activities have benefited approximately 20,000 rural people, of which about 8,000 were women from rural households.⁹⁸ The activities conducted have been of two types: 1) awareness raising and skill enhancement through sensitization, orientation and study tours, and 2) human resource development through training on different on-farm and off-farm activities related to improved agricultural practices, cash crop cultivation, crafts production, forest based enterprises, micro enterprises, and consumer stores.

Closely linked with training activities for capacity development, is the contribution to knowledge management in training which is the lynchpin to sustainability. Many manuals have been developed through the consultative process on rules and regulations and guidelines. They include the tariff fixation, the Community Energy Fund operation, bookkeeping, penalty and fees for late tariff collection and theft of electricity, tariff collection in cash, kind or labour, and the like. However, these manuals need to be formally owned by the national authorities.

When all is said and done micro-hydro systems, are low-cost as compared to alternative sources of electricity generation, easy to install and simple to operate and maintain, but still need financing. Financing for training not only of village people but also the technical and managerial cadre who are selected from among the villagers themselves so they can settle in their native districts. The evidence indicates that from the very start the funding for capacity development played a dominant role; over 90% of funding came from public sources.⁹⁹ The share of public finance subsequently declined to about 50%, once the national capacities were built so they could tap alternative sources of finance. Capacity building continued in non-finance areas. In fact, communities and households contributed significantly in the implementation of rural energy systems and paid for energy services. Communities made cash contributions when possible, took out bank loans; and in other cases communities could only provide with labour contributions, such as, digging channels and collecting sand, stones and wooden poles for micro-hydropower systems. These contributions made up a significant portion of the financing needs. It must be noted, that capacity building continued in non-financial areas in the areas whenever micro-hydro schemes were developed.

Summary: REDP Development Results

One standard rural electrification effort was conducted in terms of determining the collective demand so as to establish the willingness to pay.¹⁰⁰ Those farmers who had a going-business could use electricity to enhance their productivity and livelihoods. In this manner, rural poor households were often left out even for household lighting as they could not afford the electricity connection and tariff. The consequences were exclusion, local conflicts, and of course, lower load factor. REDP's rural electrification strategy has modified this state of affairs.

There are several interrelated factors bringing about REDP's development results.

- REDP's strategy of joining energy services with micro projects geared to generate cash income to enhance livelihoods has broken the cycle of energy poverty and economic impoverishment. REDP's strategy for rural electrification acts as a driver for income growth in the rural world.
- From the very start the funding for capacity development played a dominant role. In time, however, communities and households contributed significantly in the implementation of rural energy systems and paid for energy services. Communities when possible made cash contributions, took out bank loans; and in other cases, communities could only provide with

⁹⁸ REDP, op cit, 2005, p 5

⁹⁹ UNDP op cit, 2010, p xv

¹⁰⁰ World Bank. Electricity economics. The John Hopkins University Press, 1977, pp 151-179

labour contributions. These contributions made up a significant portion of the financing needs.

Rural women stood to benefit primordially from rural electrification because it relieved them from the drudgery of water fetching and firewood cooking.¹⁰¹ Thus, they can use their time in more productive activities with economic gain—this situation empowered them economically in addition to nurturing children and caring for husbands. Unsurprisingly women’s participation in rural electrification is high.

III.4 Khimti Neighbourhood Development (KiND): Electricity Generation-Distribution as a Livelihood Strategy

The KiND Project is a public-private partnership project between GON, UNDP and Hima Power Limited (HPL).¹⁰² In the context of fomenting livelihood expansion, the relevant outputs were: 1- the electrification of 3100 households in Khimti hydro-power plant neighborhood; 2- the provision of community infrastructures and 3- promotion of micro-enterprises with MEDEP as sub contractor for the implementation of 53 micro enterprises of which 30 were electricity based.

Thus, the potential sources of livelihoods arising from electricity generation were: 1- the generation of electricity under the Khimti Rural Cooperative (KREC) and 2- the implementation of 53 micro enterprises—of which 30 were electricity-based.

The Khimti Rural Cooperative (KREC) receives extensive support from HPL (owner of 60MW hydro project connected to national grid) for the electrification of 5 affected Village Development Committees with 400KW micro hydro project. KREC is the owner of two micro hydro plants.

All the households connected to the micro grid are the shareholders and they elect the representatives. Although previously KREC management was elected directly, currently they have distributed the key posts among the major political parties present in the area. KREC has a technical team trained by HPL to manage the power plant to ensure that it runs smoothly. They are running the plant adequately as dividends are distributed among shareholders.

Although dividend reports were unavailable, the dividends accruing to share holders can constitute as a livelihood opportunity. Concretely, once the 400KW Halwakhola micro-hydro is in operation, the installed capacity will be 1MW. As the consumption may remain unchanged, the additional energy produced rather than being wasted, KREC should continue negotiations with the NEA to reach PPA (Power Purchase Agreement). This potential revenue could be either distributed as dividend or invested on projects selected by the shareholders.

To this end, KREC could benefit from the implementation of an organizational development plan so that a professional management team is in place as soon as practicable. Just as importantly, the KREC committee needs to be elected directly without political interference. It should also be inclusive with representation of all castes and ethnic groups (at the moment there is no inclusion

¹⁰¹ See footnote 95

¹⁰² Key intended outputs were: [1] electrification of 3100 households in Khimti hydro-power plant neighborhood, [2] provision of community infrastructures and promotion of micro-enterprises, and; [3] strengthening of Khimti Rural Cooperative (KREC) to make it fully capable of moving forward the rural electrification in a sustainable way in the future. MEDEP was sub contracted for the implementation of 53 micro enterprises of which 30 are electricity based. The rural electrification was to be accomplished through the construction of a 400 kW mini-hydro power plant and the establishment of rural electrification and distribution lines to connect the households. The community was to be mobilized and gender and social development plans was to be prepared. Smaller community infrastructure was to be constructed or improved and as micro-enterprises were to be promoted.

of Dalits in the committee).¹⁰³ Consequently, to take advantage of the potential benefits from selling electricity, KREC needs to have a good business plan, particularly concerning how the income generated through the sale of electricity is to be distributed. The policy to allocate at least 50% of the income in the social development of the area giving priority to the area's poor and marginalized population must be clear and operational. The fund should also be invested to improve the quality and access to education, enhance the health services, and create opportunities for youth for recreation and employment.

Regarding MEDEP's work in the promotion of micro enterprises to expand livelihood opportunities, all evidence points to the fact that MEDEP's expertise is limited almost exclusively to providing follow up support to the entrepreneurs. Electricity based enterprises which required market assessment received little support. Electronic repair shops seem to have better opportunities as enterprises in the district. There are concerns in terms of the selection process of the enterprises from a large demand. Also, in terms of ensuring quality and effectiveness when budget had to be spent and work completed in a short period of time. Moreover, MEDEP was charged with being biased for disregarding potential entrepreneurs who live in remote villages and concentrating only on road head side. The Team did not verify these charges because our mandate was to focus on development results. Settling grievances is within the domain of management review. Lastly, frequent staff turnover appears to limit MEDEP's continuity and follow through of previous arrangements. Nonetheless, all entrepreneurs across the board appear motivated to grow, expand, diversify and improve the quality of ongoing production processes. MEDEP's contract ends in 2010 without an exit strategy for the enterprises created. Sustainability has been compromised.

Summary: KiND Development Results

- The generation-distribution of electricity for sale to consumers at the district level is the next logical step from the strategy of introducing rural electrification as joint- product for income growth at the farm level.
- The success of selling electricity hinges on sound management, i.e. optimum operation and maintenance of the generation and distribution system. Otherwise service will be sub standard and potential consumers could discontinue their connections.
- Thus, given the characteristics of the country's energy development and constraints, the sale of electricity in a district generated-distributed by an enterprise [KREC] offers a potential model for future replications. KREC has already started up the enterprise, and is currently facing management difficulties. These can be considered as normal "teething troubles" because decision-makers need to learn how to take risks and manage risk.¹⁰⁴ KREC needs specific technical assistance in the management of technical-human systems associated with the generation-distribution of electricity, in particular electricity economics.

III. 5 Western Terai Complex Landscape Project (WTCLP) and The Global Environment Facility/ Small Grants Programme (GEF/SGP)

¹⁰³ In addition to the egalitarian principles, in the framework of market economy, inclusion makes economic sense because in time those that are included become consumers of goods and services. Otherwise the chances of becoming consumers diminishes and the local economy will not benefit the potential consumption.

¹⁰⁴ Some economists have underlined the fact that in developing countries the tradition of problem-solving is weak and innovation has not yet routinized. Under these conditions projects like KiND will engage in problem-solving. Some problems will be more difficult than expected. But then being stuck with these problems, one attacks in spite of everything the unsuspected difficulties—and one sometimes even succeeds Cf. Hirschman, A. Development projects observed. The Brookings Institution. 1967, p 14

Both projects contain selected livelihoods interventions. Consequently the Energy Outcome-Theme has distilled lessons learned from WTCLP's Mid Term Evaluation, GEF/SGP success stories, and Team's field visits. Lessons learned from current practices in natural resource management (NRM) have been inferred.

WTCLP is a bio-diversity management programme launched in 2005 and will phase off in 2012. It covers 52 VDCs of three districts, Bardia, Kailali and Kanchanpur located in mid and far west Terai in with the twin objectives of bio-diversity conservation and livelihoods improvement. A Mid Term Evaluation (MTR) was launched in August-September 2010.¹⁰⁵

The scope and complexity of the Livelihoods Outcome required a span of review that is wider and deeper than a project evaluation, particularly for the purposes of distilling lessons learned to move forward. Under this lens, we have considered it productive to take into account in the analysis: 1- field evidence gathered by the Team during planned visits, and 2- lessons from successful policy interventions from countries in the region where income for the poor has increased. These lessons have been drawn policies that have had incidence in improving the quality of life of rural folks in 14 countries. Box 3 summarizes these key policies.¹⁰⁶

*Lessons in Outcome Management*¹⁰⁷

Lessons learned from project evaluation, such as the present one, intend to improve the quality and the rate of output generation—so these outputs in time contribute to the Livelihoods Outcome. In this light, the Team concurs with the following lessons learned which are absolutely vital elements such that outputs can evolve into outcomes. [MTR page 36]

Project activities and annual work plans should be guided by a clear understanding of the outputs that are necessary and sufficient to achieve measurable outcomes. Landscape conservation is often not defined in terms of landscape-scale issues and objectives, which can lead to a lack of focus in work planning and programming [MTR, page 36]

...policy and institutional change requires long-term, systematic capacity development with sufficient political and administrative stability in government to ensure progress and sustainability. Technical assistance and financial resources are not sufficient for meaningful capacity development.

... individual leadership by key government officials makes a difference, especially where DFOs take an active interest and involvement in the project. The combination of government endorsement and support, technical guidance from field staff, and emergence local resource persons is important to community-based initiatives in conservation.

... the creation of community institutions for conservation and livelihoods does not necessarily ensure full participation of all segments of the community. Special measures are needed to ensure representation of women and disadvantaged groups. There are barriers to inclusive programmes, including within the cooperative structures and modalities that are commonly used in Nepal.

Lessons on Environmental Governance

¹⁰⁵ The MTE terms of reference identify three evaluation objectives: 1-Assess project intervention and measure its effectiveness/impacts based on four project outcomes. 2- Review project partnership and organizational structure of project and roles and responsibilities of project staff and stakeholders. 3- Provide concrete recommendation (strategic and operational) for remaining period of the project

¹⁰⁶ These policies were not in place to the same degree. And not all of them had the same effect on increasing the ability of the poor to participate in growth, reflecting the different initial conditions and other influences in individual countries. This signifies the vital task of customizing these policies to the conditions of Nepal.

¹⁰⁷ UNDP's Handbook on M&E indicate that "lessons learned from an evaluation comprise the new knowledge gained from the particular circumstance (initiative, context outcomes and even evaluation methods) that is applicable to and useful in other similar contexts. Frequently, lessons highlight strengths or weaknesses in preparation, design and implementation that affect performance, outcome and impact." [page 180]

The Team found abundant evidence related to outputs in process which can affect the Livelihoods Outcome. Altogether these particular factors have to do with decisions about environmental governance or the manner in which decisions are made about the use of natural resources.¹⁰⁸

Sound environmental governance requires a focus on the social dimensions of natural resource use and ecosystem management, besides the technical details of how to manage, i.e. how we negotiate trade offs between conflicting uses of natural resources, and finally, how we make sure the costs and benefits of our decisions – including impacts on the poor – are equitably shared. In fact, a focus on governance adds an explicit consideration of equity and inclusion to the goals of ecosystem management.

The observations below indicate that the current exploitation of the forest and associated resources appear to be conducted without taking into consideration fundamental principles of conservation and sustainable management—despite WTCLP objectives and resources available.

- Conservation science can estimate how large an area of forest we should preserve to ensure the survival of various species of wildlife or plants. Currently, it is not possible to calibrate the rate of the resource exploitation in function of the demand in order to avoid rapid depletion and waste because the tools are not yet available. The MTR provides the understanding that the baseline data including socioeconomic indicators and biodiversity indicators using GIS [Year 1] [Prodoc, page 2-3] that should have been ready in 2006 is not ready yet. One of the expected output of Year 2 [2007] was GIS maps of land use. These tools can make a difference in the sustainable development of natural resources. Otherwise sustainability is compromised.¹⁰⁹
- Direct observation supported by interaction with beneficiaries indicate that the forest is being rehabilitated to some degree.¹¹⁰ To a large extent indiscriminate felling of trees in the forest has been arrested. Alternative sources of cooking meals have been introduced, among other things. So the poor now have a window of opportunity to realize income from their efforts of husbanding resources. However, the Team has not found a scheme for the sustainable use of the forest and associated resources.¹¹¹ Natural resources are being used unsustainably, wittingly or unwittingly, within the framework of WTCLP objectives. For example:
- Farmers have increased the cultivation of NTFPs such as chamomile and menthe in their own private and public lands. Farmers reported that cultivation of Chamomile is much more profitable than the traditional crops. Regrettably, the project staff could not provide crop budgets of crops grown so they could be compared with the returns of NTFPs.¹¹² When the Team inquired about the real profitability of NTFPs and questioned about marketing arrangements, the farmers reply was nearly unison. “Middlemen come from India and buy the produce.” Despite the fact that the middlemen probably assume substantial risk, the lion’s

¹⁰⁸ One of the greatest environmental vulnerabilities that poverty brings is a high dependence on natural resources for subsistence. Low income households typically rely much more on resources such as collectible forest products, fish, bush-meat, fodder, or surface water sources. The poorer the household, the greater the share of income from natural resources. That means greater hardship when these resources degrade or disappear altogether. The poor face even higher risks from environmental degradation because such a high percentage of poor families live on marginal lands.

¹⁰⁹ Without establishing and adhering to the carrying capacity of the forest, the operations of WTCLP maybe considered as threat to the ecosystem balance. This is sustainability issue within the scope of the Team’s mandate. [Response to comment received from stakeholder]

¹¹⁰ The GIS maps that should have been available in 2007 according to Prodoc.

¹¹¹ Interestingly, Annex 5 of MTR shows percentages of targets achieved “to establish effective and efficient integrated landscape planning and management systems for the conservation and sustainable use of the Western Terai.”

¹¹² The Team shared the standards formats of crop budgets [used internationally for this purposes] so project staff could fill them. The filled forms were never returned. Anecdotal information seems to be used widely for purposes of determining the profitability of economic activities proposed.

- share of benefits accrue on middlemen because they control prices and quantities. Small holders typically have little or no bargaining power to set prices because they are divided.¹¹³
- Most communities do not own a chamomile or menthe processing plants because they lack the funds to invest. A few communities own and operate processing plants. Other communities are linked with private companies facilitated by WTLCP.
 - In one village WTLCP has provided an undisclosed amount of funds to purchase a chamomile processing plant. The plant has remained idle for an extended period of time as no one knew how to operate and maintain the equipment—not even the project staff.¹¹⁴
 - Evidently, the promotion of the medicinal and aromatic plants has had double negative incidence on the forest. 1- Farmers are ploughing unspecified areas inside the forest annually with the tractors to cultivate plants. It follows that without efforts to protect plant regeneration—natural regeneration of trees is no longer possible. 2- The extraction of essential oil needs sizeable amounts of firewood. Farmers collect firewood from the surrounding forest for the distillation units to extract oil. In recent years the forest has been exploited unsustainably. The crux of the problem is that there are no figures on: 1- the number of ha used for the production of chamomile and menthe, and 2- the area of forest used for firewood to extract oil from camomile and menthe.
 - There are several operations with potential environmental degradation, such as goat keeping, brick manufacturing, and buffalo rearing, that do not take into account sustainable development.
 - Evidence indicates that in the promotion of IGAs, direct cash incentives, grants and other support is provided to potential beneficiaries without skills development.¹¹⁵ This has, unwittingly, fomented dependency on the project inputs as evinced in a recent report¹¹⁶ In other instances, farmers without the required training have received seed grants or material support. Unsurprisingly, the results fell short of expectations.¹¹⁷

All of the observations mentioned are within the scope of decisions about natural resources management and development. Environmental governance is an avenue to alleviate poverty for the reasons indicated above. Establishing governance structures to support the sound use of forest and associated resources is vital. Fostering good governance is not an easy task.

The Global Environment Facility/ Small Grants Programme

The Global Environment Facility/ Small Grants Programme (GEF/SGP) has been operational for more than a decade throughout the developing world.¹¹⁸ These programs strive to link local, community-based activities with GEF focal areas: 1- Biological diversity conservation, 2- Mitigation of climate change, and 3- Protection of international waters. In Nepal GEF/SGP assumes a highly decentralized structure.¹¹⁹ The primary strategic focus of the GEF/SGP in Nepal

¹¹³ Cross border trade is another issue that requires immediate attention. Under the current situation, it is clear that the advantages of value added tend to benefit India (as opposed to Nepal).

¹¹⁴ The Team does not question WTLCP's good faith. It questions the economic rationality of this decision. A development professionals' duty is to propose fail-safe procedures to enhance livelihoods.

¹¹⁵ UNDP. Assessment of livelihoods intervention in Western Terai Landscape Complex Project Area. Draft Report, July 2010, p 55-65

¹¹⁶ UNDP. 2010, op cit, page 55-65

¹¹⁷ Social assistance methods for NRM has had limited or no results in the past. Agricultural extension methods to diffuse technology have been used successfully in the region, i.e. Bangladesh, India, Thailand, etc. For a description of extension methods, see: FAO Agricultural extension: a reference manual. Rome 1984

¹¹⁸ Source: Global Environment Facility Small Grants Programme (NEP/98/G52). The Biennial Program Review Nepal (Bio-Diversity Conservation Portfolio) Final Report 2003

¹¹⁹ GEF/SGP is driven by the National Coordinator and National Steering Committee. It is believed that such an institutional structure provides a mechanism for broad-based outreach, awareness and appreciation. It also enables capacity building of CBOs and local NGOs to address global environmental concerns. By starting at the small grants level, the mechanism sets a foundation for the "graduation" from small to medium-sized projects, and in so doing, bringing small scale innovative solutions to global environmental problems.

is to; "support activities that seek to raise productivity, incomes and security of households/communities by expanding the range of available livelihood options consistent with the GEF focal areas".¹²⁰

Since 1998, SGP has supported a total of 131 small and innovative projects proposed by CBOs and NGOs in different parts of the country. Though the number of SGP beneficiaries is small, the value of its contribution is fundamental. It develops, tests and expands the use of small and low-cost technologies that enhances both the livelihoods of the poor and is friendly to the environment. These technologies should have a good fit with the requirements of the poor and the ultra-poor who are typically asset-less and can only rely on their labour, to make a living in marginal lands, forests and rivers. Hereunder are a typical set of SGP projects for illustrative purposes. They exemplify SGP interventions to expand livelihood opportunities. The Team advocates replicating these best practices in the forthcoming Programme. However the context of the potential site should be considered due to ecological factors.

- Different versions of Slope Land Agriculture (SALT) have been tested in marginal lands yielding better results than the traditional slash-and-burn (*Khoria*) agriculture. SALT enriches soil fertility and controls soil erosion. Depending on the ecological site, this is replicable where land is under population pressure.
- Bamboo production is viable option for both poverty reduction and environmental protection. Reportedly, bamboo plants absorb 40 % more CO₂ than many other species. The production of bamboo crafts has been a source of supplemental income for the poor. Bamboo crafts has economic potential, provided markets are assessed, quality is ensured and adequate variety is available. Bamboo houses and bamboo furniture are less expensive, environmentally friendly and durable. They are appropriate for the poor and non-poor alike. These are the kind of production lines with potential for replication under the MEDEP efforts.
- Providing access to the poor to community forests, government forests, public lands and river banks for agro-forestry, NTFP production, vegetable cultivation and nursery operations can generate incomes. It can also contribute to environmental protection.
- The Conservation of Raute Culture through Livelihood Improvement project.¹²¹ Rautes are the only nomadic indigenous community in Nepal. According to their cultural norms they do not stay in one place nor do they send their children to school. They do not practice agriculture but they make wooden utensils and furniture (bed) from light wood—so they barter for food grain. They supplement their diet by hunting monkeys and do not harm any other wild animals or birds. This best practice is of particular relevance to the conditions of LRP beneficiaries. Beneficiaries from disadvantaged segments, i.e. Dalit, Janajati, are typically asset-less, without access to resources or public services, all they can count on is their two arms. Ethnographic analysis can uncover social mechanisms, skills, with potential use for subsistence. These skills can be improved as in the case of the Raute.
- Organic farming enterprise for women. In Sauraha by the Chitwan National Park, there are 165 private and park elephants for jungle safari, and elephant polo which takes place once a year, with visitors coming from all around the world. Sauraha however, suffered from the unmanaged waste of elephants. Each elephant produces 130 kgs of dung a day, resulting in 21.5 metric tonnes of dung a day. Dung was dumped to dry naturally. The dried dung was later burnt, emitting CO₂ into the atmosphere. SGP in partnership with an NGO-Pesticide

¹²⁰ The expected outputs under the current country program, linked to the global expected outputs, and relevant to the current exercise are the following:.. b) Innovative demonstration community projects selected and implemented...d) A systematic and sound program for capacity building of key stakeholders in place and operational...e) Information exchange, networking, environmental education, awareness and outreach program institutionalized and operational...g) monitoring and evaluation system to track and assess global benefits in place.

¹²¹ The information concerning these Success Stories and others come from UNDP GEF Small Grants Programme Nepal 02-01-2009

Monitor Nepal and 12 village women found a way of producing vermicompost from the elephant dung. The semi-digested elephant dung is good feed for vermis (earthworm) and produces vermicompost. In 45 days as one tonne of vermicompost is produced. One hundred kilos of elephant dung gives 60 kilos of organic manure. Organic farming is now possible.

Last but not least, the rice husk stove's contribution to health and environmental conservation is of the essence. It was developed by a NGO with the financial support from GEF-SGP. A detailed description is found in Annex VI. Exposure to smoke from traditional cook stoves and open fires causes 1.9 million premature deaths worldwide annually, with women and young children the most affected. Cook stove smoke contributes to a range of chronic illnesses and acute health impacts, and gathering fuel increases pressures on local natural resources and personal security risks for women and girls. According to the World Health Organization, harmful cooking stove smoke is one of the top four health risks in developing countries.¹²²

Box 3: Pro-Poor Growth in the 1990s: Lessons and Insights from 14 Countries*

Improving market access and lowering transaction costs were essential in Indonesia, Bangladesh and parts of Vietnam for increasing the agricultural earnings of smaller and poor farmers. Market access for them was facilitated by significant investments in rural roads and marketplaces (often implemented under food for work programs). But high transaction costs did constrain agricultural earnings in the more remote regions of the Asian and Latin American countries, where rural poverty is disproportionately high (such as the upland regions of Vietnam, Northeast Brazil and Bolivia). In some of these countries, policy options could include providing skills that would enable the poor to profit from economic opportunities elsewhere.

Strengthening property rights for land improved the incentives to increase production and diversify into higher value crops in Vietnam. In Bangladesh and India continuing restrictions on land rental markets to protect ownership rights make it difficult and costly for smaller farmers (particularly women and the landless) to rent land. In Indonesia land rights remain fairly undefined at the local level, particularly for forest (land records cover only 20 percent of all land in Indonesia). The lack of secure tenure and of legally recognized ownership rights, particularly for inheritance, affected poor rural women in the African countries, who often are the primary producers of food crops.

Creating an incentive framework that benefits all farmers was an important part of the structural reforms by the African countries, Bangladesh, Vietnam and Romania. The impact has varied depending on the size of production units, access to capital, technical assistance, and markets (or transaction costs) and the crops they grow. Trade liberalization, along with land reform, promoted Vietnam's rapid emergence as a major world exporter of rice and coffee in the 1990s, greatly benefiting smallholders. Trade liberalization in Bangladesh facilitated imports of low-cost inputs, increasing their use by poor farmers.

Expanding the technology available to smallholder producers was a critical driver for the Green Revolution to raise agricultural earnings in Asia. In Indonesia Green Revolution technology and massive investments in agriculture catalyzed high rates of pro-poor growth from the 1960s to the 1980s.

Helping poorer and smaller producers deal with risk has stimulated the adoption of higher yielding agricultural techniques. Investments in flood infrastructure and flood season safety nets for poorer farmers in Bangladesh (along with greater access to private irrigation) reduced risk and created incentives for diversification. Information and communication technologies can provide smallholders with market information (mobile phones in Bangladesh). In general, expanding the use of targeted safety net programs (where administrative capacity exists or can be reinforced) would help avoid severe deprivation from output and price variations and encourage farmers to adopt riskier technologies that offer higher returns.

* The World Bank. Pro-Poor Growth in the 1990s. Lessons and Insights from 14 Countries. Agence Française de Développement. Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung. U.K. Department for International Development. Operationalizing Pro-Poor Growth Research Program 2005.

