



External Review of the Nepal Agricultural Market Development (Sahaj) Program

– Final Evaluation Report –

Authors:

Geert Engelsman

JaLogisch Consulting GmbH
Grazer Strasse 23B
8045 Graz, Austria
T. +43 664 1410 417
E-Mail: gengelsman@jalogisch.com

Sujan Piya

Practical Action Consulting Nepal
Indira House, No.1114
Panipokhari Hill,
Kathmandu, Nepal
T. +977 985 11 33 117
E-Mail: sujan.piya@practicalaction.org.np

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Yamuna Ghale Upreti

Senior Programme Officer & Gender Focal Person
Embassy of Switzerland in Nepal
Swiss Agency for Development and Cooperation
P.O. Box: 113
Kathmandu, Nepal
T: +977 1 4217008
E-Mail: yamuna.ghale@eda.admin.ch

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Geert Engelsman
Sujan Piya

Acronyms

ASDP	Agriculture Sector Development program (IFAD)
BMZ	German Federal Ministry for Economic Cooperation and Development
CEAPRED	Center for Environmental and Agricultural Policy Research, Extension and Development
CHF	Swiss Francs
DFAT	Australian Department of Foreign Affairs and Trade
DFID	UK Department for International Development
EIU	Economist Intelligence Unit
FDFA	Swiss Federal Department of Foreign Affairs
FSB	Federal State Building
GDC	German Development Cooperation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GMBH
IFAD	International Fund for Agricultural Development
LED	Local economic development
LPED	Local and Provincial Economic Development (BMZ)
M4P	Making Markets Work for the Poor
MSD	Market System Development
MSP	Multi-stakeholder platforms
MRM	Monitoring and Results Measurement
NAGI	Nepal Agriculture Growth Initiative
NAMDP	Nepal Agriculture Market Development Program
NASDP	Nepal Agriculture Service Development Program
NPR	Nepali Rupees
OECD	Organizations of Economic Cooperation and Development
PSD	Private sector development
SCS	Swiss Cooperation Strategy
SDC	Swiss Agency of Development and Cooperation
UNCDF	United Nations Capital Development Fund

Executive Summary

Introduction

This report documents the External Review of the Nepal Agriculture Market Development Program (NAMDP), commonly referred to as the Sahaj Program. Sahaj promotes thriving agricultural markets that work for poor smallholder farmers. It is designed with a 12-year horizon. The first (4-year) phase ends December 2019. This Review will be used by SDC (funding agency) and Swisscontact (lead implementing agency) to shape the second phase of the program. For that purpose, it answers the following 11 evaluation questions.

Looking back:

1. Does the Program's theory of change hold up in practice?
2. What was the Program's value-added for the private sector partners?

Looking at now:

3. What are relevant developments and emerging issues in the political economy of the agricultural sector in Nepal, including in the federalization process?
4. What changes does the new Swiss Cooperation Strategy impose on the Program?
5. What are development partners doing (in market development) in the agricultural sector?
6. What are promising sectors / value chains to engage in to increase employment, land and labor productivity?

Looking forward:

7. What are the entry points for the second phase of the Program?
 8. How can the Program engage with state actors to support the creation of an enabling environment for a vibrant and inclusive private sector development?
 9. Should elements of the Local Economic Development approach be introduced?
 10. To what extent should the Program collaborate with other development partners?
 11. Is there a need to change the management and organization model of the Program?
-

The Review took a theory-based and mixed-method approach to data collection and analysis. All findings were triangulated between data sources, methods and evaluators. The Review interviewed private sector partners and beneficiaries from 24 out of 39 (successful and less successful) interventions. The Review also interviewed 8 from 12 public sector partners. All in all, the Review spoke with 86 persons from 42 organizations offering a broad perspective on Sahaj.

Looking back

A 2012 review of SDC's agriculture portfolio found that the portfolio was overly production centric and not sufficiently engaged with systemic constraints. This limited pro-poor change and impact at scale. In response, SDC adopted the Market System Development approach for the Sahaj Program. This approach addresses causes rather than symptoms of weak market performance and aims for systemic interventions (which benefit all smallholder farmers) rather than direct support to a selected group of smallholders.

The root causes of Nepal's underperforming agriculture sector lie in Nepal's geography, land ownership structures, informal economy, trade and custom's regime, financial regulations, weak investment climate, and demography, as well as India's geography and past investments in the agriculture sector. These factors determine the sector's relative productivity and prices and, consequently, the decisions made by processors, wholesalers, retailers and consumers on what and where to buy.

Despite knowing their importance, Sahaj did not address these root causes. Instead, the Sahaj team decided to target the sector's low productivity through on-farm investments, capacity building and the promotion of inclusive business models. Sahaj approached importers, input-suppliers, traders and processors and encouraged them through financial and technical support to engage with domestic smallholder farmers by (i) supplying these farmers with high-quality agro-inputs; (ii) providing technical assistance on good farming and post-harvest practices; and (iii) offering a buy-back guarantee for their produce.

The Program thus effectively reverted to quasi direct support to smallholder farmers to raise their productivity. This was a conscious choice on the part of the Sahaj team which rested on a particular vision and belief on how it could effect change in Nepal: namely by showcasing the promise of the inclusive business model, consequently crowding in other entrepreneurs, and thus incrementally expanding the size of the market.

The fact that the first phase of the Program was to produce tangible, visible and measurable impacts – by way of 25,000 farming households increasing their annual net nominal income on average by NPR 20,000 and 1,600 new jobs being created on-farm or in the value-chain – did not help. This pushed Sahaj to more directly support and engage with farmers – even when done through its private sector partners – to ensure that measurable results were achieved and attributable to the Program.

Field observations suggest that the inclusive business model promoted by Sahaj works in principle: it offers a positive business case for entrepreneurs, albeit not so positive for the entrepreneurs to embark on the business expansion on their own. Sahaj recognizes this but argues that they and their private partners have a five-year horizon: when the business model takes hold, the domestic market will expand, costs will go down and profit margins will increase, effectively creating a virtuous cycle of ever-expanding markets.

The Review did not uncover compelling evidence that the crowding-in model works (or is likely to work). The abovementioned root causes of the agricultural sector's underperformance remain in place. Moreover, the crowding-in depends on smallholder farmers having access to other agricultural inputs as well which are not part of the current business model. Access to the right fertilizers, pesticides and irrigation is problematic in large parts of Nepal.

Other agricultural market development programs also point to the importance of addressing policy constraints and, above all, taking a comprehensive approach to change, i.e. tackling policy constraints, financing barriers, weak business linkages and capacity development needs simultaneously.

This Review questions whether Sahaj can deliver the impact at the scale envisaged by SDC. Nevertheless, when judged against the Program's results framework, Sahaj's choice is partly paying off. According to Sahaj's own data, 8950 farming households have benefited from the Program thus far. Given that many interventions are still ongoing (and have even just started), Sahaj estimates that it will reach 35,000 to 45,000 households by December 2020. These smallholder farmers experience an increase in their annual net income of on average NPR 10,000 (even though this is below the target of NPR 20,000). The Program contributed to 385 new jobs, mostly within the value-chain, which is below the target of 1600 jobs. The limited number of jobs created in the value chain also suggests that the envisaged market expansion has not (yet) taken place.

Sahaj was conceptualized as a clear break from the past. Instead of offering direct support to smallholder farmers to raise their productivity, it was meant to help take away systemic constraints to the commercialization of agriculture in Nepal. The removal of these constraints would benefit the whole agricultural sector and not just those receiving direct assistance. Sahaj was meant to be light-touch, act as a facilitator and not become a service provider. In other words, with minimal effort, it sought maximum impact.

Reality is turning out differently. Sahaj identified low land productivity as a root cause of agriculture's underperformance. It mobilized the private sector to provide technical assistance to smallholder farmers to raise their productivity and offer the farmers a guaranteed offtake of their produce. Sahaj has become very technical-assistance-oriented. As such, Sahaj basically continued traditional development assistance – the delivery of quasi direct support to smallholders – albeit with a modern touch by involving the private sector.

Looking at now

Nepal is in transition. In 2015, the country adopted a federal government structure. Policy responsibilities were partly devolved towards the provincial and municipal governments and partly became a concurrent responsibility of all three levels of government. All levels of government are adapting to their new roles and responsibilities. This happens against a backdrop of relative political stability and majority governments in most constituencies. This offers a

window of opportunity to shape the country and its agricultural sector anew. This window of opportunity will be open for a couple of years before new policies, power relations, customs and practices will settle in and make the system again less susceptible to change.

Switzerland is committed to Nepal's peaceful and inclusive development. It actively supported constitutional solutions to the Maoist insurgency and to the discontent in the Tarai. Having provided formal and informal inputs to the drafting of the new constitution, Switzerland wants the new federal government structure to work. All SDC programs should therefore be supportive of the federalization process.

Switzerland does not want its official development aid to be used for the delivery of services directly to the ultimate beneficiaries. This goes back to the, already mentioned, 2012 review of SDC's agriculture portfolio. Finally, Switzerland and Nepal agreed for SDC to concentrate its operational resources on State 1 whilst remaining engaged at the national level on policy issues.

Looking forward

MSD's and Sahaj's potential value-added lies in its systems approach to agricultural market development. It can (i) point out systemic constraints in the commercialization and industrialization of the agricultural sector; (ii) assist national, provincial and local governments as well as business associations in State 1 to develop a common vision on how to remove these systemic constraints and unlock the agricultural sector's potential; and (iii) facilitate collective action amongst government, business associations and private sector firms to address these systemic constraints (and where necessary to involve the national government).

In doing so, it will be important for Sahaj to balance advocacy with responsiveness. So far, Sahaj had a vision on how the private sector could work more inclusive. It reached out to private sector firms and supported those which bought into the concept. A recurrent theme during the interviews was that Sahaj reached out to the private sector firms (not vice-versa) and that one in (perhaps) twenty responded positively.

When it starts working more at a policy level with governments or business association, Sahaj will need to align its support to the capacity, interests and incentives of these organizations. They can only develop themselves and will only address systematic constraints if they have the interest, incentive and capacity to do so. Sahaj cannot do it for them. Self-formulation and local ownership of the development agenda are conditions sine qua non for successful development.

Sahaj can support this development process through mentoring (enabling the governments to reflect on the role of, the private sector in, agriculture in their constituency's development); peer learning (by unlocking the relevant experiences of colleague governments within Nepal or abroad); facilitation (by bringing together all relevant stakeholders within government and the private sector and promote a constructive dialogue and collective action between them); and targeted technical assistance (by bringing in experts at specific points in time for coaching). This would entail a departure of Sahaj's current model of much more direct technical and financial assistance to its private sector partners in favor of a more facilitative role which mobilizes a broader group of stakeholders.

Lessons learned

Phase 1 of Sahaj was conceived as a pilot and offers some valuable lessons:

1. An elaborate program document does not guarantee a common understanding on the intent of the program. SDC Nepal wanted to move away from direct support to smallholders and instead address the root causes of Nepal's underperformance in agriculture. The Sahaj team did not interpret the conclusion of the 2012 portfolio review as preventing them from working directly with private entrepreneurs and smallholder farmers. The evaluation reveals a clear difference in vision between SDC and the Sahaj team.
2. It is difficult to achieve systemic change and impact through a single development modality (technical assistance), an externally imposed (pro-poor) business model, and a theory of change based on demonstration and crowding-in. This should not come as a surprise as it runs counter to modern development

thinking which advocates comprehensive approaches (by undertaking mutually reinforcing actions at for example the macro, meso and micro-level) and aligning support to the interest, incentive and capacity of local partners (i.e. supporting local initiatives as people and societies can only develop themselves).

3. A Market System Development program should not contain targets for *direct* beneficiaries. The premise of the Market System Development approach is that by taking away systematic constraints, all participants – in this instance in the agricultural sector – benefit. By including targets for direct beneficiaries, it incentivizes the program to provide direct assistance to smallholder farmers.

Recommendations

Based on above findings, the Review has 8 recommendations. These are, in first instance, directed towards SDC Nepal, as the principal of both this Review and Sahaj. It is for SDC to decide how to continue. If SDC decides to continue with Phase 2 and Swisscontact as implementing agency, then it will fall on the latter to operationalize these recommendations. Chapter 4.3 details the practical implications of these recommendations for the Sahaj Program. In short, the Review recommends to:

1. return to Sahaj's original intent and address the systemic constraints to agriculture's commercialization;
2. facilitate local initiatives in commercializing agriculture – light-touch and as facilitator;
3. implement recommendation 1 and 2, through a comprehensive set of, mutually reinforcing, measures;
4. reach out to other development partners for collaboration and joint learning;
5. label Sahaj as an agricultural market expansion program (rather than a livelihood program) and adapt the results-framework accordingly;
6. change the size, composition and geographic distribution of the Sahaj team;
7. engage in a fundamental dialogue with Swisscontact on their understanding of and ability to deliver on the program;
8. implement the above recommendations now and not await the start of the second phase in mid-2020.

Main Report

1. Introduction

1. This report documents the External Review of the Nepal Agriculture Market Development Program (NAMDP), also referred to as the Sahaj Program. This opening chapter (i) lays down the purpose and intended use of the Review; (ii) introduces the main evaluation questions (which also offer a reading guide to the rest of the report); (iii) describes the Sahaj Program; (iv) explains the evaluation approach; and (v) reflects on the Review's strength and limitations.

1.1 Purpose – Intended use and users of the Review

2. The Sahaj Program is '*designed with a 12-year horizon*' (SDC 2015). The first, 4-year phase ends in December 2019. In the course of this first phase, Nepal moved to a federal government system and SDC Nepal committed itself, in its new country strategy, to support the federalization process with all its programs (SDC 2018). As such, [this external, end-of-phase, review is a forward-looking, formative, evaluation](#). Its *purpose* is to assess how, in the coming four years, the Sahaj Program can (i) even more effectively enhance the economic transformation of the agricultural sector in Nepal; and (ii) support the, newly empowered, provincial and municipal governments in State 1¹ in creating an enabling environment for private sector development and inclusive economic growth.

3. [The Review will be used – together with other inputs – to shape the second phase of the program](#). Concretely, the evaluation report informs the Programme Document and Credit Proposal for the second phase of Sahaj. The *primary users* of the Review are therefore SDC Nepal (the funding agency) and Swisscontact (as lead implementing agency). The report will also be shared with the government of Nepal and other development agencies working on market system development and/or in the agriculture sector in Nepal. These are the *secondary users* of the Review.

1.2 Evaluation questions and reading guide

4. This Review was guided by and answers 11 evaluation questions (see Table 1). These are the *main* evaluation questions distilled from the Terms of Reference (see Appendix A). The Terms of Reference contain additional questions which help answer the main evaluation questions. A full overview of questions is included in Appendix B.

5. Table 1 immediately offers a reading guide to the report. Chapter 2 looks back and assesses the initial performance of the Sahaj Program and the value-added of the program for the private sector. Chapter 3 subsequently reflects on the current development landscape and determines whether Sahaj remains relevant or to what extent it needs to adapt to changing circumstances. The final chapter draws an overall conclusion and lessons and offers – by means of recommendations – entry points for supporting both the transformation of the agricultural sector in Nepal, as well as the federalization process. It also reflects on the institutional set-up of the Sahaj Program.

Table 1. Main evaluation questions

Outline	Main questions
Chapter 2. Looking back	1. Does the Program's theory of change hold up in practice? 2. What was the Program's value-added for the private sector partners?
Chapter 3. Looking at now	3. What are relevant developments and emerging issues in the political economy of the agricultural sector in Nepal, including in the federalization process? 4. What changes does the new Swiss Cooperation Strategy impose on the Program's outcome and impact targets? 5. What are development partners doing (in market development) in the agricultural sector? 6. What are promising sectors / value chains to engage in to increase employment, land and labor productivity?
Chapter 4. Looking forward	7. What are the entry points for the second phase of the Program? 8. How can the Program engage with state actors to support the creation of an enabling environment for a vibrant and inclusive private sector development? 9. Should elements of the Local Economic Development approach be introduced? 10. To what extent should the Program collaborate with other development partners? 11. Is there a need to change the management and organization model of the Program?

¹ Switzerland agreed with the Government of Nepal to gradually concentrate its resources in State 1. (SDC 2018)

1.3 The evaluand – the Sahaj program in brief

6. **Background.** A comprehensive review of SDC's agriculture portfolio, conducted in 2012, found that *the portfolio was 'overly production centric and not sufficiently engaging with systemic constraints that limit pro-poor change and impact at scale'* (SDC 2016). In response, SDC decided for *'a more coherent and leaner portfolio ... with a stronger focus on market systems'* (SDC 2016). Concretely, SDC decided for the Nepal Agriculture Growth Initiative (NAGI) containing 4 components: (i) the Nepal Agriculture Service Development Program (NASDP) to enhance the quality and delivery of the agricultural extension services in the country; (ii) the Home Garden Program to improve the quality and productivity of subsistence farming; (iii) the Smallholder Irrigation Program to extend farmers' access to irrigation; and (iv) the Nepal Agriculture Market Development (Sahaj) Program which was *'specifically designed for developing the agriculture market systems in the country'* (SDC 2016).

7. **Market System Development.** Sahaj is modelled on the Market System Development approach and methodology. The distinguishing factor of this approach is that it focuses on the causes rather than the symptoms of weak market performance (The Springfield Centre 2015, SDC 2016). *Market System Development 'addresses underlying constraints rather than directly delivering services ... [and] aims for systemic change instead of isolated interventions'* (SDC 2016). *Its premise is that only system change can foster large-scale and lasting development.* As such, it seeks to *improve the long-term efficiency and inclusiveness of the systems that matter most to poor women and men – the systems on which their livelihoods rely'* (The Springfield Centre 2015).

8. **Objective.** The goal of SDC's overarching Nepal Agriculture Growth Initiative is aligned to the government's Agriculture Development Strategy (ADS), namely to realize a *'self-reliant, productive, sustainable, competitive, and inclusive agricultural sector that drives economic growth and contributes to improved livelihoods and food and nutrition security'* (SDC 2016). Similarly, *Sahaj's vision is one of 'thriving and inclusive agricultural markets that develop the comparative advantages for fulfilling domestic demand (import substitution) and export growth'* (SDC 2016).

9. **Sectors.** From the start, Sahaj took a sector approach. Based on pre-defined selection criteria² and sector analyses of 10 commodity markets³ and 5 cross sectors⁴, SDC and Swisscontact opted to work in the *meat (goat), fresh vegetables and maize sectors, as well as address crop-protection and post-harvest practices (as cross-sectors).*

10. **Impact statement and targets.** Within these sectors, Sahaj sought to improve the livelihoods of rural smallholders (especially disadvantaged groups and women-headed households) through their participation in commercial agriculture and interconnected markets (SDC 2016). To that end, it set the following *impact targets: 25,000 farming households increase on average their annual net nominal income by NPR 20,000, and 1,600 new jobs (measured in full time equivalents) are created for poor and disadvantaged people.* Appendix C includes the full results framework (including actual results as of February 2019 based on Sahaj's own data).

11. **Test phase.** *'The first phase is expected to produce tangible, visible and measurable impacts ... [still] the quantitative targets have been set comparatively low ... [because] ... the [MSD] approach is still rather new for the country ... [and] ... the wide-spread and deep-rooted subsidy orientation [in the agriculture sector]'* (SDC 2016). As such, *phase 1 was 'conceptualized with a certain testing and learning orientation'* (SDC 2016). Subsequent phases *'will set substantially more ambitious impact targets'* (SDC 2016). Moreover, Sahaj aims for indirect as much as direct impact – the purpose is *'to stimulate others in the system – to crowd-in other activity and therefore achieve greater change'* (SDC 2016).

12. **Instruments.** Sahaj *'aims to stimulate private and public sector players to take on new (or adapted) functions [and not] become an active market player itself'* (SDC 2016). As such, the program foresees a *'light-touch'* and *'work as a facilitator'* to *'join relevant actors'* (SDC 2016). In addition, it was envisaged to provide *'capacity development to fill knowledge gaps'* and *'co-financing to kick-start change'* and/or reduce the risks for private sector partners (SDC 2016).

13. **Implementation.** The program is implemented by Swisscontact and the Center for Environmental and Agricultural Policy Research, Extension and Development (CEAPRED). Figure 1 and Figure 2 show the program budget and team composition. Appendix D and E include details on the budget, expenditures and organization.

² Sahaj applied 3 criteria: (i) pro-poor outreach potential; (ii) growth potential of the sector; and (iii) feasibility of systemic interventions.

³ Namely, fresh vegetables, spices, citrus fruits, meat, maize, legumes and pulses, soya, floriculture, mushrooms and dairy.

⁴ Grading & packaging, operation of physical markets, basics of business and economics, mechanization, and fair trade/organic production.

Figure 1. Sahaj Budget for Phase 1

Budget line	Amount	%
Project Facilitation Unit*	CHF 3,428,387	47%
Administrated project funds	CHF 3,795,830	53%
Total	CHF 7,224,217	100%

*Office, staff, operational expenditures, and long-term consultants

Source: (SDC 2016)

Figure 2. Project Facilitation Unit

37 Experts	Team leader & Deputy (#2)		
	Operations	MRM	Support
Senior	#3	#1	#1
Junior	#18	#4	#8

Source: Swisscontact

1.4 Evaluation methodology

14. The Review took a theory-based approach. As noted above, the Sahaj Program is based on the [Market System Development \(MSD\), or Making Markets Work for the Poor \(M4P\), methodology](#). Market System Development is 'a pragmatic and non-doctrinaire approach to understanding and intervening in market systems so that they function more efficiently and sustainably for poor women and men' (The Springfield Centre 2015). It rests on a theoretical framework as laid down in an operational guide funded by SDC and the UK Department for International Cooperation.

