



Enabling poor rural people
to overcome poverty

FEDERAL DEMOCRATIC REPUBLIC OF NEPAL

High Value Agricultural Project

Case Study

Monitoring and Evaluation System:
An example of DCED Standard and RIMS integration



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Abbreviations and Acronyms

AWPB	Annual Work Plan and Budget
CIDA	Canadian International Development Agency
DCED	Donor Committee for Enterprise Development
FAO	Food and Agriculture Organization
GON	Government of Nepal
HVAP	High Value Agricultural Project in Hill and Mountain Areas
IFAD	International Fund for Agricultural Development
Logframe	Logical Framework
M&E	Monitoring and Evaluation
M&EO	Monitoring and Evaluation Officer
MDGs	Millennium Development Goals
MIS	Management Information System
MOAC	Ministry Of Agriculture and Cooperative
MOF	Ministry of Finance
MTR	Mid-Term Review
NGO	Non-Governmental Organization
OECD	Organisation for Economic Co-operation and Development
OSV	Off Season Vegetables
PM	Programme Manager
PMU	Programme Management Unit
PM&E	Participatory Monitoring and Evaluation
PSD	Private Sector Development
RIMS	Result and Impact Management System
RULIP	Rural Livelihoods Improvement Programme
SDC	Swiss Agency for Development and Cooperation
UNDP	United Nations Development Programme
VC	Value Chain
WUPAP	Western Uplands Poverty Alleviation Project

Introduction

Monitoring of activities and measuring their impact is crucial as it ensures improvement-oriented critical reflection, allows development programmes to better manage their interventions and maximize their impact. "It can make foreign aid more effective if we pay close attention to monitoring – improving the quality of data, using data to inform project decisions and becoming more tolerant of failure" (V. Rao, The Globe and Mail).

To improve the impact of IFAD-supported projects, it is a requirement for projects to build and implement an M&E (Monitoring and Evaluation) system, with the support of IFAD.

Nepal, officially the Federal Democratic Republic of Nepal, is a landlocked country in South Asia and the world's youngest republic. It's also one of the poorest countries in the world and one of the first to benefit from IFAD loans. Since 1978, IFAD has provided a total of US\$146.2 million in loans for 14 projects. Four of those projects are ongoing; the High Value Agricultural Project in hill and mountain areas (HVAP) is one of them.

The nature of the HVAP, based on the development on various value chains, demands that its Monitoring and Evaluation System captures both the market dynamics per value chain and infuses social indicators. Thus, it was decided to develop a Monitoring and Evaluation system that carries the essence of two results measurement systems: the Result and Impact Management System (RIMS) and the Donor for Committee for Enterprise Development (DCED) Standard.

Hence, this case study aims to explain the adjustments that were necessary in order to combine both systems into the M&E system

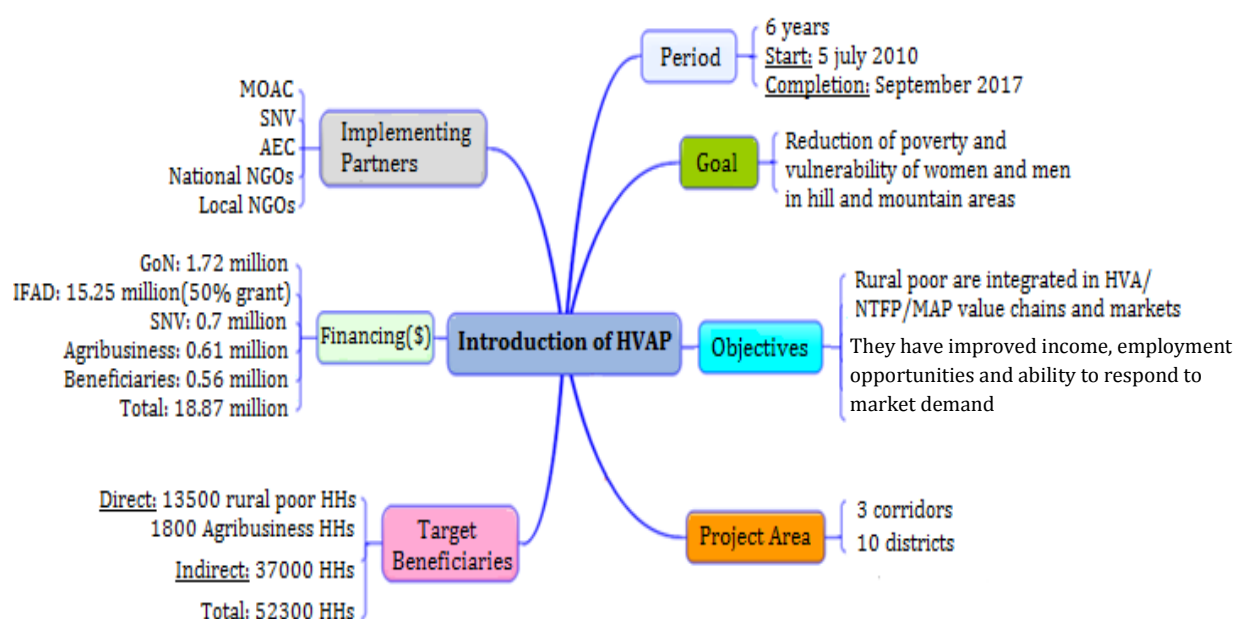
To understand the requirements and specificities of the M&E system of HVAP, it is necessary to first well understand the project. Then, the first part is dedicated to the project description. The second part focuses on the DCED Standard whereas the third part focuses on the integration of both RIMS and DCED in the M&E system design.