Gender Equality & Social Inclusion

¹²² <www.Community.eldis.org >Clean cook stoves save lives, September 26, 2010

III.6 Cross-Cutting Review of MEDEP III, REDP III, WTLCP

Cross cutting review is problematic because the analysis penetrates through several sectors. What makes it challenging is the paucity of benchmark information needed to make comparisons. In our case, this was exacerbated by limited time available during the field visits. For this reason, much of the evidence gathered is necessarily circumstantial and therefore, the Team's observations had to be triangulated with the limited information available. As such the inferences below are a prelude to further analysis. Preliminary recommendations are submitted for consideration.

MEDEP III and Gender Equality and Social Inclusion

As indicated, MEDEP works with its partner organization Business Development Support Providers Office (BDSPO) to deliver crucial support to the micro-entrepreneurs. BDSPO in turn utilizes the services of EDF (Enterprise Development Facilitator) to transfer skills to the community members who are interested in becoming entrepreneurs.¹²³ The performance of these organizations plays a crucial role by contributing to making the work of MEDEP sustainable. In turn, these organizations can discharge functions vital to socially excluded groups and the poor.

As indicated, MEDEP appoints an EDF as a frontline person to deal directly with the entrepreneurs or potential entrepreneurs. They are compensated on the basis of service they provide to the beneficiaries at the rate of roughly Rs. 500/day which fetches them around Rs. 3000 -5000 per month. This has not been proved to be a good incentive. It has led to a high turnover of EDF staff. As a result, the quality of the service remains questionable. This was very much evident in the case of Alital groups and cooperative as the Dalit members of the group reported that due to inadequate support of the EDF they have not been able to benefit from MEDP's intervention as they would have liked.

MEDEP has helped create market centers by bringing in 4 to 5 VDCs in one cluster. It also supported a Saugat Kendra (gift centre) at the district level as an outlet to demonstrate and sell selected products of the micro-entrepreneurs.¹²⁴ Socially excluded groups are more likely to use these centres as their main market outlets. The shop the Team visited did not have sufficient infrastructure and commodities to run it profitably.

Considering social inclusion targets, MEDEP III intended to reach 40% of poor indigenous people, 30% Dalits and 60% women. The actual figures the project reaches are as follows:¹²⁵ 36% indigenous people, 22% Dalits and 68% women. MDEP has exceeded its women's target by 8%. In the case of indigenous and Dalit people there was a shortfall of 4% and 8%, respectively. Despite these shortfalls, the Project has met the needs of excluded groups in a relevant manner.

¹²³ A national level network of BDSPO has been created called National Enterprise Development Centre (NEDC). Likewise, Micro Enterprise Group Association (MEGA), District Micro Enterprise Group Association (DMEGA) has been created which is the network organizations of the entrepreneurs themselves. BDSPOs that work as partners of MEDEP at the district level consist of people who previously were trained and hired under MEDEP payroll as EDF and officers. Their primary responsibility is to select the groups for enterprise development, train them and provide follow-up support on need basis. They have very limited days of contract per month that is mostly spent on training and not much time is available for follow on support. This has effect in the entrepreneurship development of the socially excluded groups especially Dalit women which was evident in the case of Alital Dalit group.

¹²⁴ Micro-entrepreneurs are organized into Micro Enterprise Groups (MEGs) at the cluster level and their representatives establish District Micro Enterprise Groups Associations (DMEGA) at the district level. The representatives from DMEGAs have constituted a Micro Enterprise Group Association at the national level.

¹²⁵ MEDEP PP presentation of 16 September 2010, slide # 15

MEDEP has reached all the excluded groups but the benefits they are receiving vary from one group to another. Most of the Janjati groups seem to be doing fine with minimum support from EDF and MEG and their success is likely to be sustained because of the budding leadership within the group.

- For example, Hariyali Matsya Palan Samuha which grows fish in a pond given to them by the Dhangadhi municipality are doing fine and its leader Lalmati Rana has not only been providing leadership to the group but has turned out to be a resource person and has become a successful entrepreneur.

The women of Dalit and other caste groups seem to be doing fine. The two women belonging to the Pariyar caste of Dalits in Dadeldhura are a professional tailor and an entrepreneur and both are doing extremely well.¹²⁶ In the past, women would not dare to come in to the groups and talk. Now things have changed, as many of them have received gender and leadership training which has made them more confident. Now, several women and mother groups have been formed in which they raise regular savings and invest in the group itself. In that way, the intervention made by MEDEP through cooperative has brought positive changes in the quality of their lives.

Among MEDEP groups, there are no or very few incidences of gender-based violence. As stated earlier, 68% of the beneficiaries are women and when they bring income into the household the role of the male as the dominant figure changes. Most of the women members reported that their husbands or male members of the family have been very cooperative. There was no monitoring effort led by MEDEP to measure changes in the quality of life as consequence of income change, although observation shows that qualitative changes have been introduced by MEDEP into the lives of the people.¹²⁷ However, the caste based discrimination in the far west is very much pronounced and for Dalit and non-Dalit members to accept a Dalit women as the leader of their group is considered an achievement and a change taking place in the society.

MEDEP has been instrumental in developing some crucial policies of the national government to promote micro enterprise, such as the national policy of 2007, micro enterprise development operational guidelines, second generation operation plans, and others. MEDEP has been focusing increasingly on developing a culture of entrepreneurship among the poor and excluded groups.¹²⁸

REDP and Gender Equality and Social Inclusion

When the houses are connected with electricity it has direct effects on the lives of women. Ordinarily, women spend a longer time inside the house and have to work in the dark with potential health hazards. Ostensibly, women's participation in rural electrification has been high despite the absence of firm figures. Rural women stood to benefit especially from rural electrification because it relieved them from the drudgery of water fetching and firewood cooking.¹²⁹ Thus, they can use their time in more productive activities with economic gain—these

¹²⁶ But the men group of Pokhara village of Amarghadhi municipality who are engaged in making bamboo products are not doing better despite heavy support from MEDEP and the municipality. The reasons could be lack of commitment and alcoholism.

¹²⁷ For instance, one Dalit lady from Altital MEGs has become an executive member of DMEGA and represents the group in the monthly meeting; this shows her political empowerment.

¹²⁸ Previously for a small micro enterprise to obtain capital for expansion was exceedingly difficult; the best they could do was to raise Rs. 10,000 from the local groups and cooperative which was insufficient. Now due to the frequent policy lobbying at the national level with banks and other financial institutions, stemming from MEDEP's advocacy, some micro enterprises can get loans of Rs. 60,000 without collateral. The demand for these kinds of loans outstrips the supply however. Partnership with government and non-governmental organizations plays a substantial role in achieving results.

¹²⁹ See footnote 95

results derived from REDP outputs has empowered them economically—without affecting negatively the cultural prescription of nurturing children and caring for husbands.¹³⁰

Concerning social inclusion, REDP has been pro-active in providing access to electricity to all possible rural households.¹³¹ REDP's micro-hydro power development has provided electricity based economic opportunities to small scale cottage industries. It has also improved the efficiency of artisanal occupations.¹³² In short, from the social inclusion perspective the Team has observed direct and tangible effects on the lives of socially excluded groups.

KiND project and Gender Equality and Social Inclusion

The Team could observe a conscious effort made by the project KiND to promote gender equality and social inclusion. In the staffing, especially among the social mobilizers, all caste groups (Dalit, indigenous and other) were present. From a population of 14, 425 people from the 10 targeted VDCs of KiND, 8.47% are Dalit, 40.25% are indigenous people and remaining 51.28% are from other caste groups. Thus all social segments had access to project benefits.¹³³ However, one of the major activities of the project was toilet construction. At first, the people from poor and socially excluded groups did not come forward to take the subsidy to construct. At a later stage, they came after seeing the benefit. However by that time the budget allocated for the toilet construction was used up and could not benefit the large group. This signifies the need for more intense awareness raising efforts.

In sum, the Team concurs with REDP proposition that it has sound mechanisms to address gender equality and social inclusion issues.¹³⁴ Specifically, one of the REDP's six basic principles of the Community Mobilization (commonly known as Mul Mantra) is the Vulnerable Community Empowerment (includes women, ethnic, Dalit). REDP also prepares Vulnerable Community Development Reports as one of the three integral reports of the Detailed Project Report (DPR) for each micro-hydro installation. (The two other reports are the Technical feasibility report and the Environment assessment Report.) REDP has approved guidelines for all three reports as well as the Community Mobilization Guidelines that narrates the step and approach in ensuring equality, equity and inclusion in the project area (community). These key guidelines should be considered in the forthcoming Programme.

WTLCP and Gender Equality and Social Inclusion

¹³⁰ Concretely, the energy produced by the micro hydro are also used to run the integrated mill to grind flour, unhusk rice and extract oil. In the absence of such mill the women and children have to take the burden of either doing all these work at the household level or travel to a distant place to get such work done. Therefore, it is women who benefit more from reduced drudgery of work than men. The time save from doing such work can be used in more productive work and many of them have been found to be utilizing their time either taking better care of their children and spending more quality time with the family. In the electricity light many of the women's groups have been found to be engaged in literacy classes which help not just to make them literate but also to further empower them.

¹³¹ For example, in the case of Gairigaon, micro hydro project visited in Jogbudha VDC of Dadeldhura out of 64 households there are 8 Dalit and 10 indigenous people and all of them are using 25-125 watts of electricity from the 6KW micro hydro plant. Since the plant is too small to have other electricity based industry the day time water flow is used to run the integrated mill which is benefiting all. As noted, the far western region has more cases of caste based discrimination the committee which runs the micro-hydro plant has the representation of women and Dalits which must have been possible because of inclusive policy promoted by REDP during the execution of the project.

¹³² A group of blacksmith (Dalit caste) visited in Dolakha and realized that their efficiency would increase if they would use welding and grinding equipments to make farm implements. Likewise, in the market centre, those who were using the sewing machine began using electricity to increase their efficiency through an electric motor to run the machine.

¹³³ However, at the Khimti Rural Cooperative (KREC management committee the majority of the members are male from other caste groups, two are female from indigenous group and none are Dalits. Therefore, there is a need to have representation of all caste and ethnic groups in the committee.

¹³⁴ Livelihoods Outcome Evaluation – Comments on Draft 2 of the report, page 5

From the evidence available, with the exception of micro entrepreneurs and directly targeted populations, project benefits are being captured by local elites who enjoy greater access to financial resources and political capital. There are no figures available to estimate the leakage of project benefits.¹³⁵ This is illustrated by a forest based enterprise, where those people who could afford it have deposited funds for the amount of shares that others could not afford. Although this could be a genuine gesture of goodwill it could also be one way to capture additional benefits. As discussed earlier [cf. III.5] the operation of a systematic monitoring would ensure that benefits are not leaked to untargeted groups.

Under the WTLCP and MEDEP projects available evidence point to the fact that the ultra-poor, made up of landless labourers and sub marginal farmers quite often working on marginal lands and situated far off rural roads, are outside the radar screen of projects. The ultra poor, therefore, have become an excluded segment by default. Unsurprisingly, the ultra-poor ordinarily do not start enterprises outright even after receiving MEDEP training. As they are asset-less, their economic vulnerability is high. They cannot afford to fail, as the subsistence of family unit would be severely compromised. Therefore, they wait and observe carefully how others are doing. Only when they see tangible results from others do they have the confidence to attempt imitating successful results—provided that conditions are at hand to manage the risk inherent in change.

The ultra-poor face massive challenges in launching ventures due to the fact that the information available about prices and markets is severely asymmetrical. This is exacerbated by a nearly total absence of access to resources and political capital. Under these conditions the training, technology and support mechanisms need to be customized to meet their specific requirements. As discussed in III.5, standard approach of social assistance is not productive. This is because the ultra-poor are rational and efficient but lack resources and capital.

What the ultra-poor and poor need is technological packages supported by access to resources [physical and financial]. These technological packages must be ecology-specific, economically and socially viable. The technology must be calibrated so it is an improvement over the current level of livelihood operations but not beyond the grasp of peasant farmers or artisanal villagers. However, the technological package before dissemination must be thoroughly tested so it is fail-safe. It is an effort that will take at least 3 to 4 agricultural seasons. Otherwise, the project itself would be another factor in the impoverishment of the ultra-poor, as it has been the case of many projects in the region.

Otherwise, WTCLP in the case of the guidelines of forest management, it has adhered to the principle of having at least 33% of women representation in the groups with minimum of one person in the executive committee.¹³⁶ Further, it is women who are benefiting the most from the various IGAs. Lastly but not least importantly, in the area largely inhabited by Tharu, WTCLP have done everything possible to become the primary stakeholders in many of the activities. WTCLP has also contributed to the enfranchisement of the freed Kamaiya (ex-bonded labour) by providing them different opportunities of livelihood.

In brief, the evidence available indicates that an undetermined proportion of WTLCP's benefits were captured mainly by relatively better off peasant farmers and those who occupied leadership positions in the community organizations. The ultra poor have not been reached by WTLCP partners, i.e. cooperatives. The reason being that procedure, instruments and selection criteria

¹³⁵ Leakage of project benefits has been an exceedingly difficult issue to tackle throughout several decades. Cf. Bell, C.L.G. & J.H. Duloy. Rural target groups. In: Chenery, H. et al Redistribution with growth. Oxford University Press, 1976 pp 113-135

¹³⁶ Nigma Tamrakar. Gender and Social Audit Report of WTLCP. GESI Consultant, June 10, 2010

were not appropriate to mobilize and help them. Even those ultra-poor who were in a way persuaded to take loans from the revolving fund of the cooperative eventually defaulted as they were not ready to use the loan in a venture.¹³⁷

III. 7 Livelihood Recovery for Peace (LRP)

The LRP outputs are essentially oriented to livelihood improvement, equity and inclusion.¹³⁸

So all the project activities have been geared towards achieving these outputs. The LRP project is a vital shift in UNDP approach from working in scattered VDCs of the districts to covering entire district. The area chosen (three districts Mahottari, Sarlahi and Rautahat) have one of the lowest human development indexes among 75 districts of Nepal. Mahottari lies at 20th position among 20 Terai districts. All three districts have among those with the highest concentrations of Dalits and most of these Dalits are asset-less as well as landless. This area based approach is a more focused framework than the piecemeal approach. It should contribute to improve the livelihoods of the poor and socially excluded people.¹³⁹

The LRP has been under execution barely one year. It would be pre-mature to discuss impact or sustainability issues. However, from the interaction that the Team had with project management and direct beneficiaries, some preliminary inferences can be drawn which may be useful for the LRP's management.

- Clearly, social mobilization and group formation has been a central effort and it should coalesce with the structure and process of empowering and enfranchising traditionally excluded segments.
- From the interaction with the groups met (they all belonged to landless Dalits) it became evident that they did not have clear vision of how the project would improve their livelihoods, i.e. income, quality of life, access to resources. Neither did they have an idea how to sustain over time any of those benefits received. In the sites where these groups had settled, community infrastructure had already been constructed, i.e. culvert and community building. It was evident that the community was not aware of the efforts and organization required in the maintenance of said infrastructure.

These observations, as plain as they are, signify complex development issues. The application of participatory methods for the maintenance of infrastructure has had good results. Development experience shows that communities can learn to manage and maintain infrastructure needed to improve their life quality. However, this capacity building is commonly launched before the infrastructure is built. This is to ensure the beneficiary's commitment to the maintenance of the works from the start. These are important steps for the sustainability of the works in operation. In

¹³⁷ One cooperative leader stated that the poor should be classified into two groups: 1- those who are interested and committed to start up a venture; and, 2- those who are not yet interested in a venture at all. The cooperative leader considered the life-quality ranking, conducted earlier, was faulty. Seemingly villagers for lack of information misunderstood the purpose of the ranking and may have given inadequate information. This suggests the poor and the ultra-poor should be targeted with specific procedures, criteria and instruments appropriate for this purpose.

¹³⁸ These are: Output 2: New community infrastructure built and damaged and degraded ones rehabilitated to benefit the entire community and create employment. Output 3: The poorest and most vulnerable individuals and households have improved assets for better livelihood. Output 4: Women's empowerment enhanced and Gender Equality promoted.

¹³⁹ The LRP project intends to cover all 271 VDCs of the three districts. It has now reached 104. Its target groups are women, youths, conflict and disaster affected people, Dalit, Janjati and poor individuals. All these groups are the sub-groups within Madhesi people. In two districts Mahottari and Sarlahi districts it has reached to 6856 members of which 10% are male and the rest are females. In terms of caste ethnicity, 10% are Terai Janjati, 14% Hill Janjati, 3% Hill Brahmin Chhetri, 4% Hill Dalit, 6% Muslim, 9% other Madhesi, 1% Terai Brahmin Chhetri and 53% Terai Dalit. The poverty among Terai Dalit is higher than 46% and the project is reaching 53% of them. These rates of covering different excluded groups, signifies that the project is relevant in its approach to meet the needs of excluded groups.

this case one of the most important ingredients of capacity development: vision, has been overlooked.¹⁴⁰

Bringing effective improvement in the livelihoods remains a challenge. Most of the Dalits and some members of other caste groups are landless and asset-less; they can only count on their labour. Everything points in the direction that the LRP project does not have a plan to improve the livelihoods of these excluded segments.

It is evident that these excluded groups need access to the use of natural resources as well as public services. Here is the interface where project management must respond. How to foster livelihood opportunities and simultaneously enfranchise these excluded groups? In this context, there is potential for substantive synergy between the LRP project and the SGP/GEF and MEDEP projects. It is cardinal to conduct a diagnosis as to how to enhance the skills of the disadvantaged groups; this is an assessment of the existing capacity assets so as to determine the future capacity needs. The fundamental building block is to start up with the existing capacities that can and should be built upon. This exercise is similar to the one carried out by the SGP/GEF when ethnographic analysis was used to determine the existing capacity assets of the Raute society. Subsequently, it would be necessary to prepare a capacity development action plan.¹⁴¹

Summary

All evidence points out that MEDEP and REDP have targeted and achieved a measure of gender equality and social inclusiveness. The data available shows that both projects have developed procedures to implement gender equality and social inclusion. The absence of baseline and monitoring information precludes ascertaining the effectiveness of these mechanisms. It would be productive if in the context of the outcome management proposed it could be determined in what context and under what conditions their procedures would apply best to advance gender equality and social inclusion.

Although the design of the LRP project has greater relevance and is more focused than earlier interventions, it would be premature to prognosticate if LRP will be even more likely to bring benefits from poor women and people from traditionally excluded groups. At the end of the day, enfranchising traditionally excluded people is a political act therefore governance measures are paramount to facilitate excluded segments to simultaneously gain access to citizenship rights and livelihood opportunities.

IV UNDP CONTRIBUTIONS TO THE OUTCOME

Relevance of UNDP's Programmes

UNDP's support to the Livelihoods Outcome has had vast relevance to the country's development priorities, especially as the country is emerging from a fragile and conflicted context. The LO responds to the real needs and priorities in the present context of transition from conflict to development, thus UNDP has been adapting proactively to the changing conditions. UNDP's approach to expand employment and income opportunities, including the access to financial services have been most pertinent.

There has been substantive and relevant support for women and people from traditionally excluded groups. Similarly, the Programmes have been relevant in its response to the aspirations

¹⁴⁰ UNDP. Capacity Development. A UNDP premier. New York, 2009, pp 21-26

¹⁴¹ UNDP. 2009, op cit , pp 2126

of the young people. UNDP has been constantly attempting to adapt its programming to the changing context so as to address the country's priority needs.

Although the concept of the new LRP project has greater relevance than earlier interventions, it is too early to prognosticate if LRP will be even more likely to bring benefits for poor women and people from traditionally excluded groups. Enfranchising traditionally excluded people is a political act. Therefore governance measures are paramount to facilitate excluded groups to simultaneously gain access to citizenship rights and livelihood opportunities..

Regarding the generation of outputs, the evidence indicates that UNDP programme planning was focused on input delivery and activity completion for the generation of outputs.¹⁴² There is marked emphasis on the quantification of input delivery. There is nothing inherently inappropriate in this approach but some staff members raised the issue that high delivery rates, as measured by the current procedure, do not necessarily lead to "sure" development results on the ground. Closely linked with this observation is the fact that efforts to record benefits from results achieved were less marked than registering costs.¹⁴³ It is logical to infer, supported by empirical evidence, indicating that benefits have been under-recorded. This is a considerable loss because if the outputs were under-estimated it would not be possible to distinguish between success and failure. If failure couldn't be recognized, it couldn't be corrected. Above all, if positive outputs couldn't be shown, it would not be possible to obtain the support of communities and stakeholders.

Concerning the potential to exploit synergies, it has been difficult to find successful instances of synergy efforts that have contributed to output or outcome realization. It is logical to suggest that to the extent that Project management is focused on the delivery of input-outputs, it precludes considering opportunities or possibilities for synergies. The input-output process that is attached to a financial delivery imposes a degree of inflexibility. Conceivably, this inflexibility in implementing procedures is bound to impede synergy. Nonetheless, certain stakeholders have tried to induce synergy but have failed. Although these stakeholders were reluctant to share the whole story, they allowed that the financial factor was the most difficult.

Under the logic of the input-output process, it is conceivable that if stakeholders and UNDP jointly perceive the "big picture" [the outcomes themselves] - which is why UNDP is undertaking the initiative- the chances of inducing synergy may increase. Outcome management is the mechanism which makes perceiving the big picture possible.¹⁴⁴ Outcome management is all about planning, managing and achieving the intended outcomes of a programme and having the same focus and discipline for attaining these outcomes as the Project Management has around delivering inputs to produce outputs on-time and on-budget manner.

IV.1 Micro Enterprise & Livelihood Strategies' Contributions to the Outcome¹⁴⁵

Overall, the micro enterprise and associated livelihood strategies have brought about progress in the quality of living for micro entrepreneurs and their families. The majority of the enterprises are

¹⁴² It is important to note that despite the fact that project teams were aware of the objectives of the present Outcome Evaluation, the presentation of results achieved focused almost exclusively on input delivery. So, a clear review of the articulation of the outcome generation strategy was not always possible.

¹⁴³ For example, as mentioned earlier, the Team in the field requested quantified analysis of crop budgets to establish profitability with respect to NTFP products but such information was unavailable.

¹⁴⁴ Annex VI discusses in detail outcome management

¹⁴⁵ This summary is based on case studies gathered by the Team supported by direct observations, an interviewing with male and female informants in about the same proportion involved with MEDEP operations. A quantitative analysis will become available when the MEDEP Impact Assessment is concluded. The figures will be more accurate but not necessarily incoherent with the present findings.

agro- or forestry-based with artisan activity. MEDEP has fomented the establishment of 48,825 micro-enterprises—which has generated employment for 49,904 persons (Table III.2). In consequence, taking income poverty line as benchmark, individual income increased nearly four times and household income has more than doubled (Table III.1). In the case of women, the data indicates [Table III.2] that the employment generation has been greater among women [67%] than men [33%]. Micro enterprises in general, and in particular those run by women, have demonstrated a constructive application of income earned for business expansion and overall family wellbeing. Representation of women, Dalit and Janajati has received strategic emphasis at all levels of organizations and their executive bodies promoted by MEDEP.

Overall, new entrepreneurial skills have led to a greater self-confidence and social status; a few micro-entrepreneurs have gained notoriety because of their achievements and contributions in the sector. For these individuals this has meant a net social advancement with a qualitative change of life including social relations. They have also played an advocating role for policies favourable to micro-enterprises in general.

Observation in the field indicates that ethnically mixed groups have a greater chance of doing well in terms of competitiveness, creativity, mutual learning, and social harmony. They have adopted a system of internal targeting to benefit the poorer and the weaker members on a priority basis. However, ethnically homogenous groups are better known for participation in decision making—whereas ethnically mixed groups participate much less in decision making processes.

There are many micro- enterprises characterized by sluggish performance, however. The most adverse effect on micro- enterprise performance has been the absence of skills to assess profitability from market conditions for specific products and vice versa, i.e. produce according to the demands of the end-user. Similarly, losses from a lack of arrangements in cross border trading have been detrimental to micro- enterprises in many cases. These factors have exacerbated the exclusion of the poor from market transactions thus limiting their ability to get out of the entrapment of poverty.

Indeed, only 5% of the micro-enterprises have become sustainable enterprises, 45% are fully operational, 20% are seasonally operational, 17% are inactive and 13% have dropped out.¹⁴⁶ Unsurprisingly, nearly half of the income earned is used to meet the needs of the family unit [Table III.9]. The data indicates that the sustainability of the microenterprises is compromised by family subsistence needs. Economic logic suggests that value added should be enhanced to secure the sustainability of microenterprises.

The bulk of the micro enterprises are rural folk primarily involved in peasant farming and village artisanal activity. Village markets are increasingly influenced by regional global players. It is not uncommon to find agricultural produce from India, China, and Thailand in local markets.¹⁴⁷ Peasant farmers cannot cope with these formidable global players and thus need skill development to expand and diversify in order to compete better in local markets and achieve higher levels of income growth.

The micro- entrepreneurs interviewed mentioned that the level of support they receive from BDSPO and EDFs is not adequate to meet their growing needs, especially in terms of cost reduction, scaling up, enterprise registration, market analysis and marketing procedures, quality

¹⁴⁶ Source: Adhikary, Arun Dhoj and Niranjana Baral, 2010: Phase Out Strategy Note for MEDEP Phase I and Phase II Districts, Proposed Three-Year Extension – MEDEP Transition Phase, 01 January 2011 to 31 December 2013.

¹⁴⁷ Annex 5 analyses these issues in detail.

tests and certification. All these elements contribute to long term sustainability. The crux of the problem is that BDSPO personnel do not have extensive practical experience necessary to lead entrepreneurs to sustainable growth. It is crucial to train future entrepreneurs with practical skills so they can understand market potential and make production plans accordingly. Entrepreneurs should be able to understand the needs of customers and be able to produce products that meet these needs and can be produced at affordable and remunerative prices.¹⁴⁸ Achieving these goals is not solely a marketing problem, nor is it solely a design problem or a production problem: it is product development process (PDP) involving all these functions supported by adequate financing and legal frameworks.

The scope of training needs is wide. The collaboration of MEDEP with organizations such as the Federation of Nepalese Chamber of Commerce & Industry (FNCCI) would be vital, as would the organization of Farmers Clubs where [1] training activities conducted by someone like FNCCI on PDP would be continuously provided to women, youth and other under privileged groups. [2] These Farmers Clubs would be the depository of knowledge and information about PDP other knowledge-based techniques to ensure continuity in the village areas, thus ensuring sustainability.