15. The Sahaj Program also developed a [Theory of Change](#). In the inception phase, we expanded this Theory of Change to make explicit the underlying assumptions or causal mechanisms which are to ensure that the Sahaj interventions result in the intended outcomes and the outcomes bring about the intended impacts. The resultant, expanded, Theory of Change fully captures the *commonly understood vision* of SDC and Swisscontact on how the Sahaj program was to expand and make more inclusive the agricultural markets (in the sectors-of-operation). This Theory of Change was deduced from a program document review and in-depth discussions with SDC and the Sahaj team. The draft Theory of Change was shared with both SDC and Sahaj – both confirmed that it reflected the program's intent. The Program's Theory of Change, as well as methodological background, are included in Appendix F.

16. In assessing the Sahaj Program, the review took both the [Market System Development methodology and the expanded Theory of Change as its point of reference](#). Both capture the vision of how the Sahaj Program was to expand and make more inclusive the agricultural markets (in the sectors-of-operation) and improve the livelihoods of the smallholder farmers, including women-led households and disadvantaged groups. By subsequently comparing the theory with the on-the-ground reality, the Review offers SDC and Swisscontact the opportunity to test their working-assumptions and learn from their practice.

17. The Review is based on three datasets, stemming from (i) a document and literature review; (ii) key informant interviews; and (iii) field observations. The collected data were scrutinized through alternative data analysis methods and findings were triangulated across different data sources, methods and evaluators. Appendix H expands on the applied data collection and analysis methods. Appendices I and J include a full list of documents reviewed and people interviewed. Finally, the Review engaged in depth with SDC and Swisscontact on the purpose and design of the evaluation, their views on and experiences with Sahaj, the preliminary findings and the draft report.

1.5 Strength and limitations

18. The Review interviewed private sector partners and beneficiaries from 24 out of 39 interventions⁵, including both successful and less successful ones (see Figure 3). The Review also interviewed 8 from 12 public sector partners. All in all, the Review spoke with 86 persons from 42 organizations (see Figure 4) offering a broad perspective on Sahaj. Still, the Review engaged with relatively few private sector firms not involved in the Program. This external, private sector perspective is thus missing.

Figure 3. Field mission: intervention coverage

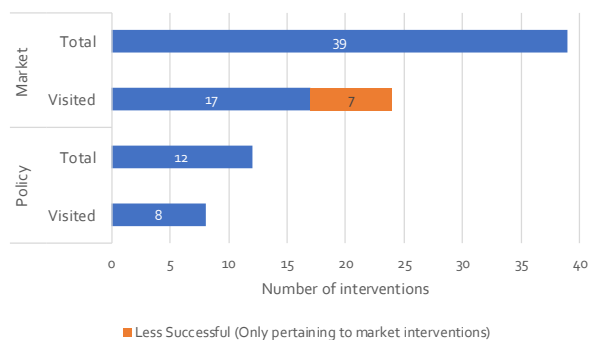
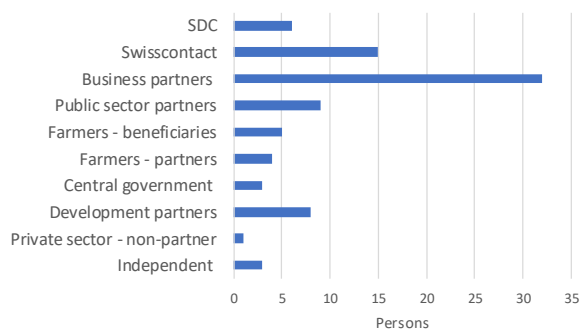


Figure 4. Overview of key Informants



⁵ Total number of interventions as of February 2019.

2. Looking back: is Sahaj delivering on its promise?

19. This Chapter answers two questions: (i) does the Program's Theory of Change hold up in practice; and (ii) what is Sahaj's value-added for the private sector partners? The answers will tell whether Sahaj is worthwhile and offer lessons on what works, what doesn't and why.

2.1 Does the Program's Theory of Change hold up in practice?

20. Sahaj's Theory of Change (or shorter: Program Theory) contains five steps from the initial analysis (step 1), to the intervention (step 2), the immediate and intermediate outcomes (step 3 and 4) and the final impact (step 5). We address each in turn. At the start of each subsection, the relevant step in the Program Theory is recapped. The Program's full Theory of Change is included in Appendix F.

2.1.1 Step 1 – analytics: causes versus symptoms

Step 1 (Analysis): *If* Sahaj analyzes the market systems, *then* it can identify the root causes of any underperformance of these markets and identify ways to address these root causes, *because* Sahaj has the capability (sector and market knowledge and experience) and capacity (human and monetary resources) to do so.

21. At the core of the Program Theory and the Market System Development approach lies their focus on identifying 'the underlying causes (rather than the symptoms) of weak market performance' and ways to address them in close collaboration with private or public market players (The Springfield Centre 2015, SDC 2016). For that purpose, Sahaj conducted in-depth sector analyses.

22. Figure 5 shows why – according to Sahaj – the Nepali maize sector underperforms: limited access to high-quality seeds, suboptimal farming and post-harvest practices, and limited access to grain markets causes low land productivity. The underlying reason is that the various value-chain actors, in particular from the fast-growing poultry-feed industry⁶, are insufficiently engaged in the value-chain.

23. To address this underperformance, Sahaj approaches importers, input-suppliers, traders and processors and encourages them to engage with domestic smallholder farmers by (i) supplying these farmers with high-quality seeds and other agro-inputs; (ii) providing technical assistance on good farming and post-harvest practices; and (iii) offering a buy-back guarantee for their produce. Figure 6 depicts Sahaj's approach and its propagated inclusive business model.

24. Sahaj found the same type of shortcomings in, and applied the same inclusive business model to, its other sectors-of-operation. Appendix K offers similar figures to Figure 5 for the other sectors-of-operation. Figure 6 is applicable across all sectors-of-operation.

Figure 5. Summary outcome maize sector analysis

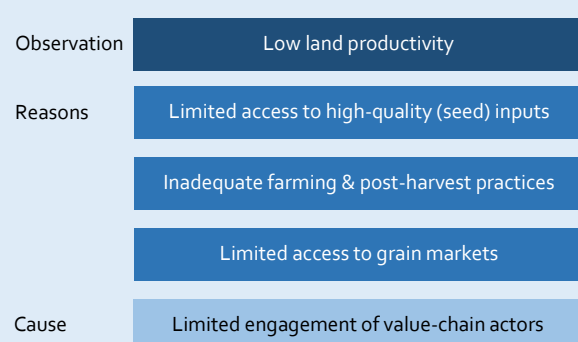
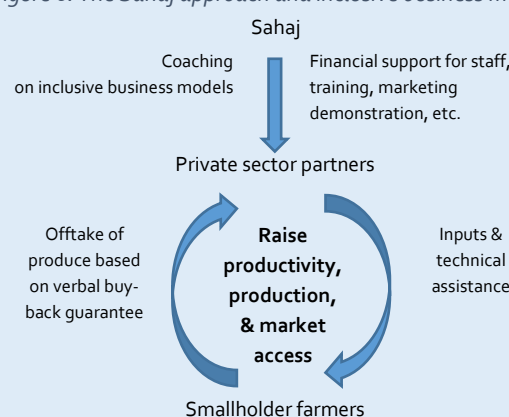


Figure 6. The Sahaj approach and inclusive business model



⁶ Poultry sub-sector emerged as a vibrant and commercial agro-industry over the last 20 years which made Nepal self-sufficient on poultry meat and egg. Principally, the growth of vibrant poultry economy should have generated a positive impact on maize production and its commercialization as maize is the key input for poultry feed. This is not the case. The Nepal maize industry could not respond to the high demand of maize from the feed industry. At present, Nepal imports 80% of its maize consumption.

25. Does Sahaj identify and address the *root causes* of the maize sector's low productivity? The short answer is no.

There are further underlying reasons for the maize sector's low productivity and the upstream actors' low engagement with domestic smallholder farmers. To start with the latter, traders and feed-mills can obtain large quantities of maize at assured quality at lower prices from India because India's maize sector is (i) technologically more advanced due to economies of scale, mechanization and wide-spread access to irrigation and chemical fertilizers; (ii) subsidized by the Indian government; and (iii) better connected to Nepal's main markets than Nepal's own *hinterland*. Traders and feed-mills benefit from the open borders with India, partly due to the Nepal-India Trade Treaty and partly because of the lack of effective custom controls.

26. Maize productivity is also low in Nepal due to its informal, smallholder farming, land fragmentation, low mechanization, limited access to capital and irrigation, and – possible – the feminization of agriculture (due to male migration) whereby women have to till the land, whilst also raising children and do most of the household chores.

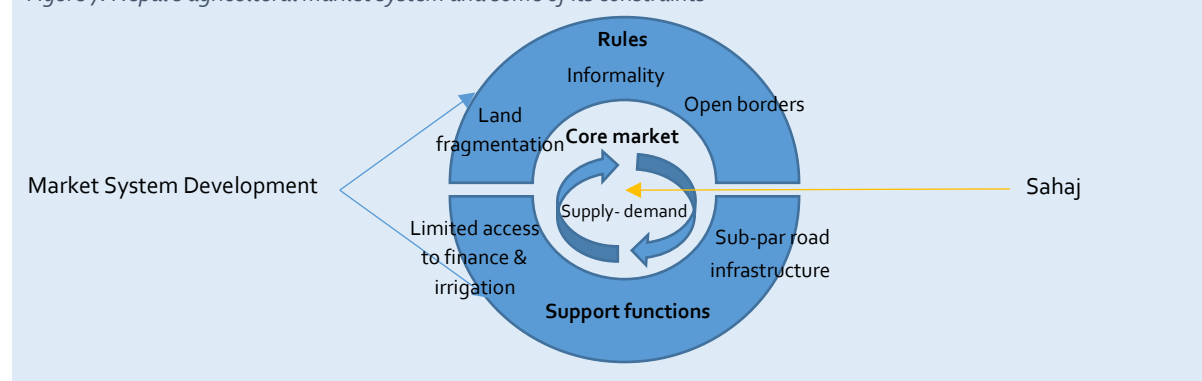
27. The *root causes* of Nepal's underperforming maize sector thus lie in Nepal's geography, land ownership structures, informal economy, trade and custom's regime, financial regulations, weak investments, all possible exacerbated by changing demographics, as well as India's geography and past investments in the agriculture sector. (All factors which also influence the availability of high quality agro-inputs and services in Nepal).

28. Market System Development calls for addressing *these* root causes of underperformance by altering the land management policy, formalizing the agriculture sector, tweaking the trade and customs regime, changing the financial regulations, offering fiscal benefits for capital investments, strengthening the national quality infrastructure, addressing the male-gender bias in policies, and supporting women to do three jobs in one. Or to put it in more economic terms: Nepal's geography, land ownership structures, informal economy, trade and custom's regime, financial regulations, weak investments influence the agriculture's relative productivity and prices and, consequently, the decisions made by processors, wholesalers, retailers and consumers what and where to buy. The Market System development approach argues for changing these institutional impediments and thus give the sector room to grow based on improved comparative advantages.

29. Sahaj instead focuses on assisting individual firms to expand their business, strengthen their own supply chains and providing smallholder farmers within these supply chains with access to higher quality seeds, agro-inputs and technical assistance. As none of this addresses the root causes of Nepal's underperformance, there will always be a lid on the growth potential of this approach (as it does not fundamentally change the comparative advantages of the sector as determined by above mentioned institutional factors).

30. The difference between the Program Theory and Sahaj's practice is shown graphically, by way of MSD's classical 'donut' diagram, in Figure 7. The Market System Development approach targets the root causes of weak performance which will often (although not exclusively) lie in *'the ring'*. Sahaj, for its part, targets *'the core'* market function: the exchange of goods and services between market players. A more detailed 'donut', including key constraints in the rules and support functions in the agricultural sector in Nepal, is included in Appendix L.

Figure 7. Nepal's agricultural market system and some of its constraints



31. Did Sahaj miss the root causes or does it lack the capability and capacity to identify them? The answer is neither. Sahaj has experienced agronomists in the team, spent the first 10 months of the program on in-depth sector analyses, and is well-aware of these root causes. The reason for Sahaj's divergence from the Program Theory and the MSD

approach lies in a specific view on 'what it can do' and how to invoke systemic change. Both reasons are explicated in the next two subsections.

2.1.2 Step 2 – the intervention: the private and the public route

32. In the second step of the Program Theory, Sahaj intervenes in the sector. As noted above, this can be both in the core market as well as in the guiding rules and support functions. Sahaj does both, but *its focus lies squarely on engagements with private sector partners in the core market* (see Textbox 1). This is a conscious choice based on 5 considerations.

Textbox 1. Sahaj's private sector focus and associated program organization and budget allocation

Of its operational staff, 16 of 21 are engaged in identifying private sector partners and developing partnerships with them. 4 staff are dedicated to public sector led or policy interventions. 1 staff promotes the mainstreaming of gender equity and social inclusion. Until 15 March 2019, *84% of the administrative project funds have gone to sector interventions with private sector partners*. Until that time, Sahaj undertook 42 interventions* with private sector partners and 12 with a public sector focus. 7 of the 12 public sector interventions were initiated in the last year on the express wish of SDC for Sahaj to support the federalization process.

* We classify Sahaj's support to the National Livestock Breeding Center as a public intervention. Note also that between 28 February 2019 and 15 March 2019, 4 new interventions were started by Sahaj which explains the difference in number of interventions with paragraph 18 in Chapter 1.

Source: Interviews and (Swisscontact 2019)

33. First, the Sahaj team considers low productivity a *core reason* for Nepal's underperformance in the agriculture sector and 'saw room to work with private input suppliers to raise agriculture productivity'. Second, it allows them to reach smallholder farmers (directly) and meet the Program's impact targets. Third, in the first years of Sahaj, Nepal was a country-in-transition, moving from a central government to a federal government structure and holding local, provincial and national elections. Consequently, government agencies at all levels were uncertain about their mandate and unable to respond to suggestions for cooperation. Fourth, Sahaj first wanted to demonstrate that its propagated inclusive business models work before addressing, together with the private sector, policy-level constraints. Fifth, land management and trade policy are politically contentious issues in which Sahaj saw limited room for influence.

34. Of influence may also have been that core members of the Sahaj team implemented similar private-sector focused approaches previously in Nepal (through the DFID-funded Samarth program) and in Bangladesh (in the SDC-funded Katalyst program).⁷ The fact sheet on the role of Sahaj in Federal State Building also appears to suggest that the team has little affinity with policy work (Swisscontact 2018).

35. What did this choice for a private-sector orientation bring? We address this question for both the private and public interventions next.

Private sector engagements

Step 2a (Intervention): *If Sahaj supports private input-suppliers, traders, distributors and/or processors with capacity building, market facilitations and co-financing, then these private sector partners will expand their business to include smallholder farmers, because the private partners face a positive business case.*

36. Sahaj works with established input-suppliers, traders and processors – some of which are in the business for over 15 years. The exception forms the goat sector where Sahaj engages with farmers who have shifted towards goat farming and breeding services over the last years. All visited partners appear to run a profitable business. Sahaj enabled them to expand their geographic reach and/or include more smallholders in their clientele. Sahaj offered coaching on the envisaged inclusive business models, as well as financial support through which the partners could expand their (field) staff, professionalize their marketing material, create demonstration plots, provide training and technical advisory services to smallholder farmers.

37. The private partners did not adopt or expand these inclusive business models on their own because they lacked the knowledge and (staff) capacity, and/or were already significantly exposed financially (due to outstanding investments and loans). Sahaj provided the financial leverage, the technical know-how and/or the motivation to

⁷ DFID observed that the Samarth project team was very business-oriented and effectively blocked engagement with the federal government. Also based on previous interactions between members of the Review team and the Sahaj team.

(once again) endeavor out. In all instances, Sahaj only co-funded the business expansion. On average, Sahaj contributed 42% of the intervention with the private sector partner bearing 58% of the costs (Swisscontact 2019).

38. Do these interventions make business sense? It is too early to provide a definitive answer to this question as many interventions have only recently been finished or are still ongoing. For now, there are mixed signals. On the one hand, Sahaj engages with experienced entrepreneurs who invest their own money in the endeavor. Of those interviewed, most (although not all) intended to continue working with the extended geographic scope or clientele after the Sahaj supports ends, whereby circa 40% indicated that they would reduce staff numbers and the technical assistance to smallholders to reduce costs.

39. On the other hand, most of Sahaj partners have taken greater financial risks in the past and – based on their annual turnover, net income, past investments and lending levels – do not require Sahaj financial support per se. Moreover, a recurrent theme in our discussions with the Sahaj team was that *'they had to approach 20 entrepreneurs to find one willing partner'*. These observations suggest that the *business case makes sense, i.e. is positive, but is not that attractive to warrant the entrepreneurs' full financial exposure, i.e. to undertake the business expansion on their own: the expected return on investment is deemed too low. In that regard, one could judge Sahaj financial support rather as a subsidy than as seed capital as the entrepreneurs are not inclined to further expand the business on their own.*

40. Sahaj recognizes this but argues that they and their private sector partners *'take a five-year horizon'*: when the inclusive business model takes hold, the domestic market will expand, costs will go down and profit margins will increase. This view rests on an assumption as to how Sahaj invokes systemic impact. A topic, we address in Step 3 of the Program Theory: the crowding-in of other entrepreneurs. First, we reflect on the public sector interventions.

Public sector interventions

Step 2b (Intervention): *If* Sahaj supports sector organizations and government agencies to remove policy & regulatory bottlenecks, *then* these sectoral policy & regulatory frameworks will be improved, *because* the sector organizations and governments agencies have the capacity, interest, incentive and tenacity to do so.

41. Despite its focus on private sector partnerships, Sahaj also engages with the public sector (see Table 2).

Table 2. Sahaj's public sector interventions

From Year 1 - 2	From year 3 onwards	
National	Provincial	Municipal
Simplify seed registration (Study done; public-private dialogue to start)	Auction markets and custom hiring (Support preparation of guidelines)	Strengthen public expenditure management & local taxation practices (Study conducted)
Enforce labeling standards for pesticides (Study done; planned meeting with Plant Quarantine and Protection Center)	Cold storage for Dharan market (Supported investment analysis)	Belaka municipality (Support development of PPP model for model farm)
Improve implementation of import tax rebate on raw materials for pesticides, animal health products, and feed. (Study ongoing)	Public-private dialogue (Supported FNCCI to initiate and facilitate the dialogue)	Mahalaxmi municipality (Support development of agriculture sector plan)
Improve access to boer-goat semen and artificial insemination (Technical assistance to National Livestock Breeding Center)		Jahada municipality (Improve goat breeding and feed practices)
Improve goat breeding procedures (Helped guideline preparations & training)		

42. At the national level, the most promising example is Sahaj's engagement with the National Livestock Breeding Center. Since December 2018, Sahaj provides technical assistance to the National Livestock Breeding Center to strengthen their capacity to produce quality frozen Boer semen and promote artificial insemination across the country. This intervention lies in the ring of the MSD-donut as it strengthens a market support function (namely the provision of artificial insemination services) which is subsequently available for all goat farmers in-country. When done well, it allows access to improved goat breeds (namely the Boer goat) and improve the genetic quality of common goat breeds in Nepal. As it addresses a core function of the National Livestock Breeding Center and allows them to extend their work in the goat sector, it enjoys local ownership and solicited concrete actions on the part of the Center. This example underwrites the Theory of Change.

43. Sahaj's efforts to simplify the seed registration process stands in stark contrast to this. At present, it takes 10-13 years for new registered seeds to enter the market. By simplifying the seed registration process, as advocated by Sahaj, this can be reduced by 1-2 years. Alternatively, Sahaj could promote a model in which Nepal recognizes seeds registered in neighboring countries with (partly) similar ecological conditions (e.g. Thailand) and certify other seed varieties in parallel with the genotype-by-environment tests conducted by the private seed companies. This could reduce the time for seed registration by 3 – 6 years. Moreover, any new seed registration process needs to address, in parallel, the influx of unregistered seed varieties from India. This requires better custom controls (either at the border or on the seed markets). Sahaj's singular focus on the domestic seed registration process thus appears questionable. An alternative and more comprehensive approach engaging various different stakeholders is needed to bear significant impact.

44. The Review only had brief discussions with the Sahaj team on the other national policy interventions. From these discussions we gleaned that they have a similarly limited scope. More importantly, they are at a study-stage and no collective action on the part of government has been taken so far. The above examples suggest that Sahaj's Theory of Change can work but require close alignment with the interest and capacity of the relevant government agencies, as well as a comprehensive approach to tackle the intricate development challenges at hand.

45. Sahaj engagement with the provincial and municipal governments stem from the last year and are a response to the express wish of SDC to engage with both levels of government to strengthen the federalization process. These interventions are not rooted in the original sector analyses and do not (clearly) target the *root causes* of the underperformance of these sectors (as identified in Section 2.1.1).

46. Two of the interventions do operate in the ring of the MSD-donut by fostering (i) public-private dialogue in State 1 and (ii) strengthening the public expenditure and fiscal management and preventing trade barriers from arising from local taxation. These are promising interventions and fully in line with the MSD philosophy. They however also just started and Sahaj is still looking for its role and how it can best contribute to the follow-up of the initial discussions and studies and contribute to an improved business environment.

47. The support to the Dharan market in developing the auction market, custom hiring services and cold storage facilities responds to an express interest from the Dharan market management and State 1 provincial government. This is positive. As highlighted in the next chapter and evidenced by the public interventions at the national level, local ownership is paramount to successful development. The problem with these specific interventions with Dharan market is that they run directly counter to SDC's express position not to fund physical infrastructure through Sahaj (and instead target the root causes of the agriculture's sector underperformance which lie much more in institutions than infrastructure). For now, these interventions are limited to technical assistance and feasibility studies. No concrete action has yet been taken.

