IFAD started its operations in Nepal in 1978. Since then, IFAD has approved 17 projects for a total financial volume of US$284 million. Taking into account the counterpart funding from the Government of US$84.7 million and external cofinancing of US$270.2 million, the estimated cost of these operations has been US$639 million.

In 2019, the Independent Office of Evaluation of IFAD conducted the third Country Strategy and Programme Evaluation (CSPE) in Nepal, covering the period from 2013 to 2019. This corresponds to the strategy and operations supported by IFAD since the approval of the 2013 Country Strategic Opportunities Programme (COSOP).

Main evaluation findings

According to this CSPE, the overall programme effectiveness and impacts on rural poverty have improved, compared to the previous CSPE in Nepal. The progressive emphasis on high-value products and inclusive commercialization of agriculture have been relevant to the context of rural poverty in Nepal. In the past three decades, farm fragmentation and low productivity of staple crops have put in peril the economic viability of traditional farming systems. The IFAD-funded programme emphasis on higher-value products, such as spices, off-season vegetables, fruits, cereal and vegetable seeds, and community Boer goat-breeding (and to a lesser extent, dairy products) are examples of the programme’s efforts to increase the profitability of small farms.

Linking small-scale farmers with value chains was important to enhance their economic opportunities. The IFAD-funded programme has helped improve farmers’ access to markets, including international markets, and has also enhanced transparency of contracting, and stability and predictability of prices. Value chain linkages have been supported for cash crops and seeds, to some extent for milk, and less so for small ruminants where interventions have concentrated on production.

Interventions on value chain governance are still at an early stage but have generated interest from the District Chambers of Commerce. They have also promoted the
1. Support federalization as an integral part of the preparation of the new COSOP and project designs. The focus should be not only on how to adapt project architecture to the new system but also on how to support local governments in promoting rural development, including local infrastructure, extension and advisory services, and economic opportunities.

2. Continue the support to value chain development with renewed emphasis on inclusiveness. IFAD needs to continue emphasizing the inclusion of poor and very poor small-scale producers by making special provision for them in project design. The current prefinancing requirements for beneficiaries create disincentives for very poor producers and need revisiting. Another priority is to strengthen the consultation fora between value chain stakeholders (e.g. multi-stakeholder platforms).

3. Bring back into the spectrum of IFAD funding the support to community development, basic infrastructure and services as a preparatory step for further economic opportunities.

4. Strengthen partnerships for specialized technical support and for cofinancing. IFAD should explore further cooperation opportunities with development agencies, non-governmental organizations and other development partners that have demonstrated technical experience in crucial portfolio topics (e.g. value chain development, support to decentralization, community-based development). This would enhance the quality and innovativeness of project design and implementation, but also build up opportunities for policy engagement and for scaling up of results.

NEPAL AT A GLANCE

- Population: 29.3 million people (2017)
- Rural population: 81% (2017)
- Gross domestic product (GDP) per capita: US$960 (current US$; World Bank, 2018)
- Agricultural GDP (as a percentage of total GDP): 27% of GDP in 2017 (down from 38.7% in 1997)
- Human Development Index: 0.574 in 2017 (149th out of 189 countries; and up from 0.279 in 1980)
- Chronic malnutrition (stunting) prevalence for children under 5 years: 36% in 2016 (down from 49.2% in 2006)
- Number of IFAD loans approved since 1978: 17
- IFAD investment financing provided since 1978: US$284 million

Sources: World Bank and IFAD.

Further information:
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