Quality standards in food production and processing together with environmental management have emerged as problematic issues.

The lack of or limited adherence to environmental conservation of some micro enterprises is a moderately grave concern, especially with processing of oil from NTFP, and trees used in the different stages of honey bee production. The sustainable planning of micro- enterprise must adhere to principles of environmental conservation besides social and economic viability. Core projects like MEDEP, REDP and WTCLP must set the pattern by conducting production operations based on conservation and sustainable principles. Based on this example, communities should become the stewards of their environmental resources.

Nepal is blessed with ecological niches that go from the mountains to tropical zones and inter-mountains valleys. It is possible to grow every crop known in one of those ecological niches. In consequence, the range of products that entrepreneurs are pursuing is broad. To manage this complex situation, it will be necessary to prioritize crops, NTFPs and livestock according to which has the greatest economic return while being both environmentally friendly and socially viable. This prioritization has to be conducted and tested on experimental stations so when the product is disseminated to future entrepreneur it should be fail-safe against ecological and economic disasters.

Access to credit continues to be a limiting factor for the economic growth of micro-entrepreneurs. MEDEP's evolving partnership with a diverse range of FSPs has contributed to the income and employment growth of some micro enterprises. However, the demand for credit still outstrips supply.

Although EAFS' partners have reported the inclusion of 30,000 new clients, the evidence indicates that FSP's business modalities are unfriendly to the poor, especially since most villagers or peasant folk [male and female] are financially illiterate and operate their farms with

¹⁴⁸ The Team interviewed a few cases of garment-making micro enterprises run by women. During discussions on profitability, they allowed that they did not include the cost of their labour in the sale price. They were not aware that the final price includes all costs plus a profit mark up.

traditional know-how. However, FSP's business model, such as it is, could be useful for those 5% of micro enterprises that have become sustainable.

FSP's request of designing high-risk loan portfolios guaranteed by UNDP is a mechanism to solely maximize return to capital. Typically, FSPs will assess the risk in repayment. However they seldom propose measures to manage risk on behalf of the micro entrepreneur's so they can make profit.¹⁴⁹ Thus, the crux of the problem is to mount sustainable business operations so micro credit becomes an instrument of growth. To this end, FSPs would need to work jointly with villagers and peasant folk to put together sustainable business operations financed by micro credit.

IV.2 The Energy & Environment's Contributions to the Outcome

Over the period 1996-2010, the total number of household units connected to the electricity services of various micro-hydro plants is 49,987 [Table III.6]. Over the same period, 4,395 micro-enterprises implemented as joint-products¹⁵⁰ of rural electrification have generated an estimated annual gross benefit of USD 5,706,000 [Table III.10]. If we consider that the total installed capacity is 5, 059 kW, then for each W installed a direct benefit of USD 1,128 has been generated.

REDP's rural electrification strategy has altered the standard procedure whereby poor households were excluded from rural electrification due to their inability to pay the high connection costs and tariffs for household lighting. Those farmers who had a going-business could use electricity to enhance their productivity and livelihoods. The consequences were exclusion, local conflicts, and of course, lower load factor. REDP's rural electrification strategy has modified this state of affairs.

There are several interrelated factors bringing about REDP's development results.

- REDP's strategy of joining energy services with micro enterprises geared to generate cash income to enhance livelihoods has broken the cycle of energy poverty and economic impoverishment. REDP's strategy for rural electrification acts as a driver for income growth in the rural world.
- From the very start the funding for capacity development played a dominant role. In time, however, communities and households contributed significantly to the implementation of rural energy systems and paid for energy services. When possible communities made cash contributions, took out bank loan, and provided labour. These contributions made up a significant portion of the financing needs.
- Rural women stood to benefit primordially from rural electrification because it relieved them from the drudgery of water fetching and firewood cooking. Thus, they can use their time in more productive activities with economic gain—this situation empowered them economically in addition to nurturing children and caring for husbands. Unsurprisingly women's participation in rural electrification is high.¹⁵¹

¹⁴⁹ In one micro credit operation financed by UNDP in Mongolia, the FSP made the similar request. After the request was approved, the risk of the operation did not diminish. As in the present case, the FSP concern was simply to obtain the market return on the capital, regardless the financial results of the micro entrepreneur.

¹⁵⁰ [Response to comment from stakeholder] Joint-product is a term used in agricultural economics. It describes an enterprise combination that serve more than one purpose. For example, ... "the cost of fencing erected to control livestock so that better breeding practices maybe followed may also protect growing crops from damage by straying animals." [Source: A.T. Mosher. Getting agriculture moving. ADC, New York, 1966, p 54] This term appeared to describe better REDP's results rather than "electricity-based enterprise" or "end-use of electricity produced at the local level."

¹⁵¹ See footnote 95

The generation-distribution of electricity for sale to consumers at the district level, is the next logical step from the strategy of introducing rural electrification as joint product for income growth at the farm level. The success of selling electricity hinges on sound management, i.e. optimum operation and maintenance of the generation and distribution system. Otherwise service will be sub standard and potential consumers could discontinue their connections. Taking into consideration the characteristics of the country's energy development and constraints, KREC offers a model with potential for future replication. KREC is currently facing management difficulties. These can be considered as normal "teething troubles." KREC needs specific technical assistance in the management of technical-human systems associated with the generation-distribution of electricity, in particular electricity economics.

In many, if not all, schools internet facilities have been successfully integrated. There is now the full potential of internet facilities available in isolated communities. Currently, the internet is used to send e-mail messages to family members situated far from home. Although this is most helpful, greater benefit would accrue on these communities if, for example, the administration of schools would be done via the internet. It takes about a week to deliver administrative reports to the capital, a process that could be done through the internet. Similarly, other government services, i.e. agriculture, decentralization, could exploit the internet to conduct administrative functions. Currently, some banking operations in micro financing are being done through internet and cell phones.

Current awareness programs on child and maternal health and effective sanitary practices, contribute towards village sanitation conditions and have potential as an environmental health program. For example, indoor air pollution (IAP) and specifically the sources of IAP are vital community issues. In this context, REDP has one sustainable option to control IAP in rural households: the promotion of technologies of biogas and improve cooking stove (ICS). For example, the target of 70-80% of beneficiary households to have one or both could be considered.

- Exposure to smoke from traditional cook stoves and open fires causes 1.9 million premature deaths worldwide annually, with women and young children the most affected. Cook stove smoke contributes to a range of chronic illnesses and acute health impacts, and gathering fuel increases pressures on local natural resources and personal security risks for women and girls. According to the World Health Organization, harmful cooking stove smoke is one of the top four health risks in developing countries.¹⁵²

REDP's environmental health initiative would not only enhance gender sensitive actions and improve working conditions for women but it would also have an effect on forest conservation. To the extent that the promotion of biogas and ICSs increases there are observable results indicating that there is an incidence on the trend of deforestation, despite the fact that the results from the introduction of biogas and ICSs have not been measured so far. The monitoring of environmental changes occurring in villages covered by REDP remains weak. Lack of accurate information does not allow for a comprehensive assessment of the status of different forest types and land uses before and after REDP interventions throughout different ecosystems.

V. PARTNERSHIP STRATEGY

UNDP's Partnership strategy

All combined evidence indicates that UNDP's partnership strategy in the livelihoods sectors has been appropriate and effective. UNDP and GON have been working in unison so that the GON

¹⁵² <www.Community.eldis.org>Clean cook stoves save lives, September 26, 2010

has now taken full ownership of the UNDP initiative. UNDP with the support of partners has played a vital role in fomenting complex organizational arrangement which has contributed vitally progress towards the outcome.

The Team has not met any UN agency working on the livelihoods issue. There is the standard division of labour of UN agencies for the livelihood sector: FAO for agriculture and ILO for labour. The Team did not understand any special initiative from either organization. Therefore there are no opportunities to speak of. However, UNDP does need knowledgeable partners with practical experience in markets, marketing, agro-processing, vegetable/fruit production, and product development process applied to peasant farming and village artisanal work. The Team does not consider the hiring of consultants a viable option because the knowledge accumulated must remain within one national institution for sustainability purposes.

There are no current or potential overlaps with existing partners' programmes but there is a gap related to the cross-border trade with India. Regrettably there is no information available to indicate the volume of cross-border trade. Seasoned observers suggest that the volume is considerable. All evidence points to the fact that Indian marketers are getting lion's share of the trade because they control prices and volumes.

Sustainability

The sustainability of outputs and outcomes from UNDP interventions are at a cross road. During the conflict-affected period humanitarian concerns overrode sustainable development purposes. Nonetheless, as shown in this OE there has been a sizeable progress in income and employment growth. Although there were no well designed and planned exit strategies, the progress achieved has shown a development path. The characteristics of this development path should be taken into account in configuring a consolidation strategy for the forthcoming Programme.

Concretely, since the core of employment and income growth has been generated by fomenting development activities within the framework of peasant farms and artisanal village works. Two clear options emerge. One option is to upscale nationally the core projects [REDP, MEDP] that have generated the bulk of the employment and income-- with improvements particularly in the area of equality and inclusion. The second option is to exploit the economic potential of peasant farms so they become sustainable farming operations linked with off-farm business including cottage industries.

V.1 Micro-Enterprise & Livelihoods: Strategy and Effectiveness

MEDEP's positive results in uplifting the employment and income levels of impoverished peasants and villagers through micro-enterprises have encouraged GON to adopt its modalities as a national program called "Micro-enterprise Development Program for Poverty Alleviation (MEDEP-PA) and allocate government funds for this purpose. The GON also established institutional structures to promote micro-enterprises. At the district level, GON has already established DEDC (District Enterprise Development Committee) and MEDF (Micro-Enterprise Development Fund) sub-structures under the umbrella of DDC through which micro-enterprises are being facilitated. This signifies that UNDP and GON worked on this subject in unison so that the GON has now taken full ownership of the UNDP initiative.

No partnerships so far have contributed to information about potential markets and product development; this is a critical gap. The Federation of Nepalese Chambers of Commerce and

Industry appeared suited for this role. It has ongoing partnerships with several IFOs on this subject and the technical personnel seemed competent on this subject.

There are policy level problems with respect to transportation of forest- based and leather- based products. This needs to be sorted out at the central level with active involvement of the Ministry of Industries and Commerce and the Ministry of Forests and Soil Conservation. There is also the uncertain area of cross-border trade with India. Regrettably there is no information available to indicate the volume of cross-border trade. Seasoned observers suggest that the volume is considerable. However, all evidence points to the fact that Indian marketers are getting lion's share of the trade because they control prices and volumes.

V.2 Energy & Environment : Strategy and Effectiveness

The changes brought about by rural electrification required exceedingly complex organizational arrangements among international, national, sub national and local agencies including non-governmental organizations, and private institutions. All together these have been essential for the implementation of REDP objectives thus, the organizational structure achieved signifies national ownership of the results. The fact that the overall results have yielded achievements at the national level signifies an institutional impact. To this end, national and intuitional organizations have displayed consensus towards achieving organizational results.

From the results standpoint, a brief review of the organizational framework required for rural electrification, highlighting UNDP's contribution, follows.¹⁵³ The overarching authority for electrification efforts is provided by the Nepal Electricity Authority (NEA), established under Nepal's Electricity Authority Act of 1984.¹⁵⁴ In terms of rural electrification, NEA's engagement is primarily through the national grid system. Off-grid, decentralized energy service provision is led by the Alternative Energy Promotion Centre (AEPCC), established in 1996 as an autonomous agency within the Ministry of Environment (MoE). AEPCC presides over various rural energy projects, including REDP. These key organizational frameworks were funded by UNDP and the World Bank in 1996.¹⁵⁵

From the organizational standpoint, REDP operates at three levels: community, district, and national.

- At the community level, organizational arrangements focus on planning, implementation, operation, and maintenance of community-based energy systems. The social mobilization process takes place by group formation and establishment of savings and credits systems, such as the Micro-Hydro Functional Groups (MHFG) from the community organizations (COs). The MHFG deposits revenue (grant, subsidy, charity, loan, equity, and tariff) into a Community Energy Fund (CEF) and makes payments for the micro-hydro system (MHS) operation management, repairs, and maintenance.
- At the district level, organizational arrangements focus on institutionalization of rural energy systems. The Rural Energy Development Section (REDS) has been established under the DDC in all programme districts to provide support for institutionalizing energy development

¹⁵³ This section draws from: UNDP op cit, 2010, pp 41-45

¹⁵⁴ NEA's primary objective is to generate, transmit, and distribute adequate, reliable, and affordable power by planning, constructing, operating, and maintaining all generation, transmission, and distribution facilities in Nepal's power system.

¹⁵⁵ The overall objectives of AEPCC Programmes are to: 1- popularize and promote the use of renewable energy technology to raise the living standard of the rural people, protect the environment, and develop commercially viable alternative energy industries; 2- provide and suggest national policy and programme formulation to the Government of Nepal; 3- coordinate all organizations involved in alternative energy technology; 4- standardize alternative energy technology equipment; 5- act as a facilitator in the alternative energy sector, and 6- seek financing from international donor agencies for its development.

at the local level. REDS is responsible for participatory planning, programming, budgeting, fund (subsidy/grant/equity) flow, coordination, resources mobilization, monitoring, and evaluation.

- At the national level, organizational arrangements focus on policy support and coordination based on lessons learnt from decentralized local operations.

Decentralized implementation strategy

According to a recent study,¹⁵⁶ REDP has proven to have one of the most effective models for decentralized energy solutions in Nepal. REDP's community-based approach to energy planning and managing rural energy systems provides an attractive alternative to what has historically been a weak and centralized government approach to rural energy development. REDP has contributed towards institutionalizing rural energy service delivery within the government's decentralized structure that operates at the local level through the Village Development Committee (VDC) and at district level through the District Development Committee (DDC). In sum, UNDP's partnership strategy with the support of the WB played a vital role in fomenting a complex organizational arrangements have contributed vitally to the current success story of REDP.

VI. LESSONS LEARNED

VI.1 Micro-Enterprise & Livelihoods

Employment Generation

The majority of people who live in poverty are either unemployed or under-employed. They lack sufficient work or, more commonly, are trapped in employment of such low productivity that – even with long, hard hours – it pays too little to enable them to escape poverty. Most peoples' livelihoods crucially depend on income from work, for wages or self-employment. Thus, employment is the key link between economic growth and income poverty reduction. As such, the Livelihoods Outcome emphasis on employment generation was well placed. Through this approach the Livelihoods Outcome has had a sizeable effect on unemployment and income.

VI.2 Energy & Environment

Rural Electrification

Among the rural poor, the introduction of rural electrification on its own is insufficient to cause productivity gains that will translate into income growth that can repay connection costs and future tariff. It is necessary to accompany the introduction of rural electrification with activities that would lead to new and sustainable income streams so that the costs of connection and tariffs can be covered satisfactorily. This strategy acts as driver of rural economic growth and thus poverty alleviation.

Environmental Governance

Environmental management decisions such as how to negotiate trade offs between conflicting uses of natural resources, especially how to make sure the costs and benefits of resource management decisions – including impacts on the poor – are equitably shared, are within the scope of environmental governance. Fostering good governance is not an easy task. Sound environmental governance requires focus on the social dimensions of natural resource use and ecosystem management. Indeed, a focus on governance adds explicit consideration of equity and inclusion to the goals of ecosystem management. Environmental governance is an avenue to

¹⁵⁶ UNDP op cit, 2010, p 44

alleviate poverty. The first step is to establish governance structures to support the sound use of forest and associated resources.

In this tenor, the value of SGP contribution to environmental management has been fundamental. This is because SGP contributes to both environmental conservation and poverty alleviation by developing, testing and expanding the use of small and low-cost technologies that enhance both the livelihoods of the poor and is friendly to the environment. These technologies have a good fit with the requirements of the poor and the ultra-poor who are typically asset-less and rely on their labour to make a living in marginal lands, forests and rivers.

VI.3 Equality and Inclusion

Ethnicity and Collective Action

Ethnically mixed groups have tended to promote innovation, mutual learning and social harmony with much greater frequency than ethnically homogenous groups where members tended to take each other for granted and do not take up the enterprise as a challenge and an opportunity. Inclusion is important to promote economic efficiency as much as it is important from the perspectives of welfare, justice, representation and peace building.

VI.4 Programme Performance

Outcome Management

The following actions appear vital to ensure the generation of outcomes from project outputs.

- Project activities and annual work plans are guided by a clear understanding of the outputs that are necessary and sufficient to achieve measurable outcomes.
- Both technical assistance and financial resources are insufficient on their own to induce meaningful capacity development. Policy and institutional change require long-term, systematic capacity development supported by political and administrative stability in government. These are essential elements to ensure progress and sustainability.
- Individual leadership by key government officials makes a difference, especially where DFOs take an active interest and involvement in the project. The combination of government endorsement and support, technical guidance from field staff, and emergence of local resource persons is important to community-based initiatives in conservation.
- The creation of community institutions for conservation and livelihoods does not necessarily ensure full participation of all segments of the community. Special measures are needed to ensure representation of women and disadvantaged groups. There are barriers to inclusive programmes, including within the cooperative structures and modalities that are commonly used in Nepal.

VII. RECOMMENDATIONS

To the Attention of UNDP

Basic Options: Forthcoming Programme

The Livelihoods Outcome has had a sizeable effect on national unemployment and income. The combined evidence from Livelihoods Outcome Evaluation indicates that the core of employment and income growth has been generated by fomenting development activities within the framework of peasant farms and artisanal village works. For the forthcoming Programme, two clear options emerge from the OE's overall findings.

- One option is to upscale nationally the two basic projects [REDP, MEDP] that have generated the bulk of the employment and income-- with improvements particularly in the area of equality and inclusion. This option is already under implementation to some extent.
- The second option is to exploit the economic potential of peasant farms so they become sustainable farming operations linked with off-farm business including cottage industries. Although there is significant potential to create livelihood opportunities with this option, a sustainable farming system is not only based on technological change or transfer but also requires support from credit, legislation and physical infrastructure, i.e. feeder roads. This principle has an overriding consequence for the forthcoming Programme. Annex VI outlines a preliminary framework and tools needed to transform subsistence agriculture as a source of livelihood opportunities. Under these conditions, policy must be pro-poor and growth oriented– it must harness poor people’s key assets of land and labour, and create a vibrant economy in rural areas where the majority of poor people live.

The recommendations below are in the context of the first option. They relate to [1] substantive programme components and [2] implementation issues of training modalities.

Programme Components

◦ *Product Lines*

1- The Team has witnessed substantial untapped potential among the direct beneficiaries who displayed their earnest motivation for wider economic growth. Because of Nepal’s varied ecology and biodiversity there is a wide variety of crops, livestock, NTFP’s and cottage industries from which farmers draw their livelihoods. These activities are under the scope of peasant production. Under the current conditions, it would take an enormous amount of resources to make these production lines profitable as many most likely lack the conditions for profitability.

- Consider prioritizing the available production lines [i.e. crops, livestock, NTFPs, cottage industries] so those with sound economic return emerge. However, these production lines should be simultaneously environmentally friendly and socially viable.
- This prioritization has to be conducted and tested on experimental stations so when the product is available for dissemination, the farmers should be relatively fail-safe against ecological and economic breakdowns. The implementation of these production lines must be varied and staggered so farmers avoid competing among themselves. Otherwise, farmers will lose confidence in the development initiative.
- The evidence available indicates that the value-chains proposed by MEDEP III were promoted, wittingly or unwittingly, to meet the subsistence needs of the family unit, as there was little value added being generated.¹⁵⁷ If proposed value-chains are going to generate pro-poor growth, high-value markets must be reached at the right time and price.

◦ *Microfinance*

2- EAFS project should consider tackling two tasks, the sooner the better:

[1] the appropriate microfinance model to serve the poor in Nepal’s rural areas must be identified. In function of this model, [2] EAFS should outline a strategy for augmenting the number of microfinance providers in UNDP programme area. These MFPs besides their concern to market

¹⁵⁷ The information available suggests that MEDEP III selected ten commodities for value chains: 1-Allo [1154 entrepreneurs], 2-Honey [3,705 entrepreneurs], 3- Dhaka textile [1175 entrepreneurs], 4- Ginger [1237 entrepreneurs], 5- Lokta Nepali paper [293 entrepreneurs], 6- Ogange and Sweet Orange [528 entrepreneurs], 7- Bamboo Products [1247 entrepreneurs], 8- Chyui [192 entrepreneurs], 9- Incense stick [2142 entrepreneurs], 10- Lapsi [256 entrepreneurs]. However, the data indicates that only one commodity: Allo, was the subject of a desk study without a profitability analysis [Cf. MEDEP III. Value Chain Analysis-*Allo Value Chain Analysis Series: 1* (MEDEP-NEP/08/006) Bakhundole, Lalitpur, 2010]. There is no systematic account of the remainder of the 9 commodities, except incense stick and honey that were promoted empirically with mixed results.

returns to capital, must ensure the conditions of sustainable micro credit operations such that micro enterprises can be profitable.

◦ *Gender Equality*

3- Micro enterprises run by women have demonstrated a genuine initiative for re-investment of income earned for business expansion and overall family wellbeing. Because women must nurture children and care for husbands time constraints are substantial. Consider customizing training for women in a flexible manner so they can fit with their family responsibilities. The following training issues and themes are predominant: 1- literacy and numeracy, 2- fundamentals of profit/loss and bookkeeping, 3- assessment of customers' needs before production. In terms of micro credit, the following customized elements are essential: 1- financial literacy focused on skills needed to make responsible financial decisions, 2- legal access to an independent credit account, 3- credit amount in function of the size of business enterprise, 4- the credit loan's profitability conditions must be jointly reviewed and agreed upon with MFPs. In other words, "market based micro credit" must be discouraged, unless client is totally comfortable with the conditions.

4-REDP should consider incorporating a gender sensitive/ environmental health component of forthcoming programme. REDP can foster Indoor Air Pollution (IAP) control in rural households. REDP can promote extensively improved cooking stoves and biogas technologies. For example, the target of 70-80% of beneficiary households to have one or both options could be considered. To implement this component, IAP would have an additional positive repercussions on forest conservation by diminishing the deforestation trend. However, a systematic monitoring system would be essential to measure the cause and effect linkages between the IAP management measures on [1] the health of women and children from rural households and [2] forest conservation.

◦ *Environmental Conservation & Quality Regulation*

5-There are resource conservation principles that are not being adhered to. This is of utmost gravity since UNDP projects themselves are promoting, wittingly or unwittingly, these practices. It is the principle that matters not the extent of the actual damage at this point in time.

There are micro enterprises within the framework of UNDP projects, wittingly or unwittingly, involved in:

- unsustainable forest exploitation in the production of and distillation of oil from menthe and camomile;
- honey production where certain tree species are being used for this purpose at a rate higher than they are replaced;
- there are several operations with clear potential environmental degradation, i.e. goat keeping, brick manufacturing, buffalo rearing; these operations run without adherence to conservation regulations.

Consider drawing a joint agreement among all stakeholders involved for the sustainable use of the resources involved. In the case of the forest, the total area needed to ensure the survival and reproduction of various species of wildlife and vegetation must be established

As the regulations required for the sustainable use of resources is complex because of the country's varied ecology and biodiversity, consider launching a consultancy with the purpose of reviewing comprehensively the natural resource use by UNDP projects in the country [within the forthcoming Programme] and propose procedures for the sustainable use of natural resources within ecosystems or Integrated Landscape Planning (ILP).

In coordination with national authorities a regulatory framework should be considered for hygienic standards in food handling and food processing together with registration procedures for public health purposes.

Consider anchoring these recommendations on broad inter-sectoral initiative such as the UNDP/ UNEP Poverty and Environment Initiative (PEI) purporting to contribute to poverty reduction and improved well being of poor and vulnerable groups through mainstreaming of poverty and environment linkages into national development processes.

◦ *Environmental Governance*¹⁵⁸

6-Environmental governance is an avenue to alleviate poverty. Every household or project involved in the use of natural resources, directly or indirectly, is a stakeholder of the environment. Accordingly, sound environmental governance requires focus on the social dimensions of natural resource use and ecosystem management. Indeed, a focus on governance adds explicit consideration of equity and inclusion to the goals of ecosystem management.

GEF finances the enhancement of world environmental benefits. Development stakeholders are expected foster the governance of the environment. In this connection, the first step may be to begin establishing the governance structures to support the sound use natural resources within ecosystems. Fostering good governance is not an easy task because the core of the decision-making must rest with those whose livelihoods depend from a balanced-ecosystem.

◦ *Energy Issues*

7- Taking into consideration the characteristics of the country's energy development and constraints, KREC offers a model with potential for future replication: the generation-distribution of electricity for sale to consumers at the district level as a livelihood opportunity. The success of selling electricity hinges on sound management. KREC needs specific technical assistance in the management of technical-human systems associated with the generation-distribution of electricity, in particular electricity economics.

REDP has introduced internet facilities, in many, if not all, rural schools. Internet is being successfully integrated in rural education. There is now the full potential for the availability of internet facilities in isolated communities. Besides the current application of sending e-mail messages to family members, consider promoting the application of the internet in the administration of public services like education, to begin with. It takes about a week to deliver the school's administrative reports to the capital. There is a wide range of applications besides public services, i.e. some banking operations in micro financing are being done through internet and cell phones.

Programme Management Issues

◦ *Outcome Management, Base Line Studies and M&E*

8- All evidence shows that current Project Management focuses on the delivery of outputs without providing the "big picture" [the outcomes themselves] as to why UNDP is undertaking the initiative. Closely linked to this observation is the fact that efforts to record benefits from results achieved were less marked than registering costs. It is logical to infer that benefits may have been under-estimated. This is a considerable loss because if the output results were under-estimated it would not be possible to distinguish between success and failure. If failure couldn't be

¹⁵⁸ This recommendation should be anchored within the framework poverty reduction and improved well being of poor and vulnerable groups through mainstreaming of poverty environment linkages into national development processes; such as the UNDP/ UNEP Poverty and Environment Initiative (PRI) [www.unep.org].

recognized, it couldn't be corrected. Above all, if positive outputs couldn't be shown, it would not be possible [1] to ensure their contribution to outcome generation, and [2] to obtain the support of communities and stakeholders.