48. The final set of interventions concern local economic development which carry potential for Sahaj – a topic to which we return in the next two chapters. For now, we conclude that Sahaj's public sector engagement is still very much work-in-progress and that Sahaj is searching for its role. [The critical step in the Theory of Change, namely whether the national, provincial and local governments have the tenacity to remove policy and regulatory bottlenecks remains largely untested.](#)

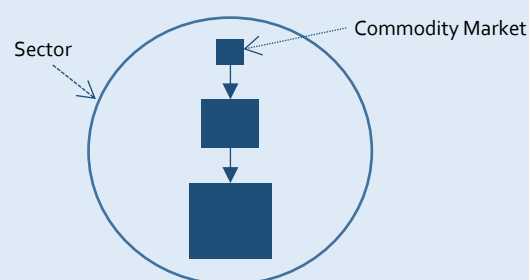
2.1.3 Step 3 – immediate outcome: crowding-in of entrepreneurs and smallholder farmers

Step 3 (Immediate outcome): *If* the Program's private partners expand their business operations, **then** they will crowd-in other market players who will introduce new products, services and innovations, expand their business to include smallholder farmers and/or invest in value-addition, **because** they demonstrate the financial viability of the inclusive business models, existing and new entrepreneurs pursue new business opportunities and markets deepen.

49. The Program Theory assumes that business success will attract existing and new entrepreneurs to the sectors and start a virtuous cycle of ever deepening markets offering new business opportunities (see Figure 8). It clearly is too early to make a definitive appraisal of this assumption as Sahaj is only 3½-years old and the bulk of its private sector interventions having been made over the last 18 months. A few observations can be made.

50. The Review asked the private partners and goat farmers whether they saw other entrepreneurs copying their business model. Generally, the answer was no. The story of several private sector partners is however told in the (social) media in Nepal. This gives exposure to both the entrepreneur and their business model – a prerequisite for other entrepreneurs to know about these businesses and respond with ideas of their own.

Figure 8. Crowding-in model of change



Existing and new entrepreneurs copy the inclusive business model and expand the market of the targeted commodities. Systemic constraints keep a lid on the overall size of the market.

Source: Authors

51. Several goat farmers and seed companies noted an increase in the number of farmers and firms engaged with goat farming (albeit limited to goat breeding and not offering breeding services) and seed production. Both sectors are experiencing rapid growth. Changing food habits (due to rising income levels) is moving the agriculture sector from subsistence to more commercially oriented farming in order to meet the extra food demand. Moreover, both sectors are actively supported by the government and other development agencies. The observed increase in market activity is thus not necessarily due to the Sahaj intervention.

52. Moreover, crowding-in of smallholder farmers depend on access to other key agricultural inputs. For example, farmers using hybrid seeds can indeed increase land productivity and raise their production levels accordingly. They do need to apply proper farming practices and have access to the right fertilizers, pesticides and irrigation. Such access is problematic in large parts of Nepal. Access to fertilizers is a big issue in rural areas. Similarly, only 20% of farmers have year-round irrigation. When it comes to crowding-in business from other geographic areas, the inadequate supply of complementary inputs could be a major bottleneck.

53. Nepal is also a very heterogenous society: geographically, socially and economically. The propagation of Sahaj's inclusive business model may thus also be hampered by such socio-economic and geographic contexts.

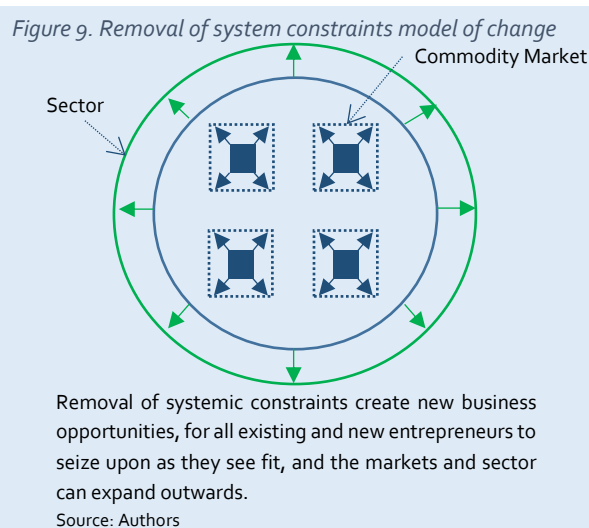
54. National and international evidence question the effectiveness of the crowding-in model and argues that it should be part of a comprehensive approach. DFID noted that their Samarth program in Nepal – a MSD-style project – had great difficulty in getting buy-in from businesses and experienced lots of policy hurdles which required redress but which the implementing agency was reluctant to tackle. As a direct result, DFID designed policy engagement directly into the follow-up program: the Commercial Agriculture for Smallholders and Agribusiness program.

55. The Institute for Development Studies conducted a meta-evaluation of nine pro-poor business expansion projects from the United Nations Development Program's Growing Inclusive Markets Initiative. All projects were in the agriculture sector. Three of the nine project effectively targeted systemic change: *'each adopted a wide range of approaches to strengthen and stabilize innovations including creating new organizations, raising awareness and capacity, public policy engagement, developing a wide community of supporters and addressing missing public goods'*. Most projects however *'helped the value chain to navigate around the constraints'* rather than address these constraints. The Institute for Development Studies stresses the importance of identifying binding constraints,

understanding power relations, and addressing challenges systematically and comprehensively, *'rather than simply removing obstacles from within [a company's] own value-chain'*. (Thorpe 2015)

56. The 2017 and 2019 narrative syntheses of current evidence by Beam Exchange⁸ (Conroy and Kessler 2019, Robinson and Rust-Smith 2017) do not evaluate the crowding-in model explicitly. It does include a few examples where the crowding-in of entrepreneurs allegedly took place. The Market Development Facility in Pakistan, for example, supported – amongst others – 12 entrepreneurs and the smallholders within their supply chain in improving their silage production and marketing. This led to *'the crowding-in of more than 100 other small-bale silage entrepreneurs into the market'* (Conroy and Kessler 2019). Interestingly, the intervention included both direct support to the 12 entrepreneurs and their smallholders, as well as work with a leading Pakistan bank and machinery supplier to improve access to finance and equipment.

57. All in all, it is too early to make a definite call on the effectiveness of the crowding-in model. Above deliberations make clear that it is no sure thing. They also point to the need of a comprehensive approach. This brings us back to the discussion in the first section of this chapter and the observation that Sahaj diverges from its own Theory of Change by not (also) addressing the root causes of the agricultural sector's underperformance. Doing so would change the economics of the sector and simply create a better business environment for all market participants. Figure 9 shows this model graphically.



2.1.4 Step 4 – intermediate outcome – to the benefit of smallholders and the poor

Step 3 (Immediate outcome): *If* markets function better and become deeper, *then* rural smallholders (including women-led households and disadvantaged groups) increasingly participate in commercial agricultural markets and new jobs are created on-farm and in the value chain and support functions, *because* smallholders respond to the commercial opportunities and expanding markets offer more employment opportunities.

58. At this point, an inherent tension in the Program design comes to the fore. On the one hand, Sahaj seeks to expand agricultural markets which should – *in time* – offer opportunities for smallholder farmers to engage in commercial agriculture. On the other hand, the Program states that *'the first phase is expected to produce tangible, visible and measurable impacts'* (SDC 2016). Concretely, this means: *'25,000 farming households increase on average their annual net nominal income by NPR 20,000, and 1,600 new jobs (measured in full time equivalents) are [to be] created'* (SDC 2016). The first allows Sahaj to engage with the root causes of sectoral underperformance and unlock the system which – *in due course* – will benefit all smallholders. The second pushes Sahaj to more *directly support* and engage with farmers to ensure that measurable results are achieved and attributable to the Program.

59. As noted above, this has contributed to Sahaj's choice to work in the core market and – through private sector firms – offer quasi direct support to smallholder farmers. When judged against the Program's results framework, this choice is partly paying off. According to Sahaj's own data (Swisscontact 2019), 8950 farming households have benefited from the Program thus far. Given that many interventions are still ongoing (and have even just started), Sahaj estimates that it will reach 35,000 to 45,000 households by December 2020. This would be above the target of 25,000 households. Moreover, at present 40% of women-led households and 48% of households from disadvantaged groups have been reached (above the target of 30%).

60. So far, these smallholder beneficiaries experience an increase in their annual net income of NPR 10,000. This is below the target of NPR 20,000. Sahaj has from the start flagged that the income target is too high and above those set by other development programs, e.g. Samarth (Swisscontact 2019). NPR 20,000 converts to circa 180 Swiss Francs or US Dollars. Whether or not this represents a significant increase (and too high a target) depends on the

⁸ The BEAM Exchange is a specialist platform for knowledge exchange and learning about using market systems approaches.

baseline income of the smallholder farmers. The Review interviewed smallholder farmers with an annual net income of NPR 100,000, as well NPR 500,000. Clearly, an increase of NPR 20,000 makes more of a difference for the first farmer than the second.

61. Over and above these figures, the interviewed smallholder farmers welcomed the received support and confirmed that they had benefited from it. They value the assured offtake of their produce because of the buy-back guarantee.

62. This part of the Program Theory thus holds in principle: smallholder farmers respond positively to the business opportunity offered by their engagement with the private sector and increase their income. Whether this can happen at scale (as should happen in the subsequent two phases of Sahaj) is a different question. Sahaj is to have 'indirect impact as much as direct impact' (SDC 2016). With the crowding-in model resting on thin ice and Sahaj not addressing systemic constraints, it is difficult to see how Sahaj will have indirect impact at scale.

63. Sahaj is also meant to create jobs, both on- farm and within the value chain. The Program target is 1,600 jobs (in full time equivalents). So far, 385 jobs have been created, mostly within the value-chain. Generally, farmers raise their production without resorting to additional labor (at least not permanent ones). The limited number of jobs created in the value chain is another tell-tale sign that the envisaged market expansion is not (yet) taking place.

2.1.5 Step 5 – Final impact: improved livelihoods

64. At the end of the day, an increase in annual net income is a means to an end, namely improved livelihoods. This is also what Sahaj seeks to achieve as evidenced by the impacts statement: *'Rural smallholders, especially disadvantaged groups and women-headed households, sustainably improve their livelihoods through participation in commercial agriculture and interconnected markets'* (SDC 2016). Whether this is being achieved is left unanswered by the Program. Impacts are solely measured in terms of additional income earned, not how this income is used. It lies in human nature to spend extra income for their own (physical or mental) benefit. Whether it is used for short-term gratification (consumption) or long-term benefit (investment) is a different matter. Sahaj does not monitor this.

2.1.6 Conclusion

65. This section asked whether Sahaj's Theory of Change holds up in practice. The answer is twofold. First, Sahaj does not abide by its own Program Theory. It does not address the root causes of the low agricultural productivity in Nepal, namely land fragmentation, informality, limited access to finance and irrigation, the feminization of agriculture and open borders with India. Second, Sahaj seeks to invoke systemic change from within: by demonstrating the viability of inclusive business models, Sahaj aims to crowd-in other entrepreneurs and thus gradually expand and deepen the markets. There is limited evidence, both from within as well as outside Sahaj that this crowding-in model works and invoke systematic change and have large-scale impact. Sahaj has a positive direct impact on the smallholder farmers engaged in its interventions. On average, these farmers experience an increase in their net annual income. The Program has little direct effect on employment which suggests that market expansion has not (yet) taken place.

2.2 What is the program's value-added for the private sector partners?

66. This question is already, albeit indirectly, touched upon in the previous section. Sahaj helps the private sector partners to expand their business. Whilst the business case for the outward expansion is positive, the return on investment is not such as to warrant the entrepreneurs to do it on their own. They therefore welcome Sahaj's support. They also value it. They appreciate the access to knowledge and technologies. The support allows them to expand their field staff, professionalize their marketing material, improve their physical capital or livestock and expand their market. Figure 10 offers an indicative picture of why Sahaj has value-added to the supported entrepreneurs.⁹

Figure 10. What private sector partners value about Sahaj



⁹ As we conducted a highly informal tally, we have not included actual numbers, preferring to show the relative response rates only.

3. Looking at now: brief reflections on a changing context

67. Sahaj's future not only depends on past performance and the lessons learned therein – it also needs to adapt to a changing context. These changes stem, in good part, from Nepal's federalization process and Switzerland's new cooperation strategy for Nepal. This chapter addresses each in turn and reflects on how Sahaj can respond to them. The chapter subsequently inquires whether there is potential for cooperation in Phase 2 with other development programs. It concludes with a reflection on Sahaj's sector approach and promising sectors for future engagement.

3.1 What are relevant developments and emerging issues in the political economy of the agricultural sector in Nepal, including in the federalization process?

68. Nepal's governance is in transition. In 2015, the country adopted a federal government structure.¹⁰ Policy responsibilities were partly devolved towards the provincial and municipal governments and partly became a concurrent responsibility of all three levels of government (see Table 3 for a brief overview of the roles and responsibilities of the three tiers of government in agriculture).

Table 3. Roles and responsibilities of the three tiers of government in agriculture

Federal government
Major infrastructure development (including road infrastructure, dry ports and irrigations projects), national ecology and forestry management, land use policy, water use policy, financial sector policies, international trade, and quarantines.
Provincial government
Provincial-level environmental and forest management, cooperatives, intra-state trade, regional trade promotion, business registration, business infrastructure development and transportation, cargo management and registration.
Municipal government
Agriculture extension services, agro products management, animal health, agriculture & livestock market information, market & hatbazaar infrastructure, small irrigation, agricultural materials / inputs supply and farmer capacity development.
Concurrent functions of the federal & provincial government
Drugs and pesticides (supply, distribution, price control, quality monitoring), use of forests, scientific research, agribusiness (agricultural industrialization, livestock industry), and para-vet business regulation.
Concurrent functions of all three levels of government
Agriculture as a whole is listed as a concurrent mandate of Federal, Provincial, and Local Governments, leaving the field relatively open as regards which tier of government would ultimately gain authority over the different aspects of agriculture policy.

Source: (Piya and Joshi 2018)

69. In 2017 and 2018, elections were held, and new governments formed, at the national, provincial and municipal level. These governments, especially at the provincial and local level, are currently – whilst governing – filling all staff positions, developing their internal procedures, building the institutional capacity for their new responsibilities, and formulating new strategies, policies, and development plans.

70. This happens against a backdrop of relative political stability. Nepal's new national government is formed by the Nepal Communist Party which holds a majority in both houses of parliament. The Economist Intelligence Unit 'expects the new government to serve out its full term in office which ends in 2022' (EIU 2019). This would mark a dramatic shift from the past – with 26 governments having ruled Nepal over the last 28 years (SDC 2018).

71. Nepal's political stability, the devolution of responsibilities to provincial and municipal level, and majority governments in most constituencies offer a window of opportunity to shape the country and its agricultural sector anew. This window of opportunity will be open for a couple of years before new policies, power relations, customs and practices will settle in and make the system again less susceptible to change. The coming years will thus be key and – in good part – determine whether Nepal evolves in an inclusive and democratic society or remains a country where political and economic elites control state resources and appropriate the associated rents.

3.2 What changes does the new Swiss Cooperation Strategy impose on Sahaj?

72. Switzerland is committed to Nepal's peaceful and inclusive development. It actively supported constitutional solutions to the Maoist insurgency and to the discontent in the Tarai (SDC 2018). Having provided formal and informal

¹⁰ Nepal still retains a centralized character to its federal identity as Nepal's federal government retains about 70% of revenues while the province and local governments are allocated 15% each. (Piya and Joshi 2018)

inputs to the drafting of the new constitution, [Switzerland wants the new federal government structure – introduced by the 2015 constitution – to work.](#)

73. The new Swiss Cooperation Strategy (2018-2021) seeks to contribute to Nepal's political, economic and social success by supporting the resolution of three of the country's main challenges: namely (i) building an inclusive, accountable and effective state; (ii) creating employment opportunities for the circa 500,000 youth entering the labor market each year, as well as for the many rural migrants who flock to urban clusters annually; and (iii) making a virtue out of the labor migration abroad by promoting the productive investments of remittances and offering economic opportunities for returning migrants. The new Strategy organizes SDC's work accordingly. It contains three work domains: Federal State Building, Employment & Income, and Migration.

74. Sahaj falls under Domain 2: Employment & Income. The Strategy postulates three foci for this domain (SDC 2018, *italics added*):

1. *subnational governments and private institutions expand agricultural markets* and increase the demand for skilled labor in rural and urban areas (through better connectivity and commercialization of agricultural products);
2. farmers and workers, especially from disadvantaged groups, *improve land and labor productivity* in rural and urban areas (through better skills and technologies);
3. discriminated groups influence the sectoral investment decisions and the provision of sectoral services by local governments.

75. The three foci allow both for the expansion of agricultural markets by addressing the systematic constraints to their proper functioning, as well as providing direct support to farmers to increase their land productivity. A literal read of the Strategy thus provides room for both implementing Sahaj as it is now and how it was intended by addressing the systemic constraints to the commercialization of agriculture in Nepal.

76. The Swiss Ambassador stated however unequivocally, during a visioning workshop on Nepal's agriculture sector, that *'Swiss investments will not be used to finance the delivery of services directly to the ultimate beneficiaries'* (SDC 2018). This statement goes back to the origin of Sahaj. As noted in Chapter 1, the 2012 review of SDC's agriculture portfolio found the interventions to be *'overly production centric and not sufficiently engaging with systemic constraints'* (SDC 2016). The Market System Development Approach was introduced to rectify this. [The intent of Switzerland thus remains to contribute to systemic change and large-scale impact.](#)

77. The Strategy states in that regard that the three domains should be mutually reinforcing. As the success of Nepal depends on a performing state, employment creation and the productive use of remittances: *'no program should be stand-alone and disengaged from public institutions'* (SDC 2018). In other words, SDC wants the three domains (and the programs therein) to be more than the sum of its parts. [Each program should ask itself how it connects to the other domains.](#)

78. This requires coordination and a division of labor. For example, SDC has a special workstream on governance which actively and directly supports Nepal's federal state building. Moreover, Sahaj's sister project – the Nepal Agriculture Service Development Program (NASDP) – broadened its scope over the last 18 months from strengthening agricultural extension services to the institutional capacity building of provincial and municipal governments in agricultural planning and policymaking. It helped provincial and municipal governments with developing governing procedures, financial management, sector plans, resource mobilization, results monitoring, and extension service delivery amongst others.

79. And as a final consideration, the Swiss Cooperation Strategy has *'a national outreach in its policy component but will operationally focus on the subnational level, mainly in State 1 and partially in State 2'* (SDC 2018). State 1 will thus be the focus of Sahaj from now on. We note in that regard that State 1 is large enough, geographically and in populace, to allow for economies of scale and the commercialization of agriculture (Piya and Joshi 2018).

3.3 [How can Sahaj's best respond to this changing context?](#)

80. Within above framework, [Sahaj's value added lies in its systems approach to agricultural market development.](#) It can (i) point out systemic constraints in the commercialization and industrialization of the province's agricultural

sector; (ii) assist provincial and local governments as well as business associations in State 1 to develop a common vision on how to remove these systemic constraints and unlock the agricultural sector's potential; and (iii) facilitate collective action amongst government, business associations and private sector firms to address these systemic constraints.¹¹ Chapter 2 showed that Sahaj does not yet perform these roles adequately even though they are in line with its Theory of Change.

81. In doing so, *it will be important for Sahaj to balance advocacy with responsiveness*. So far, Sahaj had a vision on how the private sector could work more inclusive. It reached out to private sector firms and supported those which bought into the concept. A recurrent theme during the interviews was that Sahaj reached out to the private sector firms (not vice-versa) and that one in (perhaps) twenty responded positively.

82. When it starts working more with governments or business association, Sahaj will need to align its support to the capacity, interests and incentives of these organizations. They can only develop themselves and will only address systematic constraints if they have the interest, incentive and capacity to do so. Sahaj cannot do it for them. *Self-formulation and local ownership of the development agenda are conditions sine qua non for successful development*. Sahaj can support this development process through mentoring (enabling the governments to reflect on the role of, the private sector in, agriculture in their constituency's development); peer learning (by unlocking the relevant experiences of colleague governments within Nepal or abroad); facilitation (by bringing together all relevant stakeholders within government and the private sector and promote a constructive dialogue and collective action between them); and targeted technical assistance (by bringing in experts at specific points in time for coaching). *All entail a departure of Sahaj's current model of much more direct technical and financial assistance (to both its private sector partners and the smallholder farmers) towards a more facilitative role*.

83. Several of Sahaj's, for now still rather opportunistic, public sector engagements in State 1 offer Sahaj the opportunity to do just that, for example Sahaj's work with the provincial government on auction markets or with Belaka municipality on commercializing maize farming.

84. Let's take the latter as an example. At present, Sahaj supports Belaka municipality with a technical expert who is to develop a public-private partnership between Belaka municipality, a maize seed company (Karma) and a maize processor (Shrinigar) for the commercial cultivation of maize on a model farm. Sahaj's can do more and better – at the macro, meso and micro-level. Belaka municipality wants to develop into a maize super zone based on 3200 hectares of, relatively flat, fallow land (see also Textbox 2). At the macro-level, Sahaj can address the ownership of the fallow land (which lies at the central level) and how it can be transferred / leased to the municipality. At the meso-level, it can help develop wholesale and auction markets to ensure that any maize production is sold against the highest price, facilitate a dialogue with adjoining municipalities which have similar tracts of fallow land, facilitate a strategy for agri-business in the maize sector, and share any emerging best practices across the State. At the micro-level, Sahaj can unlock best practices from abroad in public-private partnerships in agriculture and coach the municipality and its private partners in developing a public-private partnership (rather than preparing an agreement for them).