Consider applying Outcome Management in the forthcoming Programme. Outcome Management focuses on ensuring that a project contributes outputs to outcomes within UNDP Programmes as discussed in detail in Annex VI. Outcome Management process means very little without an established Base Line Study. This is where the interrelatedness arises because these tools complement each other as part of the M&E system. This is why the weakest link compromises the performance of the whole system. Annex VI outlines the complexities of configuring a baseline study under the current Programme so as to sketch out a preliminary architecture of a BS.

The current use of local measures and weights in monitoring reports, while connecting the CO with the field realities, precludes international comparisons of value, efficiency and analysis of comparative advantage. For all practical purposes markets are now global. Nepal neighbours two world players in agriculture and handicrafts. It is absolutely essential to be able to compare the national value internationally using the metric system. A table should be configured where each local weight and measure has its equivalent under the metric system.

◦ *Programme Design*

9-Although working with prongs of projects was doable it may be more effective for the management of substantive issues to develop programmes which are complementary with the national development path. Complementary programmes would allow greater opportunities for synergies that would lead to successful outcomes. The following factors must be taken into consideration. .

Integrated Landscape Planning (ILP) has been operating under the framework of WTLCP.¹⁵⁹ ILP is a programme planning framework capable to coordinate the best use of resources, information, experts, decision makers, and stakeholders in the planning process. ILP key attributes are the following, additional ones reflecting the future Programme could be added.

- ILP is capable of developing a consensus in group decision making for the purpose of moving forward the principles of equality and inclusiveness.
- ILP is applicable to plan projects in different fields particularly, agriculture, forestry, health, education, transportation.
- ILP is able to marshal the natural resource information required for sustainable development purposes.
- ILP address issues of larger ecosystem while considering ecological, social and economic aspects of conservation and development; in this manner, it ensures that regional or national conservation priorities are integrated into business planning;
- ILP improves collaboration between multiple management authorities and other partners with the purpose of inducing and realizing synergies;
- ILP provides the spatial unit to carry out a baseline survey which would be applicable for the set of project within the unit as well as additional efforts in project monitoring and outcome management exercises. This should reduce policy fragmentation, duplication and poor coordination.

¹⁵⁹ To build capacity it is essential to make the most of local skills, and knowledge. ILP ensures the best fit for the context.

The second essential element is **pro-poor growth**. It must be rooted in the activities within IPL. Although there is no standard approach to pro-poor growth, the OE results indicate that Nepal's growth pattern must be agrarian-oriented and rooted in policies of equity and inclusion.

- Despite continued attempts to increase production and productivity, the per-capita food availability has eroded over the years due to almost stagnant production levels against the annually increasing population pressure.¹⁶⁰ Thus, almost all options are reduced to enhancing the productivity of land and labour.¹⁶¹
- The key technical features to enhance productivity of land and labour supported by sustainable micro credit are described in Annex V. The combined effect of these technologies contribute to an increase in overall food production and enhanced the capacity of farmers involved in these efforts—which in turn can lead to improve farmers' living standards.

The third component, based on the ILP framework oriented to implement pro-poor growth as characterized above, is to consider focusing on a few strategic programmes. Each programme or a set complementary programmes must be anchored on structures which are knowledge-based, purporting to enhance the productivity of land and labour within the relevant programmes.

◦ *Implementation of Training Modalities*

10-Consider shifting the content of training from a formal to a practical approach where the trainer must have practical experience and tested know-how. Specifically:

- Future micro entrepreneurs should be able to identify the needs of customers before production. This will ensure that products meet the needs of customers and can be produced at affordable and remunerative prices.
- Achieving these goals is not solely a marketing problem nor is it solely a design problem or a production problem: it is product development problem involving all these functions supported by adequate financing and legal frameworks. Annex 6 contains a detailed analysis of the influence of these factors in the production-marketing continuum.
- Procedures for information diffusion to beneficiaries may need reconsideration. Given the fact that the bulk of the operations take place in a rural setting, consider using agriculture extension methods. They have produced significant results in the process of diffusion information to modify behaviour or techniques prevailing among farmers of the region, i.e. Bangladesh, India, Thailand and others.¹⁶²
- Ultimately, organizing Farmers Clubs in collaboration with organizations such as the Federation of Nepalese Chamber of Commerce & Industry should be considered. The purpose would be to mainstream the provision of [1] training activities on production-marketing system continuously for women, youth and other underprivileged groups, [2] this Farmers Club would be the depository of knowledge and information about the production-marketing know-how in the community to ensure sustainability. To the extent possible, Farmers Club activities must be in the budget of the national ministry so that at least once a year there would a Farmers Fair where products, techniques, messages would be exchanged with the nearby villagers.

¹⁶⁰ UNCTAD op cit 2008, table 3, page 141

¹⁶¹ . Opportunely, the country has enormous potential for agriculture development due to its enviable agro-biodiversity where it is possible to grow a wide range of crops (cereals, pulses, oilseed crops, fruits, vegetables and other cash crops). Animal husbandry can be an integral part of the Nepalese farming system. Farmers have been raising for generations cattle, buffalo, goat, pig and poultry. The scope for aquaculture development including rice-fish culture is also growing in the recent years

¹⁶² See, for example: FAO Agricultural extension methods. A reference manual. Rome, 1984, pp 89-196. Also : Government of the People's Republic of Bangladesh. Ministry of Agriculture. Agricultural extension manual. Dhaka, 1999, pp 110-176

- This approach should be applied especially in areas where direct cash advances are granted as incentive without training. It is vital to avoid dependency on project's inputs.¹⁶³

¹⁶³ Social service methods applied to NRM have had limited or no results in the past. There are agricultural extension methods to diffuse technology that have been used successfully in the region, i.e. Bangladesh, India, Thailand, etc.

ANNEX I

DRAFT

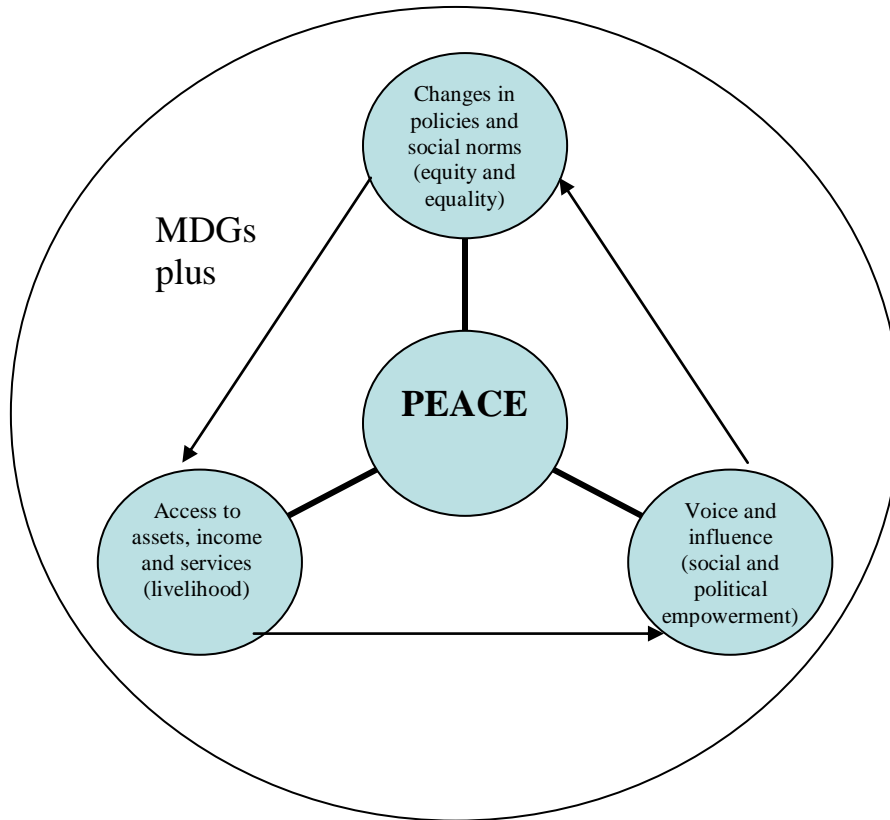
Terms of Reference – Outcome Evaluation

Country Programme Outcome: Employment and income opportunities and access to financial services enhanced, especially for youth and excluded groups and people living with HIV/AIDS in partnership with the private sector and CSOs.

f) Background and context

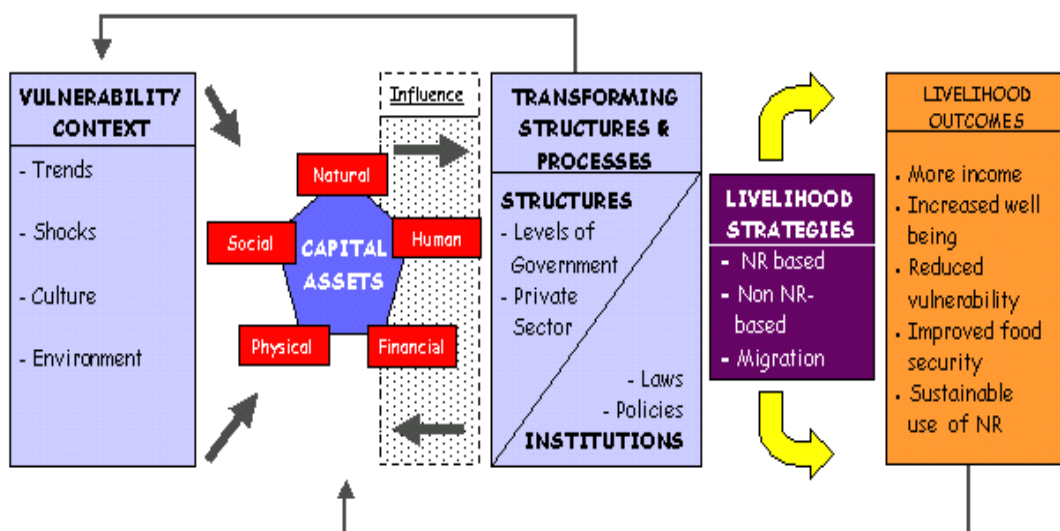
Nepal has recently emerged from a decade long civil conflict which inflicted extensive social and economic hardship on the nation. Since the signing of the Comprehensive Peace Accord (CPA) in November 2006, significant political changes have taken place. However, the majority of the people have remained poor and most have not yet benefited from “peace dividends.” Poverty, inequality and social exclusion remain great challenges to consolidating peace, and without peace, it is difficult to pursue sustainable development. Unemployment and underemployment themselves are potential threats to peace-building. Thus, it is critical that livelihoods opportunities are created in the country to sustain peace. Emphasis has to be on providing both quick results as peace dividends as well as long-term solutions to problems of unemployment, underemployment, economic recovery, and social cohesion.

For UNDP Nepal, supporting livelihoods and employment is a priority of its Country Program Action Plan (CPAP) for 2008-2010. More broadly, UNDP’s Country Programme focuses on four areas: Peace Building and Recovery; Transitional Governance; Inclusive Growth and Sustainable Livelihoods; and Energy, Environment and Disaster Management. Each of these areas of intervention are interconnected, as all are intended to support and promote the peace process, and each are designed to contribute to three critically interlinked domains of social transformation: improved livelihoods, social and political empowerment, and policy changes for equity and equality, as illustrated below:



While one of the components of the CPAP focuses specifically on livelihoods, interventions under three other areas also support the development of sustainable livelihoods. For example, under Peace Building and Recovery, support is to be provided to conflict affected-populations, including former combatants; the Transitional Governance component comprises support to capacity development to improve the delivery of basic services and to community infrastructure; the Environment and Sustainable Development component promotes increased access to energy and environment services for rural populations.

Sustainable livelihoods itself is a complex concept, as illustrated below, where the context, people's assets, and the structures and institutions in which people pursue livelihoods strategies all influence the livelihoods outcomes.



In 2009, the Government of Nepal and UNDP agreed to extend the current Country Programme until the end of 2012, in line with the extension of the UNDAF for two years. UNDP will thus be preparing an extension of its results and resources framework. In addition, UNDP has decided to move away from a project based approach towards a programme based approach for its future programming.

UNDP therefore wishes to conduct an evaluation of its work to date under the current Country Programme in the area of livelihoods, primarily with respect to employment generation, micro-enterprise, and income generation activities, in order to inform the extension of the CPAP as well as the development of new programmes which will extend into the next programme cycle.

The evaluation will be two-pronged. The first prong will focus on and assess progress towards the specific “livelihoods” outcome, i.e., “Employment and income opportunities and access to financial services enhanced, especially for youth and excluded groups and PLWHA in partnership with the private sector and CSOs” (hereinafter “the livelihoods outcome”). The CPAP results framework for this outcome is as follows:

Intended Outcome	Employment and income opportunities and access to financial services enhanced, especially for youth and excluded groups and PLWHA in partnership with the private sector and CSOs
Outcome Indicators	<i>Proportion of population below national poverty line (disaggregated by caste/ethnicity)</i>
Intended Output 1	Policies designed and initiatives developed to expand employment opportunities for youths, poor women, individuals from socially excluded groups, and PLWHA in selected districts.
Output Indicators	<i>Number of micro-enterprise-related policies formulated and approved # of new micro-entrepreneurs developed % of women micro-entrepreneurs % of Dalit micro-entrepreneurs % of micro-entrepreneurs under 35 # of jobs created through support to micro-enterprise development # of HIV infected and affected people having received</i>

	<i>skill based training who are employed</i>
Intended Output 2	Mechanisms developed for micro-finance service providers to provide access to financial services to the poor in remote areas.
Output Indicators	<i># of clients of selected micro-finance service providers (disaggregated by district)</i> <i># of service delivery units of micro-finance service providers in remote districts</i> <i>% of female clients of micro-finance service providers (disaggregated by districts)</i> <i>Average loan size as a % of per capita GDP</i> <i>Financial self-sufficiency of partner micro-finance service providers</i>

The main project designed to produce Output 1 is the “Micro-Enterprise Development Programme (MEDEP)” currently in its third phase. An Impact Assessment of MEDEP is being conducted, and will provide most of the information necessary to assess MEDEP’s outputs and contributions to the outcome. Subsequent to the development of the Country Programme/CPAP, UNDP launched another initiative in 2009, “Livelihoods Recovery for Peace (LRP)”. This initiative will contribute to two different CPAP Outputs (and outcomes), to one under the peace-building component, and to Output 1 above, under the Livelihoods outcome. It is too early to assess results, however the evaluation will look at how LRP is building on lessons learned from earlier programmes, and assess potentials for results.

Output 2 will be realized by another project, “Enhancing Access to Financial Services (EAFS) (Building an Inclusive Financial Sector in Nepal)”, which was launched in late 2008. Due to a number of challenges, this project finally managed to forge partnerships with Financial Service Providers (FSPs) only in 2010. Although it is a bit early to see results on the ground, these partner FSPs have reported having added 30,000 new clients because of the support from EAFS. Therefore, the evaluation will look at the initial work, the results gained so far, and the strategies planned to achieve the results.

In summary, under this component of the outcome evaluation, the Evaluation team will focus on:

- a. Results, i.e. primarily those achieved by MEDEP, drawing primarily on the findings from the Impact Assessment
- b. Preliminary results and strategies of EAFS as well as potential institutional synergies between the micro-enterprise programme and the access to finance programme
- c. Potentials of the LRP

The second prong of the evaluation will look at the wider programme approach to livelihoods by examining selected livelihoods interventions under other components of the Country Programme. The focus of this section of the evaluation will be primarily on the Environment and Energy portfolio, to gather lessons learned which will inform project formulation in both the livelihoods and environment portfolios, as well as formulation of the next Country Programme.

g) Purpose of the evaluation

The purpose of the evaluation will be two fold. First, the purpose will be to assess progress towards the livelihoods outcome, assess UNDP’s contributions thereto, and make recommendations for adjustments to the programme and targets for the two-year CPAP extension. Secondly, the evaluation will assess the overall effectiveness of UNDP’s support to improving livelihoods, particularly for the most excluded, in order to make recommendations for UNDP’s new programme(s). Specifically and most immediately, lessons learned will be applied to the formulation of the next phases of MEDEP and the Rural Energy Development Programme (see below), as well as to adjust and further strengthen other programmes, such as the LRP.

h) Scope of the Evaluation

The evaluation will focus on results achieved during the CPAP period (2008 to date), but where relevant, will look backwards prior to the CPAP period to review and understand evolving approaches adopted by UNDP and its projects.

With respect to the first prong of the evaluation, focusing on the livelihoods outcome, the team will use the results of the MEDEP Impact Assessment being undertaken simultaneously by another team (TOR for that assessment is attached hereto as an annex). The team will assess the initial results and potentials of the other interventions (Access to Finance and LRP). The evaluation will also assess the institutional mechanisms (including those of MEDEP), and the institutional synergies between the different interventions and how this is, or will, contribute to the outcome.

With respect to the second prong, looking at other support to livelihoods, the evaluation will focus on selected interventions under the Environment and Energy portfolio. The Rural Energy Development Programme (REDP), which promotes micro-hydro for electricity in remote districts and “end-use” enterprises, the Khimti Neighborhood Development (KiND) project (which is closely linked to REDP), and the Western Terai Landscape Complex Project (WTLCP) will be given special emphasis during the evaluation (including field visits). The evaluation may also look at lessons emerging from other projects such as the GEF Small Grants Programme. (An assessment of the livelihoods component of the WTLCP has already been conducted, so the evaluation will build on these findings.)

Under this prong, the evaluation will also examine where and how different projects, including both the projects under the “Livelihoods” portfolio and the “Environment” portfolio have been able to work together and/or build on each others strengths and results to improve communities’ livelihoods.

In terms of geographic coverage, the evaluation will look at UNDP’s work in different contexts, including the Central and Eastern Terai, where new forms of conflict have emerged, as well as hill areas. Field visits will tentatively be organized to the Far Western Region, to the KiND area in the Central Hills, and the LRP area in the Terai.

i) Evaluation Questions

“Prong One” – Evaluation of the “Livelihoods Outcome”

Relevance of UNDP’s interventions

Has UNDP’s support to expanding employment and income opportunities, including access to financial services, been relevant? Has it responded to real needs and priorities in the current context? Has it adapted to changing conditions?

Has the support been particularly relevant for women and people from traditionally excluded groups?

Has the support been relevant for and respond to the aspirations of young people?

Has UNDP been able to adapt its programming to the changing context to address priority needs in the country?

Is the new Livelihoods Recovery for Peace likely to be even more relevant than earlier interventions? Will it be even more likely to bring benefits from poor women and people from traditionally excluded groups?

Outcome analysis

Are UNDP’s interventions designed to achieve the outcome?

Are UNDP’s interventions on track to achieve the outcome?

What progress has already been made towards the outcome? Has that progress benefitted women and people from traditionally excluded groups? Could women and people from traditionally excluded groups been given even greater attention?

What are the challenges to reaching the outcome? Identify any factors that are adversely affecting progress towards the outcome.

Have synergies between the different projects designed to contribute to the outcome been adequately realized? How could this be further strengthened? Specifically, have synergies between the support to micro-enterprise and to access micro finance been, or are they likely to be, effective? Are the necessary institutional mechanisms to ensure this synergy in place? Would other approaches or mechanisms to promote access to finance for micro-enterprise development be likely to be more effective?

Output analysis

Are the defined outputs necessary and sufficient to achieve the outcome? Are they all relevant to the outcome? Can UNDP's outputs be credibly linked to the outcome? Are other outputs likely to be required to achieve the outcome?

What progress been made towards achieving the outputs?

Identify the factors (both positive and negative) affecting realization of the outputs.

Have UNDP outputs involved the targeted beneficiaries, particularly women and traditionally excluded groups?

What have been the immediate outcomes or results of these outputs for the beneficiaries, particularly for poor women, poor youth and people from traditionally excluded groups, including people living with HIV/AIDS?

Sustainability

How sustainable (or likely to be sustainable) are the outputs and outcomes of the UNDP interventions?

Do the UNDP interventions have well designed and well planned exit strategies? What could be done to strengthen exit strategies and sustainability?

Partnership strategy

Has UNDP's partnership strategy in the livelihoods sectors been appropriate and effective?

Has UNDP effectively collaborated with other UN agencies working on similar issues? What are the opportunities for greater collaboration?

Are there current or potential overlaps with existing partners' programmes?

How have partnerships affected the progress towards the outcome?

“Prong Two” – Wider Programme Support to Livelihoods

Which elements have responded the most to communities' and individuals' greatest demands or needs?

Which elements have been the most effective in promoting gender equality and social inclusion?

How effective has UNDP's support to livelihoods (through the selected projects) been?

How effective has the “single entry point” approach to livelihoods (e.g. micro-enterprise or rural energy) in terms of strengthening other types of assets? What may be the advantages or disadvantages of the more holistic “LRP” approach?

Are there good examples of collaboration between projects to promote complementary livelihood assets to increase livelihood outcomes?

Has UNDP put into place appropriate programme and project management structures to ensure the greatest synergies between UNDP projects and portfolios to maximize results?

Which projects/activities have been the most innovative in adapting to the changing context? What are the lessons learned for future programming?

Has UNDP developed effective partnership strategies at both the central level and at the community level to maximize synergies and implement complementary activities to improve livelihood outcomes?

Does UNDP use and codify lessons learned and other forms of knowledge to cross-fertilize and improve programming?

Both Prongs

Conflict sensitivity

Have interventions have strengthened/weakened connectors and dividers?

Have issues of equity and inclusion been properly addressed?

Have there been any unintended consequences of the interventions that may have caused harm?

How has support to livelihoods contributed to peace, directly or indirectly?

The way forward

Existing projects and programmes: what are the main recommendations for REDP's new "livelihoods package" and for the formulation of the next phase of MEDEP? Does LRP need any adjustments to strengthen its livelihoods component? Does the team have any additional recommendations for WTLCP beyond those in the previously conducted livelihoods assessment?

New programmes: what are the main lessons learned and recommendations for the future programme in general?

What changes should UNDP make in order to make its interventions more relevant and more effective, first within the period of the CPAP extension, and secondly, in the next Country Programme period?

What changes should UNDP make in order to better reach and benefit women and people from traditionally excluded groups?

How can UNDP better capture and share its knowledge, within UNDP Nepal, with partners in Nepal, and with UNDP as an organization?

j) Methodology

The following methodology is proposed, and can be revised in consultation with the evaluation team. While individual projects and previous reports and reviews may provide extensive quantitative data, there is little quantitative data that can be compared across projects, so qualitative methods will need to be used to compare different approaches and results.

Desk review: A wealth of information on the subject projects already exists in the forms of project documents, project evaluations, outcome evaluations, focused reviews, and other studies. Notably, an impact assessment of MEDP is on-going. Therefore, the first phase of the evaluation will focus on reviewing existing documentation.

Refine evaluation questions and develop checklists: based on the desk review, and the evaluation team's experience, the evaluation questions will be refined, in consultation with UNDP; the evaluation team will develop a work plan and the necessary checklists.

Interviews with key partners at the central level: based on the desk review, the evaluation team, in consultation with UNDP, will develop a list of key partners (Government, donors, civil society representatives, UNDP and project staff, etc.) and conduct interviews.

Field visits: extensive field visits will be conducted, to at least three different regions of the country, to communities benefiting from UNDP project support (and possibly to neighboring communities who have not benefited from UNDP interventions), to assess contributions to livelihoods, social cohesion, gender and social inclusion, etc., and deepen the understanding of any preliminary conclusions drawn from the desk review. Ideally, the evaluation team will split into two teams to do simultaneous visits to separate field sites.

Additional interviews at the central level: based on the field visit findings, follow-up or additional interviews with partners at the central level can be arranged.

Additional consultations by email or by telephone: The final findings of the MEDEP impact assessment report may not be available at the time the evaluation mission field work ends, so additional consultations may be required (at a distance) once the final findings of the impact assessment are available, to make any adjustments to the overall findings and conclusions of the evaluation team. (The draft MEDEP Impact Assessment report is expected the last week of October, and the final report by the second week of November.)

k) Evaluation products (deliverables)

The evaluation team is expected to produce the following deliverables:

- Evaluation Inception Briefing detailing the evaluators’ understanding of what is being evaluated and why, showing how each evaluation question will be answered, a proposed schedule of tasks; the briefing will be made to and discussed with the “Evaluation Management Team” to be established by UNDP.
- Evaluation debriefing meeting (presentation) with UNDP and key stakeholders where main findings will be shared
- Draft Evaluation Report to be shared with UNDP and relevant stakeholders for feedback and quality assurance
- Final Evaluation Report
- Evaluation Brief (a concise summary of the evaluation findings in plain language that can be widely circulated)

1) Evaluation Team Composition and required competencies

International team leader: responsible for overall coordination of the evaluation team, for the overall quality and timely submission of the evaluation reports and brief to the UNDP Country Office, and for ensuring a gender and social inclusion perspective is incorporate throughout the evaluation work and report.

Competencies: Advanced university degree in the social sciences or other relevant subject; extensive experience in livelihoods programming, preferably in conflict-affected countries, with particular emphasis on income and employment generation; experience in conducting evaluations particularly through the lens of conflict sensitivity, excellent analytical and English report writing skills, knowledge of the political, cultural and economic situation in Nepal or ability to quickly acquire such knowledge, ability to meet tight deadlines

National livelihoods specialist (social scientist): responsible for reviewing documents; analyzing the progress, issues and challenges of relevant development interventions; drafting, editing, supplementing, correcting and/or revising selected chapters of the evaluation report as assigned by the Team Leader; assisting the International Team Leader to ensure the overall quality and timely submission of the evaluation report to the UNDP country office.

Competencies: advanced university degree in the social sciences (or other relevant field); at least seven years experience in designing, implementing and/or evaluating livelihoods programmes (including but not limited to micro-enterprise development, employment development, micro-finance, and/or income generation activities); excellent analytical and English report writing skills, ability to meet tight deadlines; thorough understanding of gender and social inclusion issues in Nepal; experience in conducting evaluations an asset.

National livelihoods and Gender and Social Inclusion (GESI) specialist (natural resources/agriculture/forestry and GESI perspectives): responsible for reviewing documents, analyzing the progress, issues and challenges of relevant development interventions; drafting, editing, supplementing, correcting and/or revising selected chapters of the evaluation report as assigned by the Team Leader; assisting the International Team Leader to ensure the overall quality and timely submission of the evaluation report to the UNDP country office; specific contributions to the analysis of natural resource and/or agricultural based enterprise or income generation activities, and environmental sustainability of these activities; analyze the degree to which programme design and composite interventions have addressed the needs of women and traditionally excluded groups; ensure that gender and social inclusion dimensions are incorporated into all steps of the inquiry, analysis and evaluation reporting

Competencies: advanced university degree in the social sciences or natural sciences (or other relevant field); at least seven years experience in livelihoods programming or other relevant work, with a focus on natural resource-based livelihoods and/or gender equality and social inclusion, excellent analytical and English report writing skills, ability to meet tight deadlines; thorough understanding of gender and social inclusion issues in Nepal; experience in conducting evaluations an asset.

Potential evaluators will be expected to provide their complete curriculum vitae, writing sample and references.

All evaluators must be independent and objective, and therefore should not have had any prior involvement in design, implementation, decision-making or financing any of the UNDP interventions contributing to this outcome. In addition, to avoid any conflict of interest, evaluators should not be rendering any service to the implementation agency of the projects and programme to be evaluated for a year following the evaluation.

m) Evaluation Ethics

The evaluation will be conducted in accordance with the principles outlines in the UN Evaluation Group “Ethical Guidelines for Evaluations.”

n) Implementation arrangements

To facilitate the outcome evaluation process, UNDP Nepal will set up an Evaluation Management Team (EMT) headed by the Country Director and including the Assistant Country Directors of the Pro-Poor Policies and Sustainable Livelihoods Unit and the Environment, Energy and Disaster Risk Reduction Units, a representative from the M & E team, and representatives from the main national implementing partners. The EMT will review this Terms of Reference with the Evaluation Team and agree on any necessary amendments; share all relevant documentation; review, provide feedback and accept the inception report; assist in identifying stakeholders; review and provide feedback on the draft report; assist in organizing the debriefing meeting for key stakeholders; and, accept the final report. A wider “reference group”, including representatives from other UNDP Programme units, UN agencies, donors, and civil society, will be invited to key meetings and the final debriefing.

The Livelihoods and M & E Unit will assist with logistics, arranging meetings and field visits.

o) Time-frame for the evaluation process

The evaluation is to be conducted in September/October 2010, with a final report by end November 2010, based on the following approximate time frames:

Desk review and preparation of evaluation design (home based)	3 days
Briefing of evaluators by UNDP	1/2 day
Finalizing evaluation design, methods & inception report	1 ½ days
Sharing and discussion of inception report with the Evaluation Reference Group for feedback	2 days
Stakeholder meetings and interviews in Kathmandu	7 days
Field visits (in 2 teams) Far Western region 6-7 days KiND programme area (4 days) LRP area (3 days) REDP (5 days)	10 days
Follow-up meetings in Kathmandu	3 days
Preparation of draft report; presentation of draft findings to the Evaluation Management Team	3 days
Stakeholder meeting to present draft findings	1 day
Incorporate findings for MEDEP Impact Assessment; Finalize and submit report and evaluation brief (home based)	4 days
TOTAL	35 days

p) Use of Evaluation Results

The findings of this evaluation will be used to guide the extension of the CPAP in the area of livelihoods, to guide the formulation of a new phase of MEDEP, the formulation of a livelihoods package for the next phase of REDP, to make adjustments to LRP, and inform the next country programme. The evaluation report should therefore include specific recommendations for adjusting programme design to achieve results and for updating the CPAP M & E framework.

q) Annexes

Annex 1a – MEDEP Impact Assessment TOR (see separate file)

Annex 1b – TOR for international consultant for MEDEP Impact Assessment (see separate file)

Annex 2 – Documents for Desk Review

- CPAP
- Project documents of MEDEP, Access to Finance, LRP, REDP, WTLCP and others as required
- Previous evaluations and assessments, including the WTLCP livelihoods assessment, MEDEP evaluations, and REDP evaluations
- UNDP field monitoring reports
- Project, CPAP and UNDP Annual Reports

ANNEX II

EVALUATION CRITERIA, SCOPE AND METHOD

II.1 Terms of Reference

This Outcome Evaluation Team [Team] has been mandated “to conduct an evaluation of [UNDP] work to date under the current Country Programme [2008-2010]¹⁶⁴ in the area of livelihoods, primarily with respect to employment generation, micro-enterprise, and income generation activities, in order to inform the extension of the Country Programme Action Plan (CPAP) as well as the development of new programmes which will extend into the next programme cycle ” [TOR page 3.]

Specifically, the evaluation’s purpose were [TOR page 5]:

First, to assess progress towards the livelihoods outcome, assess UNDP’s contributions thereto, and make recommendations for adjustments to the programme and targets for the two-year CPAP extension.

Secondly, assess the overall effectiveness of UNDP’s support to improving livelihoods, particularly for the most excluded, in order to make recommendations for UNDP’s new programme(s). Specifically and most immediately, lessons learned will be applied to the formulation of the next phases of MEDEP and the Rural Energy Development Programme (see below), as well as to adjust and further strengthen other programmes, such as the LRP.” Annex 1 contains the Terms of Reference.

UNDP’s programmes in Nepal from 2008-2010 took place during a period of governance in continuous evolution. This made it challenging for the UNDP to achieve the goals it attached to its programmes. This Outcome Evaluation [OE] acknowledges this limiting context as an important condition of UNDP’s performance. Therefore, understanding UNDP’s success in

¹⁶⁴ The current Country Programme [2008-2010] has a three-year framework aligned with three-year UNDAF. It was designed to align with the Government’s Three-Year Interim Plan [July 2007 – June 2010].

reaching its outcomes must be approached from a nuanced perspective; it is important to observe what difference UNDP has made under difficult circumstances. UNDP achieved some important results against some difficult odds as governance has been continuously evolving thereby militating continuity due to frequent personnel turn over.

UNDP's deployment of quick-results initiatives were within the logic of this situation.¹⁶⁵ Given that Nepal has recently emerged from a decade of hostilities, expressing this reality through in a counterfactual conditional, logic dictates that it was essential to deploy the interventions characterized in the current CPAP.¹⁶⁶

II.2 Framework and Scope

This Evaluation Report is in consequence, both, retrospective and prospective. It assesses past performance while aiming to be forward-looking so as to propose to UNDP strategies to respond to changing circumstances in the near and long terms.

- As a retrospective inquiry, it reviews livelihood outcomes in three select themes and offers conclusions on UNDP's performance in serving Nepal under unusually difficult circumstances from 2008 to 2010.
- As a prospective exercise, it strives to extract from regional and UNDP experience what needs to be done in terms of livelihoods such that employment and income levels improve so the country continues moving forward. Focusing particularly on which areas need special attention in this period of transition.
- The Report is consequently divided into two parts: 1) Evaluation of the Livelihood Outcome and 2) Analysis of Strategic Issues.

The retrospective approach has been conducted through the lens of an Outcome Evaluation. An Outcome Evaluation shows a relationship between the changes observable in a particular sector, e.g. livelihoods, and the extent to which UNDP contributions are responsible for them.¹⁶⁷

- Outcome evaluations reverse the project-focused inquiry. Project evaluations attempt to gauge how much of an overall effect these projects have made on the sector as a whole.
- Outcome Evaluations, look first at the broad direction of a sector, determine then what might have been responsible for the direction; and, finally after examining UNDP's contributions, consider whether UNDP inputs might have been responsible.

Concerning the scope of the OE, the outcome was composed of two-pronged projects from which the Team jointly with management agreed on the total number of projects associated with livelihoods to be considered as part of Outcome 3.1. This is illustrated in the Outcome Results Chain of Fig. 1.¹⁶⁸ Specifically, the two-pronged projects were :

Prong 1:

¹⁶⁵ UNDP has been using the quick-results approach in conflict situations such as Afghanistan, Sudan, Iraq, Liberia and others.

Under the context of conflict recovery, no other organization has been able to come up with anything better. In fact, the quick- results approach was one important factor in the crisis recovery of Iraq; there was no other initiative. In consequence, as this exercise will show, the quick-results approach has brought about a measure of relief and hope among the beneficiaries though expectations of economic growth remain unfulfilled.

¹⁶⁶ Counterfactual is defined as "the situation or condition which hypothetically may prevail for individuals, organizations, or groups were there no development intervention." OECD. Glossary of Key Terms in Evaluation and Results Based Management. Development Assistance Committee. Paris [no date]

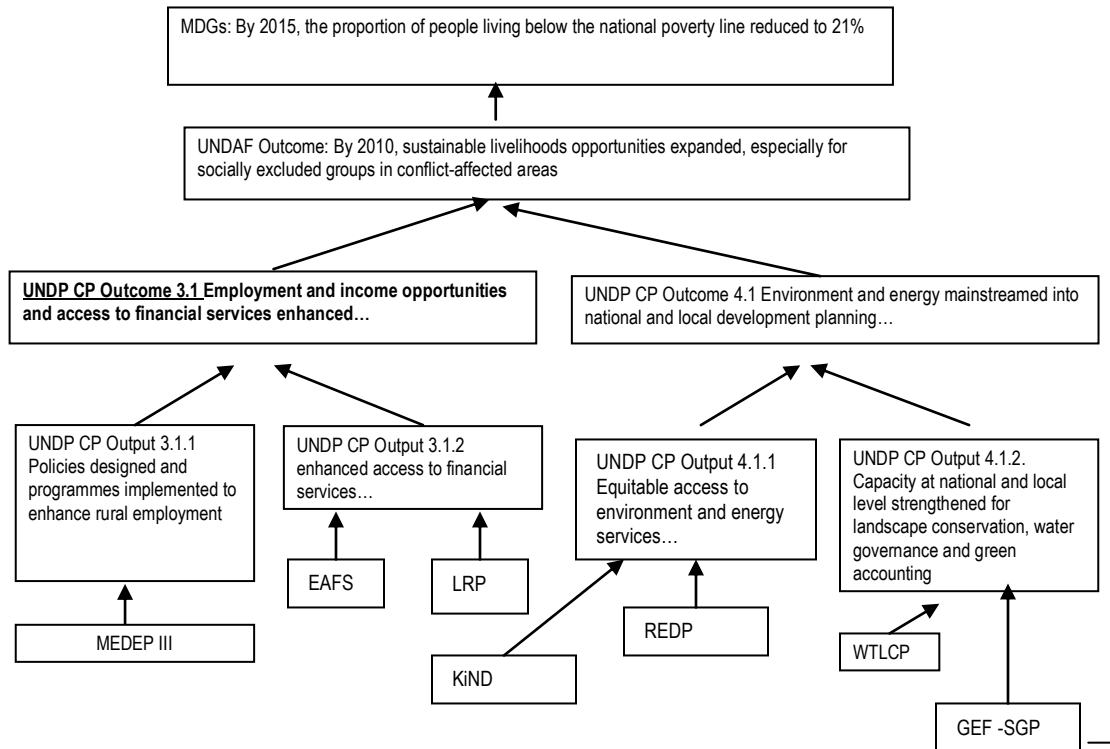
¹⁶⁷ Source: UNDP Guidelines for outcome evaluators. New York, 2002

¹⁶⁸ Although people living with HIV/AIDS and the incorporation of ex combatants were target groups of the outcome, the Team did not have the opportunity to interact with these groups. Therefore, they cannot be considered as part of the evaluation.

- r) Results achieved by “Micro-Enterprise Development Programme” (MEDEP III) *drawing primarily on the findings from the Impact Assessment.*¹⁶⁹
- s) Preliminary results and strategies of “Enhancing Access to Financial Services” (EAFS) as well as potential institutional synergies between the micro-enterprise programme and the access to finance programme
- t) Potentials of the “Livelihoods Recovery for Peace” (LRP).

Graph 1. The UNDP CP Outcome 3.1 Results Chain

Source : Adapted from : UNDP. Gender & Social Inclusion Sensitive Monitoring Information System (GSI-MIS), Kathmandu, August 2008



Prong 2:

- u) Results achieved by “Western Terai Landscape Complex Project” (WTLCP) based on the Mid Term Review findings. And lessons emerging from the GEF Small Grants Programme— which supports local interventions promoting environmental benefits and livelihoods enhancements activities.

¹⁶⁹ During the OE implementation it became official known that findings from MEDEP’s Impact Evaluation [IE] would not be available to the OE as stipulated in TOR. As consequence, there were permanent implications on OE’s expected results. MEDEP had been evolving nationally for more than a decade in terms of livelihoods so key quantified results would not be available for the OE’s assessment at the macro level. Thus, it was no longer possible to carry out the OE as anticipated in TOR because significant data would not be available. Therefore, the Team indicated that they [Inception Note & Debriefing Report] “will examine largely those outputs that contribute directly to the realization of the outcome to ensure an outcome focus.” And “results globally achieved ...without quantification.” since quantification will be provided eventually by the MEDEP’s Impact Evaluation.

- v) Results achieved by REDPIII based on the Winrock Impact Assessment as well as the value-added enterprises conducted within REDP and other initiatives, such as the KiND project.

In so far as project timeframe is concerned, both prongs contain projects with longer implementation time than the current CP. Although LRP and EAFS have recently started up, their implementation time is 5 and 4 years, respectively. The GEF/UNDP project WTLC's implementation is anticipated for 8 years while MEDEP III and REDEP III have been operation for more than a decade, respectively. The implications of these facts are discussed below.

II.3 Method

Conducting an OE is neither evident or straightforward. The outcome path is fraught with a host of influencing factors.¹⁷⁰ Concretely, the projects in both prongs contain key characteristics of the current CP, i.e. they are oriented toward poverty alleviation and livelihoods expansion in a varied ecosystems while attempting to reach remote communities and excluded groups and also focusing on capacity development with synergistic potential. However, there are pertinent influencing factors that should be taken into account to substantiate a measure of credibility.¹⁷¹ Under the circumstances, the Team will use its best evidence-based professional opinion to carry forward the logic of evaluative analysis and reporting. In this light, the key influencing factors have been subsumed under the following issues. It must be noted that in this process, Management provided insightful comments for the deconstruction of the outcome and the procedures for analysis. Their support was invaluable.

1. Information on the outcome. As discussed below, baseline data is budding. The information on the progress and status of the outcome that would normally have been gathered through systematic outcome monitoring is germinating with vigour. As expected, there are weaknesses in associated indicators and targets that do not satisfy the “SMART” criteria or that have not been subject to systematic monitoring. Thus, the Team has used contextual information, project documents, and information from stakeholders to estimate approximately where the baseline was when the programme or intervention started. Whenever possible, proxy indicators have been used that revealed performance trends so as to raise awareness of problems or success areas.

2. Outcome performance. Due to the variations in timeframes, scope and design among projects, it was necessary to deconstruct the outcome; that is, since an outcome has several dimensions that cannot be tallied in a set of indicators, the outcome was deconstructed into its various parts so as to focus more on the local or organizational level changes implicit in the outcome rather than the overall, aggregate and national-level changes.

3. Project-based approach to outcome evaluation. It was not possible to take the outcome as the starting point of the evaluation as linkages between projects programmes and CP outcome were unclear. The Team used an outcome-oriented project evaluation, that is, a project was linked to the outcome and then it examined the way in which it may have plausibly contributed. This was complemented by

¹⁷⁰ This is as it should be since an OE intends to ascertain the overall effect that a set of initiatives have had on the sector as a whole. Within the results framework, UNDP or any other donor can control factors up to the level of outputs. There are far too many factors beyond the control of donors in the outcome path and even more so at the level of impact.

¹⁷¹ For example, there are discrepancies between the CP's timeframe and the projects' timeframe in both prongs. The methodological implications of this are clear. Firstly, in the context of contribution to results, it is evident that an undetermined portion of outputs and outcomes have been generated from projects/programmes from previous CPs. Secondly, the information available to assess the outcome is per force fragmentary, that is, it is composed of fragments disconnected in time.

examining UNDP's partnership strategy used by the project and the effects these have had on the outcome in question.

The logic of the situation, therefore, impelled the deconstruction of the livelihood outcome into three outcome-themes.

[1] Energy Theme. It reviewed the results achieved by REDP III, based on the Winrock Impact Assessment, as well as the value-added enterprises conducted within REDP III, encompassing initiatives, such as the KiND project. It incorporated selected livelihood interventions to gather lessons learned from environmental projects [WTCL and GEF/SGP] based on the WTCL Mid Term Evaluation and GEF/SGP's success stories. Logically by implication lessons learned from current practices in NRM has been drawn.

[2] The Micro-enterprise & Livelihood Strategies Theme. It reviewed outputs that contributed directly to the realization of the outcome, such as, the behaviour of micro enterprises and the different livelihood strategies arising from different social segments and gender which influenced performance. However, it did not measure to what extent the performance of these micro enterprises has contributed to the realization of the outcome. Presumably these figures will be provided by the MEDEP Impact Evaluation. In addition, the early results of the EAFS initiative has been discussed in the context of the Outcome.

[3] Equality and Inclusion Theme. It conducted a cross cutting analysis of current strategies and procedures to deal with Equality & Inclusion in the context of the following projects: REDP III, KiND, MEDEP III and WTLCP. Also, a detailed analysis was conducted on the LRP initiative to establish the extent to which relevant policies of equality and inclusion are being applied. A sharp focus has been given on structural factors giving rise to exclusion and inequality. Lessons learned have been drawn to propose operational recommendations for the forthcoming Programme.

II.4 Baseline and Monitoring Data on CPAP 2008-2010

In countries under conflict situation, the monitoring function of projects is a considerable challenge. The priority is to deploy quick-results to assist the population. More often than not, it is difficult to record benefits, although the cost side is reasonably covered. Thus many of UNDP accomplishments are often either underestimated or unrecorded.¹⁷² For example, the CPAP Monitoring Framework - Indicators Tracking Table [last updated in 2009] provides germinal information for the evaluation the livelihood outcome [Outcomes and Outputs 3.1.1]. As indicator for the outcome, it proposes the "[proportion of population below national poverty line \(disaggregated by caste/ethnicity\)](#)". As baseline for 2007, it provides the national figures of 31 %. It then suggests as Target for 2010 the national poverty target of 24%. However, for the years 2008 and 2009 "no new data" is available.¹⁷³ This is the best that can be done given the circumstances.

¹⁷² UNDP in adverse circumstances such as in Sudan, Afghanistan, Iraq, and Liberia had to employ the quick-results approach. The debate is open on the merits of such approach; however, no better alternative looms on the horizon. Perhaps the crux of the issue is if UNDP, through the quick-results approach, can still articulate a corporate vision and focused programmes under conditions of crisis and chaos.

¹⁷³ The Team agrees with Management that the outcome indicator "proportion below the national poverty line", as determined by the Nepal Living Standards Survey, though not necessarily the best indicator for a CPAP monitoring framework, as the survey is only conducted every 5 years, is the second best indicator. There was no other regular survey data providing a relevant indicator. This one is at least aligned with Government indicators and provides a proxy macro-level indicator for the "status of the outcome." This situation illustrates the fact that monitoring is a second-tier system, it depends on a national service that provides statistics.

Nonetheless, it cannot be overemphasized that baselines are the fundamental keystone to gauge change; without baselines we cannot measure change. However, there is a nascent trend to develop and use baselines that needs continuous strengthening.

- Winrock conducted a development results assessment based on REDP socio-economic surveys conducted at the beginning of each intervention in the programme communities [Winrock, page 18]. This is an example of proxy monitoring data. However, what is informative is that REDP did not continue carrying monitoring work from 2008 onwards based on the Winrock study. Nonetheless, it must be acknowledged that REDP did a considerable effort to update the monitoring information for the OE.
- WTLC has the resources and is mandated to carry out a baseline data including socioeconomic indicators and biodiversity indicators using GIS in Year 1 [Prodoc, page 2-3]. Five years later, the MTR gives the understanding that the baseline is not yet ready. One of the expected output of Year 2 was GIS maps of land use. This could make a difference in the sustainable development of the Western Terai because it would be possible to calibrate the rate of the resource exploitation in function of the demand, thus, avoid rapid depletion and waste.¹⁷⁴

The lack of “M&E culture” is common in most developing countries and many developed countries as well. There is improvement when strong national leadership emerges and is carried out by one or two national leaders—according to the findings of the WB.¹⁷⁵

II.5 Evaluation Procedure

Operationally, these three outcome-themes were the subject of the outcome assessment proper. However, as there is only one outcome, therefore, the analysis corresponding to the “status of the outcome” and “UNDP partnership strategy” was conducted for the whole outcome. The other two components [factors contributing to the outcome-theme and UNDP’s contribution] were conducted in the context of the three outcome-themes. Thus the task of the Team has been fourfold.

1. Status of the outcome. It was assessed in whole for the outcome. It reviewed the status of the outcome, changes that have taken place within the outcome or sectors associated with this outcome, whether they be employment, income opportunities or access to finance; this review was done in terms of its baseline, indicators, the contextual information contained in the compendium of documents and the means to validate information.
2. Factors contributing to the outcome-theme. It was assessed according to the three outcome-themes. It explained these changes with reference to specific contributing or impeding factors of relevance to the Nepalese context, whether they be the root causes of poverty, limited market opportunities for growth, levels of security or ethnic conflict; in short, ascertaining the major drivers for change and/or sources or inachievement of the outcome-themes;
3. UNDP’s contribution to the outcome-theme. It was assessed according to the three outcome-themes. It assessed UNDP’s contribution to changing outcome-themes: is UNDP country office strategy and management coherently focused on change at the outcome level; is the UNDP planning and management aligned to exploit synergies in contributing to outcomes; are individual outputs effective in contributing to outcomes—the key criterion in this regard is the plausibility of the linkage between UNDP and the outcome-theme;

¹⁷⁴ One dictum of geo-space science is that contrary to the belief that only rich countries have accurate maps, countries become rich because they invest in accurate maps.

¹⁷⁵ WB. How to Build M&E Systems to Support Better Government. World Bank Independent Evaluation Group. Washington, D.C., 2007. <http://www.worldbank.org/ieg/ecd>

4. UNDP’s partnership strategy. It was assessed in whole for the outcome. It inquired whether UNDP’s partnership strategy, i.e. the design, the arrangements together with performance and the implementation of partnership, was accountable for change that occurs at the outcome level.

II.6 Evaluation Implementation: Timeframe

The evaluation research has taken place in five phases each involving different approaches to information collection and analysis, as described in Table 1.

Table II.1 Evaluation Phases – Procedures for Information Gathering and Analysis

Phase	Dates
1. Evaluation Planning: Submission of Inception Note	13 – 20 Sep
2. Field Work	21 Sept – 7 Oct
3. Debriefing Session : Preliminary Synthesis from Field Interviewing and Observations	8 – 13 Oct
4. Mission Draft Report: Integrate Compendium of Documents with Field Synthesis for Submission of Draft Mission Report	14 Oct – 8 Nov

Phase I : Evaluation Planning

The evaluation planning’s objectives were the following:

1. Make initial contact with key stakeholders and review responses to initial queries. This involved interviews with senior UNDP management, with programme unit heads or their programme managers with special emphasis on the topics assigned to the evaluation unit for review. Cf. Annex III: List of Persons Met.
2. Reconfirm the inventory of projects for review followed by a cursory examination of the list to ensure the list was appropriate and there was full agreement between the Team and the programme managers on the projects to be reviewed.
3. Assemble an extensive compendium of documents including project documents, planning documents, programmatic and background documents on programme rationales, policy documents on UNDP’s involvement in Nepal’s recent Comprehensive Peace Accord (CPA) as well as documents reviewing issues in the Country Office. Copies were made of principal materials in the compendium for all members of the Team who reviewed and commented on them in order to ensure all were similarly familiar with the historical context and with the range of view points regarding the activities of the UNDP Country Office for Nepal.
4. Identify key issues in the UNDP Country Office which would, in addition to the retrospective outcome evaluation research, require investigation for the prospective component of the evaluative analysis. A list of key prospective issues included: 1) identify the conditions for pro-poor growth, 2) improved communication among project teams to induce synergies on the ground, and 3) issues associated with the Country Programme strategy for the next cycle.

Phase II: Field Work

Based on the Inception Note,¹⁷⁶ the field work was conducted in the following locations : Far Western Region (Kailali, Kanchanpur and Dadeldhura districts), and the Central Region (Mahadevsthan, Khimti, Mahottari and Sarlahi districts). It was deemed essential by the Team and UNDP evaluation managers that the outcome evaluation be evidence-based. To this end, a research matrix was designed to ensure a focused investigation which was part of the Inception Note. This matrix was essential as there were various beneficiaries with different livelihood

¹⁷⁶ This was finalized and submitted on 20 September 2010. Outcome Evaluation : Inception Note UNDP/ Nepal Country Programme Action Plan (CPAP) for 2008-2010. The Note contained a research matrix to undertake focused investigations and to coherence and reliability.

approaches operating under different ecosystems and production modes. In this manner, the same evaluation questions, emanating from TOR, were posed to all respondents, under the same evaluation criteria, defined by UNDP outcome evaluation guideline.

Table II.2[a] gives the number of respondents contacted and interviewed with open-ended interview under the framework of the research matrix used during the field work.¹⁷⁷ Table II.2[b] shows respondents by caste/ethnicity and region.