Textbox 2. Fallow land

The amount of agricultural land left fallow is steadily increasing in Nepal due to the migration to urban areas and abroad. (Young) entrepreneurs – not seldom returning migrants - eager to tilt the land at scale and with modern agricultural practices and machines face difficulty in acquiring (or leasing) and consolidating the land. This offers another reason (apart from the ongoing land fragmentation) for Sahaj to engage with the land management policies and practices in Nepal. Moreover, State 1 recognizes this need and has prioritized the development and implementation of a land utilization policy.

Source: interviews and (Piya and Joshi 2018)

¹¹ At present, the coordination mechanisms across the three tiers of government are not yet very clear. (Piya and Joshi 2018)

3.4 What are other development agencies doing (in market development) in the agricultural sector?

85. There are many development organizations active in the agriculture sector. Their programs differ in objective, strategy, approach, size and area of operation. Table 4 categorizes the most relevant programs according to type and geographic focus. Table 5 explains the applied typology. Appendix M offers further details on the different programs.

Table 4. Overview of relevant development programs according to type and geographic focus

	State						
	1	2	3	4	5	6	7
Public sector intervention							
Private sector development	IFAD/RER				USAID/KISAN		
Value-chain development	Heifer/SLVC					IFAD/ASD	
Local economic development							
Access to finance	DFID/A2F		DFID/A2F		DFID/A2F		
Market system development	UNCDF/MM4P						
Hybrids				DFID/CASA	GIZ/LPED		WB/NLIP

Legend: LPED = Local and Provincial Economic Development (GIZ); MM4P – Mobile Money for the Poor (UNCDF) ; ASD = Agriculture Service Development Program (IFAD); RER = Rural Enterprises and Remittances Project (IFAD); KISAN = Knowledge-based Integrated Sustainable Agriculture in Nepal (USAID); CASA = Commercial Agriculture for Smallholders and Agribusiness (DFID); A2F = Access to Finance Programme (DFID); SLVC = Strengthening Smallholder Enterprises Of Livestock Value Chain For Poverty Reduction And Economic Growth In Nepal li (Heifer); NLIP = Nepal Livestock Innovation project (World Bank)

Source: Interviews and document review

Table 5. Typology of development interventions in the agriculture sector

Type of intervention	Scope*
Public sector intervention	Engages with central, provincial or local governments to create an enabling environment for private sector development and / or improve public service delivery, e.g. agricultural extension services.
Private sector development	Supports individual start-ups and established firms to expand their business and strengthen their individual supply chains.
Value chain development	Takes a certain value-chain as its starting point and looks how (i) to connect smallholder farmers to national or international lead buyers and (ii) increase value-addition in-country (i.e. cover a greater part of the value-chain within Nepal).
Local economic development	Takes a certain territory (e.g. an economic cluster) as its starting point and looks how – through public, public-private, or private investments – to boost entrepreneurship, trade and employment within the region.
Market system development	Takes a agricultural sector or market as its starting point and identifies and addresses the systematic constraints which prevent the sector / market of reaching its full potential.
Access to finance	Promote financial liberalization policies and support entrepreneurs to innovate and introduce new digital financial services to all private actors in the agricultural value-chain.

* within the context of this evaluation. Other definitions and delineations are possible.

Source: authors

86. Table 4 shows three things. First, none of the development programs apply the Market System Development approach. DFID, which had applied the methodology in the Samarth program, abandoned the concept in favor of a more practical and comprehensive approach combining interventions at the firm, value-chain and policy level.¹² Second, three programs – including DFID – apply such a hybrid approach. The others being GIZ and the World Bank.

¹² DFID noted that the Samarth program did not realize systemic change. The implementing agencies, including Swisscontact, were very business oriented and did not see value in engaging with the government even though it were often time policy hurdles which prevented supported entrepreneurs from successfully expanding their businesses.

87. Third, five programs are active in State 1¹³. Heifer International works mostly with cooperatives. Its approach is however not very different from Sahaj, i.e. focused on strengthening the cooperatives and expanding their supply and value chains. The World Bank program also overlaps with Sahaj, both in approach and sector (goat). *In line with the Busan Partnership for Effective Development Co-Operation, Sahaj ought to closely coordinate its activities with both organizations and avoid duplication.*

88. *IFAD's Rural Enterprises and Remittances program and UNCDF's and DFID's access-to-finance programs offer, at face value, complementarities or synergies* (see Table 6). IFAD's Rural Enterprises and Remittances program could help – through its bootcamps and start-up weeks – identify agri-business entrepreneurs which could help Nepal move up in the value-chain. The two access-to-finance programs tackle systemic constraints in smallholder farmers and agri-business ability to finance the expansion of their business (without collateral). This allows Sahaj to concentrate on other systematic constraints and for Sahaj's private partners to benefit from new digital financial products.

89. Albeit working in different states, *both GIZ and IFAD's Agriculture Sector Development program offer interesting approaches for Sahaj* (see Table 6). This is reflected upon in the next section. Whether SDC should actively cooperate with one of the programs active in State 1 or bring one of the other programs into State 1 depends on the overall conclusion of this evaluation, i.e. an appraisal of all findings. We will therefore return to this question in the next chapter where we formulate both our overall conclusion and recommendations.

Table 6. Development programs with synergies to Sahaj

GIZ – Local and Provincial Economic Development
This program, which starts this year (2019), <i>takes a hybrid approach, combining elements of local economic development with value chain development</i> . It will create multi-stakeholder dialogue platforms in five economic clusters in State 5,6 and 7 and (i) identify key bottlenecks in the clusters' main value chains; (ii) identify investments which can boost agri-business entrepreneurship and move the cluster up in the value-chain; and (iii) foster both individual and collective action to address these bottlenecks and make the requisite investments. The program will offer capacity building to key economic (public, private and cooperative) actors and address the framework conditions. A side-goal of the program is to <i>'support the government of Nepal in the economic dimension of its federalization effort'</i> (GDC 2019). <i>GIZ strengths lies in its deep experience with working with the public and cooperative sector, as well as facilitating collective action</i> . The program will likely include the honey, dairy and medicinal and aromatic plants sectors. For GIZ reaching scale (i.e. having large-scale development impact) is key. As such, <i>it will need to engage with systemic constraints</i> to sector growth.
IFAD – Agriculture Sector Development Program
This program started in 2018 and builds on the positive experiences with the High Value Agriculture Project. <i>It takes a value-chain approach</i> in which it identifies market demand, assesses potential production areas within State 6, engages with local communities to shift crops and scale up production, and subsequently engages with the private sector (traders, processors, associations) and local governments through a multi-stakeholder platform on how individually and collectively the market players can strengthen production (through better inputs, agricultural practices, irrigation, finance, etc.) and the supply chain (creating market linkages). The program has many similarities with Sahaj (as it is implemented by Swisscontact). However, where Sahaj supports individual companies and supply-chains, <i>IFAD mobilizes all relevant actors in the value-chain within a certain region</i> . IFAD has learned not to work with large lead firms, but instead <i>works with (new) entrepreneurs interested in processing and exports</i> .
IFAD – Rural Enterprises and Remittances Project
<i>This is an entrepreneurship development program</i> . It identifies – through bootcamps and start up weeks – entrepreneurs with viable business ideas and helps them to develop a micro, small or medium-sized enterprise. It offers grant and loan financing as well technical assistance. The program targets both agribusiness and non-agribusiness. In agriculture, it is active in the following sectors: fish, medicinal and aromatic plants, milk and vegetables. The program operates in State 1 and 2.
UNCDF – Mobile Money for the Poor
The agriculture sector in Nepal is to a large extent informal. Smallholders often receive critical inputs on credit and based on oral agreements from input-suppliers, traders, distributors or wholesales. This makes smallholders dependent on these <i>'middlemen'</i> . UNCDF seeks to use the roll-out of the 3G mobile network and increased penetration of smart-phones amongst smallholders <i>to introduce digital financial services to smallholders (including, amongst others, mobile payment services, digital market places, pay-as-you go irrigation services, and a range of lending and insurance products)</i> . Its goal to make finance accessible to smallholders based on viable business propositions and payment records rather than collateral and so provide smallholders with access to critical inputs to expand and commercialize their business.
DFID – Access to Finance Program
This program runs a Challenge Fund to attract and leverage private sector investments in innovative financial solutions targeted at poor people and communities. <i>The program is the first to implement weather-based insurance in various crops in Nepal.</i>

Source: Interviews and document review

¹³ This fact is not recognized by Sahaj. In fact, it sees the focus on State 1 as an opportunity as *'most of the development partners are [working in] the western districts'* (Swisscontact 2018)

3.5 What are promising sectors/value-chains to increase employment, land and labor productivity?

90. This evaluation question presumes that sectors / value chains are the right entry point for Sahaj. Is that assumption correct? From an economics perspective, this question cannot be answered univocally. How could it also? It is after all the profession of the two-handed argument¹⁴. On the one hand, pre-selecting a sector / value chain risks betting on a sector / value chain in which Nepal does not hold a comparative advantage. This may be the case for maize where India clearly has its nose in front (due to its abundance of flat agricultural land, access to required inputs and past investments in research, agricultural practices, mechanization, and irrigation). On the other hand, there may be pockets within Nepal where maize can be produced at competitive prices and qualities (like for example Belaka municipality, see section 3.2 above). Most key informants also thought Nepal has a clear comparative advantage in vegetable production (see paragraph 93 and Figure 11 below) and we may add to that – based on our experience – cardamom, ginger, coffee, tea, honey, and lentil. Moreover, when Sahaj would truly address the systemic constraints in agricultural – such as land fragmentation, informality, open border, weak capital formation, lack of national quality infrastructure, etc. – all sectors would benefit.

91. The question can however also be answered from a development effectiveness perspective. As noted above, the *condition sine que non* for successful development is local ownership of the development agenda. [This calls for development organizations to tie into and support local initiatives, as this is where the local interests and incentives lie to act.](#) As local initiatives are people-led – whether by individuals, groups or communities – development programs need to connect to these people. [This is a lesson clearly learned by both GIZ and IFAD in Nepal as both organizations move from a pure value-chain development approach to a participatory, collective action approach which then includes elements of value-chain and local economic development](#) (see Table 6). As noted above, for Sahaj to be (more) effective, it needs to do the same. SDC's move into State 1 offers in that regard a huge opportunity as it allows Sahaj to identify and focus on local interests, incentives and initiatives whether amongst farmers, the business community or the provincial or local governments.

92. On another note, Sahaj's sector choices have been, in part, informed by the number of smallholders active in the sector and thus the poverty alleviation potential of any intervention. Here again, the inherent tension within the program surfaces between promoting the commercialization of agriculture (where rising labor productivity will lead to less employment) and enhancing the livelihoods of smallholders engaged in semi-commercial farming. This selection principle will partly have been responsible for selecting the maize sector (as many smallholders cultivate maize for subsistence purposes) even though Nepal as a whole probably does not have a comparative advantage in the commercial cultivation of crops (as discussed above).

93. Now coming to the original evaluation question. This evaluation did not conduct an in-depth assessment of the (political economy of the) agriculture sector in State 1. In parallel to this review, SDC was closely engaged with the provincial government of State 1 in the formulation of the province's development plans. Moreover, both NASDP and Sahaj have engaged with the provincial and municipal governments over the last 18 months. SDC, NASDP and Sahaj will thus have a much better view on the what the promising sectors are. Textbox 3 nonetheless shares our view based on previous work. Finally, we asked many key informants what they considered to be promising agriculture sectors for Nepal (not limited to State 1). Figure 11 shows the results of our tally. Vegetable production clearly received the most votes¹⁵: Nepal's unique geography and climate allows the country to produce vegetables when India cannot. Most key informants referred in that regard to '*off-season vegetables*' which is a bit of a misnomer as it is clearly not off-season to produce vegetables in Nepal.

¹⁴ Former US President Harry Truman famously asked: "Give me a one-handed economist. All my economists say 'on the one hand...', and then continue with 'but on the other...'". (The Economist 2003)

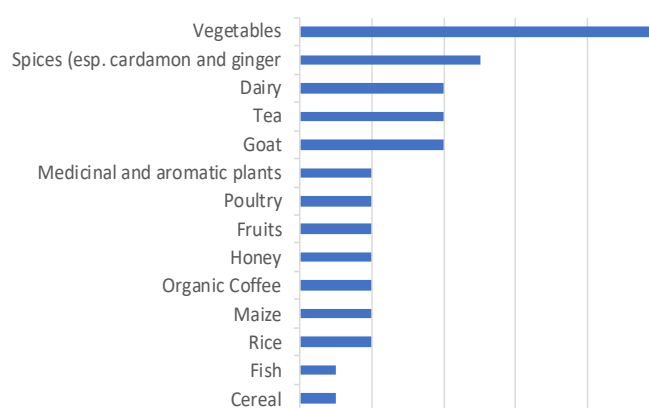
¹⁵ As we conducted a highly informal tally, we have not included actual numbers, preferring to show the relative response rates by the length of the bars.

Textbox 3. Important agricultural sectors in State 1

Cardamom and tea are the most important sub-sectors for Province 1. The production volume in Province 1 covers more than 90% of the national production. Similarly, the share of ginger and dairy is 30% and 20% of the national production volume respectively. Province 1 is producing a fair share of vegetable (16%), potatoes (34%) and meat (19%). These figures indicate good potential for agriculture commercialization and agribusiness development. The State however also has strong potential for forest-based and cultivated medicinal and aromatic herbs, species and plants – products with strong and growing demand in the developed world.

Source: (Piya and Joshi 2018)

Figure 11. Promising agriculture sectors according to key informants



4. Looking forward: recommendations for now and the second phase

94. This chapter concludes, draws lessons and offers recommendations on how to continue Sahaj. Our recommendations answer the remaining evaluation questions. As these answers are not explicit, we subsequently answer these evaluation questions – in short form – at the end of the chapter.

4.1 Conclusion

95. Sahaj was conceptualized as a clear break from the past. Instead of offering direct support to smallholder farmers to raise their productivity, it was meant to help take away systemic constraints to the commercialization of agriculture in Nepal. The removal of these constraints would benefit the whole agricultural sector and not just those receiving direct assistance. Sahaj was meant to be *'light-touch', 'act as a facilitator'* (SDC 2016) and not become a service provider. In other words, *with minimal effort, it sought maximum impact*.

96. Reality turned out different. Sahaj identified low land productivity as a root cause of agriculture's underperformance. It mobilized the private sector to provide technical assistance to smallholder farmers to raise their productivity and offer the farmers a guaranteed offtake of their produce. Sahaj became very technical-assistance-oriented and displayed little affinity with facilitating and empowering local initiatives. *Sahaj basically continued traditional development assistance – the delivery of direct support to smallholders – albeit with a modern touch by involving the private sector.*

97. *This deviation from the Program's intent appears to rest on a firm belief on the part of the Sahaj team that systemic change should come from the private sector.* They observed a lack of business innovation among entrepreneurs. By introducing a new business strategy (coupled with financial support), they encouraged entrepreneurs to enter or expand their business into rural areas. The underlying business case appears weak and does nothing vis-à-vis the underlying root causes of underperformance of the agricultural sector. In practice, Sahaj presumes that change is straightforward and linear. It recognizes insufficiently that agricultural markets are complex social systems, wherein the component parts are highly interdependent – a change in behavior of one set of market players will invoke a response by others, either nullifying or exacerbating the change – and, importantly, that *'improving one part of the system may not improve the whole'* (Ackoff and Revin 2003).

98. *Sahaj's approach offers mixed results when measured against its impact indicators.* On the one hand, Sahaj probably achieves its impact target for the number of beneficiaries, including women-led households and disadvantaged groups. On the other hand, the Program is likely to fall short on the target of net annual income gains for these beneficiaries, the number of jobs created on-farm and in the agricultural value-chain, and – crucially – its systemic impact.

99. Importantly, the Review suggests that *the crowding-in hypothesis rests on thin ice*. Whilst the underlying business case is positive for the supported entrepreneurs, it is not so positive to warrant entrepreneurs from taking 100% of the investment risks or for upstream actors in the value chain to engage with smallholder farmers. Sahaj bets that, over time, costs will be reduced, due to learning and economies-of-scale, and enhance the business case. The Review found no hints yet to that end. The prevalence of the systemic constraints will also put a lid on the extent to which economies of scale can be realized. In the absence of a clear return on investment, other entrepreneurs are unlikely to copy the business model. International evidence also suggests that simply supporting pro-poor business models is insufficient and that successful crowding-in rests on a comprehensive set of measures tackling both policy constraints and missing public and (semi-) private goods.

100. *SDC Nepal unequivocally stated that 'Swiss investments will not [anymore] be used to finance the delivery of services directly to the ultimate beneficiaries'* (SDC 2018). Moreover, Nepal is walking through a window of opportunity to organize itself anew and become a more democratic, inclusive society. For this to work, Nepal needs good governance (to allow equitable access to the country's natural resources), a strong state (able to deliver public services), economic growth (to offer employment and income opportunities for new market entrants), and an imaginative response to the labor migration (by supporting the productive investment of remittances). *Switzerland is committed to contribute to this transformation with all its projects, including Sahaj.*

101. Switzerland is thereby not alone. Nepal continues to receive significant support from the international development community, including in agriculture. Even though many development organizations operate in the west of Nepal, several target State 1. [This offers scope for collaboration with development organizations in addressing systemic constraints at the federal level, as well as exploiting synergies between their programs in State 1.](#)

4.2 Lessons learned

102. Phase 1 of Sahaj had '*a certain testing and learning orientation*' (SDC 2016). The first phase indeed offers some valuable lessons:

1. [An elaborate program document does not guarantee a common understanding on the intent of the program.](#) SDC Nepal wanted to move away from direct support to smallholders and instead address the root causes of Nepal's underperformance in agriculture. The Sahaj team did not interpret the conclusion of the 2012 portfolio review that the SDC portfolio is too production-centric and SDC's embrace of the Market System Development methodology as '*preventing them from working directly with private entrepreneurs and smallholder farmers*'. The evaluation reveals a clear difference in vision between SDC and the Sahaj team. In a way, this is surprising as the program document was only finalized after the Sahaj's 10-months inception phase. It appears that the program document was insufficiently discussed and questioned between SDC and Swisscontact. [This lesson suggests that a more profound, perhaps facilitated, dialogue between the SDC \(Nepal\) and an implementing agency is necessary](#) at the very outset of a program (i.e. during the selection process, contract negotiations and the inception phase) to ensure a common understanding and vision of a program.
2. [It is difficult, if not impossible, to achieve systemic change and impact through a single development modality \(technical assistance\), an externally imposed \(pro-poor\) business model, and a theory of change based on demonstration and crowding-in.](#) In a way, this should not come as a surprise as it runs counter to modern development thinking which advocates comprehensive approaches (by undertaking mutually reinforcing actions at for example the macro, meso and micro-level) and aligning support to the interest, incentive and capacity of local partners (i.e. supporting local initiatives as people and societies can only develop themselves).
3. [A Market System Development program should not contain targets for direct beneficiaries.](#) The premise of the Market System Development approach is that by taking away systematic constraints, all participants – in this instance in the agricultural sector – benefit. By including targets for direct beneficiaries, it incentivizes the program to provide direct assistance to smallholder farmers.

4.3 Recommendations

103. [We have 8 recommendations. These are, in first instance, directed towards SDC Nepal, as the principal of both this Review and Sahaj.](#) It is for SDC to decide how to continue. If SDC decides to continue with Phase 2 and Swisscontact as implementing agency, then it will fall on the latter to operationalize these recommendations. As such, the recommendations are, in second instance, directed towards Swisscontact.

1. [Return to Sahaj's original intent and address the systemic constraints to the commercialization of Nepal's agriculture.](#)

Meaning:

- To help State 1 address the systemic constraints to the commercialization of its agriculture, including (but not limited to): land fragmentation, informality, open (porous) border, lack of access to finance and irrigation, limited national quality infrastructure, male-gender bias in policies, etc.

Reason:

- There is no shortage of entrepreneurs in Nepal and it are the systemic constraints which restrain Nepal's agriculture sector. By helping to remove these constraints, Sahaj creates the room for entrepreneurs to seize the country's comparative advantages in agriculture production.

- It also prevents Sahaj – a development program – from sitting on the chair of the entrepreneur. The latter are better able to identify and seize market opportunities than the Sahaj team, which – like us, evaluators – are quasi-public servants and not entrepreneurs.

Implications:

- To apply more rigorous systems thinking including both analysis and synthesis – see Textbox 4.
- To transit from working primarily with individual entrepreneurs to partnering with government agencies (at the federal and provincial level), business associations and sector organizations.
- To stop supporting individual entrepreneurs to expand their business and strengthen their individual supply chains – see Textbox 5 for the infamous exceptions.
- To allow for a 'soft landing' or 'smooth transition', Sahaj can complete the ongoing interventions with private sector partners, but not start new ones.

Textbox 4. Systems thinking

In their book *Redesigning Society*, Russell Ackoff and Sheldon Revin underscore the interdependencies of a system's component parts. *'In brief, each essential part of a system has a (defining) function in that system that cannot be carried out independently of other parts. This means that the functioning of the parts cannot be explained or understood apart from its interaction with the other parts. ... The performance of society as a whole depends more on how the parts, the subsystems, interact than on how they act separately. No part of a society should be designed independently of other parts with which it will interact and without considering their joint effects on the performance of the whole'* (Ackoff and Revin 2003).