Table II. 2[b] Type and Number of Respondents

Respondent Type	Far Western Region			Central Region			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Local Govt or Line Agency Off	4	2	6	12	3	15	16	5	21
NGO or Civil Soc Member	5	4	9	12	7	19	17	11	28
Community Leader	13	10	23	8	3	11	21	13	34
Group Mbrs HH Mbrs	117	145	262	78	112	190	195	257	452
Total Respondents	139	161	300	110	125	235	249	286	535

Source : Evaluation Team Estimates

Table II.2 [b] Respondents by Ethnicity/Caste and Region

Respondent Ethnicity/Caste	Far Western Region	Central Region	Total
Terai Dalit	-	132	132
Hill Dalit	61	14	75
Terai Janajati	40	7	47
Hill Janajati	45	22	67
Terai Brahmin-Chhetri	-	8	8
Hill Brahmin-Chhetri	138	50	188
Other	16	2	18
Total Respondents	300	235	535

Source: Evaluation Team Estimates

Phase III: Debriefing session : Preliminary Synthesis from Field Interviewing and Observations

At the conclusion of the Field Work each Team member summed up the information from field interviewing and observations to prepare a preliminary listing of findings, conclusions and recommendations. These syntheses served [1] to identify the main lines of argument about the outcome under review, and [2] to conduct a validation with UNDP senior management, with programme unit heads, programme managers and other stakeholders. The Debriefing Report was based primarily on the field interview data and observations. It took place on 13 October. It allowed for an early validation of key conclusions and recommendations.

Phase IV. Preparation of Mission Draft Report: Integrate Compendium of Documents with Field Synthesis for Submission of Draft Mission Report

¹⁷⁷ Cf. Outcome Evaluation : Inception Note UNDP/ Nepal Country Programme Action Plan (CPAP) for 2008-2010, pp 6-9

It had been agreed among the Evaluation Team and in discussions with UNDP senior staff to utilize four evaluation criteria in the final analysis of UNDP's performance in meeting the Livelihood Outcome together with a rating procedure. Data had been collected and interviews conducted with these criteria in mind. The concluding section summarizes UNDP performance for the Livelihoods Outcome according to these four criteria and the rating procedure.

Evaluation Criteria

- 1. Results Achievement:** the extent to which the project intervention has met development objectives or otherwise, on the intended beneficiaries.
- 2. Sustainability:** the extent to which the project's positive changes can be expected to continue after funding has terminated. An essential component of sustainability is the extent of national or local ownership, a measure of how fully national and local organizations assume responsibility for the UNDP projects and their outcomes.
- 3. Relevance:** the extent to which the stated objectives and expected results of the project are consistent with (1) the aims of the Government of Nepal, of UNDP/ CPAP and other key stakeholders and (2) the actual needs of the intended beneficiaries.
Effectiveness: the extent to which the outcome has been achieved or progress has been made towards it.
- 4. Partnerships:** the extent to which (1) UNDP has made significant contributions in terms of strategic outputs, (2) whether UNDP's in-house planning and management of different interventions has been aligned to exploit synergies in contributing to outcomes.

Rating Procedure

The rating procedure follows UNDP common rating system under the RBM framework.¹⁷⁸ For outcomes the rating procedure has three points: positive change, negative change and unchanged (no change). This Evaluation has introduced a nuance in each of the three points given the complex situation of the CPAP under review.

Positive Change

Highly Satisfactory (HS) Project is expected to achieve or exceed all its major objectives, and yield substantial benefits, without major shortcomings. The project can be presented as "good practice" [90-100];

Satisfactory (S) Project is expected to achieve most of its major objectives, and yield satisfactory benefits, with only minor shortcomings [80-89];

Marginally Satisfactory (MS) Project is expected to achieve most of its major relevant objectives but with either significant shortcomings or modest overall relevance. Project is expected not to achieve some of its major objectives or yield some of the expected benefits [70-79];

Negative Change

Marginally Unsatisfactory (MU) Project is expected to achieve its major objectives with major shortcomings or is expected to achieve only some of its major objectives [60-69];

Highly Unsatisfactory (HU) The project has failed to achieve, and is not expected to achieve, any of its major objectives with no worthwhile benefits [40-49];

Unchanged

Unsatisfactory (U) Project is expected not to achieve most of its major objectives or to yield any satisfactory benefits [50-59].

From the prospective standpoint, the following strategic issues were identified during the Phase I: 1) identify the conditions for pro-poor growth, 2) improved communication among project teams to induce synergies on the ground, and 3) issues associated with the Country Programme strategy for the next cycle. They have been essential in understanding the programming in general and are important factors in strategies to improve performance. Discussions were held on these issues during the debriefing session and in focus group discussions, one-on-one interviews and in informal round table discussions. The discussions informed brief analyses of these issues which have been included in the second half of the report.

ANNEX III

LIST OF PEOPLE MET

Kathmandu

13 September 2010, M&E, UNDP

¹⁷⁸ Cf. UNDP Handbook on monitoring and evaluating for results. New York, 2002, pp 64-65

1. Ms. Heather Bryant, M&E Analyst, UNDP
 2. Mr. Dharma Swanakar
- 15 September 2010, REDP
1. Mr. Kiran Man Singh, NPM
 2. Mr. Bhupendra Shakya, Rural Energy Development Advisor
 3. Mr. Keshav Pradhanang, Rural Energy Advisor
 4. Mr. Bhisma Pandit, RE Advisor
 5. Mr. Saurav Parajuli
 6. Mr. Narendra KC
- 15 September 2010, Environment Unit, UNDP
1. Mr. Vijaya Pd. Singh, ACD
 2. Ms. Dibya Gurung, Bio-diversity Analyst
 3. Ms. Anupa Rimal Lamichhane, Programme Officer
- 16 September 2010 WTLCP Briefing, Ministry of Forest, Department of Wildlife Conservation
1. Mr. Jagannath Koirala, National Project Coordinator
 2. Mr. Dinesh Karki, Biodiversity Conservation Officer
 3. Mr. Prakash Man Shrestha, Communication and Documentation Officer
 4. Mr. Basanta Shrestha, M & E Officer
- 16 September 2010, MEDEP Project Briefing
1. Dr. Laxman Pun, NPM
 2. Dr. Bhimendra B. Katwal, Value Chain Development Consultant
 3. Mr. Narendra Rasaili, Marketing and Appropriate Technology Specialist
 4. Mr. Gokul Pyakurel, Institutional Development and Micro-Finance Specialist
 5. Ms. Nabina Shrestha, UNDP
- 16 September 2010, SNV
1. Mr. Derrick Sanyahumbi, Inclusive Business Consultant
 2. Ms. Araceli Lioret, Portfolio Coordinator
- 17 September 2010, Enhancing Access to Financial Services (EAFS), Bishal Bazar, Kathmandu
1. Mr. Janak Adhikari, National Project Manager, Nepal Rastra Bank
 2. Mr. Govinda B. Raut, Project Officer
 3. Mr. Jhanka N. Shrestha, DTA
 4. Mr. Dhananjaya Jaisawal, Project Officer
 5. Mr. Phanilal Chaudhari, Linkage Coordinator
 6. Mr. Abhaya Bhadr Singh
 7. Ms. Roji Joshi, UNCDF, Project Officer, Governance and Micro-Finance
- 17 September 2010, ILO, Kathmandu
1. Mr. Shengje Li, Director
- 17 September 2010, UNDP
1. Mr. Jorn Sorensen, Deputy Country Director (Programme)
- 17 September 2010, Livelihoods Unit Briefing, UNDP
1. Ms. Lazima Onta-Bhatta, Assistant Country Director, UNDP
 2. Ms. Roji Joshi, Project Officer, UNCDF

20 September 2010, UNDP, Kathmandu

1. Ms. Kasumi Nishigaya, Senior Gender Advisor

29 September 2010, Ministry of Industry

1. Mr. Pratap Kumar Pathak, Secretary
2. Mr. Dhundi Raj Pokharel, National Project Director

4 October 2010, NARMA Consultancy, Impact assessment of MEDEP

1. Mr. Birendra Bir Basnyat

4 October 2010, MEDEP Project Formulation Team

1. Mr. Bhimendra Katwal
2. Mr. Narahari
3. Ms. Anet
4. Ms. Nabina Shrestha, UNDP

4 October 2010, FNCCI

1. Mr. Kush Kumar Joshi, President
2. Mr. Krishna P. Tamrakar, Vice-President
3. Mr. Pradip Maharjan, Chief Executive Officer, Agro-Enterprise Centre (AEC)

5 October 2010, NMEGA (new name is NMEFEN)

1. Mr. Lakpa Lama, Vice-Chair
2. Mr. Krishna Rai, Programme Manager
3. Mr. Tek Raj Dangi, Outlet Team Manager

5 October 2010, National Entrepreneurship Development Centre (NEDC)

1. Mr. Ashok Bhujel, Manager

11 October 2010, AusAid

1. Ms. Tara D. Gurung, Country Manager

11 October 2010, UNDP/GEF-Small Grants Programme

1. Mr. Gopal Sherchan, National Coordinator
2. Mr. Vivek Sharma, National Programme Assistant

13 October 2010, Livelihoods Outcome Evaluation Debriefing, UNDP

1. Ms. Anjani Bhattarai, PO, UNDP
2. Mr. Kiran Man Singh, NPM, REDP
3. Mr. Anil Shrestha, VCD Advisor, SNV
4. Mr. Jhank N. Shrestha, DTA, EAFS
5. Mr. Dhananjaya Jaisawal, PO, EAFS
6. Mr. Ashok Bhujel, Manager, National Entrepreneurship Development Centre (NEDC)
7. Mr. Krishna B. Rai, Programme Manager, National Micro-Enterprise Federation Nepal (NMEFEN)
8. Mr. Lakpa Lama, Vice Chairman, NMEFEN

9. Mr. Rajan KC, MES, MEDEP
10. Ms. Anne Isabelle Degryse-Blateau, Country Director, UNDP
11. Mr. Jorn Sorensen, DCD, UNDP
12. Mr. Robert Piper, Resident Coordinator, UNDP
13. Ms. Heather Bryant, Program Analyst, ME UNDP
14. Mr. Vijay Singh, ACD, UNDP
15. Ms. Lazima Onta-Bhatta, ACD, UNDP
16. Mr. Laxman Pun, NPM, MEDEP
17. Mr. Tek Gurung, SL Consultant, PPPSL Unit, UNDP
18. Ms. Nita Neupane, Program Officer, ILO
19. Mr. Pradip Maharjan, CEO, FNCCI-AEC
20. Mr. Binod Lamsal, CFO, UNDP

21. Mr. Shatan . Khadka, Consultant, PBRU/UNDP
22. Ms. Kalpana Sorkar, PO, UNDP
23. Ms. Sangita Khadka, Communication Officer, UNDP

ANNEX IV :

LIVELIHOODS CASE STUDIES

MEDEP CASE 1: Transformation of economic status and expansion of micro-enterprise

Mrs. Damai, a poor Dalit woman from Dadeldhura, obtained a loan of Rs. 8000 from ADBL on the recommendation of MEDEP. She invested this money to buy fabrics from an Indian border town and started a tailoring shop in the market. She already had sewing skill as this is her traditional occupation. The customers knew about her skills and the quality of her work, so there was more than enough demand to occupy her full time. In one month, she made an income of Rs. 14,000 from this investment. She was keen on expanding her enterprise. She obtained additional loan of Rs. 20,000 from another bank and purchased additional machines. Now, she owns 2 hand machines and two interlock machines. With the income from her tailoring business she has now bought a land in Dadeldhura worth Rs. 300,000, constructed a wooden house with three rooms for about Rs. 150,000, and organized wedding for her two children. The secret of her success, as she stated, is that she receives full cooperation from her husband in her tailoring business, the children help out in her work, there are no domestic fights, and the money they earn is not wasted in alcohol, smoking or gambling, but rather is used to improve the business, build assets or meet other family needs. She faced two major difficulties in her business so far. First, she needs to pay the installment to the bank every 15 days irrespective of her income. Second, sometimes the security people on the Indian border confiscate the fabrics she buys in India.

Source: Field notes

MEDEP CASE 2: Interest for expansion, improvement and diversification of micro-enterprise

The poultry farmer group of 5 youths (all below 35 years of age) from Khimti received a seven-day training and a matching fund of Rs. 165,000 to construct a shade for poultry farming. Electricity would be used for lighting and regulating the temperature in the shade. The shade is under construction. This is a mixed group of Dalit, Magar, Chhetri and Sanyasi. Of the five members one is women. The group members are generally poor. All of them have been doing poultry farming at home and on a small scale from the past. So they are not new to the poultry business. Two members of the group have some skills of identifying poultry diseases and administering treatments. They have divided different roles for each group member, such as watching the farm at night, feeding, procurement of feeds, selling and so on. According to them, as they are a mixed group of different backgrounds, they complement each other, undertake roles that each of them can do better than others, get inspiration and encouragement from each other, learn from one another and excel in their respective area of competence. As a group they started with a medium scale production of 500 broilers in a separate smaller shade, and earned a net profit (all costs deducted) of Rs. 35,000 in two and one-half months. One member is employed full time and earns Rs. 4500 per month. 500 live chickens are easily marketed locally. There is little competition locally as other poultry farms have now closed down because they could not withstand temporary losses. The group had received a demand for 3000 kg, but they could not meet full demand. Contract farming with Kathmandu based buyers would not be a good option for them because it is not as profitable. They plan to grow their poultry farming incrementally and produce up to 2500 broilers at one time. They would apply for loan at a local cooperative of which they are members. Their plan is to supply poultry to the local market as well as neighbourhood markets. So far they are only selling live chickens. They are now interested to undertake value addition and sell their products in vacuum packs. They are interested to receive training on poultry diseases and treatments, vacuum packing and production of other poultry meat products. The training they received so far was found adequate to start up the business because they already have had a fair idea of the poultry market and their scale of operation was rather modest. Now they are interested to expand their business and would need more advanced professional support in accounting, pricing, marketing, quality assurance, packaging and labelling. The Enterprise Development Facilitators assigned by an NGO are not well equipped for this level of support in terms of the skills, experience and time they have. The NGO is contracted by MEDEP for part-time work and the payment is generally based on the number of new people trained with the MEDEP package. This arrangement is not oriented to cater to the support requirements of the existing entrepreneurs in the process of their growth. A different administrative arrangement and level of support would

be needed to help the aspiring enterprises to grow.
Source: Field notes.

MEDEP CASE 3: Diversification of micro-enterprise and entering into social service

Mrs. Khadka, a woman from Dadeldhura, operates a beauty parlour in the town. She had the beautician's skills from before. She took a loan of Rs. 20,000 from Nirdhan at an interest rate of 18 per cent per year. She would have invested more if more credit would have been available. However, according to Nirdhan policy, she would be eligible to receive additional loan of Rs. 40,000 only after utilizing Rs. 20,000 for one full year. She is required to pay an installment of Rs. 800 to the bank every two weeks. In the absence of additional funds, she has been limited to expand her business even though there is good market for her service. Many customers have to be sent back without being served for lack of additional helping hands. The finishing and the quality of her work are appreciated by the customers. The skill she learned in 1990 in India, where her father was serving in the Indian Army. Her husband is a service holder. They have two school going children. In addition to doing her business, she is also involved in social service work, especially to give orientation to parents of young children. She motivates parents to send their children to early childhood classes. She has gained great amount of self-confidence. Her social status has also improved because of her business. She occasionally gets invited in public functions and is asked to make speeches. She has now diversified her enterprise. In addition to the beauty parlour, she is also running a tailoring shop, specializing in women's suits. She got product design training and learned about patterns and colours from MEDEP. She herself does the cutting and stitching of women's suits. She gives a lot of choices to the customers with various designs and colours, and they like it. She also trained one person the skills she has. But this person left her because a more attractive salary was available for this new skill elsewhere. She has hard time finding another skilled person locally. As soon as they get the valuable skills, they tend to leave. Bringing in skilled people from outside is more costly, because they need to be relocated.
Source: Field notes

MEDEP CASE: 4 Continuity of traditional patron-client system in modern business

Mrs. M. Damai, a Dalit women from Dadeldhura, has tried to capitalize on all types of possibilities that existed for utilizing her tailoring skills. She received entrepreneurship training from MEDEP as well as a three-month training on tailoring. She operates a tailoring shop combined with a fabrics and a ready made garment shop. She buys her fabrics from India where the price is relatively cheaper. She provides tailoring services to the customers on demand, gives them a choice of fabrics for their dress, and produces and sells ready made garments. She also takes the ready made garments for sale to the villages where her traditional customers reside. In addition to operating a modern tailoring business based on cash transactions, she has continued to provide tailoring services to her traditional patrons, locally called Balighare, against annual payments in kind after harvesting major crops such as rice, wheat, maize and potato. Some of her traditional customers now reside in town and they prefer to pay her a lump sum amount of Rs. 1000 annually rather than make the payment in kind. According to her, the traditional service relationship is no longer exploitative that it used to be in the long past old days. Now many people have moved out of the villages, so the workload for her is significantly reduced. Young people who are still in the villages, now prefer more fancier and ready made dresses imported from outside. This also implies that she does not have to stitch dresses for these young people any more. Now she has to stitch cloths once or twice a year only for the elderly people and little children who still remain in the village. Even though the workload is drastically reduced, the annual payments in kind she receives from the patrons remain the same. She finds it economically in her favour to continue to serve the Balighare patrons. She does the cutting and stitching herself. Her husband and son also help her out in the business. She is herself an illiterate but she has received training on account keeping. She holds a certificate from CTEVT. Initially she started her business with the capital of Rs. 10,000. This just doubled in a month. Currently, she is earning a net income of Rs. 20,000 per month from her business. Previously she had only half ropani of land and one little thatched hut to live in. Now, she has bought 2 ropanis of land, built a concrete house worth one million rupees. She raises some goats that give her additional income. Previously she also tried to keep cows, but later discontinued because cows needed more time and care from her. She has not been able to expand her business further than this because of the shortage of capital and the small number of people available to work for her. There are also risks involved in bringing fabrics from across the national border.
Source: Field notes.

MEDEP CASE 5: Discontinuity of patron-client relationship and adoption of sale for cash

In Dolahka, MEDEP promoted a micro-enterprise of a group of 5 traditional iron smiths who, in the past, worked on an individual basis and produced iron implements manually for agriculture and domestic purposes. With MEDEP support they have now procured machines to facilitate the production of implements and constructed a shed for operating the workshop. These iron smiths traditionally worked for a number of landowners in return for an annual payment of a set quantity of grains (locally called Balighare system). Now they work for their customers for cash, and they find this arrangement much more favourable to them in financial terms. The group members are close family relations and they divide the work in the workshop among themselves. Women also assist in some tasks. Each member earns a net income of about Rs. 2500 per month. Their children go to school. However, not much has improved in the workshop in terms of cleanliness, sitting arrangements and display. The working space and habits continue to be traditional though some new machines have been added. Alcohol consumption still continues. The nutrition status of these artisans did not look satisfactory, and they looked quite old even in their 40s. The finishing of the products is not so fine to be competitive in the national or international markets. Their market is local only. There is little competition in the local market because they are the only ones producing agricultural implements in the neighbourhood. They want to expand and diversify their business in the near future. They are interested to produce some copper and silver items in the near future. Further training and financial support are what they expect from support organizations in order to help them expand and diversify their enterprise and improve the quality of their products.
Source: Field notes.

MEDEP CASE 6: Selection of wrong product and inadequate market assessment

Mrs. Gharti Magar, a Janajati woman, is one member of a group of 8 promoted by MEDEP in Dadeldhura. During the training provided by MEDEP for new entrepreneurs, the trainers had given a briefing about the profitability of starting a few businesses, including that of making incense sticks. They had told that as raw materials for incense sticks, bamboo, charcoal and the bark of a tree called Kaulo were locally available and that only the scent had to be obtained from outside. The women of this group liked the idea of starting the incense sticks enterprise, learned the skill and began the production in full swing. However, after going through a few cycles of production, they realized that they had made a wrong selection of the enterprise and that it was not profitable for them at all. They approached the MEDEP field

people and briefed them about the situation. However, MEDEP staff advised them that they should continue with the enterprise they selected initially rather than change it on the midway. Unwillingly they continued though the difficulties were persisting. Kaulo had to be obtained from distant villages. The bark was so hard that the grinding mills in town refused to grind it. For grinding, the women needed to take the bark to traditional Ghatta (water mills) that were located at some distance. Scent was not available locally so it had to be procured from Dhangadhi or India. The enterprise was occupying so much of their time that they had hard time giving proper attention to their children and their home affairs. This created some uneasiness in family relationships. Despite all this, they could sell only a small amount of their products in the market, that also at a very cheap price. People preferred to buy incense sticks coming from India. The Indian products came in attractive packaging, had better quality of scent, were available at competitive prices, and some brands also offered a match box as a bonus to the buyers. As a result of all this unfavourable condition, gradually all except two women discontinued their association with the group. The remaining two women continued to produce incense sticks just enough for use in their households rather than for market. They have, however, diverted to hosiery production which they can do without having to travel much outside of home and for which they already have skills. According to them, even though this is not a very profitable business economically, they can engage themselves in the business for about 2 or 3 hours a day and earn about NRs. 1,200 net per month that supplements their income from other sources. Even though incense stick business proved to be a failure for them because no market assessment was done prior to starting production, they have learned good lessons from it. Thanks to the entrepreneurship skills MEDEP imparted on them, they have now the courage and a reason to correct the past mistakes and take up an enterprise that is better suited for them.

Source: Field notes.

MEDEP CASE 7: Quality of the products and quality of local leadership

In Khimti, MEDEP in partnership with KiND, has trained people in enterprise development and dalmoth (a dry and salty snack item of titbits made of some lentils and flour) making, among other things. Reportedly, there are seven members in the Dalmoth enterprise. The leader of the group already owns two private enterprises: a hulling and grinding mill and a noodle production unit. The leader is relatively better off economically from local standards. His noodle product carries a brand name and is popular in local and neighbourhood markets. MEDEP supported the procurement of equipments for Dalmoth production enterprise in an extension of the same building where the other two factories are based. The Dalmoth factory also carries the same brand name as his two other factories have. We were briefed that the group was working under the leadership of this experienced entrepreneur so the other members could learn from his business experiences. Obviously, very close monitoring and support would be needed to strengthen the group, to improve the quality of support and to see to it that the group enterprise does not end up in the hands of one or two people. The interest for growth was clearly evident from the expansion and diversification of the enterprise that this leader has started. He is also interested in vacuum packaging the Dalmoth and giving it his own existing brand name to facilitate better marketing. He is looking for a skilled person to make and vacuum pack the Dalmoth products. The hygienic quality of the production site and of the handling methods were not up to the mark even though the market tests of the Dalmoth products were reportedly positive. High quality Dalmoth of renowned brands from India and Nepal are available in city markets on competitive prices, though they are yet to penetrate the local stores. Small scale production of low quality Dalmoth produced in this factory is unlikely to survive the heavy competition though it may find a small niche in the local market temporarily. The risks of hazards to public health from low quality products are likely to be high. This is suggestive of the fact that undue emphasis has been given to production aspect of the enterprise without giving proper attention to quality and market assessment aspects.

Source: Field notes

WTLCPCASE 8: Changes in income and quality of life

In a Kailali village, one poor woman, who is a member of a community forest user group is now engaged in the wholesale business of vegetables in the district and across the district. She gradually expanded her business from a small vegetable vendor to a successful whole seller. Thanks to the loan she could access from the user group. Herself uneducated, she employs a trusted relative to do the accounting for her. She hires local trucks to transport the vegetables to different places. Her business alone gives direct and indirect employment to a number of people. Out of her added income she is supporting her children in their education and nutrition. She has also been able to buy a piece of agricultural land and also own her own house. She is interested to expand her vegetable business and also diversify her enterprise. She would be interested to learn more about other potential enterprises, market possibilities, technical knowhow and credit availability.

Source: Field notes

WTLCPCASE 9: Previous bonded labourer on the path to transformation

A woman from Kanchanpur, who was a bonded labourer in the past, joined a savings and credit cooperative that was established with assistance from WTLCPC. She started saving in the cooperative and also accessed some loan. In her small plot of land, she grew vegetables and sold them in the market. She also bought vegetables from other farmers for sale. In addition, she farms other peoples' lands on a share basis. Her son works as a painter in India for the last three years and sends some money home. Now she has paid back all her loans and bought a piece of land. She has constructed her own house.

This woman is not strictly an isolated case. Many others in the same group are also enterprising and they are earning reasonably good income. These people are involved in a range of businesses including tailoring, rickshaw pulling, animal husbandry, cereal crop production, vegetable farming, grocery stores and food processing. In the group, one youth has returned from abroad to utilize the opportunities for earning income that are now available in the village. He is now engaged in carpentry, and is able to employ two more carpenters for about 4 months in a year. Some people who made their living by collecting and selling fuel wood from forests in the market have now shifted to rickshaw pulling that gives them better income and at the same time reduces pressure on forests. A college student has started operating her own tailoring shop and also serves as a trainer on tailoring upon demand. These are all just a few examples of real life changes that have taken place in one single village. This all was possible from the credit they received from the cooperative and the training and marketing links that were provided by expert agencies on behalf of WTLCPC.

Source: Field notes

WTLCPCASE 10: NTFP cultivation

A Kanchanpur farmer had planted camomile in 7 kattha of his land. He earned Rs. 65,000 by selling the camomile oil to the private sector company at the rate of Rs. 38,000 per litre. His total expenses in this business including all labour costs amounted to Rs. 24,000. He earned a net profit of Rs. 41,000 from his land. Before he started growing camomile, he used to cultivate wheat in this land. He used to

produce about 5 quintals of wheat that fetched about Rs. 10,000 at current price. Net income from wheat would have been only about Rs. 8,000 after deducting the costs. Therefore, camomile cultivation was found to be more than five times profitable compared to the traditional crop of wheat. The stories told by other farmers were also similar.

Source: Field notes

WTLCP CASE 11: Shortage of NTFP processing plants

Even for scaling up the production of camomile oil, the farmers are constrained by the scarcity of processing plants. In Jhalari VDC of Kanchanpur, 3 CFUGs and 65 groups of women and men are involved in camomile production and processing. Until recently, they had only one processing plant whose capacity was for 5 to 8 Bigha of camomile cultivation. They had cultivated camomile in more than 20 Bigha so the plant capacity was not enough to meet their needs. Now, farmers in a nearby location have bought one additional processing plant from their own resources. Still it is inadequate to process all camomile they produce. Installation of additional processing plant would necessitate an investment of about Rs. 8,000,000. The saving and credit cooperatives cannot provide such a big size of loan. Camomile production happens in the same time period in all locations. People cannot wait longer for processing because delayed processing would entail reduced oil production.

Source: Field notes

WTLCP CASE 12: Savings and Credit Cooperative

The case of a saving and credit cooperative facilitated by WTLCP at Baisi Bichawa VDC of Kanchanpur is a typical example of UNDP contribution to the outcome. There are a total of 1126 shareholders in saving and credit cooperative. A total of 655 shareholders are women, while the remaining 371 are men. The cooperative started only with 29 shareholders in the beginning, and the number of shareholders increased gradually. The shareholders come from 9 community forest user groups and 6 agricultural groups. WTLCP facilitated the cooperative to get registered at the district. It provided a 3-day enterprise development training to the interested members. A revolving fund was provided to the cooperative, from which the very poor people could access loans for investments on relatively easy terms, i.e., an interest rate of 8 per cent per annum. The loan from the revolving fund is made available to the very poor identified through a wellbeing ranking exercise. WTLCP also provided seed money to the cooperative for lending to the members in income generation activities (IGA). On top of all this, the shareholders regularly deposit their savings at the cooperative from where they can access loans for investment. The shareholders receive an interest of 6 per cent per year on their savings. The debtors are required to pay an interest of 12 per cent per year on the loan they take. The cooperative provides loans to individual shareholders either directly or through their respective groups. The loan takers need to have the guarantee of their own group and also the recommendation of the forest conservation committee which is a separate organization. All the members of the forest conservation committee are also the shareholders of the cooperative. This arrangement has proven to be conducive to promote discipline and check and balance in the operation of the saving and credit fund and in conservation. Those who are charged with offences in the forest are not recommended for loan. Likewise, loan defaulters are not allowed to collect forest resources that they need for their domestic purposes. This is such a strong sanction that people prefer to not do anything offensive to the forest and also not default on their loans.

Source: Field notes

WTLCP CASE 13: Shortage of irrigation for NTFP cultivation

Irrigation is a costly affair for the farmers cultivating camomile in Kanchanpur. WTLCP could have explored partnering with the irrigation office to supply irrigation facilities for camomile cultivation, but this opportunity was missed. Camomile fields need to be irrigated two or three times every month, especially in the dry and sandy soil of Kanchanpur. People have to line up for their turn to get access to deep well irrigation. The price per unit is Rs. 12. For each time, it would cost a farmer about Rs. 600 to irrigate the camomile field. This would mean that the farmer would spend Rs. 1800 per month for irrigation.

Source: Field notes

WTLCP CASE 14: Challenges of partnership with private sector companies

This case from Kailali and Kanchanpur exemplifies the benefits as well as challenges of forging partnership of the poor micro entrepreneurs with the private sector buyers or service providers. In parts of Kailali and Kanchanpur, private sector companies have installed mobile processing plants that add value to the raw NTFPs such as camomile or mentha. The private sector companies have also assured to buy the processed products on the basis of an agreement with the communities facilitated by WTLCP. Therefore, market for selling processed NTFPs has become available for the poor community members through the involvement of the private sector. The companies have also provided technical training and backstopping services to the communities regarding processing methods and maintenance of the processing plant. However, there are some serious challenges involved in the relationships between the private sector companies and the micro entrepreneurs and local communities. First, the micro entrepreneurs do not generally find the terms of business favourable for them because they said they were not getting a fair price for their products. To take an example, the micro entrepreneurs mentioned that the price quoted through mass media for a litre of camomile oil was Rs. 50,000. However, the price they received of a litre of camomile oil from the private sector company ranged from 20,000 to 35,000 depending on whether or not the company provided the processing plant. Even to receive this range of price they had to struggle very hard with the company. Initially the company had offered only Rs. 12,000 per litre. Second, the business linkages are highly monopolized by a few private sector buyers. The private sector buyers have a tendency to patronize the communities. They have not helped the communities in any way to find out diverse marketing possibilities, where they could get better prices for their products. They will have conflicts of interest in promoting better marketing possibilities for the local commodities. The quality of private sector assistance thus tends to be selfish and biased and can't be considered a panacea for the marketing problems faced by the micro-entrepreneurs. Third, the quality of the product itself is not a big concern for the private sector buyers and sellers so long as there is market demand. Only when items are to be exported through proper channels or the end buyers are more quality conscious, that quality considerations are given any importance. This is a matter relevant especially with the producers, middlemen and whole sellers dealing with edible products such as honey, pickles, juice, noodles and snacks. Finally, private sector has shown a general tendency to draw as much as possible from the natural environment, without taking any meaningful initiative to protect the natural environment or make additions to the natural resource base. This same tendency is observable also among government agencies, NGOs, projects or community groups. As an example, business in honey production relies on wild vegetation such as *chiuri* and *rudilo* in the hilly regions, and on other flowering plants and agricultural crops like mustard in the Terai. Bee hives are generally made of *Tuni* trees whose stock is declining. No

initiatives from any corner were made to protect the valuable trees, to plant more of such trees or to discourage the application of chemical pesticide on agricultural crops. MEDEP has recently taken initiative together with some other international agencies to facilitate lab testing of honey for chemical residues at the government department of quality standards.
Source: Field notes

ANNEX V

LIVELIHOODS, AGRICULTURE GROWTH AND POVERTY ALLEVIATION

5.0 Purpose¹⁷⁹

All the combined evidence from Livelihoods Outcome Evaluation indicates that the core of employment and income growth has been generated by fomenting development activities within the framework of peasant farms or subsistence agriculture. In this optic, the question arises as to what to do next in the area of livelihoods in the forthcoming programme. Two clear options emerge from the OE's overall findings.

- One option is to up scale nationally the two basic projects [REDP, MEDP] with improvements particularly in the area of equality and inclusion. To same extent this is already under implementation.
- The second option is to exploit the economic potential of peasant farms so they become sustainable farming operations linked with off-farm business including cottage industries. Although there is significant potential to create livelihood opportunities under this option, expanding subsistence agriculture must be accompanied by improved arrangements for the marketing produce and input supply. To put it differently, the transformation of a natural-resource-based agriculture into science-based agriculture demands a technological shift through sequencing technological innovations suitable to the ecology and social structure.¹⁸⁰ Otherwise, this option will not generate expected results.

Therefore, this annex intends to succinctly outline: 1- the structure of subsistence agriculture so as to clearly perceive 2- the current structural constraints to transform subsistence agriculture into sustainable farming system, 3- sketch out the preliminary framework and tools needed to enhance subsistence agriculture as source of livelihood opportunities under the current institutional context.

5.1 The Structure of Subsistence Agriculture

The bulk of the technology used in the Livelihoods Outcome operations was traditional. Therefore, yields were typically low as compared to other farmers using improved technology either in the country or in the region.

In this type of production, the labor force, management, and even capital comes from the same household. Farm business is necessarily mixed with family considerations, for example, decisions regarding major consumption expenditures, such as housing, conflict directly with productive investments of the farm business. An error in business decision can have disastrous consequences for the family unit. This is why peasant farming is rational and conservative. Commonly peasant farms produce in excess of what the farm family chooses to consume and sell that surplus in the market in order to purchase non-farm goods and services. The extent of this surplus varies according to regions, farm size, communication infrastructure, and the like. The cardinal point here is that the marketed surplus connects the farm family with market and makes marketing

¹⁷⁹ Some generic principles have been drawn from: OECD. Promoting Pro-Poor Growth: Agriculture. DAC Guidelines and Reference Series. A DAC Reference Document, 2006

¹⁸⁰ This approach also known as agroecology is paramount for sustainable farming systems. See: UNDP. Agroecology: creating the synergism for a sustainable agriculture. 1995. Also UNDP. Sustainable human development in agriculture. 1994.

price relationships influential in the allocation of family resources that are also farm business resources.¹⁸¹

5.2 Structural Constraints¹⁸²

All evidence available reveals that the technological change in an agricultural production system is the main cause for the overall rate of growth of agricultural output, land and labor productivity, and associated wages¹⁸³. Furthermore, historical data¹⁸⁴ shows that the application of biological technology enhances soil productivity. The application of mechanical technology enhances labor productivity. Thus, sustainable growth of agriculture production systems, which can create livelihood opportunities, implies a technological shift.

The mounting evidence from the past decades in the region confirm that sustainable farming systems depend on how effectively institutions and technology work together on the natural resource with which it began¹⁸⁵. Therefore, a sustainable farming system is not only a problem of technological change or transfer but also of adaptation of the institutional framework. This principle has an overriding consequence for the forthcoming Programme in terms of creating additional livelihood opportunities.

However, the context of modifying sustainable farming systems is more challenging today than those faced by the “green revolution” producers of the 70s and 80s. India and Thailand, to name a few, achieved sustained gains in agriculture productivity only a few decades ago.

- Over the past 20 years there has been a substantial decline in public sector support for agriculture. Many farmers have lost access to key inputs and services. Though the public sector provision of these services was not very efficient it often provided the sole linkages to markets for poor rural farmers.
- Thus, current market links are tenuous and complicated by much greater integration of the global economy. Economic integration has to a large extent weakened the socioeconomic position of the rural poor. Therefore, smallholder producers now compete in markets that are much more demanding in terms of quality and food safety, and more concentrated and integrated than in the past.
- OECD and USA agricultural subsidies further distort many of these markets and make them impenetrable to the small holder.
- In addition, there is the current challenges of climate change with growing population density is increasing pressure on an already fragile natural resource base that is the mainstay of rural livelihoods.
- Finally, conflict conditions, many of which result from, or are provoked by poverty and inequality, can erode the livelihood systems and resilience of rural poor women and men. The transfer of knowledge is disrupted destroying traditional land allocation systems, and dramatically changing the demographic composition of many rural communities.

Under these conditions, policy must be pro-poor and growth oriented– it must harness poor people’s key assets of land and labour, and create a vibrant economy in rural areas where the

¹⁸¹ Mellor, J. The economics of agricultural development. Ithaca: Cornell University, 1974, pp 244-248

¹⁸² This discussion uses information from the agricultural sectors from South and South East Asia that have benefited from the “green revolution” during the 70s and the 80s.

¹⁸³ See: Ruttan, V. Induced innovation and agricultural development. Food Policy. Vol 2 No.3, 1977pp 196-216

¹⁸⁴ Hayami, Y. & V. Ruttan. Agricultural development: an international perspective. Baltimore: The John Hopkins University.1971, pp 111-230

¹⁸⁵ Ahmed, I & V.Ruttan. Generation and diffusion of agricultural innovations: the role of institutional factors. Gower Publ.Co., 1988, pp 399-411

majority of poor people live. The agriculture sector connects economic growth and the rural poor, increasing their productivity and incomes.

5.3 Preliminary Framework and Tools to Enhance Subsistence Agriculture as Source of Livelihood Opportunities

As the findings from the OE testify, the main challenge is that poverty persists in communities with poor market access, poor natural resource endowments, limited access to competitive and timely financial resources, and little political capital. In the case of Dalis and other excluded groups, these communities have no access to natural resources and no political capital.

Many rural households remain vulnerable to shocks of various kinds, and their livelihoods are exposed to high levels of risk. Pro-poor policies must remove and relax the barriers and constraints faced by poor households as well as provide new incentives and support for their sustainable participation in more equal, market based relations and exchanges. There is no other option than to ensure that economic policy, including agricultural policy, are consistent with social objectives, especially those related to equality and inclusion.

5.3.1 Pattern of Sustainable Economic Growth

Hence, from the Outcome Evaluation's findings, field observations and the considered perceptions from stakeholders situated at the national, sub national, local and grass roots levels, it is possible to triangulate the type of conceptual framework needed and appropriate tools to move forward.¹⁸⁶ Under this logic, the following factors should be redressed.

[1] Lack of markets for products or services; when products were sold across national borders there were no cross border arrangements;

[2] Short supply of new techniques or methods for the way outputs are produced, which aggravated insufficient testing and weak diffusion despite the presence of value chain concept

[3] Unpredictability in transportation time because of the insufficient road network to serve the needs of rural inhabitants due to the country's landlocked condition.¹⁸⁷ Thus the transportation infrastructure is inadequate in the landscapes where initiatives took place;

[4] Uncompetitive and insufficient amount of micro credit;

[5] Ineffective planning framework to take into consideration environmental constraints and integrate other economic initiatives within a situation-specific context.

[6] Absence of an operational pro-poor growth strategy within the planning framework to ensure sustainability.

The adequate performance of the first four factors provide the economic incentives such that operators will take advantage of the opportunity to enhance productivity for economic growth including remunerative price relationships for producers and consumers. The inadequate performance of these factors, as is currently the case, makes development efforts fraught with risk and uncertainty. The typical small-holding farmer is rational and thus risk averse. Although it has not been measured, observations indicate that the uptake of new products is limited because of the

¹⁸⁶ It must be understood that this a preliminary for consideration of planners and decision-markers involved in the forthcoming CPAP.

¹⁸⁷ One recent study underlined that landlocked economies are primarily affected not only by a high cost of freight services, but also by the high degree of unpredictability in transportation time. The main sources of costs are not only physical constraints but widespread rent activities and severe flaws in the implementation of the transit systems, which prevent the emergence of reliable logistics services. World Bank. *The Cost of Being Landlocked: Logistics Costs and Supply Chain Reliability* Policy Research Working Paper 4258, June 2007

considerable risks involved and limited supply of micro credit funds or any fund which is competitive and timely.

The other two factors are strategic. They provide a comprehensive approach for solving problems inherent in sustainable economic growth [e.g. the previous four factors] by specifying systems to achieve desired functions [e.g. environmental management, pro-poor growth].

If these factors are present, the operators will have the opportunity to consider the margin between costs and returns. That is, their net income must increase if they are going to provide their families with a rising level of living. The lynchpin of this process is to warrant that the outputs generate outcomes oriented to a pro-poor growth strategy.

Although it was essential to diagnose the factors that need redressing, on their own they are insufficient to generate growth; it is necessary to configure the pattern of growth. To this end, the following requirements must be present concurrently to generate growth. It must be noted that this is a preliminary effort that needs to be reconsidered in the light of additional information for the forthcoming programme.

5.3.2 Integrated Landscape Planning¹⁸⁸

Successful development experience has shown that a programme planning framework capable to coordinate the best use of information, experts, decision makers, and stakeholders in the planning process is required.

- This programme planning framework must be capable of developing a consensus in group decision making for the purpose of moving forward the principles of equality and inclusiveness. Thus, it must be able to legitimize decisions in the minds of the public in order to increase public acceptance of programmes and projects.
- It must be applicable to plan projects in different fields particularly, agriculture, forestry, health, education, transportation.
- It must be able to marshal the natural resource information required for sustainable development purposes.

In Nepal, Integrated Landscape Planning (ILP) has been operating under the framework of WTLCP.¹⁸⁹ ILP is a process of harmonizing plans and programmes of various organizations by linking conservation and development goals together to achieve the national and regional priorities. It integrates goals of different actors and stakeholders while balancing economic development and conservation initiatives within the same geographic area to maximize benefits from planned land use. It focuses on inter-stakeholder communication and attempts to find common interests and thereby work towards a more cooperative and collaborative approach.

ILP has the capability to:

1. Address issues of larger ecosystem while considering ecological, social and economic aspects of conservation and development; in this manner, it ensures that regional or national conservation priorities are integrated into business planning;
2. Assess broader, wide-ranging trends, influences, and impacts and identify the appropriate management strategies;
3. Improve collaboration between multiple management authorities and other partners with the purpose of inducing and realizing synergies;
4. Improve planning efficiency through prioritization in the use of limited resources;

¹⁸⁸ UNDP/SURF-Bangkok. Concept note for Integrated Landscape Planning Framework for Biodiversity Conservation in Productive and Protective area of the TAL [no date]

¹⁸⁹ To build capacity it is essential to make the most of local skills, and knowledge. ILP ensures the best fit for the context.

5. Address problems with multiple and interrelated causes – problems are becoming more complex than ever and single sector approach or methods are becoming less effective in understanding and addressing many problems;
6. Allow the potential impact of the development itself to be better understood, and provide a better understanding of the potential secondary or indirect impacts of development and possible ways to manage them;
7. It can provide the spatial unit to carry out a baseline survey which would be applicable for the set of project within the unit as well as additional efforts in project monitoring and outcome management exercises. This should reduce policy fragmentation, duplication and poor coordination.

5.3.3 Structure of a Pro-poor Growth Strategy

Pro-poor growth must be rooted in the ongoing development planning processes related to natural resource management, i.e. IPL. It is evident that although there is no standard approach of a pro poor growth, the growth pattern for Nepal must be agrarian-oriented and rooted in policies of equity and inclusion.

Despite continued attempts to increase production and productivity, the per-capita food availability has eroded over the years due to almost stagnant production levels against the annually increasing population pressure.¹⁹⁰ The per-capita holding size of agricultural land is less than 0.8 ha, which can produce only about six months' food for a family due to the pervasive low productivity. The poor families can hardly protect themselves against occasional shocks occurred through droughts, floods and prolonged illness. Thus, almost all options are reduced to enhancing the productivity of land and labour. Opportunely, the country has enormous potential for agriculture development due to its enviable agro-biodiversity where it is possible to grow a wide range of crops (cereals, pulses, oilseed crops, fruits, vegetables and other cash crops). Animal husbandry can be an integral part of the Nepalese farming system. Farmers have been raising for generations cattle, buffalo, goat, pig and poultry. The scope for aquaculture development including rice-fish culture is also growing in the recent years due to increasing demand for protein.¹⁹¹

It will be essential however to coordinate this pro-poor growth strategy with the forthcoming National Agriculture Sector Development Priority (NASDP) for the Medium-Term (2010/11 - 2014/15), as many features proposed hereunder are contained the NASDP.¹⁹² Therefore, the planning will have to be location-specific in terms of the ecology and the pertinent social structure situation in the context of equity and inclusion. The following key technical features to enhance productivity of land and labour are paramount.¹⁹³

- 1- The pattern technological change must be continuous over time, that is, national policy must be committed to pro poor growth as it appears reflected in the NASDP.
- 2- The strategy of technological change is the inducement towards biological, knowledge-based and extension-oriented technology. For the following reasons:

¹⁹⁰ UNCTAD op cit 2008, table 3, page 141

¹⁹¹ GoN. National Agriculture Sector Development Priority (NASDP) for the Medium-Term (2010/11 - 2014/15) Ministry of Agriculture and Cooperatives Kathmandu, Nepal, July 2010, pp 7-11

¹⁹² During the Team's field visits, there were several occasions where cash crops or small livestock was introduced to beneficiaries to generate income.

¹⁹³ Nepal's constraint of arable land bear similar implications for agricultural development as in the case of Bangladesh. Cf. UNDP/FAO/GOB Thana Cereal Technology Transfer and Identification Project .TAR (BGD/89/045) 2002.

2.1 Biological knowledge-based technologies comprise: plant nutrient management practices (IPNM), integrated pest management (IPM), the popularization of on-farm water management practices, the promotion of crop diversification, and the integration of rice-fish culture. They all have the potential to increase the total ecosystem productivity, sustained environmental quality, diversified the dietary habits and enhanced protein intake.

2.2 Extension-oriented technologies comprise: farmer-participatory rural appraisal, farmer to farmer exchange, block demonstrations, community nurseries and seed villages. They all have considerable effect on productivity enhancement.

2.3 This technology change strategy is pro-poor and sustainable. The main reason is because it does not require investments on technology-infrastructure, i.e. irrigation equipment, nor does it use energy intensively.

2.4 There must be access to timely and competitive credit sources. This is pivotal. The credit system must be designed as a mechanism to expand economic opportunities of farmers.

3- The combined effect of these technologies will have a significant impact on poverty alleviation and food security as has been shown in the region. Because they contribute to an increase in overall food production and enhanced the capacity of farmers involved in these efforts—which in turn has led to improve farmers' living standards.

The above technology has increased the output of farm products in many countries in the region. However, there must be a market for these products and a price high enough for them to repay the farmer for his cash costs and his effort in producing them. To this end, three things are required. There should be a demand for farm products, a marketing system to sell the products, and the workings of the marketing system should have the farmers' confidence. If these three elements are not met, farmers stand to lose financially, as it has happened in many occasions. Farmers will lose confidence in the development initiative.

5.3.4 Product Development Process

One way to tackle the total production -marketing system is through value-chains.¹⁹⁴ The evidence available indicates that the value-chains proposed by MEDEP III were promoted, wittingly or unwittingly, to meet the subsistence need of the family unit, as there was little value added being generated.¹⁹⁵ If proposed value-chains are going to generate pro-poor growth, high-value markets must be reached at the right time and price. Product development process (PDP) brings together marketing, design and production together with the financing and legal functions. It is important to understand that the process also includes the potential of technological transformation under the context of design, as it will be discussed later.

Although PDP has been used primarily large enterprises, it offers small enterprises a road map to customize product development in their operations. It identifies the needs of customers to create

¹⁹⁴ Value chain is the sequencing of productive processes from the provision of inputs for a particular crop, transformation, marketing and up to final consumption. In this process, institutional arrangement linking and coordinating producers, processors, traders and distributors of a particular product are pivotal for the success of the process.

¹⁹⁵ The information available suggests that MEDEP III selected ten commodities for value chains: 1-Allo [1154 entrepreneurs], 2- Honey [3,705 entrepreneurs], 3- Dhaka textile [1175 entrepreneurs], 4- Ginger [1237 entrepreneurs], 5- Lokta Nepali paper [293 entrepreneurs], 6- Orange and Sweet Orange [528 entrepreneurs], 7- Bamboo Products [1247 entrepreneurs], 8- Chyui [192 entrepreneurs], 9- Incense stick [2142 entrepreneurs], 10- Lapsi [256 entrepreneurs]. However, the data indicates that only one commodity: Allo, was the subject of a desk study without a profitability analysis [Cf. MEDEP III. Value Chain Analysis-*Allo Value Chain Analysis Series: 1* (MEDEP-NEP/08/006) Bakhundole, Lalitpur, 2010]. There is no systematic account of the remainder of the 9 commodities, except incense stick and honey that were promoted empirically with mixed results.

products that meet these needs and can be produced at affordable prices. Achieving these goals is not solely a marketing problem, nor is it solely a design problem or a production problem: it is a product development problem involving all these functions supported by adequate financing and legal frameworks. The stepwise stages to customize PDP is illustrated in Table VI.2.

There is an additional complexity in the operations of the CPAP. This complexity is going to remain in the next CPAP due to country characteristics from the sociological and ecological standpoints. The range of products that entrepreneurs are pursuing is broad. It encompasses products from two distinct areas:

- Crop Production & Agro Processing, i.e. vegetables, dairy production, honeybee.
- Cottage Industries, i.e. manufacturing activities carried on in people's homes or rented spaces, involving carpentry, handicrafts, tailoring, bakery.

Therefore, it will be necessary to calibrate PDP. The greater the range of products the more complex it becomes to manage the calibration process. This is why successful PDP is challenging under any institutional context and will demand substantive levels of capacity development across the board.

Table V.1 : Road-Map to Customize Product Development Process

Source: Adapted from K. T. Ulrich & Eppinger, S.D. Product design and development. Irwin McGraw-Hill. 2000, Exhibit 2-2

Stepwise Stages to Conceive, Design & Commercialize a Product					
Planning	Concept Development	System-level Design	Detail Design	Testing and Refinement	Production
Marketing <ul style="list-style-type: none"> Articulate market opportunity Define market segment 	<ul style="list-style-type: none"> Collect customer needs Identify lead users Identify competitive products 	<ul style="list-style-type: none"> Develop plan for product option and extended product family 	<ul style="list-style-type: none"> Develop marketing plan 	<ul style="list-style-type: none"> Develop promotion and launch materials Facilitate field testing 	<ul style="list-style-type: none"> Place early production with key customers
Design <ul style="list-style-type: none"> Consider product strategy and processes Assess new technologies 	<ul style="list-style-type: none"> Investigate feasibility of product concepts Develop technical design concepts Build and test experimental prototypes 	<ul style="list-style-type: none"> Generate alternative product processes Define major sub systems and interfaces Refine technical design 	<ul style="list-style-type: none"> Define part measures Choose materials Assign tolerances Complete technical design control documentation 	<ul style="list-style-type: none"> Reliability testing Life testing Performance testing Obtain regulatory approvals Implement design changes 	<ul style="list-style-type: none"> Evaluate early production output
Production <ul style="list-style-type: none"> Identify constraints Set supply chain strategy 	<ul style="list-style-type: none"> Estimate production costs Assess production feasibility 	<ul style="list-style-type: none"> Identify suppliers for key components Perform make-buy analysis Define final assembly scheme 	<ul style="list-style-type: none"> Define piece-part production processes Design tooling Define quality assurance processes Begin procurement of long-lead tooling 	<ul style="list-style-type: none"> Facilitate supply Refine fabrication and assembly process Train work force Refine quality assurance processes 	<ul style="list-style-type: none"> Begin operation of entire production system
Other Functions <ul style="list-style-type: none"> Finance: provide planning goals Research: demonstrate available technology Management: allocate resources 	<ul style="list-style-type: none"> Finance: facilitate economic analysis Legal: investigate patent issues 	<ul style="list-style-type: none"> Finance: facilitate make-buy analysis Service: identify service issues 		<ul style="list-style-type: none"> Sales: develop sales plan 	

To tackle this wide variation of products, Table VI. 3 is a summary of variants of PDP. The following case exemplifies the strategic value of these variants.

*Market-pull situation*¹⁹⁶

With the financial support from GEF-SGP, one NGO began product development [rice husk stoves] with a market opportunity [there was not forest nearby the Purainiya village but there were 4 rice mills which provided plenty rice husk as raw material for the stoves]. Subsequently

¹⁹⁶ GEF-SGP. Success stories. "Rice husk stove: locally affordable technological gift to a village" UNDP Newsletter , 28-11-2008

the NGO used whatever technology and production process was available to satisfy the market demand.

Thus, the local metal workshop was taught to design the model. The Sunder Furniture Industry agreed to produce 230 stoves and provide training to potential local manufacturers. The first batch of 71 stoves was distributed free of cost to Dalit communities of Purainiya village. The response was encouraging because 5 kg of rice husk lasted for 2-7 days, depending upon the family size. “Just put rice husk around the outer layer of the stove, light a piece of paper, throw it in the mouth of the stove, and the stove burns efficiently with red and blue flames”, said Mrs. Panabhatiya Devi. She was particularly happy because the stove produced less smoke in the house. In the second batch, 117 heavier stoves were successfully distributed to the Muslim community in Gamariya.