Systems thinking thus involves both analytic and synthesis thinking. Both are three-set processes. Analysis '(i) takes the thing or event to be understood apart; (ii) explains the behavior of properties of the parts taken separately; and (iii) aggregates the explanations of the parts into an understanding of the whole – the thing to be explained'. Synthesis on the other hand '(i) identifies a containing whole (system) of which the thing to be explained is a part; (ii) explains the behavior or properties of the containing whole; and (iii) explains the behavior or properties of the thing to be explained in terms of its role or functions within its containing whole. ... Analysis focuses on structure: it reveals how things work (and yields knowledge); synthesis focuses on function: it reveals why things operate as they do (and yields understanding)' (R. L. Ackoff 1999).

Textbox 5. When support to individual private sector firms is worthwhile

Nothing is black-and-white. There are at least three exceptions to above recommendation to stop working with individual entrepreneurs (and which can be part of a 'comprehensive set of measures' as advocated below in Recommendation 3). First, Sahaj can address access-to-finance constraints – in MSD-terms a critical support function – by supporting financial institutions which offer innovative financial and insurance products which are available to all market participants. Second, Sahaj can support innovative start-ups which offer new ways of doing business (for example Sun Farmers which offers smallholder farmers pay-as-you-go irrigation services) or move the sector up in the value-chain (e.g. by processing ginger and cardamom and not exporting it raw to India). Third, it can support returning migrants in setting up modern farms and new business. This should however be highly targeted support embedded in a overall strategy for the agriculture sector of State 1, including the removal of systematic constraints. Moreover, on many of these suggestions, Sahaj can work closely together with other development agencies, for example IFAD's Rural Enterprises and Remittances program or DFID's and UNCDF's access-to finance programs.

2. **Facilitate local initiatives in commercializing agriculture – light-touch and as facilitator.**

Meaning:

- To identify and support local, public or private-led, initiatives to commercialize agriculture in State 1 like, for example, commercial maize production in Belaka municipality or enabling agriobusiness start-ups of returning migrants.

Reason:

- State 1 can only develop itself. Switzerland can merely facilitate the process. To do so effectively, Switzerland needs to (i) align its support to the interest, incentives and capacity of local change-makers; and (ii) empower these change makers to successfully implement their initiatives through coaching, peer learning, and facilitating connections.

Implications:

- To move from traditional, technical assistance oriented, development assistance towards a more modern development approach in which local protagonists of change are empowered to help develop themselves.

3. To implement recommendation 1 and 2, through a comprehensive set of, mutually reinforcing, measures.**Meaning:**

- See Textbox 6 for a clarifying example.

Reason:

- Systemic constraints and agricultural transformation are more likely achieved when working simultaneously and in a coherent manner at the macro-, meso-, and micro-level.

Textbox 6. The example of Belaka municipality

Belaka municipality wants to develop into a maize super zone based on 3200 hectares of, relatively flat, fallow land. At the macro-level, Sahaj can address the ownership of the fallow land (which lies at the central level) and how it can be transferred / leased to the municipality. At the meso-level, it can help develop wholesale and auction markets to ensure that any maize production is sold against the highest price, facilitate a dialogue with adjoining municipalities which have similar tracts of fallow land, facilitate a strategy for agri-business in the maize sector, and share any emerging best practices across the State. At the micro-level, Sahaj can unlock best practices from abroad in public-private partnerships in agriculture and coach the municipality and its private partners in developing a public-private partnership (rather than preparing an agreement for them).

4. Reach out to other development partners for collaboration and joint learning.**Meaning:**

- To seek cooperation with other development programs in addressing systemic constraints at the federal level (e.g. with DFID-CASA, GIZ – LPED, IFAD - ASD), exploiting synergies at State 1 level (e.g. World Bank – NLIP, DFID – AzF, UNCDF – MM4P) and joint learning on what works, what doesn't and why in '*facilitating*' the commercialization of agriculture (e.g. DFID-CASA, GIZ – LPED, IFAD – ASD).

Reason:

- Development organizations can achieve more at the federal level jointly than alone.
- The challenges for commercializing agriculture in State 1 are too large and broad to be addressed by any one program alone. Through effective cooperation, the development organizations can achieve more and quicker.
- GIZ and IFAD are implementing more local-led and participatory development programs in State 5,6 and 7. This is also recommended for Sahaj. Through a regular exchange of experiences, GIZ, IFAD and Sahaj can learn from each other about what works, what doesn't and why.

Implications:

- To earmark budget for the active collaboration with other development partners / programs.

5. To label Sahaj as an agricultural market expansion program (rather than a livelihood program) and adapt the results-framework accordingly.**Meaning:**

- To unequivocally position Sahaj as a program supporting the commercialization of agriculture in State 1.

Reason:

- Sahaj currently has a dual purpose: expand agricultural markets and improve the livelihoods of 25,000 farm households. This double mandate has, in part, pushed Sahaj to continue the direct support – even when delivered through the private sector – to smallholders' farmers. Sahaj intent is however to invoke large-scale and indirect impact by addressing the systemic constraints to the commercialization of agriculture.

Implications:

- To replace the current impact indicators (number of beneficiaries, annual net income gain, and number of new jobs) with (i) quantitative indicators (i.e. state-level statistics) on the size and growth of the agricultural sector / individual commodities (e.g. production and trade volumes, year-on-year growth, contribution to State 1 GDP) and (ii) qualitative reporting on the extent to which the program's Theory of Change holds up in practice (see Textbox 7).

Textbox 7. Progress reporting based on a Theory of Change

If these recommendations are adopted, Sahaj will need to develop a new Theory of Change. As noted in Chapter 1, a Theory of Change explicates the behavioral changes and causal mechanisms which will cause an intervention to achieve pre-defined outcomes and impacts. Good progress reporting includes a qualitative assessment – based on interviews and field observations – on the extent to which these behavioral changes and causal mechanisms are taking place. This offers SDC an indication, during program implementation, of the likelihood that a program's outcomes and impacts will be achieved. Progress reports will also become more analytical (and less descriptive), fostering deeper understanding and learning.

6. **Change the size, composition and location of the Sahaj team.**

Meaning:

- To move from Sahaj's current large and hierarchical-organized team structure to a small, agile and non-hierarchical team of complementary senior experts located in Kathmandu and the state-capital of Province 1.

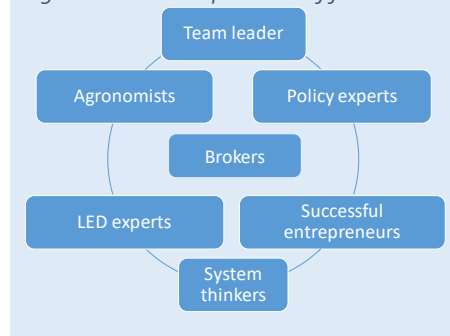
Reason:

- In line with Sahaj's original intent, Sahaj should be '*light-touch*' and '*act as a facilitator*' (SDC 2016). Moreover, Sahaj should support local protagonists in State 1 to invoke change through coaching, peer learning and facilitating connections. Technical assistance should be provided by senior experts or peers through coaching and mentoring.
- In line with the new Swiss Cooperation Strategy, Sahaj will focus its operational work in State 1 whilst engaging with the federal government in Kathmandu to address federal policy constraints.

Implications:

- To downsize the operational team to single-digit levels.
- To recruit senior and complementary experts, including facilitators, agronomists, policy experts, local economic development specialists, practitioners and system thinkers (see Figure 12).
- To hold office in Kathmandu and the state-capital of Province 1

Figure 12. Core competencies of future team



7. **To engage in a fundamental dialogue with Swisscontact on their understanding of and ability to deliver on the program.**

Meaning:

- To ensure a common understanding with Swisscontact about SDC's intent and objectives with Sahaj for the remainder of Phase 1 and Phase 2.

Reason:

- SDC and Swisscontact have a different understanding of the Market System Development approach, as well as the intent and scope of the Sahaj program. In order not to be in the same position in 4 years' time, this difference needs to be bridged.

Implications:

- To conduct a series of discussions with the Swisscontact and Sahaj leadership teams on the findings from this review, SDC's response to the review and SDC's intentions for the remainder of the current, as well as the second phase of Sahaj.
- To ensure that a mutual understanding and common vision for the future emerges from these discussions, such a dialogue series can best be facilitated by an outside expert who elucidates the positions voiced by SDC and Swisscontact, identifies differences in views, and guides the discussion to overcome these differences. As such a dialogue will entail multiple meetings, which need to be well-prepared (including possible one-on-one interviews beforehand), the external facilitator can best be recruited locally.

8. To implement the above recommendations now and not await the start of the second phase.

Reason:

- Sahaj Phase 1 formally runs until December 2019. SDC and Swisscontact are due to agree on a no-cost extension of 6 months. A second phase of Sahaj will therefore not start before June 2020, i.e. in one-years' time.
- The new provincial and local governments are currently filling all staff positions, developing their internal procedures, building the institutional capacity for their new responsibilities, and formulating new strategies, policies, and development plans. This offers a unique window of opportunity to affect change.
- This window of opportunity will only be open for a couple of years before new policies, power relations, customs and practices will settle in and make the system again less susceptible to change.
- Sahaj should thus change now and not wait until the start of a second phase.

Implications:

- Contractual agreements may prevent Swisscontact from changing the size and composition of the team immediately. To overcome this constraint, SDC should (i) make the no-cost extension conditional on Swisscontact not automatically extending current contracts; and (ii) allow part of the unspent budget of Phase 1 to be used to start the restructuring of the team.

4.4 Succinct answers to the remaining evaluation questions

What are the entry points for the second phase of the program?
The entry points are the systemic constraints (such as land fragmentation, informality, open (porous) borders, and lack of capital formation) as well as local initiatives (such as Belaka municipality striving to become a maize super zone or returning migrants setting up modern farms or agri-businesses).
How can the program engage with state actors to support the creation of an enabling environment for a vibrant and inclusive private sector development?
Sahaj can engage with government agencies at the federal and provincial level to address systemic constraints to, and create an enabling, market-based, business environment for, the commercialization of State 1' agriculture sector.
Should elements of the Local Economic Development approach be introduced?
This evaluation advocates Sahaj to align itself much closer to local, public or private, initiatives. This can, for example, be the creation of an agri-business cluster. Developing such an agri-business cluster can require investments in economic infrastructure. As such, local economic development can be part of the program, but only needs-based and not as a starting point.
To what extent should the program collaborate with other development partners?
Sahaj should intensively cooperate with other development programs in addressing systemic constraints at the federal level (e.g. with DFID-CASA, GIZ – LPED, IFAD – ASD), exploiting synergies at State 1 level (e.g. World Bank – NLIP, DFID – A2F, UNCDF – MM4P) and joint learning on what works, what doesn't and why in ' <i>facilitating</i> ' the commercialization of agriculture (e.g. DFID-CASA, GIZ – LPED, IFAD – ASD).
Is there a need to change the management and organization model of the program?
Yes, the management and organization of Sahaj should change from the current large and hierarchical-organized team structure to a small, agile and non-hierarchical team of complementary senior experts. See recommendation 6.

Appendices

A. Terms of Reference

Only included in PDF version of Final Evaluation Report

1 Context of the project

Under the new Swiss Cooperation Strategy Nepal 2018-2021 (SCS), the engagement of Switzerland in agriculture should increase land and labour productivity and employment opportunities. Switzerland investment in the domain *Employment and Income (E&I)* under the new SCS will focus on a few key areas: (i) creating an enabling environment for market systems development that contributes to local economic development (ii) strengthening the quality of service provision; and (iii) on the ability and demand of discriminated and poor groups to acquire relevant skills, services and market opportunities.

The current phase of NAMDP / SAHAJ ends in December 2019, it will start its new phase under the new SCS and will need to re-orient slightly its focus to align itself with the new SCS. In particular, the project will need to shift the focus of its outcome 3 towards policy support and capacity building at state level to support the development of a coherent policy and regulatory framework for inclusive economic growth.

2. Project Description and achievements

The goal of the program is to contribute to the expansion of agricultural markets through new and additional private investments for the benefit of smallholder farmers.

2.2 Project Achievements to date.

An internal review was conducted in March 2019 and a summary of project achievements and key constraints are presented in the Power Point in Annex 1. This external review will need to discuss the findings of the internal review with the program team and confirm, elaborate or refute the key findings of the internal review in relation to the evaluation questions presented below. The internal and the external review together will inform SDC on the content of the next phase.

3. Purpose and Objectives of the review

This review is designed to assess the achievements of the project to date and inform the design of the next phase taking in consideration the lessons learnt of this phase and the new strategic direction of the SCS 2018-21.

Two key focus of this review are:

- What was the added value of SAHAJ in catalyzing investments in the value chains? What was SAHAJ specific role in attracting new investments in selected value chains? Nepal has many public and private/ NGOs aid and development interventions that might distort the market, what has been SAHAJ key successes and constraints in this environment and how has it achieved them?
- Assess how, in the next phase, the Sahaj program can continue to support the economic transformation of the agricultural sector in Nepal.

The review will be used to shape the second phase of the program, i.e. inform the Pro Doc for the second phase taking in consideration the experiences of this first phase.

The primary users of the Review will therefore be, first-and-foremost, SDC Nepal, as well as Swisscontact (as implementing agency) and the government of Nepal (as SDC's formal counterpart). The Review is strongly forward-looking in nature.

Key evaluation questions included in an outline of the evaluation report

Outline	Main questions
Executive Summary - 2 pages	
Part 1. Market Development - 15 pages	
Chapter 1. Looking back	<ol style="list-style-type: none"> 1. About SAHAJ relevance <ul style="list-style-type: none"> ▪ Does the program's theory of change hold up in practice? ▪ Are the assumptions of the theory of change uncontested and plausible? ▪ Is the current investment landscape in agriculture sector in the country conducive to an MSD project? ▪ Are there other contextual factors which could reasonable explain the observed outcomes and impacts? 2. How effectively has the program engaged the private sector? <ul style="list-style-type: none"> ▪ Who are the main market players? ▪ How are they engaged by the program? What was the added value of the project, i.e. how did it convinced its partners to invest in new opportunities? ▪ Is the level of private sector investment in the program effective? ▪ Are the underlying business models sound? ▪ What are the strengths, weaknesses, risks and opportunities of the private sector cooperation model? <ul style="list-style-type: none"> – <i>Special focus: Have disadvantaged groups benefited from the program?</i> 3. Effectiveness - What worked, under which circumstances, and why? <ul style="list-style-type: none"> ▪ To what extent are the program's outcomes and impacts achieved or are they likely to be achieved? ▪ Are there any visible contributions of SAHAJ in the development of the sectors and cross sectors it focuses on? ▪ What were the key achievement of the program? Did the program do what it intended to do? ▪ What are the key success factors and main lessons learned? ▪ What are key constraints to the program's development effectiveness? 4. Did the program have systemic impact / invoke transformational change?
Chapter 2. Present situation	<ol style="list-style-type: none"> 5. Relevance - What are the key developments and emerging issues in the political (incl. the federalization) and economy of the

	<p>agricultural sector in Nepal? Are the program outcomes and impact still relevant today?</p> <p>6. Relevance and effectiveness - What changes does the project made in terms of programme adaptations, institutional arrangements and adaptation of role of staff in response to the new Swiss Cooperation Strategy to content, focus and targets?</p> <p>7. Effectiveness - What are promising sectors / value chains to engage in to increase employment, land and labor productivity and take advantage of the opportunities offered by the country's federalization process?</p>
Chapter 3. Looking forward	<p>8. Relevance and Effectiveness - What are the entry points for the second phase of the program specifically in State 1?</p> <ul style="list-style-type: none"> ▪ Which (other) sectors / value chains, at what points in these value chains and how? ▪ What should be continued, scaled-up, reoriented, dropped? ▪ Possible dimensions: exports, auction markets, certification, vocational training, taxation, etc. ▪ Coherence <p>9. Relevance - Would it be relevant to introduce the LED approach in the program? and if yes, how can it be supported?</p> <p>10. Effectiveness - How can the program engage with state actors to support the creation of an enabling environment for a vibrant and inclusive private sector development?</p> <ul style="list-style-type: none"> – What are key opportunities and risks? <p>11. Effectiveness - To what extent should the program collaborate with other development partners?</p> <ul style="list-style-type: none"> – e.g. the BMZ/GIZ Local and Provincial Economic Development Project (LPED), the Australian funded Market Development project in State 6, or the ELAM/Helvetas experience in defining entry points and collaboration with skills programs in the value chain <p>12. What are the implications for the geographic orientation of the program? What are the key entry point and constraints to focus in State 1 for the next phase? ?</p>
Part 2. Implementation arrangement – Efficiency - 5 pages	
Chapter 1. Looking back	<p>13. Is the management and organization model effective?</p> <ul style="list-style-type: none"> – Dimensions: instruments; financial, human and technical resources; work load distribution (technical assistance versus results management; partner identification), organizational structure; information flows; decision-making in management, measuring results; communicating results; understanding of political economy, backstopping and coaching.
Chapter 2. Looking forward	<p>14. Is there a need to change the management and organization model?</p> <ul style="list-style-type: none"> – Is there a need to add skills and expertise to the current team, in particular for its engagement with state actors?

1. REVIEW PROGRAM AND TIMELINE

The review will be structured in 3 phases:

An inception phase that will include phone briefing, desk review of the relevant documents and the development of a detailed evaluation plan. The deliverable for this inception phase is a short inception report containing a detailed methodology and approach for the review.

An Implementation phase including the final preparation of the field mission as well as a 2 weeks mission in Nepal. The deliverable for this phase will be a short presentation at the end of the field mission to present and discuss the preliminary findings to SDC and other key stakeholders.

Data analysis and reporting phase including the detailed analysis of all the data collected and information gathered during the desk review and the drafting of the evaluation report. The deliverable for this phase will be the external review report.

4.1 Qualification and Professional requirements

The team of consultants should demonstrate a strong expertise in the following areas:

- Good knowledge of the Nepal rural economy/employment sector; market functions/demands/supplies/actors (focusing on State-Government-Private-People relationships)
- Excellent and proven experience in similar mandates;
- Excellent analytical skills, ability to propose innovative but realistic recommendations;
- Excellent coordination, communication and reporting skills;
- Excellent proficiency in both spoken and written English.

Note: The international consultant will have a leading role in this mandate, the local consultant is expected to provide its expertise in relation to the local knowledge related to political, economic, employment and sectorial trends, the local consultant shall also provide its support in organising and facilitating the interviews with local counterparts.

4.2 Reporting

The report shall not be longer than 22 pages excluding annexes and shall be structured as presented in Table 1.

The Swiss Embassy in Nepal reserves the right to request changes in the report or additional information.

The report shall be written in English.

4.3 Timeframe

Activities – Work Plan	International Consultant (IC) # Working days	Local Consultant (LC) # Working days
Inception phase - 8 IC Working Days (ICWD) – 4.5 Days LCWD		
Kick off Phone and Skype Briefing	0.5	0.5
Initial document review	2.5	2
Telephone interview with SDC MSD focal point, and backstopper (for ex. Julien de Meyer)	0.5	
Reconfirm or reconstruct Program Theory of Change	1.5	0.5
Develop evaluation plan	2	1
Discussion with SDC about evaluation plan and adapting the plan to respond to SDC demands	1	0.5
Deliverable: Inception report		
Implementation Phase (12 April to 24 May) – 19 days ICWD – 17 days LCWD		
Prepare field Mission (Supported by NAMDP) and arrange interviews	1	3
Additional Document review	1	1
Field Mission (including 2 days travel) (Proposed: 5 May to 21 May) – Debriefing on Monday 20 May	17	13
Deliverable: Presentation on Preliminary Findings (24th May)		
Data Analysis and reporting phase (27 May to 5 th July) – 8 days ICWD and 3.5 days LCWD		
Data Analysis	1.5	1
Report Drafting	5	2
SDC briefing on the report and gathering feedback	0.5	0.5
Finalize evaluation report	1	
Deliverable: Draft report for comments (21 June); SDC and Swisscontact feedback (24 to 28 June); Final report submitted on July 5.		
Total number of Working days	35	25

Annexes:

1. List of reference documents

- a) SCS 2018-21
- b) Framework for Economic Transformation in Agriculture Sector and management decision
- c) Agriculture visioning workshop report
- d) Unbundling report
- e) Sahaj prodoc, YPOs and APRs
- f) Sahaj adaptation plans (including Buipa workshop, State 1 workshop)
- g) Agriculture sector assessment report-SDC
- h) Sahaj self-assessment report
- i) Similar project reviews of other donor partners
- j) Policies and plans of State 1 government
- k) Private sector strategies and plans
- l) Master plan and State Support Programme related documents
- m) Agriculture Development Strategy

B. Overview of all evaluation questions

1. **Does the program's Theory of Change hold up in practice, i.e. is Sahaj effective in expanding the agricultural markets for the benefit of (poor) smallholder farmers, especially women-led households and disadvantaged groups?**

Supplementary questions:

- Did the program do what it intended to do – were the interventions implemented according to plan?
- Are the assumptions underlying the Theory of Change plausible and uncontested?
- To what extent are the program's outcomes and impacts achieved or are they likely to be achieved?
 - What were the key achievements of the program?
 - Have smallholder farmers, women-led households and disadvantaged groups benefited?
 - Are there any visible contributions of Sahaj to the development of its focus sectors and cross sectors?
- Is there evidence that the assumed changes in behavior, decisions and actions amongst the program's boundary partners occurred in practice?
- Are there other contextual factors that could have reasonably and significantly contributed to the results.
- Did the program have systemic impact / invoke transformational change?
- What worked, under which circumstances, and why?

(Note: The review should also confirm, elaborate or refute the key findings of the recently conducted internal review of the program.)

2. **What was the program's value-added for the private sector partners?**

Supplementary questions:

- Who are the main market players?
- How are they engaged by the program?
- What was the added value of the project to the private sector partners?
- How did it convince its partners to invest in new opportunities?
- Is the current landscape in the agricultural sector conducive to a Market System Development program?
- Is the private sector investment in the program effective?
- Are the underlying business models sound?
- What are the strengths, weaknesses, risks and opportunities of the private sector cooperation model?