The next step was to make the technology affordable to local poor communities. Depending upon the quality iron used, a stove could cost from Rs. 1000 to Rs. 1500. One consumer remarked: “The sudden demand of rice husk in the village also increased the price of rice husk. The cost of 5 kg of rice husk has increased from Rs. 2 to Rs. 20. But this is still cheaper for us, as we had to spend Rs. 150 per week to purchase firewood for cooking. Also the good thing is we can use chopped straws of paddy and wheat as fuel in the rice husk stove.” This is a market-pull situation.

Other variants such as technology-push, where an enterprise begins with a new technology and then finds an appropriate market [technology push] is included for illustrative purposes in Table VI.3.

Last but not least, it is important to note the rice husk stove’s contribution to health and environmental conservation. Exposure to smoke from traditional cook stoves and open fires causes 1.9 million premature deaths worldwide annually, with women and young children the most affected. Cook stove smoke contributes to a range of chronic illnesses and acute health impacts, and gathering fuel increases pressures on local natural resources and personal security risks for women and girls. According to the World Health Organization, harmful cooking stove smoke is one of the top four health risks in developing countries.¹⁹⁷

Table V.2 : List of Variants of Product Development Process

Source: Adapted from K.T. Ulrich & Eppinger, S.S. Product design and development. Irwin McGraw-Hill, 2000, Exhibit 2-4.

¹⁹⁷ <www.Community.eldis.org>Clean cook stoves save lives, September 26, 2010

ANNEX VI

BASELINE STUDIES AND OUTCOME MANAGEMENT

6.0 Purpose

There were many results achieved by UNDP against difficult odds in terms of governance in continuous evolution. These results could not be measured for lack of a benchmark. A case in point is the cost of the input delivery which was properly measured but the benefit derived was measured less adequately with respect to the cost. In other situations, changes in physical yields and accompanying economic returns due to project inputs were recorded as anecdotes using local measurements. If this data is not transferred to international measures then it is difficult to assess performance and potential. Under the current circumstances, it is logical to infer that benefits may have been under-estimated. This is a considerable loss because if the output results were under-estimated, it would not be possible to distinguish between success and failure. If failure couldn't be recognized, it couldn't be corrected. Above all, if positive outputs couldn't be shown, it would not be possible [1] to ensure their contribution to outcome generation, and [2] to obtain the support of communities and stakeholders.

The effort necessary to instil a results-based culture or M&E culture is immense. Therefore, this

Annex intends to primarily:

[1] understand the complexities of configuring a baseline study (BS) under the current CP so as to sketch out a preliminary architecture of a BS;

Type	Market Pull	Technology Push	Strategy Products	Process Intensive	Customized
Description	The firm begins with market opportunity, then finds appropriate technology to meet customer needs	The firm begins with a new technology then finds an appropriate market segment	The firm assumes that the new product will be built around an established technological sub system	Characteristics of the product are highly constrained by the production process	New products are slight variations of existing configurations
Examples	Furniture, tools, handicrafts, sporting goods	Gore-Tex rainwear [textile] Tyvek envelopes	Consumer electronics, computers, printers	Snack foods, cereals, chemicals, semiconductors	Motors, switches, batteries, containers
Distinction with market pull		Planning phase involves matching technology and market concept development assumes a given technology	Concept development assumes a technology strategy	Both process and product must be developed together from the very beginning	Similarity of product allows for a highly structured development process

[2] highlight the strategic role of outcome management, and

[3] show the interrelatedness between a BS and outcome management and its potential effect on synergy exploitation.

6.1 The Design of a Baseline Framework under the Current CP

There are conceptual and operational complexities in the architecture of a baseline under the current CP. The driving element is project-design. The project-design's characteristics reflect the crisis context of the country which has made the project-design and use of BS difficult. The following constraints need to be addressed.

The first constraint is geographical distribution. REDP and MEDEP are national efforts but have spread out more in terms of exploiting tactical opportunities rather than programmed approach in time. Other projects are following a similar approach. This is rational given the fact that resources are limited and needs are almost unlimited.

The second constraint has to do with timeframe. The time-frame of all projects have longer implementation time than the current CP. Although LRP and EAFS have recently started up, their implementation time is 5 and 4 years, respectively. The GEF/UNDP project WTLC's implementation is anticipated for 8 years. MEDEP III and REDEP III have been operation for more than a decade, respectively. Therefore, to carry out benchmark measurements in this context is not straightforward.

It is difficult to establish what an adequate time horizon is in terms of development. However, the bulk of the beneficiaries in the context of the CP draw their livelihoods from primarily agriculture. Thus, logic dictates that time frames should be consistent with the agrarian life cycle. The unit of time in an agrarian context is one cropping season which represents approximately one calendar year. However, experience suggests that most initiatives proposed in an agrarian context take approximately four years for fruition, i.e. one year for deployment, another year for demonstration, the third and fourth year for “taking roots”. Otherwise, expected outcomes can be compromised. Thus a cycle of 4 years is the absolute minimum. It is important to note that GEF operations are currently being time framed in cycles of 8 years in order to consolidate the gains of the first 4 year cycle.

The third constraint is the projects' subject matter [i.e. the projects included in the two prongs]. This is a doubled-edge knife. The projects' overall purposes have been basically to alleviate poverty, inequality and social exclusion. In particular, it is vital to create livelihoods opportunities to sustain peace in the country. This is a litmus test. Poverty as is known is multifaceted. Several strategies are required to operate simultaneously.

However, the physical context in Nepal is predominantly rural. As the results of this OE indicate, unsurprisingly, the core of employment and income growth has been generated by fomenting development activities within the framework of peasant farms. In the forthcoming CP, it is logical that [1] some actions will be directed to up scale nationally the two basic projects [REDP, MEDP] to same extent this is already under implementation. [2] The other option is to exploit the economic potential of peasant farms so they become sustainable farming operations linked with off-farm business including cottage industries. Under both options, operations will be conducted in the rural setting under the context of peasant farming and cottage industries oriented to livelihood enhancement for poverty alleviation.

It follows from the preceding considerations, therefore, that the subject matter of a BS in the forthcoming Programme should be essentially rural- oriented to understand the factors affecting the performance of peasant farming operations and cottage industries. Although the concept is simple there are intricacies to sort out from the operational standpoint. Primarily, because agriculture is specific to ecosystems and Nepal has been blessed with rich and varied ecosystems. Almost every crop known can be grown in the country because of its varied ecological niches from the mountains to the humid tropics and inter-mountain valleys.

To manage this complex ecosystem situation, WTLC¹⁹⁸ has developed the Integrated Landscape Planning (ILP).¹⁹⁹ ILP intends to :

- 1-Integrate goals of different actors and stakeholders while balancing economic development and conservation initiatives within the same geographic area to maximize benefits from planned land use;
- 2- Provide the spatial unit to carry out a baseline survey which would be applicable for the set of projects within the unit as well as additional efforts in project monitoring and outcome management exercises. This should reduce policy fragmentation, duplication and poor coordination.

It is inescapable that there key advantages by using ILP in the configuration of agricultural-oriented BS. This allows to conduct programme-oriented baseline within one landscape. Other partners could join in if they have projects or initiatives within the same spatial unit.

Once the issues of subject-matter, time-frame and spatial unit have been sorted out, the next issue is the architecture itself of a BS. There is no universal print of a BS. For the present exercise, we have selected the generic framework of BS used by IFAD due to its agriculture structure. It illustrates the fundamental elements. It is understood that this BS should be customized to the specific conditions of the concrete ILP selected.

Box 1. Basic Outline of a Baseline Study

Baseline Study Content²⁰⁰

- Characterization of the target population without the Project [or the intervention]
- Dynamic factors of the social structure and their relation with the target populations
- Analysis of the opportunities and risks in the social environment which would affect the achievement of results [the assumptions of the logframe]
- The first value [benchmark] of the indicators for outputs and outcomes

Generic Objectives of a Baseline Study²⁰¹

- 1-Establish the main characteristics/ situation of the project's target population in accordance with the strategy and logframe.
- 2-Establish the dynamic characteristics of the target population's context with respect to economic production, social, cultural and institutional elements.
- 3-Identify the relations of these elements with the target population.
- 4-Determine the initial value of the output and income indicators
- 5-Establish the conditions of the assumptions or risk factors with respect to output and income indicators.
- 6-Contribute to a review and adjustment of expected results, the indicators, and in general the project's intervention strategies.

Box 1 contains an outline of a BS content and its generic objectives. Both elements constitute the fundamental architecture of a BS. The key principle is that a BS must be simple and practical. We want to know the characteristics of the target population, the factors that influence the economic performance of production activities and conduct the first measurement of the relevant values. The first measurement should be a representative value and reliable.

In this context, there are two issues that are pivotal. One has to do with sampling and the second is related to indicators.

¹⁹⁸ To build capacity it is essential to make the most of local skills, and knowledge. ILP ensures the best fit for the context.

¹⁹⁹ Annex V discusses in some detail ILP.

²⁰⁰ IFAD. Los Estudios de Base Fundamentos de una Gestión Por Resultados. Primera edición, Lima, Peru. 2007

²⁰¹ IFAD op cit 2007

The choice of sampling technique can be complex in circumstances where the population is heterogeneous in terms of variables considered principal. Under these conditions, random samples are often difficult to obtain. The use of nonrandom samples is useful if they are logically justified in terms of the BS context.²⁰²

The second issue is the use of indicators. Experiences suggest that rather than producing a host of new indicators, it is more practical to use indicators corresponding to the MDG, UNDAF or one of the UN Conventions related to environment and/or natural resources. These indicators provide the opportunity of linkages and reinforcing the approaches used. They all seek sustainable development and poverty alleviation. Ultimately, it may be possible to reach synergy.

6.2 The Strategic Role of Outcome Management

All evidence shows that current Project Management focuses on the delivery of outputs—without providing the "big picture" [the outcomes themselves] as to why UNDP is undertaking the initiative. As indicated by a recent monitoring report,²⁰³ the delivery of outputs does not imply that outcomes will be generated in a *Deus ex machina*, i.e. a power, person, or thing that comes in the nick of time to make things happen.

By contrast, Outcome Management is all about having the same focus and discipline to attain expected outcomes as currently Project Management has around delivering inputs to produce outputs on-time and on-budget manner.²⁰⁴ Outcome Management is the set of activities for the planning, management, and realizing of the desired outcomes from initiatives or programmes. Outcome Management focuses on ensuring that a project contributes to improving the capability of the UNDP Programme to deliver services that meet the needs of stakeholders. Outcome Management can be applied to an initiative at various stages of the initiative's lifecycle.²⁰⁵ It is most successful when conducted early in the initiative's lifecycle while it is being conceptualized, i.e. when the deliverables are being designed.

Under the current programme planning there is marked emphasis on the quantification of input delivery. There is nothing inherently inappropriate in this approach but some staff members raised the issue that high delivery rates, as measured by the current procedure, do not necessarily lead to "sure" development results on the ground. Closely linked with this observation is the fact that efforts to record benefits from results achieved were less marked than registering costs. For example, as mentioned earlier, the Team in the field requested quantified analysis of crop budgets to establish profitability with respect to NTFP products but such information was unavailable.

Having said all this, Outcome Management process means very little without an established BS. This is where the interrelatedness arises. The reason is because these tools complement each

²⁰² The following project context appears adequate to use some type of non-random sampling, for example: "If they do a random sample across the three project districts, it will still be difficult to measure change because project interventions are still only reaching a small percentage of the total population and capturing and attributing change would be difficult. As the entry into villages is phase-wise, and actual beneficiary groups identified in a phase-wise manner, it is hard to do a random sample of the beneficiary population at the outset (although the team is looking for solutions)"

²⁰³ UNDP Field Office Team. Updates from the field. 2010

²⁰⁴ Outcome Management is a logical extension of Results Based Management. UNDP latest handbook referred above [2009] outlines a planning process for M&E [Chps 2, 3]. Although some of the principles of Outcome Management are implicit in aforementioned chapters, the specific effort to configure an outcome management was carried out by Government of Canada [2006]. Cf. Government of Canada. Outcome Management Guide and Tools, Ottawa, 2006

²⁰⁵ Government of Canada. Outcome Management Guide and Tools, Ottawa, 2006

other as a system. This is why the weakest link compromises the performance of the whole system.

The Outcome Management Process is applied to the entire initiative holistically, and is divided into the following stages outlined in Box 2.

Box 2 The Outcome Management Process

Stage 0: Launch Outcome Management. It involves confirming that there is a unit in the organization responsible for the exercise. ILP can provide the spatial unit for given outcomes and the associated sets of projects that will contribute to the outcome.

Stage 1: Develop Outcome Realization Model. It involves the identification of desired outcomes and the creation of the comprehensive initiative view, which defines all the projects, activities, and capabilities required to achieve the outcomes. If there is not BS, at this point it would be useful [1] to carry out a BS survey which would be applicable for the set of projects within the ILP, [2] identify the potential junctures among projects where synergies could take place, and [3] draw an agenda of the synergy potential identifying context, actors and required administrative arrangements.

Stage 2: Develop Outcome Realization Plan. It provides [1] the framework for ensuring that the outcomes are properly managed, monitored, and reported and [2] an agenda to follow up synergy opportunities and realization.

Stage 3: Monitor Delivery of Outcomes. It involves the activities to monitor and track the progress of the initiatives and to re-affirm the logic of how the outcomes and potential synergies will be realized. Based on the BS, surveys on outcome evolution could be conducted according to an agreed timeframe.

Stage 4: Realize and Optimize Outcomes. It encompasses the activities related to harvesting the benefits towards fully realizing the end results at the level of outcome or synergy. This is the time to draw lessons learned, and recognize failures for correction. To take ownership of achievements so as to obtain support from the communities and stakeholders.

Source : Adapted from : Government of Canada. Outcome Management Guide and Tools, Ottawa, 2006

6.3 The Potential to Exploit Synergy

It has been difficult to find successful instances of synergy efforts that have contributed to outcome realization. It is logical to suggest that to the extent that Project management is focused on the delivery of input-outputs, it precludes considering opportunities or possibilities for synergies. The input-output process that is attached to a financial delivery imposes a degree of inflexibility. Conceivably, this inflexibility in implementing procedures is bound to impede synergy. Certain stakeholders have tried to induce synergy but have failed. Although these stakeholders were reluctant to share the whole story, they allowed that the financial factor was the most difficult.²⁰⁶

It is conceivable that through the Outcome Management process [Box 2], if stakeholders and UNDP jointly perceive the "big picture" [the outcomes themselves] which is why UNDP is undertaking the initiative, the chances of inducing synergy may increase. Outcome management is the mechanism which makes perceiving the big picture possible. As mentioned, outcome management is all about planning, managing and achieving the intended outcomes of a programme and having the same focus and discipline for attaining these outcomes as the Project Management has around delivering inputs to produce outputs on-time and on-budget manner. A few members of the monitoring staff shared their interest in outcome monitoring through outcome management.

²⁰⁶ When new arrangements are reached to realize synergy, this implies. Most of these costs, however, are already budgeted. The challenge is to modify the administrative procedures to move funds from one category to another. This is difficult under any administration.

ANNEX VII

LIST OF DOCUMENTS REVIEWED [in progress]

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ANNEX VIII

RESPONSES TO QUERIES ABOUT IMPLEMENTATION OF RECOMMENDATIONS

The Outcome Evaluation Report has gone through 3 rounds of comments. The final version of this Report is the 4th Draft. This signifies a sizeable measure of engagement from stakeholders. However, the comments from the last few rounds have become more focused on technical matters of implementation, therefore, to respond to this last round of queries, it is useful to clarify the role of the Team in light of the queries.

First of all, as indicated, UNDP Handbook [page 157] tells stakeholders that

“care must be taken to safeguard the independence of judgements made in the evaluation. Evaluation is an independent exercise. Comments should be limited to issues regarding the applied methodology and **factual errors** and **omissions**.”

However, the Team understands that this exercise was complex for reasons discussed in detail in Annex II. Therefore, the Team made effort to propose concrete and usable recommendations. They were drafted while keeping in mind that the report will be used “to inform the extension of the CPAP as well as for the development of new programmes which will extend into the next programme cycle.” [TOR, page 3]

Therefore, answering the queries below, it must be kept in mind that Team spent only sufficient time in the field to carry out a very rapid assessment of results. From these results, the Team has triangulated information to derive a rapid diagnosis (Annex V). From this rapid diagnosis, the recommendations have been drawn. These recommendations therefore necessarily require additional tests before implementation. These tests are ordinarily carried out during the early phase of the design stage within the framework of the project cycle. Therefore, it would be irresponsible for the Team to give specific instructions for implementation without in-depth reference to the field conditions. If we give specific instructions we would err on the side of misplaced concreteness. Last but not least, one key suggestions from the Resident Representative during the debriefing session was that some recommendations could be for the long term.

<p>Evaluation Recommendation</p> <p>2- EAFS project should consider tackling two tasks, the sooner the better: [1] the appropriate microfinance model to serve the poor in Nepal’s rural areas must be identified. [2] In function with the model, EAFS should outline a strategy for augmenting the number of microfinance providers in UNDP programme area. These MFPs besides must ensure the conditions of sustainable micro credit operations such that micro enterprises can be profitable for impoverished farmers and villagers. Micro credit must be an instrument of economic growth for the poor and the excluded</p>
<p>UNDP Query</p> <p>Following the above recommendations, I would appreciate if the recommendation is made from the requirements to be fulfilled from the development projects as well as from the micro finance project.</p> <p>a) The IF project may provide some response to this recommendations but it has to be seen also from the development project perspective to prepare the clients with a) a mechanism to share the risk of the very poor clients b) an adequate and sustainable mechanism of accessing Business Development Service mechanism by poor and ultra poor and c) policy improvements in terms of wholesale lending, which is not within the policy framework at present.</p>
<p>Team’s Response</p> <p>The Team’s intention is to advocate on behalf of the ultra-poor and poor [man, women, and youth] including disadvantaged groups. UNDP should consider using every possible mechanism to avoid the impoverished becoming even poorer through “market-oriented” micro loans. How this is done on the ground in each specific context and ecosystem is in the domain of the development professionals on the ground.</p>
<p>Evaluation Recommendation</p> <p>4- REDP should consider incorporating a gender sensitive/environmental health component in forthcoming projects. REDP can foster Indoor Air Pollution (IAP) control in rural households. REDP can promote extensively improved cooking stoves and biogas technologies. For example, the target of 70-80% of beneficiary households to have one or both options could be considered. Implementing IAP would bring about an additional positive repercussion on forest conservation by diminishing the deforestation trend. However, a systematic monitoring system would be essential to measure the cause and effect linkages between the IAP management measures on [1] the health of women and children from rural households and [2] forest conservation.</p> <p>12- Consider shifting the content of training from a formal to a practical approach where the trainer must have practical experience and tested know-how. Specifically:</p> <ul style="list-style-type: none"> · Future micro- entrepreneurs should be able to identify the needs of customers before production. This will ensure that products meet the needs of customers and can be produced at affordable and remunerative prices.
<p>UNDP Query</p> <p>4- REDP is already doing those activities mentioned in this point and the focus of ICS was mainly to reduce indoor air pollution and reduce fuel-wood consumption to promote forest conservation. However, the project has not yet measured the reduction of indoor air pollution so far. Maybe rewording this point to strengthen environmental health concerns with a gender focus would be appropriate. Another point to clarify is that the project undertakes a survey (not consistently but tentatively every two years) to measure the reduction of fuel wood consumption at the household level, maybe having a few concrete indicators to show the diminishing deforestation trend could be achieved. Recommendation of a systematic monitoring system is a good idea and few suggestions on indicators from the report would be a good starting point. Suggest rewording this recommendation with a focus on building on the work which we have already done.</p> <p>12- In addition, along with the needs of the customers, it is also imperative to identify the available resources, delivery mechanisms, market linkages etc... before production (sorry if this has been mentioned in another text)</p>
<p>Team’s Response</p> <p>4- Language has been modified as per suggestions. Choice of indicators can vary with ecosystems and contexts and so an in-depth review of field conditions is</p>

required. However, a good starting point is considering the relevant indicators from MDG and other relevant UN Conventions that the country has signed.
12- Agreed.

Evaluation Recommendation

o Environmental Conservation & Quality Regulation

7A - There are resource conservation principles that are not being adhered to. This is of utmost gravity since UNDP projects themselves are promoting, wittingly or unwittingly, these practices. It is the principle that matters not the extent of the actual damage at this point in time.

7B -There are micro enterprises within the framework of UNDP projects, wittingly or unwittingly, involved in:

- unsustainable forest exploitation in the production of and distillation of oil from menthe and chamomile;

8- Sound environmental governance requires a focus on the social dimensions of natural resource use and ecosystem management. GEF finances the enhancement of world environmental benefits. Development stakeholders are expected foster the governance of the environment. In this connection, the first step may be to begin establishing the governance structures to support the sound use natural resources within ecosystems. Fostering good governance is not an easy task because the core of the decision-making must rest with those whose livelihoods depend from a balanced-ecosystem.

Energy Issues

9-Taking into consideration the characteristics of the country's energy development and constraints, KREC offers a model with potential for future replication: the generation-distribution of electricity for sale to consumers at the district level as a livelihood opportunity. The success of selling electricity hinges on sound management. KREC needs specific technical assistance in the management of technical-human systems associated with the generation-distribution of electricity, in particular electricity economics.

10- The current use of local measures and weights in monitoring reports, while connecting the CO with the field realities, precludes international comparisons of value, efficiency and analysis of comparative advantage. For all practical purposes markets are now global. Nepal neighbours two world players in agriculture and handicrafts. It is absolutely essential to be able to compare the national value internationally using the metric system. A table should be configured where each local weight and measure has its equivalent under the metric system

o Programme-design

11- Consider configuring programmes which are complementary with the national development path. Complementary programmes would allow greater opportunities for synergies that would lead to successful outcomes. The following components should be considered.

Integrated Landscape Planning (ILP) has been operating under the framework of WTLCP.²⁰⁷

ILP is a programme planning framework capable to coordinate the best use of resources, information, experts, decision makers, and stakeholders in the planning process. ILP key attributes are the following, additional ones reflecting the future Programme could be added.

UNDP Query

7A - I am not sure if this recommendation is generic or specific to a particular forest – government managed forest, community forest or private lands. I am not saying that this recommendation will not be implemented, but just wanted to know how can we do it – through developing a sustainable business model for an enterprise, or putting provisions under forest operational plans for sustainable use, or doing opportunity cost analysis for the land where camomile is grown?

7B- Cultivation and processing of Mentha and Camomile have been good activities for reducing human wildlife conflict particularly in bufferzone area. Since, they are cultivated in private and open community land, I am not sure it has implication on unsustainable forest exploitation. I suggest revisiting this statement.

8- This recommendations is too vague – I would expect recommendations along the line, where the current model of natural resource management can further improve to ensure better environmental governance.

9- This recommendation will be hard to implement, as KREC model is promoted by HPL under special conditions,

²⁰⁷ To build capacity it is essential to make the most of local skills, and knowledge. A modified ILP should ensures the best fit for the context.

<p>which UNDP cannot follow. UNDP cannot take one case for replication. Further KREC model is working only for distribution of electricity and collecting tariff but not for livelihood promotion. We need specific recommendations here, for example, which model should be appropriate - co-operative model or community based model promoted by REDP where decentralized energy system is managed by micro-hydro functional group or private sector model.</p> <p>11-(I do not really get the point here...).</p> <p>12B- ILP is capable of developing a consensus in group decision making for the purpose of moving forward the principles of equality and inclusiveness. This is not the focus of ILP.</p> <p>12B. I am not sure the spirit and goal of ILPF is fully captured in this recommendation</p>
<p>Team's Response</p> <p>The Environmental theme is the more complex. The Team has proposed the following recommendation :</p> <p>As the regulations required for the sustainable use of resources is complex because of the country's varied ecology and biodiversity, consider launching a consultancy with the purpose of reviewing comprehensively the natural resource use by UNDP projects in the country [within the forthcoming Programme] and propose procedures for the sustainable use of natural resources within ecosystems or Integrated Landscape Planning (ILP).</p> <p>In the light of the above recommendation we will respond the queries raised.</p> <p>7A- The Team lacks in-depth knowledge of the forest to propose a specific procedure. This is why we have made the above recommendation of fielding a consultant</p> <p>7B – The Team's field inspection has not found the conditions indicated. The crux of the problem is that there are no figures on: 1- the number of ha used for the production of chamomile and menthe, and 2- the area of forest used for firewood to extract oil from chamomile and menthe. Moreover, the processing unit to extract oil financed by UNDP lacks the information as to how much firewood is required to produce one unit of oil. Again the consultancy proposed could verify this issue. Thus, a recommendation cannot be retracted without specific evidence put forward.</p> <p>8- The Team's field inspection did not find any evidence of a model of natural resource management in progress or under consideration. The recommendation is purposely vague, because governance is a complex interface of legal, administrative and customary arrangements, and maybe others that the Team did not encounter during the visit. There is need of sufficient latitude to implement governance that works for the poor and the ultra-poor including disadvantaged groups.</p> <p>9- Finding the appropriate model takes more than a rapid assessment. The Team finds an opportunity for livelihood creation. The detailed review of the specific conditions plus the other considerations identified will yield the potential model or no model at all. However, the model promoted by REDP should be a logical start.</p> <p>11- FAO, WB, UNIDO, UNICEF prepare tables applied to their subject matter where each local weight and measure would have its equivalent in the metric system. Such an equivalence makes yields per ha easier to measure in relation to the region's performance or any other forest or agricultural output. .</p> <p>12B- After discussions with many stakeholders, the Team considered that it is essential to use a comprehensive planning framework for the next Programme. This is because of the ecological, geographical, ethnographic complexity of the country. ILP is the nearest working mechanism to do what is desired. Therefore, it is not a matter of a mechanical application of the recommendation as such. Rather it is a matter of progressive adaptation of the ILP framework until it does the job desired.</p>