3. **What are relevant developments and emerging issues in the political economy of the agricultural sector in Nepal, including in the federalization process?**

Supplementary questions:

- Are the program outcomes and impacts still relevant today?
- What opportunities are offered by the country's federalization process?

4. **What changes does the new Swiss Cooperation Strategy impose on the program's outcome and impact targets?**

Supplementary questions:

- What changes are necessary in content, focus and targets to (re-)align the program with the Swiss Cooperation Strategy?
- What are the implications for the geographic orientation of the program?

5. **What are other development agencies doing (in market development) in the agricultural sector in Nepal?**

6. What are promising sectors / value chains to engage in to increase employment, land and labor productivity?

Supplementary questions:

- Which (other) sectors / value chains, at what points in these value chains and how?
- To what extent are these sectors/value-chains supported by the Agriculture Development Strategy?
- What are the key entry point and constraints to focus on in State 1 for the next phase?

7. What are the entry points for the second phase of the program?

Supplementary questions:

- What should be continued, scaled-up, reoriented, dropped?
- Possible dimensions: exports, auction markets, certification, vocational training, taxation, etc.
- What are the key entry point and constraints to focus on in State 1 for the next phase?

8. How can the program engage with state actors to support the creation of an enabling environment for a vibrant and inclusive private sector development?

Supplementary questions:

- How can the program strengthen the federalization process?
- What are key opportunities and risks?
- What are the implications for the geographic orientation of the program?

9. Would it be relevant to introduce the local economic development approach in the program and, if so, how can it be supported?

10. To what extent should the program collaborate with other development partners?

11. To what extent does the program's management and organization model need to be adapted?

Supplementary questions:

- Is the management and organization model effective?
- Is there a need to change the management and organization model?
- Is there a need to add skills and expertise to the current team (in particular for its engagement with state actors)?
- Dimensions: instruments; financial, human and technical resources; workload distribution (technical assistance versus results management; partner identification), organizational structure; information flows; decision-making in management, measuring results; communicating results; understanding of political economy, backstopping and coaching.

C. Results-Framework

Hierarchy of objectives (Narrative summary)	Key indicators	Achievement against target as of 31 December 2018																
Impact: Rural smallholders, especially disadvantaged groups and women-headed households, sustainably improve their livelihoods through participation in commercial agriculture and interconnected markets.	i. Number of farming households ⁱ increasing annual nominal income ⁱⁱ [gender and disadvantaged groups (DAG ⁱⁱⁱ) disaggregated]. Target: until December 31, 2020^{iv} <table><tr><td>Total farming households</td><td>25,000</td></tr><tr><td>Women-led production units^v</td><td>7,500</td></tr><tr><td>Women-headed households^{vi}</td><td>2,500</td></tr><tr><td>DAG</td><td>7,500</td></tr></table>	Total farming households	25,000	Women-led production units ^v	7,500	Women-headed households ^{vi}	2,500	DAG	7,500	i. Achievement: until December 31, 2018 <table><tr><td>Total farming households</td><td>8,950</td></tr><tr><td>Women-led production units</td><td>3,580</td></tr><tr><td>Women-headed households</td><td>Already above 2,500</td></tr><tr><td>DAG</td><td>4,300</td></tr></table>	Total farming households	8,950	Women-led production units	3,580	Women-headed households	Already above 2,500	DAG	4,300
	Total farming households	25,000																
	Women-led production units ^v	7,500																
	Women-headed households ^{vi}	2,500																
	DAG	7,500																
Total farming households	8,950																	
Women-led production units	3,580																	
Women-headed households	Already above 2,500																	
DAG	4,300																	
ii. Average increase in net nominal income ^{vii} of the farming households defined above in the impact indicator (i). Target: until December 31, 2020 <table><tr><td>NPR 20,000</td></tr></table>	NPR 20,000	ii. Achievement: until December 31, 2018 <table><tr><td>NPR 10,000</td></tr></table>	NPR 10,000															
NPR 20,000																		
NPR 10,000																		
iii. New jobs (FTE) ^{viii} created for the poor and the disadvantaged people Target: until December 31, 2020 <table><tr><td>1,600</td></tr></table>	1,600	iii. Achievement: until December 31, 2018 <table><tr><td>384 – 900</td></tr></table>	384 – 900															
1,600																		
384 – 900																		
Outcome 1: Small farmers and other stakeholders of commercial agriculture, especially from poor and disadvantaged groups, increase their participation in commodity markets and cross-sectors.	i. Number of farming households using opportunities ^{ix} facilitated by the project in input and output markets Target: until December 31, 2020^x <table><tr><td>27,000</td></tr></table>	27,000	i. Achievement: until December 31, 2018 <table><tr><td>10,500</td></tr></table>	10,500														
	27,000																	
10,500																		
ii. Number of market actors ^{xi} in commercial agriculture using opportunities facilitated by the project in input and output markets Target: until December 31, 2019^{xii} <table><tr><td>120</td></tr></table>	120	ii. Achievement: until December 31, 2018 <table><tr><td>59 Partners # of secondary service providers such as cooperatives, agrovet, aggregators engaged by our partners are yet to be compiled.</td></tr></table>	59 Partners # of secondary service providers such as cooperatives, agrovet, aggregators engaged by our partners are yet to be compiled.															
120																		
59 Partners # of secondary service providers such as cooperatives, agrovet, aggregators engaged by our partners are yet to be compiled.																		

Hierarchy of objectives (Narrative summary)	Key indicators	Achievement against target as of 31 December 2018
Outcome 2: Key stakeholders ^{xiii} increase investments in value-addition ^{xiv} and processing ^{xv} resulting in higher demands for local products.	iii. Investment on a cost sharing basis made by intervention-partners for pilot interventions Target: until December 31, 2019 On an average, 30%	iii. Achievement: until December 31, 2018 Above 55%
	iv. Number of new investments made by new and existing partners/market actors to scale up interventions in 3 commodity sectors and 2 cross sectors Target: until December 31, 2019 At least 8 until December 2019	iv. Achievement: until December 31, 2018 8
Outcome 3: Key stakeholders ^{xvi} in the market system utilise their newly acquired MSD/M4P capacities to implement positive and sustained practice change in agriculture marketing ^{xvii} .	v. Percentage increase in understanding of development assistance community (NGOs, INGOs, development projects) with respect to applying the Market Systems Development (MSD/M4P) approach Target: until December 31, 2019 20%	v. Achievement: until December 31, 2018 21%
Output 1.1: Pilot opportunities are realised, and bottlenecks addressed in 3 selected commodity markets and 2 cross sectors.	i. Number of pilot interventions in commodity markets (NAMDP core sectors) and cross sectors Target: until December 31, 2019 20	i. Achievement: until December 31, 2018 29
Output 1.2: Expansion and up-scaling as well as replication/crowding-in leads to systemic change in selected commodity markets and cross sectors.	ii. Number of sectors (core and cross sectors) where there is evidence of progress towards systemic change ^{xviii} Target: until December 31, 2019 At least 2 sectors/ cross-sectors until December 2019	ii. Achievement: until December 31, 2018 To be assessed towards end of YPO 3
Output 1.3: Relevant policies, legal and regulatory constraints to market development are addressed through advocacy and coordination with relevant government bodies.	iii. Number of interventions addressing policy, legal and regulatory constraints Target: until December 31, 2019 5	iii. Achievement: until December 31, 2018 > 5

Hierarchy of objectives (Narrative summary)	Key indicators	Achievement against target as of 31 December 2018
Output 2.1: Promising pilot interventions in value addition ^{xi} are realised, if required with additional finance.	iv. Number of improved and/ or new 'opportunities' ^{xx} promoted in the pilot interventions <div> <div>Target: until December 31, 2019</div> <div>12</div> </div>	iv. Achievement: until December 31, 2018 <div>21</div>
Output 2.2: Successful value addition ^{xxi} pilots are up-scaled and replicated by producers and market actors.	v. Number of new partner/ market actors crowding-in a) Autonomous ^{xxii} b) intervention triggered <div> <div>Target: until December 31, 2019</div> <div>v(a): To be tracked and reported at actual until December 2019</div> <div>v(b): 8</div> </div>	v. Achievement: until December 31, 2018 v(a). Yet to be assessed. To be reported at actual by December 2019 v(b): 14
Output 2.3: Relevant policies, legal and regulatory constraints to value addition ^{xxiii} are addressed through advocacy and coordination with relevant government bodies.	vi. Number of private sector associations/ entities engaged in advocacy and coordination with government bodies for addressing relevant policies, legal and regulatory constraints <div> <div>Target: until December 31, 2019</div> <div>3</div> </div>	vi. Achievement: until December 31, 2018 <div>3</div>
Output 3.1: Market system knowledge and economic literacy of poor producers have improved ^{xxiv} .	vii. Number of interventions that enhances economic literacy and business knowledge of farming households <div> <div>Target: until December 31, 2019</div> <div>3</div> </div>	vii. Achievement: until December 31, 2018 <div>3</div>
Output 3.2: MSD/M4P knowledge is disseminated and buy- in is promoted in Nepal's development assistance community.	viii. Number of MSD knowledge dissemination activities and products ^{xxv} through the MDFN ^{xxvi} and similar platforms <div> <div>Target: until December 31, 2019</div> <div>10</div> </div>	viii. Achievement: until December 31, 2018 <div>12</div>

ⁱ Independent farming households and/ or members of farmers' cooperatives/groups.

ⁱⁱ An increase in the annual nominal incomes is a net attributable income change stimulated by the programme's interventions. Change in nominal incomes may happen due to one or a combination of different factors, including: increased profit due to higher quantity and/or improved quality of the produce; increased profit due to better access to existing or new markets of the produce; increased profit due to improved usage of on-farm/off-farm post-harvest facilities; better price; reduced cost of production; reduction of crop loss (i.e. crop saved); increased production resulting in reduction of deficits of a particular crop (for farmers who do not produce enough and purchase crops on top of their production for year round consumption) and freed up fund for other purchases/savings/investments

ⁱⁱⁱ Refer to SDC's definition of DAG

^{iv} Although the phase 1 of NAMDP ends in December 2019, all impact indicators will be measured until December 31, 2020 to take into account the time lag between interventions and final impacts. The practice of projecting beyond the life of the project-phase is in line with the DCED results measurement standards.

^v Independent farming households, or members of farmers' cooperatives/groups, where women are in charge of production and marketing functions: 7,500 out of the total target of 25,000 households.

^{vi} Households where women have ownership of land (single and/ or joint ownership): 2,500 out of the total target of 25,000 households.

^{vii} NAMDP, for every intervention in a sector or cross-sector, will accumulate income increase up to 2 years after an intervention has been completed (in line with the DCED results measurement standards) and aggregate at the sector level.

^{viii} Full-time equivalent (FTE); can be at the farm level as well as across the value-chain and support functions

^{ix} 'Opportunities' include, among others: improved access to better inputs, tools and products; improved access to knowledge, information and technology; better access to other support functions (e.g. access to finance, transportation); improved access to on-farm and off-farm post-harvest technology and practices; better linkage with end-markets and processing; and opportunities resulting from policy changes which are conducive to inclusive growth.

^x Similar to the impact indicators, this date has been set to take into account the time lag in some cases between interventions (resulting in 'opportunities') and actual usage of those opportunities. NAMDP logframe has an impact target of benefitting 25,000 farming households. Target number of farmers using opportunities facilitated by the project in input and output markets is set higher than the impact target, at 27,000, with an assumption based on experience of different MSD projects that all farmers using 'opportunities' may not be able to benefit (increase income) from the usage, for various reasons which are beyond the control of the project interventions.

^{xi} Market actors refer to the market players in the values chains, 'support functions' and 'rules/ regulations' (market systems). Those market players create opportunities for the farming households (see definition of opportunities in the relevant endnote) by making use of their own business opportunities or by better implementing their mandates (based on commercial and other incentives). Those market actors may interact directly with farmers or may interact with other actors in the values chains/ 'support function' / 'rules', eventually resulting in better opportunities for the farmers.

^{xii} NAMDP will track and measure this number until end of phase 1. Farmers using 'opportunities' created by those market actors within the project period will be tracked until December 2020 for usage and benefit numbers, to take into account the time lag between interventions and usage/benefit.

^{xiii} Market actors in the values chains, 'support functions' and 'rules/ regulations' (market systems). Refer to the relevant endnote.

^{xiv} Value addition is defined as the supply side of 'opportunities' (see definition of opportunities in the relevant endnote) where the market actors add value to their products and offers for the farmers by improving the existing ones or introducing new products and offers (this corresponds to 'institutional changes' as per SDC logframe guidelines).

^{xv} Processing is part of the wider definition of value addition (see relevant endnote); NAMDP will not separately report processing related indicators. "... higher demands for local products" (from the outcome statement) may result from processing as well as from other 'opportunities' created in the market systems.

^{xvi} Nepal's development assistance community (NGOs, INGOs, development projects)

^{xvii} Refers to Market Systems Development in agriculture in general, not exclusively to marketing.

^{xviii} Progress towards systemic change will be assessed taking into consideration various factors (both 'autonomous factors' – i.e. without additional intervention by the project, and 'intervention triggered factors') including: whether partners of pilot interventions are continuing (and expanding) the piloted business model(s) or a variant thereof after the piloting; whether new partner/ market actors are crowding in; whether market actors are responding to changes in the market systems triggered by pilot and scale-up interventions with new initiatives.

^{xix} Please refer to the relevant endnote for the definition of 'value addition'

^{xx} Please refer the relevant endnote for the definition of 'opportunities'

^{xxi} Please refer the relevant endnote for the definition of 'value addition'

^{xxii} i.e. without additional intervention by the project

^{xxiii} Please refer to the relevant endnote for the definition of ‘value addition’

^{xxiv} In broader sense market systems knowledge of all the farmers ‘using opportunities facilitated by the project in input and output markets’ are improved. This output however particularly refers to interventions, activities and/ or events that focuses directly or indirectly on farmers’ economic literacy and business knowledge.

^{xxv} ‘Products’ include publications, case studies, thematic papers, awareness creation materials (audio-visual and print)

^{xxvi} <http://www.mdfn.org>

D. Budget and Expenditures

Budget

Budget Head	Amount CHF	Percent
PART 1: Services Headquarters (HQ)	20,800.00	0.3%
PART 2: Local Office (LO) of contractor	132,550.00	2%
PART 3a: Long-term experts	2,273,575.00	31%
PART 3b: Short-term experts (Consultants)	304,162.50	4%
PART 3c: Local support	697,300.00	10%
PART 4: Administrated Project funds	3,795,830.00	53%
Total	7,224,217.50	100%

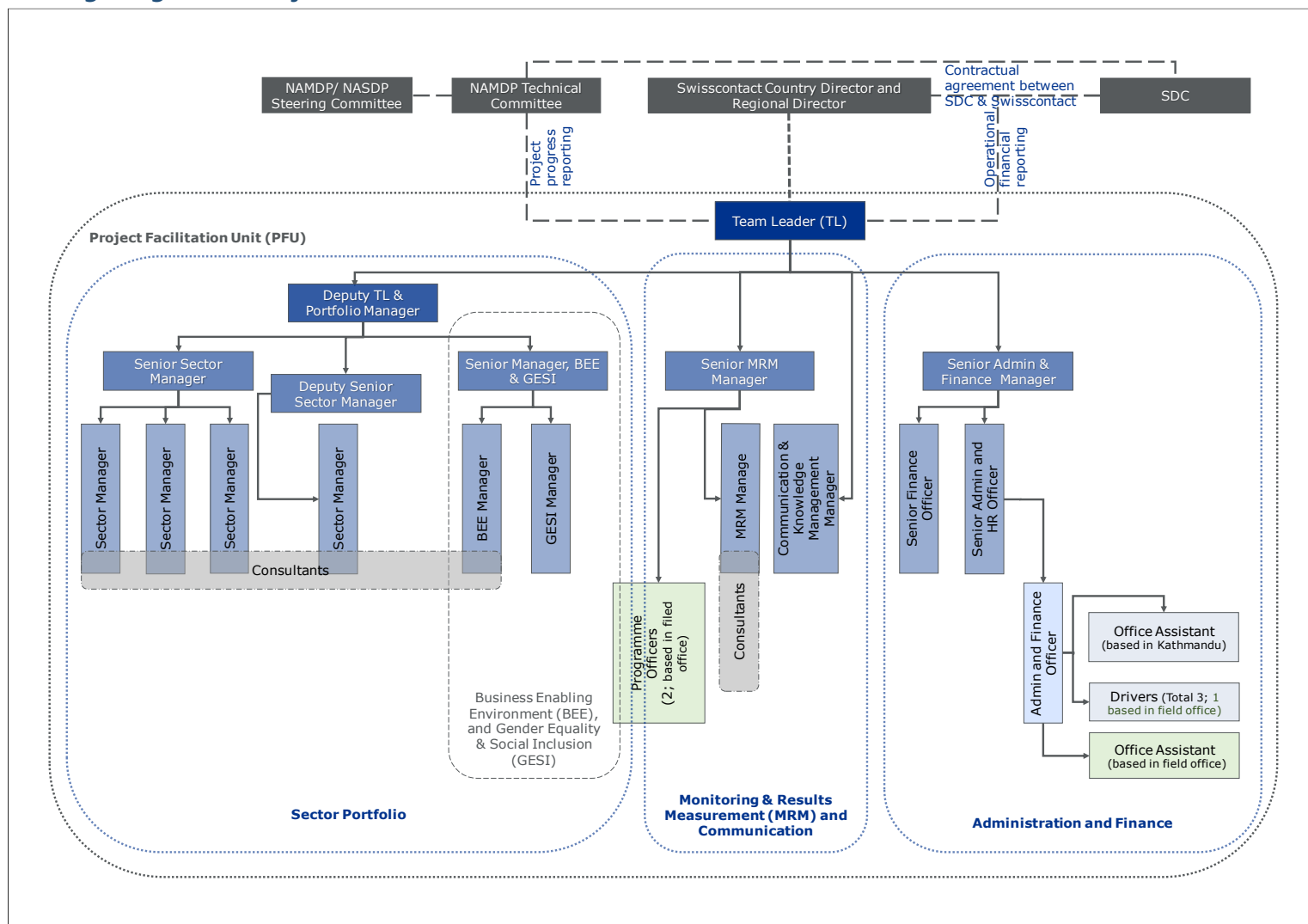
Source: (SDC 2016)

Expenditures (as per 15 March 2019)

S.N.	Activity	Phase budget (CHF)	Expenses till 15 March 2019 (CHF)	% spending
1	Services Headquarters (HQ)	20,800	17,600.00	84.62%
2	Local Office	132,550	81098.25	61.18%
3a	Long-term experts	2,465,625	1,797,071	72.89%
3b	Short-term experts (Consultants)	304,163	258,923	85.13%
3c	Local support (Remuneration, Travel, Equipment & Operating Costs)	750,320	478,550	63.78%
4	Administrated Project Funds			
	Outcome 1	1,686,880.00	786,040.64	46.60%
	Outcome 2	1,686,880.00	646,101.68	38.30%
	Outcome 3	177,000.00	32,408.63	18.31%
	Total Administrated Project Funds	3,550,760.00	1,464,550.95	41.25%
	Grand Total	7,224,218.00	4,097,793.47	56.72%

Source: Swisscontact, updated data from self-assessment (Swisscontact 2019)

E. Organogram Sahaj



Status: February 2019; Source: Swisscontact

F. Theory of Change

104. The Final Program Document (October 2016) includes Sahaj's Theory of Change (see Figure 14 on page 45 for ease of reference). In Figure 13 on the next page, we capture this Theory of Change in a slightly different format *and explicate why* (i) the interventions were thought to trigger the intended outcomes and (ii) the outcomes were to result in the intended impacts. We do so by completing the '*if-then statements*' inherent in the original Theory of Change (and most Logical Frameworks for that matter) and answer the '*because-part*' of the argument (resulting in '*if-then-because statements*').¹⁶ The '*because-parts*' illuminate why the *program's boundary partners*¹⁷ respond to the program interventions, as well as *the assumptions on* how the market will respond / change due to the actions of these boundary partners and the impact such market response / change will have. Note: the '*because-parts*' were implicit in the original Theory of Change – all we have done is to make them explicit.

105. The resultant, expanded, Theory of Change captures the *commonly understood vision* of SDC and Swisscontact on how the Sahaj program was to expand and make more inclusive the agricultural markets (in the sectors-of-operation) and improve the livelihoods of the smallholder farmers, including women-led households and disadvantaged groups. The evaluation subsequently *tested* to what extent this vision (Theory of Change) held up in practice (see Chapter 2). By comparing the program's *intent* with the *on-the-ground reality*, and analyzing the results, the evaluation can distill *what works, under which circumstances and why*, thereby offering a unique learning experience for both SDC and Swisscontact.

106. The reconstructed and expanded Theory of Change is based on a program document review and discussions with Swisscontact, SDC Nepal and the SDC Backstopper for NAMDP (Andreas Tarnutzer).

¹⁶ The methodological approach rests on: Leeuw, F. L. (2003). Reconstructing Program Theories; Methods Available and Problems to be Solved. *American Journal of Evaluation*, Volume 24(Nr. 1), pg. 5-20; Morra Imas, L. G., & Rist, R. C. (2009). *The Road to Results. Designing and Conducting Effective Development Evaluations*. Washington DC: The World Bank; and Patton, Michael Quin. 2002. *Qualitative Research & Evaluation Methods*. Third edition . Thousand Oaks: Sage Publications.

¹⁷ The International Development Research Center in Ottawa, Canada, defines boundary partners as '*individuals, groups or organizations with whom a program interacts directly and with whom the program anticipates opportunities for influence*'. See Earl, Sarah, Fred Carden, and Terry Smutylo. 2001. *Outcome Mapping. Building Learning and Reflection into Development Programs*. Ottawa: International Development Research Center.

Figure 13. Sahaj's reconstructed and expanded Theory of Change

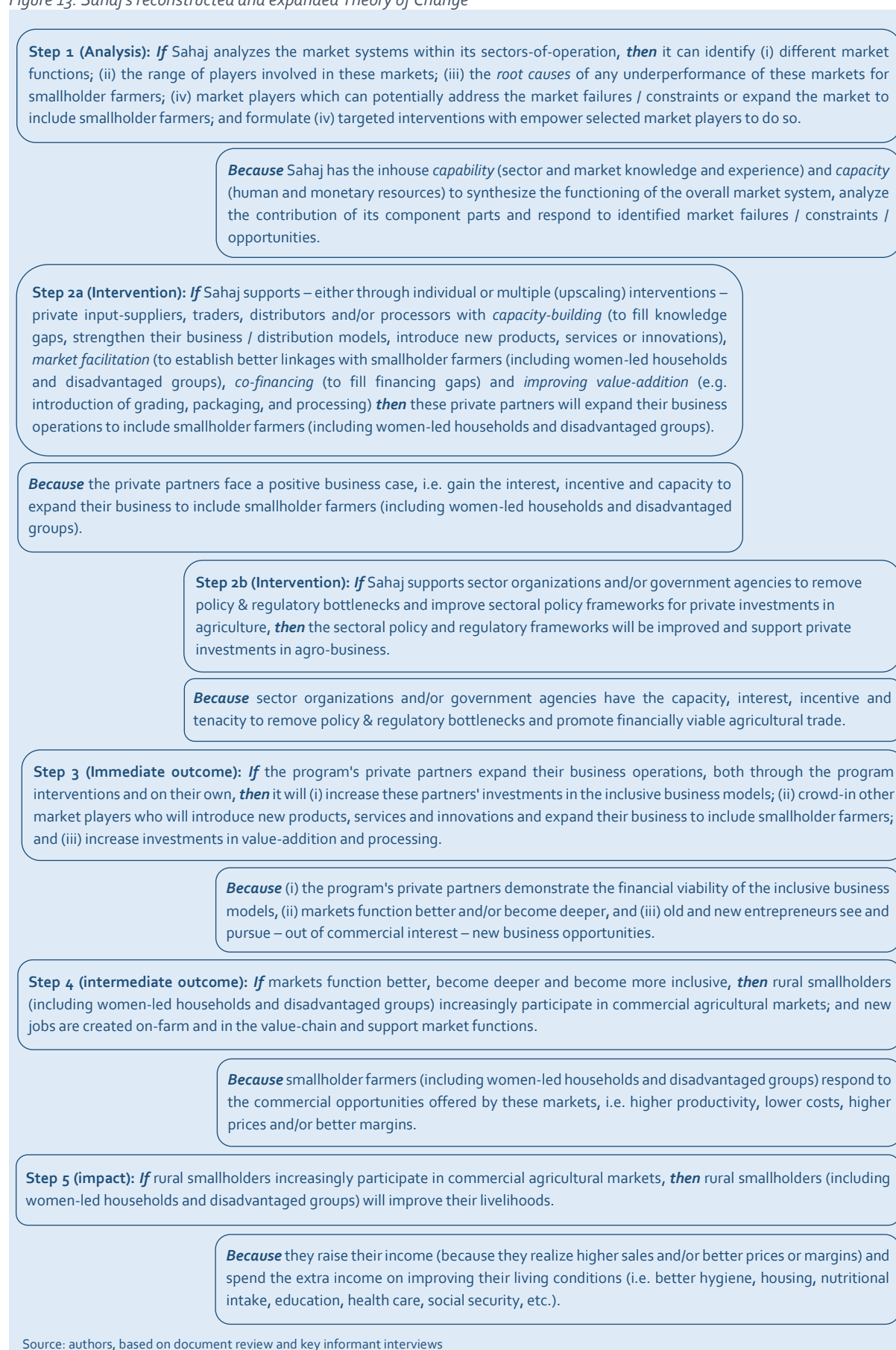
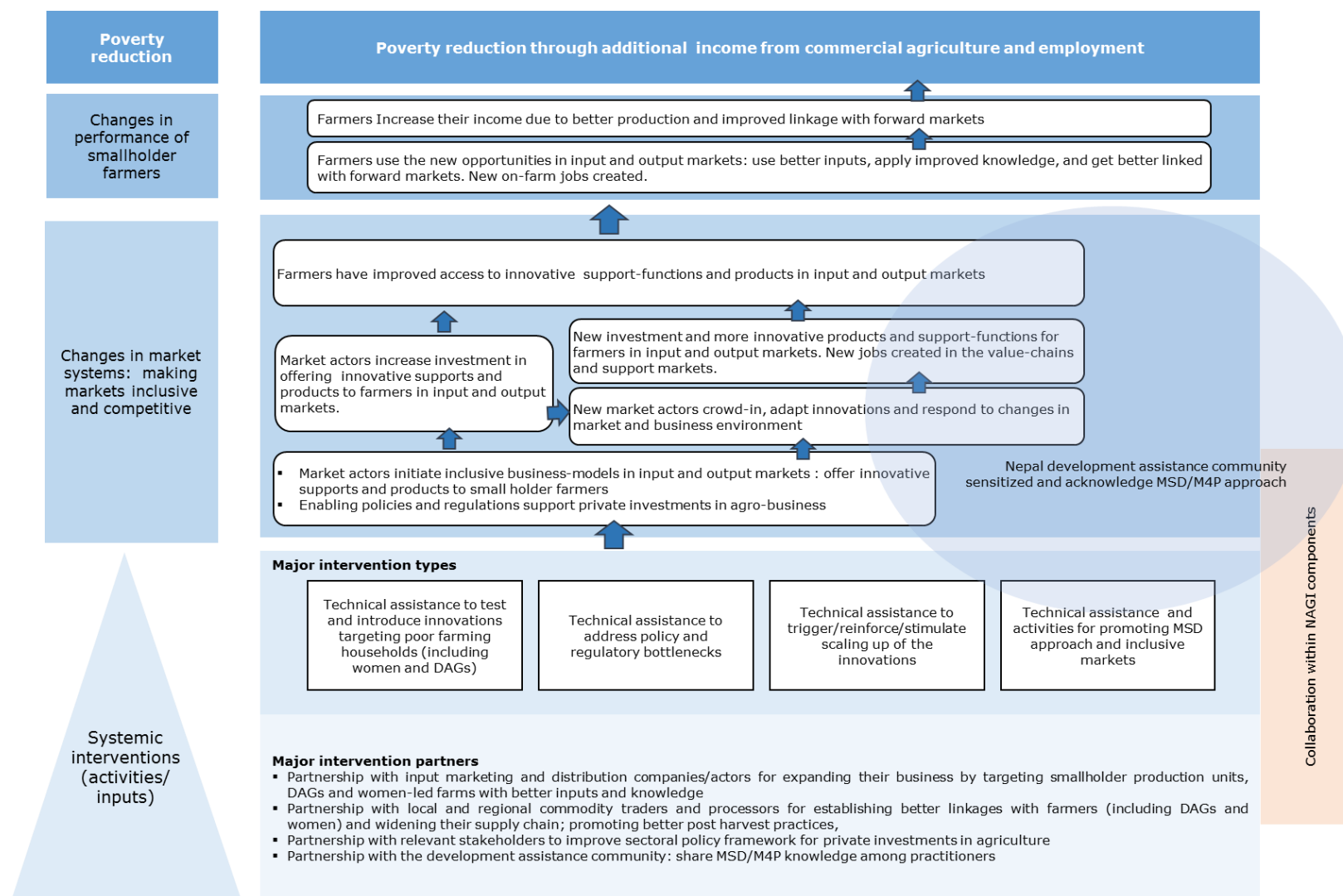


Figure 14. Sahaj's original Theory of Change (as included in the Final Program Document)



G. Evaluation Design Matrix

Main evaluation questions	Data collection methods	Data sources	Data analysis methods
Does the program's Theory of Change hold up in practice, i.e. is Sahaj both relevant and effective in expanding the agricultural markets for the benefit of (poor) smallholder farmers, especially women-led households and disadvantaged groups?	Program document review	– ProDoc, Annual Reports, Internal Review, intervention factsheets, Sahaj adaptation plans	Inductive and deductive analysis Contribution analysis Comparative analysis
	Literature review	– SDC MSD Guide – DCED / BEAM Exchange (TOC / Results chains) – External evaluations: Catalyst, DFID, SIDA, SDC	
	Key informant interviews	– SDC, Swisscontact, SDC backstopper, private partners / beneficiaries (smallholders, traders, processors, distributors, exporters, market managers, cooperatives, commodity groups, chambers of commerce), non-program market players, independent experts	
	Field observations	– Smallholders, traders, processors, local and regional markets	
How effectively has the program engaged the private sector?	Program document review	– Intervention factsheets	Inductive and deductive analysis
	Key informant interviews	– SDC, Swisscontact, SDC backstopper, private partners / beneficiaries (smallholders, traders, processors, distributors, exporters, market managers, cooperatives, commodity groups, chambers of commerce), non-program market players, independent experts	
How can the program engage with state actors to support the creation of an enabling environment for a vibrant and inclusive private sector development?	Literature review	– Unbundling report – Agriculture Development Strategy – Master Plan and State Support Program – Policies and plans of State 1	Inductive and deductive analysis
	Key informant interviews	– SDC, Swisscontact, private sector players (firms, market managers, cooperatives, commodity groups, chambers of commerce), government agencies (MoAD, MoFALD, state and local governments), independent experts	
What changes are necessary to (re-) align the program to the new Swiss Cooperation Strategy?	Program document review	– SCS 2018 – 2021 – Framework for the Economic Transformation in Agriculture Sector	Inductive and deductive analysis
	Key informant interviews	– SDC, Swisscontact	

Main evaluation questions	Data collection methods	Data sources	Data analysis methods
What are promising sectors / value chains to engage in to increase employment, land and labor productivity?	Literature review	<ul style="list-style-type: none"> – Agriculture visioning workshop – Agriculture sector assessment report – Synthesis on Nepal Agriculture: Existing Knowledge on Current State Future Opportunities and Challenges of Agriculture – DFAT Scoping Study Report 	Inductive and deductive analysis
	Key informant interviews	<ul style="list-style-type: none"> – SDC, Swisscontact, SDC backstopper, private sector players (firms, market managers, cooperatives, commodity groups, chambers of commerce), government agencies (MoAD, MoFALD, state and local governments), independent experts, development agencies 	
Would it be relevant to introduce the local economic development approach in the program and, if so, how can it be supported?	Literature review	– LED Guide	Inductive and deductive analysis
	Key informant interviews	<ul style="list-style-type: none"> – SDC, Swisscontact, SDC backstopper, private sector players (firms, market managers, cooperatives, commodity groups, chambers of commerce), government agencies (MoAD, MoFALD, state and local governments), independent experts, development agencies 	
To what extent should the program collaborate with other development partners?	Literature review	– Development program documents	Inductive and deductive analysis
	Key informant interviews	<ul style="list-style-type: none"> – DFID, GIZ, DFAT, USAID, IFAD, WB – SDC, SDC backstopper, Swisscontact 	
To what extent does the program's management and organization model need to be adapted?	Program document review	– ProDoc, Annual Reports, Internal Review	Inductive and deductive analysis
	Key informant interviews	– SDC, SDC Backstopper, Swisscontact, private partners	

H. Data collection and analysis methods

107. This appendix explains the purpose and scope of the individual data collection and analysis methods.

Document review

108. The purpose of the document review was five-fold, namely to:

1. establish the scope and type of interventions of the Sahaj program;
2. confirm the point of reference or benchmark against which Sahaj is to be assessed;
3. inform the selection of interventions for the field visit;
4. collect data, stories and context on the outputs, outcomes and impacts of the individual programs and the underlying reasons for the (under/non) achievement; and
5. identify any data gaps that required attention during the data collection phase.

109. The document review encompassed the following types of documents:

1. project documentation: credit proposals (draft and final), the logical and results framework, progress reports, self-assessment report; intervention briefs and sector presentation and analyses;
2. MSD-literature: The Operational Guide for the Making Markets Work for the Poor (M4P) Approach;
3. SDC documentation: the Swiss Cooperation Strategy for Nepal, strategic memos and workshop reports;
4. government documents: Agriculture Development Strategy 2015 – 2035
5. country and sector reports: e.g. from the Economist Intelligence Unit and Practical Action Consulting;
6. other donor program documents;
7. external literature: Project and thematic evaluations, as well as systematic reviews of market systems development.

110. A full list of reviewed documents is included in Appendix I.

Key informant interviews

111. The purpose of the key informant interviews was to gain a qualitative perspective on the design, functioning, achievements, and unforeseen effects of Sahaj. The interviews were for most part held face-to-face in Nepal (with some having been conducted telephonically).

112. The key groups of informants were from:

1. SDC Nepal;
2. SDC Bern;
3. Swisscontact – Sahaj team;
4. Private sector partners of Sahaj;
5. Cooperative partners of Sahaj
6. Smallholder farmers (both partners and beneficiaries of Sahaj);
7. Government officials at the federal, provincial and local level;
8. Development partners;
9. Independent experts, e.g. university professors, consultants, etc.

113. A full list of key informants is included in Appendix J.

114. We conducted semi-structured interviews. Based on the evaluation questions, we prepared a questionnaire for the interviews. We started each interviews in an open, non-judgmental fashion and invited each interview partner to express their involvement, experiences and views freely. This approach provides unbiased answers, tends to cover (roughly) 30% of the interview questions and provides insight into which other questions are likely to receive informative answers (often another 20 – 30% of the questions). Gradually, we then focused the interviews on the remaining relevant questions from the underlying questionnaire as well as on emerging themes from the interviews.

Field observations

115. The interviews with both the recipients and beneficiaries of Sahaj's support were mostly conducted on-site, i.e. at the main offices of the private sector partners, in the processing factory, in the wholesale and retail markets, in the retail-shops, at the research stations and on the farms. This allowed us to also collect data through *direct observation*. This offered two advantages. First, we could come to learn and understand first-hand the development context in which Sahaj's recipients and beneficiaries operate (e.g. sources of income, poverty-levels, technology-use, gender roles, etc.). Second, we could verify the support provided by Sahaj to the private sector partners and/or farmers (example given, technical resource persons, improved seeds, boer goats, etc.). Of course, we made these field observations as outsider and onlooker during one-off visits to the different recipients and beneficiaries which limited the depth and detail of the observations. They nonetheless offered valuable impression on the conditions and actions on the ground which informed our *inductive analysis*.

Data analysis methods

116. We applied a variety of data analysis techniques to answer the evaluation questions. First, we interacted with the collected data with an open mind: identifying emerging themes and patterns. Such an analysis – called *inductive analysis* – takes place almost automatically during the data collection (document review, interviews and field observations) when we make sense of what we read, hear and see. Second, we conducted a *comparative analysis* by comparing Sahaj's own interventions with each other, with MSD-theory and other market system development projects. Third, the collected data was scrutinized on its potential answers to the evaluation questions. This entails a *deductive analysis*.

117. Fourth, through a so-called contribution analysis (Mayne 2008), we ascertained the extent to which observed results can reasonably and credible be attributed to WEHU's interventions or that other contextual factors have caused these results. We did so by testing whether (i) the assumptions underlying the Theory of Change are plausible and uncontested; (ii) there is evidence that the assumed changes in behavior, decisions and actions actually occurred in practice; (iii) the envisaged activities took place; (iv) envisaged results were achieved; and (v) other contextual factors could have reasonably and significantly contributed to the results.

118. The resultant findings were *triangulated* across different data sources, methods and evaluators. First, we checked the consistency of our findings between data collection methods and sources: for example, are key findings supported by quantitative data, key informant interviews and field observations? Second, the individual team members needed (as analysts) to distill the same findings from the data.

119. The draft evaluation report was shared with SDC Nepal, the Sahaj team and the SDC backstoppers for NAMDP and NASDP for a review on factual errors and textual mistakes. The evaluation's findings and recommendations will be discussed telephonically with both SDC Nepal and the Sahaj leadership team.

I. Document list

Market System Development

- The Springfield Centre. 2015. "The Operational Guide for the Making Markets Work for the Poor (M4P) Approach." 2nd edition funded by SDC and DFID.

Project documentation

- SDC. 2015. Programme Document. Nepal Agriculture Market Development Programme (NAMDP) - Phase 1. Final Draft Version. 3 February 2015. Kathmandu: Swiss Agency for Development and Cooperation.
- SDC. 2016. Programme Document. Nepal Agriculture Market Development Programme (NAMDP) - Phase 1. Final Version. 28.10.2016. Bern: Swiss Agency for Development and Cooperation.
- Swisscontact. 2019. Self-Assessment Report. Nepal Agricultural Market Development Program (NAMDP) - Phase 1. Kathmandu: Swisscontact and CEAPRED.
- Swisscontact. 2019. Self-Assessment. PowerPoint Presentation. Nepal Agricultural Market Development Program (NAMDP) - Phase 1. Kathmandu: Swisscontact and CEAPRED
- Swisscontact. 2019. Sahaj Intervention Briefs as of Feb 2019
- Swisscontact. 2019. Sahaj Interventions information. Overview in Excel. Includes self-assessment on level of success.
- Swisscontact. Role and adaptations of Nepal Agricultural Markets Development Programme (NAMDP) in contributing to the Federal State Building (FSB)
- Swisscontact. Sahaj Sector Presentation. Maize. PowerPoint
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- Swisscontact. 2019. Benefit outreach & Attributable increased income (39 Interventions). Excel
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- Swisscontact. 2019. Distribution of Individual Treatment HH's Net Increased Income after deducting avg increased income of control group. Excel
- Swisscontact. 2019. Sahaj Intervention Brief Belaka Municipality
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SDC

- SDC. 2018. Swiss Cooperation Strategy Nepal 2018 - 2021. Kathmandu: Swiss Agency for Development and Cooperation.
- SDC. 2018. Visioning Workshop on perspectives of Nepal's agriculture: Future prospect for agriculture in Nepal and how will Nepal agriculture look in 15 years? Kathmandu: Embassy of Switzerland.
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External Reviews

- Thorpe, Jodie. 2015. Working with Business Towards Systemic Change in Markets. Policy Brief. Issue 97, Brighton: Institute for Development Studies.
- Conroy, Kevin, and Adam Kessler. 2019. The results achieved by programs that use the market systems development approach. A narrative synthesis of current evidence. Beam Evidence Review 2019. Beam Exchange and the Donor Committee for Enterprise Development.
- Robinson, James, and Jessica Rust-Smith. 2017. The results achieved by programs using s market systems approach. A narrative synthesis of current evidence. Beam Exchange.
- Nasreen, F and Asif M. Shahan. 2017. Katalyst's Experiences in Market Systems Development. A Framework for Engagement with Public Agencies. Experience Paper. Katalyst
- Tarnutzer, Andreas. 2017. The Story of Katalyst. A summary of the project management experiences of Swisscontact.
- Hakemulder, Roel and Mladen Momcilovic. 2016. External Review of the Private Sector Development Project in South-West Serbia.

Government of Nepal

- Government of Nepal. Agriculture Development Strategy 2015 – 2035. Ministry of Agricultural Development

Other development programs

- SDC. Donor programs mapping.
- GDC. 2019. Project sheet: Local and Provincial Economic Development. Kathmandu: German Federal Ministry for Economic Cooperation and Development.
- DFAT. 2017. Nepal Livelihoods Scoping Study. Scoping Mission Report.
- IFAD. 2019. Mobile Money for the Poor. Project briefs.

Other

- EIU. 2019. Country Report. Nepal. London: Economist Intelligence Unit.
- Piya, Sujana, and Milan Kumar Joshi. 2018. Synthesis on Nepal Agriculture: Existing knowledge on current state, future opportunities and challenges of agriculture in Nepal. Kathmandu: Practical Action Consulting Nepal.

J. List of key informants

SDC		
Elisabeth von Capeller	Ambassador	Nepal
Diepak Elmer	Deputy Head of Mission	Nepal
Yamuna Ghale	Senior program officer	Nepal
Jun Hada	Senior program officer	Nepal
Peter Beez	Senior policy advisor	Bern
Derek George	Deputy Head of Mission	Bangladesh
Swisscontact		
Manish Pandey	Director, South Asia	Myanmar
GB Banjara	Team leader	Nepal
Mujibul Hasan	Deputy team leader	Nepal
Padam Lal Bhandari	Senior manager	Nepal
Reema Shrestha	Senior sector manager	Nepal
Bikash Gubhaju	Senior sector manager	Nepal
Basudev Neupane	Senior finance and admin manager	Nepal
Amleshwar Singh	Monitoring & evaluation specialist	Nepal
Aditi Rana	Sector manager, Maize	Nepal
Aju Nyachhyon	Sector manager, Goat	Nepal
Alina Adhikari	Sector manager, Post-harvest	Nepal
Subhechchhya Shrestha	Sector manager, vegetable	Nepal
Arun Dhungel	Crop protection	Nepal
Madhuwan Shrestha	Federal state building/business enabling environment	Nepal
Krishna Dhungana	Farmer Manager for Belaka	Nepal
Private sector – Sahaj partners		
Suresh Gurung	Chairman	Karma Group
Arun Acharya	R&D Manager	Karma Research Station
Rabik Raj Kayastha	Marketing executive	Green Clean Organic Pvt. Ltd.
Nabaraj Dotel	Managing director	
Prem Lama	Chairman	Ashapuri Organic Pvt. Ltd.
Pravesh Saria	Director	NMS Agro Pvt. Ltd.
Noorbindra Bikram Sijapati	Managing director	National Biotech Pvt. Ltd.
Pravesh Saria	Managing director	NMS
Arun Khatri	Technical Officer	QMED
Gaurab Raj Aryal	Product Manager, Vet division	
Sita Mahar	Manager	Safal Samajik Udhyami Mahila
Sarswati Budhathoki	Technical person	
Nila B K	Chairperson	
Laxman Devkota	Owner	Devkota Sabji Mandi
Madhav kc	Owner	Rukmeli Agro seeds
Bhadra bh oli	Owner	Oli suppliers
Dhruba	Managing Director	Paincho Pasal
Bishnu Prasad Chapagai	Lab technician	Matribhumi
Hari raj Bhattarai	Managing Director	Nasic
Rabin Adhikari	Managing director	Agricare
Kamlesh Tiwari	Program Coordinator	Chaudary Group North South Seeds
Sandeep Pokhrel	Marketing Manager	
Sarala Giri	Marketing Officer	
Gangalal Sah	Production in-charge	
Rajendra Raut	President	Federation of Nepalese Chamber of Commerce and Industry- Province 1
Radharam Bhandari	Member- Industrialist	
Narendra Kumar Khadka	Member- Industrialist	
Government sector- Sahaj partner		
Krishna Kanta Neupane	Chief	National Livestock Breeding Centre
Mr. Parshuram Adhikari	Sr. Plan protection officer	PQPMC
Durga Kumar Thapa	Mayor	Belaka Municipality
Kailash Prasad Mandal	Chairperson	Jahada Rural Municipality
Laxman Bhattarai	Manager/ employee	Dharan Market
Parsuram Katuwal	Executive Member/ trader	

Binor Rai	Executive Member/ trader	
Hasta Bahadur Bista	Secretary	Ministry of Land Management, Agriculture and Cooperatives- Province 1
Dr. Lekh Ran Dahal	Under secretary	
Cooperative sector – Sahaj partners		
Meena Pokhrel	Deputy general manager	Nepal Agriculture Cooperative Central Federation Ltd.
Diwakor Rupakheti	Manager	Nepal agricultural cooperative central federation ltd (NACCFL)
Yuv Raj Siwakoti	A2F project manager- DFID Sakshyam Project	Sahara Saving and Credit Cooperative
Kishor Kafle	Coordinator	
Dinesh Niroula	Executive Director	
Farmers – Sahaj partners		
Manbahadur Dangi	Manager	Asmita Bakhra farm
Kopila Karki/ Purusottam Karki	Proprietor	Thulomohar Krishi Farm
Krishna Bahadur Bista	Technical Assistant- Agriculture	Shreenagar Agro Farm
Dharma Raj Pokhrel	Proprietor	Danfe Krishi Farm
Farmers - Beneficiaries		
Lalit Mandal	CGNS beneficiary	Koshi Gaupalika
Rabindra Prasad Yadav		
Purna Bahadur Thapa		Belaka Municipality
Tika Dhakal		
Neg Bahadur Khadka		
Private sector – non Sahaj partners		
Guddu mishra	Managing director	Kalika seed company
Public sector		
Tej Bahadur Subedi	Joint secretary	Ministry of Agriculture and Livestock
Shankar Sapkota	Under secretary	
Rewati Raman Poudel	Deputy director general	Department of Agriculture
Development organizations		
Padam Bhusal	Livelihoods Programs	Australian Embassy
Navin Hada	AID Project Development Specialist	USAID
Bashu Aryal	Country programme officer	IFAD
Purna Chhetri	Senior Agriculture Specialist	World Bank
Volker Steigerwald	Chief Technical Advisor	GIZ
Sudha Khadka	Team leader NASDP	Helvetas
Monisha Rajbhandari	Fund Mechanism Officer	UNCDF
Rudriska Rai Paraguli	Samarth project officer	Dfid
Independent experts		
Julien de Meyer	NASDP Backstopper	Mauritius
Andreas Tarnutzer	NAMDP Backstopper	Switzerland
Neeraj Nepali	PSD specialist	Nepal

K. Summary diagrams sector analyses

Figure 15. Summary vegetable sector analysis

Observation	Low land productivity
Reasons	Limited access to high-quality (seed) inputs in small quantities
	Inadequate farming & post-harvest practices
Cause	Market is flooded with imported, unregistered and low-quality seeds solutions
	No premium prices for crop-protection solutions
	Time-consuming and expensive seed-registration process

Figure 16. Summary goat sector analysis

Observation	Low meat yield
Reasons	Low genetic quality of common goat breeds
	Limited access to improved breeds of goats
Cause	Genetic quality of breeding goats not certified
	Limited use of artificial insemination
	Informal economy and wide network of local traders
	Meat processors do not see market opportunities in the goat sector – no demand for frozen goat meat

Figure 17. Summary post-harvest sector analysis

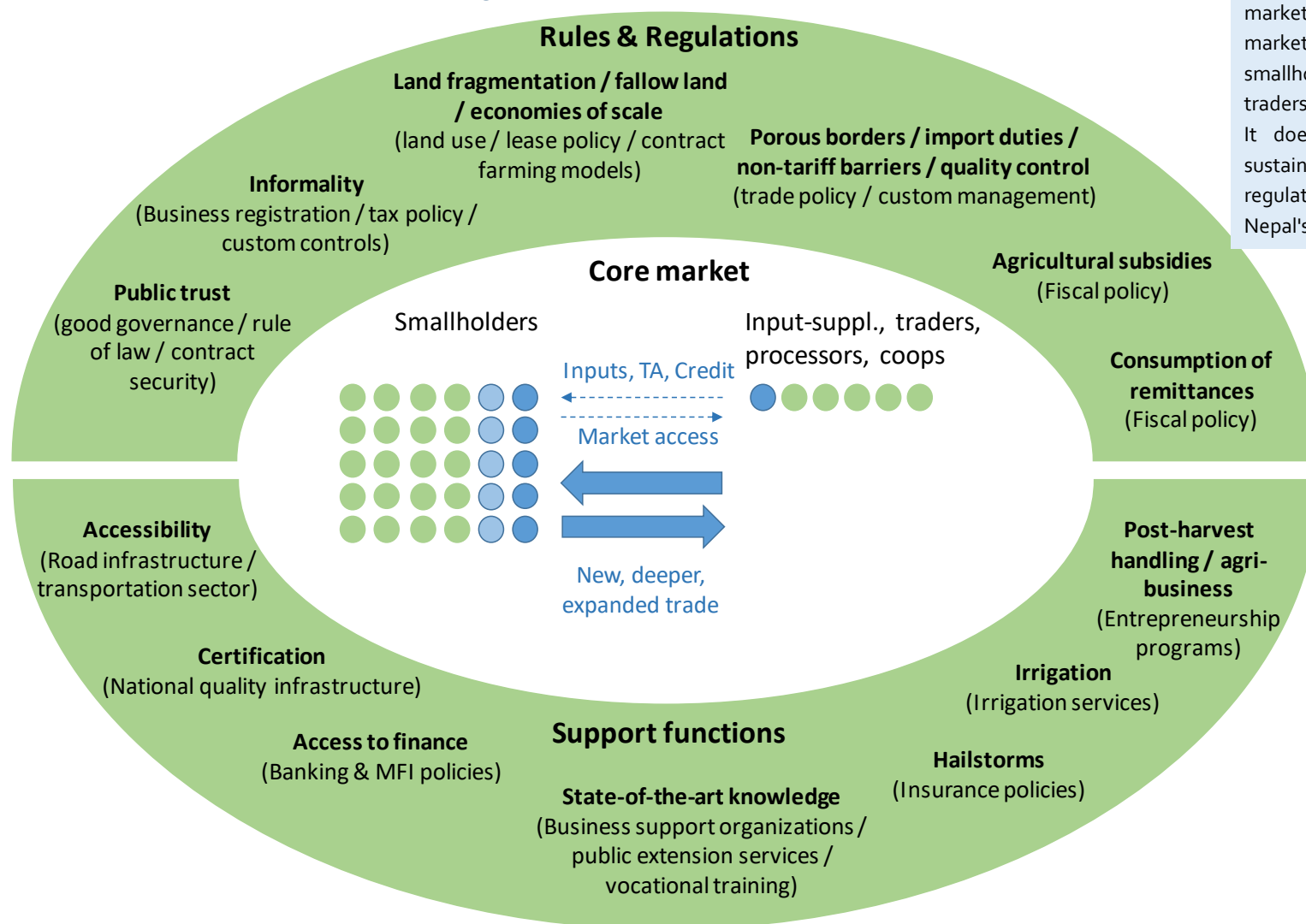
Observation	Inadequate post-harvest practices
Reasons	Limited knowledge of farmers on post-harvest management
	Limited access to post-harvest technologies and proper transportation
Cause	Weak linkages to forward markets
	Low capacity of private sector processors
	Few custom hiring centers / cold-storage

Figure 18. Summary crop-protection sector analysis

Observation	Yield losses due to inappropriate protection
Reasons	Limited knowledge of farmers on crop protection options and best practices
	Abundance of high-margin, low quality products
Cause	Market dominated by importers, distributors and traders without embedded extension services
	No research-based crop-protection development

Source: Authors, based on sector analyses studies in (Swisscontact 2019, SDC 2016)

L. Donut-representation of Nepal's agricultural market system



Sahaj operates mainly in the core market where it seeks to expand the market through direct support to smallholders, input-suppliers, traders, distributors and processors. It does little to effectively and sustainably change the rules & regulations and support functions in Nepal's Agricultural sector.

Source: Authors, based on key informant interviews and (The Springfield Centre 2015, SDC 2016)

M. Relevant International Development Programs in Nepal

Name	<u>Local and Provincial Economic Development</u>
Donor	German Federal Ministry for Economic Cooperation and Development
Budget	CHF 6,75 million (€6 million)
Duration	6/2019 – 5/2022 (3 years)
Objective	Local and provincial economic development is supported in a sustainable way to offer better entrepreneurial and employment opportunities for economically active people, including women, disadvantaged groups, the working poor and low-income groups by working with enterprises, cooperatives, the private and the public sector.
Approach	The program will apply GIZ's territorial economic development approach called Local and Regional Economic Development (LRED) in combination with a value chain promotion approach primarily at the local level, but with various feedback, dialogue and upscaling activities at provincial and national levels.
Components	<ul style="list-style-type: none"> – Participatory analysis of local economies and related value chains to identify potentials/ shortcomings and measures for strengthening competitiveness and inclusiveness. – Enterprise development in selected value chains through start-up promotion, technical support of existing enterprises and primary cooperatives in developing the value chain between their direct (low income) producers, suppliers and customers, and facilitating complementing foreign direct investments (FDI) and market access. – Public-Private-Cooperative Dialogue (PPCD) at local / provincial / national levels to disseminate the LRED concept and results, prepare for upscaling and get support at the higher levels. – Improvement and adaptation of economic regulatory / administrative framework conditions in the context of the new federal structure in Nepal
Sectors	To be decided. Likely sectors: honey, dairy and medicinal and aromatic plants
Geographical scope	State 5,6,7
Implementing agency	GIZ

Source: (GDC 2019)

Name	<u>Nepal Livestock Innovation Project</u>
Donor	World Bank (loan and grant)
Budget	80.5 Million CHF (USD 80 million)
Duration	December 2017- June 2023
Objective	To increase productivity, enhance value addition, and improve climate resilience of smallholder farms and agro-enterprises in selected livestock value-chains in Nepal.
Approach	<p>The project channels its support through three main channels: (i) creating an enabling regulatory and institutional environment; (ii) enhancing livestock productivity by improving the quality and quantity of livestock services; and (iii) strengthening key strategic livestock value chains and improving access to business development services.</p> <p>The project will work with private agribusiness firms in the sector to help them expand and diversify their production and services by providing technical assistance and matching funds in form of loans as well as grants. The program will partner with financial institutions. The financing is loosely envisioned to be 30%, 30% and 40% from private sector, as grant from government of Nepal, as loan from commercial bank.</p>
Components	<p>Component A: Strengthening Critical Regulatory and Institutional Capacity</p> <p>Component B: Promoting Sector Innovation and Modernizing Service Delivery</p> <p>Component C: Promoting Inclusive Value Chains for Selected Livestock Commodities</p> <p>Component D: Project Management and Knowledge Generation</p>
Sectors	milk, goat meat, chyangra wool
Geographical scope	28 districts scattered in all provinces
Implementing agency	Ministry of Agriculture and Livestock Development

Name	<u>Agriculture Sector Development Program (ASDP)</u>
Donor	International Fund for Agricultural Development
Budget	68 Million CHF
Duration	June 2018- 2025
Objective	To sustainably improve the income and food security of smallholders and disadvantaged rural group involved in commercially oriented production and marketing systems in selected high value agricultural value chains.
Approach	The Programme identifies financially and economically viable agricultural commodities with market growth and value addition potential across the main agri-ecosystems in Province 6. This process will be facilitated by Multi-Stakeholder Platforms (MSP) for each commodity, designed to link key stakeholders along potential value chains. MSPs, which, over time will be empowered to become self-governing, will include farmer representatives, private sector actors (traders, processors, input suppliers, investors, finance institutions) and government actors (research, education, extension). In addition to building value chain partnerships, MSPs will also identify opportunities and technical and capacity constraints that then can be addressed through Programme supported, outcome-based training and research.
Components	Component 1: Value chain Development: 1.1 Inclusive and sustainable agriculture value chains, 1.2 Market-oriented infrastructure Rural financial services for value chain development, 1.3 Agriculture services support innovation and value chain development Component 2: Planning, monitoring & evaluation and Knowledge management
Sectors	Apple, Ginger, Turmeric, Goat, Off-Season Vegetable, Timur, Honey, Dairy, Orange, Walnut, Potato
Geographical scope	Province 6
Implementing agency	Ministry of Agriculture and Livestock Development

Name	<u>Rural Enterprises and Remittances project- (SAMRIDDI)</u>
Donor	International Fund for Agricultural Development (IFAD)
Budget	21.8 Million CHF as loan, 16.9 Million CHF as grant
Duration	December 2015- December 2022
Objective	Reducing poverty and achieve sustainable peace through employment-focused, equitable and inclusive economic development. Viable rural micro, small and medium enterprises both farming and non-farming, provide sustainable sources of income to rural poor households, of migrant families and returnees.
Approach	Bootcamps and start up weeks to identify and promote rural micro, small and medium enterprises and build their capacities by providing matching funds through competitive open calls.
Components	Creating rural micro, small and medium enterprises and job opportunities for producers, including smallholders, and other enterprises in competitive agricultural and non-agricultural clusters Building sustainable business services to create opportunities for local rural micro, small and medium enterprises Providing access to finance and mobilizing migrant resources and skills
Sectors	Rural agribusiness and non-agribusiness Enterprise, Migration, Vocational skills In agriculture - fish, medicinal and aromatic plants, milk and off season vegetables
Geographical scope	Province 1 and 2
Implementing agency	Ministry of Industry, Commerce and Supplies - Helvetas Swiss Incorporation as a partner

Name	Mobile Money for the Poor (MM4P)
Donor	UNCDF (core funding) and extrabudgetary funds from multiple donors
Budget	NA
Duration	Ongoing long per program
Objective	To encourage financial service providers to serve the agricultural value chain actors more effectively with appropriate financial products. The program supports financial inclusion through (i) evidence-based country diagnostics and stakeholder dialogue, which lead to the development of national financial inclusion roadmap identifying key drivers of financial inclusion and recommended action; and (ii) offering seed funds to private entrepreneurs to introduce new financial services to smallholders (including, amongst others, mobile payment services, digital market places, pay-as-you go irrigation services, and a range of lending and insurance products). The program has a target of adding at least 1,000,000 financial service customers via branchless and mobile technologies.
Approach	UNCDF MM4P uses a market development approach that combines a mix of technical and financial and policy support.
Sectors	Agriculture sector as whole. Some specific initiatives in amongst others dairy and tea
Geographical scope	All provinces
Implementing agency	UNCDF

Name	Knowledge-Based Integrated Sustainable Agriculture in Nepal (KISAN) II Project
Donor	United States Agency for International Development (USAID)
Budget	32.8 Million CHF
Duration	July 2017- July 2022
Objective	Facilitate systemic changes in the agricultural sector including: (1) greater climate-smart intensification of staple crops and diversification into higher value commodities; (2) strengthening of local market systems to support more competitive and resilient value chains and agricultural related businesses ; and (3) improving the enabling environment for agricultural and market systems development.
Approach	KISAN II focuses on private-sector actors and employ a “push-pull” approach to its outreach and engagement with beneficiaries. Push strategies help poor farmers and individuals build the capacity to participate in intensification, diversification, and value addition activities. Pull strategies increase the demand for smallholder production, labor, and related goods and services and improve the affordability and accessibility of skills, resources, inputs, and supporting services needed to participate in competitive markets. KISAN II will include a Partnership and Innovation Fund (PIF), including a grants program, through which the project will buy down the risk for lead firms to upgrade market strategies, create mutually beneficial contract farming and out grower schemes, and catalyze the involvement of women and disadvantaged groups through push interventions, complemented by a focus on market pull in key commodity supply chains.
Sectors	Rice, Maize, Lentil, Vegetables
Geographical scope	24 districts in provinces 3,5,6,7
Implementing agency	Winrock International

Name	<u>Commercial Agriculture for Smallholders and Agribusiness (CASA)</u>
Donor	Department for International Development (DFID)
Budget	22.2 Million CHF (Lot 1) and 10.2 Million CHF (Lot 2) extendable by 8.8 Million CHF for Lot 1 and 4 Million CHF for Lot 2
Duration	2019- 2024 (further extendable by 2 years)
Objective	The Department for International Development (DFID) has launched a new Commercial Agriculture for Smallholders and Agribusiness (CASA) programme which aims to increase sustainable investment in agribusinesses with smallholder supply chains and increase the involvement of poorer smallholders in those supply chains, with demonstrably higher incomes. These outcomes will drive impacts of increased smallholder incomes, improved food security and inclusive and sustainable economic growth. Key cross-cutting priorities will be women's economic empowerment, nutrition and climate resilience.
Approach	The key intention of the program is to attract investment into SME agribusinesses that trade with smallholder farmers and their organizations. This requires the program to work with SME agribusinesses to improve their business operations and prepare for and access investment from impact investors and local banks, Smallholders and organizations that represent them (e.g. cooperatives, producer organizations and contract farming schemes) to increase their trade with commercial markets and improve the productivity. In contrast to its predecessor program (Samarth), this program is intended to engage in policy advocacy. It is however not positioned as a market system development approach.
Components	Component A) Country level value chain activities (Lot 1) Component B) Emerging Smallholder Facility (Lot 2) Component C) Learning, Communication and Monitoring activities (Lot 1)
Sectors	Vegetable and dairy
Geographical scope	Province 2,5,6
Implementing agency	NIRAS as lead global agency and Swiss Contact as implementing partner in Nepal

Name	<u>Sakchyam: Access to Finance Programme (A2F)</u>
Donor	DFID
Budget	35 Million CHF
Duration	2015-2020
Objective	Working with the public and private sectors to leverage access and facilitate financial sector development in Nepal for small and medium enterprises (SMEs) and for poor people
Approach	Sakchyam identifies its entry points as market led solutions to market failure and or missing markets. It has established the Sakchyam Challenge Fund to attract and leverage private sector investments to launch innovative business models targeted at poor people and communities; which deliver socio-economic benefits to financially unserved and or underserved people and entities, but on a commercially sustainable basis. Sakchyam co-invests in innovative projects that has high social value would remain un/under invested if only left to private sectors, but crucial to improve livelihood of target beneficiaries.
Sectors	Access to finance for productive sectors including agriculture. Not specific to any sub-sector within. Some of the recent works are in sugarcane, maize, poultry, vegetables and fruits etc. The program is the first to implement weather-based insurance in various crops in Nepal.
Geographical scope	Provinces 1,3,5,6,7
Implementing agency	Louis Berger

Name	<u>Strengthening Smallholder Enterprises Of Livestock Value Chain For Poverty Reduction And Economic Growth In Nepal II (SLVC II)</u>
Donor	Heifer International
Budget	25 Million CHF
Duration	2018-2021
Objective	To increase annual household income by 72% (NPR 557,000/year) in intervention areas
Approach	This project works with Smallholder Farmers' Organizations and Value Chain actors to improve market systems, primarily in meat goat and dairy value chains along with vegetable and backyard poultry. It intends to scale up enterprises of the participating farmers. The new technology introduced, along with increased access to other business development services (finance, market, input supply, technical services and insurance etc.) will increase productivity, efficiency and thereby increase farm profitability. The project will build capacity, facilitate relationships among the value chain actors. The project will prototype new technologies and scale as appropriate and facilitate public-private-producer partnership (PPPP).
Components	<p>Mainstream Activities: Mainstream activities are aimed at strengthening cooperatives. The project supports 170 cooperatives to become financially viable and sustainable entities. These are empowered to act as Lead Firms having forward and backward linkages with Micro, Small, and Medium Enterprises (MSMEs) owned by its members (production, transport, agroveter services, trading, etc.).</p> <p>Prototypes: The prototypes are targeted at overcoming the bottlenecks in the market system with outcomes at two levels – i. Increased profitability in MSMEs owned by smallholders, and ii. systemic improvement in the industry. Some prototypes include but are not solely limited to are: – Agri-business Innovation Centers, abattoir development, value chain financing, and Farmer Business Schools</p>
Sectors	Goat Meat, Backyard Poultry, Vegetable and Dairy
Geographical scope	Province 1,2,3,4 and 5
Implementing agency	Heifer International Nepal

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