1. Description of the project

1.1. Project background

The High Value Agriculture Project in Hill and Mountain Areas (HVAP) is a jointly initiated six-year project of the Ministry of Agriculture and Cooperatives (MOAC) of Nepal and IFAD, which is being implemented since July 2010 in partnership with SNV Nepal and Enterprises Centre (AEC/FNCCI). The project has a budget of USD 18.87 million. Basic Information on the project is synthesized in the following diagram.

Figure 1: Basic information on the project



It is a market led initiative that seeks to provide income and employment benefits to poor small holder farmers, landless and agribusiness through development and upgrading of pro-poor value chains in the Mid and Far Western Regions of Nepal.

The project follows Inclusive Business and Value Chain Development approach in the geographic boundaries demarcated by accessibility to roads. Based on the newly constructed three north-south road corridors: Chhinchu-Jajarkot, Surkhet-Dailekh and Surkhet-Jumla, the project is being implemented in Dailekh, Jajarkot, Jumla, Kalikot, Salyan, Surkhet, and Accham and will expand to three more remoted districts : Dolpa, Humla, and Mugu, as the road extends thereby serving 10 districts (see figure 2).

Figure 2: Project area and road corridors



To achieve its goal and objectives, the project implements a range of activities organized into three components, the first one being directly supported by the two others:

- Pro-poor value chain development
- Inclusion and support for value chain initiatives
- Project management including M&E and knowledge management

1.2. First principal achievements

The process applied for selecting the most prominent and promising value chains for development is presented below:

Figure 3: Process for selecting value chains



In May 2011, a value chain prioritization workshop was organized in Surkhet, in order to identify potential value chains. The defined set of criteria were market demand, impact potential, infrastructures, availability of production resources, inclusion, enabling environment and climate change adaptation. 22 value chains were then identified.

Agribusiness opportunity workshops were then organized in Nepalgunj and Kathmandu, to prioritize and validate the previously identified 20 VCs under separate categories as vegetables, fruits, NTFP/MAPs, spices, livestock, and vegetable seed with a focus on the market perspective. Criteria considered for prioritization and validation of VC were unfulfilled national

demand, unfulfilled international demand (export), import substitution potential, high location and seasonal advantage (niche value) including good market accessibility, high value/low volume & Value added potential. Considering the interest of agribusinesses to work in related value chains, the project team finalized to work with 10 value chains of different categories as shown in Table 1.

Table 1: Value chains selected

Categories	Potential Value Chains
NTFPs/ MAPS /Other	Timur, Essential Oils (Sugandhwal /Jatamansi) and Honey
Livestock	Meat (Goat)
Spices	Ginger, Turmeric
Vegetables	Vegetable seeds, Off season fresh vegetables (Tomato, cauliflower/Cabbage and Bean/Pea pod)
Fruits	Apple, Orange

Value chain analyses have been completed for the first seven value chains (apple, ginger, vegetables seeds, off season vegetables, goat meat, timur and turmeric). Identification of promising pipeline agri-business, business plans, clear and practical intervention strategies and action plans have been developed for the first three value chains (apple, ginger and vegetable seeds) and will be completed shortly for the next four value chains.

2. Work toward the DCED Standard

The DCED Standard fits particularly well to HVAP and then, the Project Monitoring Unit (PMU) decided to implement it few months after the project start, under the impetus of SNV.

2.1. Introduction of the DCED

The Donor Committee for Enterprise Development (DCED), formed in 1979, is a forum where donors, foundations and UN agencies working on Private Sector Development (PSD) share their practical experience and lessons learned, identify good practice and new innovations. It has grown significantly as more and more people and agencies recognize PSD as a key to sustainable solution to poverty by providing the poor with the capacity to find jobs and improve their incomes. It has now 22 member agencies including FAO, CIDA, UNDP, IFAD, SDC, World Bank Group...

The DCED is also achieving increasing recognition as a leading source of information and guidance on PSD.

Despite the great interest in PSD results and the pressure for measuring and reporting on results, most development agencies have in effect failed to measure and report on significant results in eradicating poverty. Information on what is being achieved is not often available or credible. Furthermore, programme report their achievements in different ways, making hard to aggregate and benchmark the results (Jim Tanburn and Nabanita Sen).

Many development practitioners remain cautious about collaboration with the private sector.

Starting from these observations, a Results Measurement Steering Group, part of the DCED, has been formed in 2008 in order to improve effectiveness of PSD interventions, focusing on results measurement. Its strategic priority is to generate and communicate robust data on results in PSD, both for advocacy and to respond to the pressure in many agencies to report on results.

Its principal achievement has been to develop the DCED Standard for results measurement, in order to enable programmes to better manage their interventions and estimate the results that they are achieving in a credible and practical way. This Standard is an interesting tool to build a practical M&E system.

2.2. How does the Standard work

The Standard provides a practical framework (or checklist) whereby programmes can monitor their progress towards their objectives, according to good practice. It provides guidelines for the following parts:

- Articulation of result chains
- Indicators for change
- Measuring changes in indicators
- Estimate attributable changes
- Capturing wider changes in the market

- Relating impact to programme costs
- Reporting results

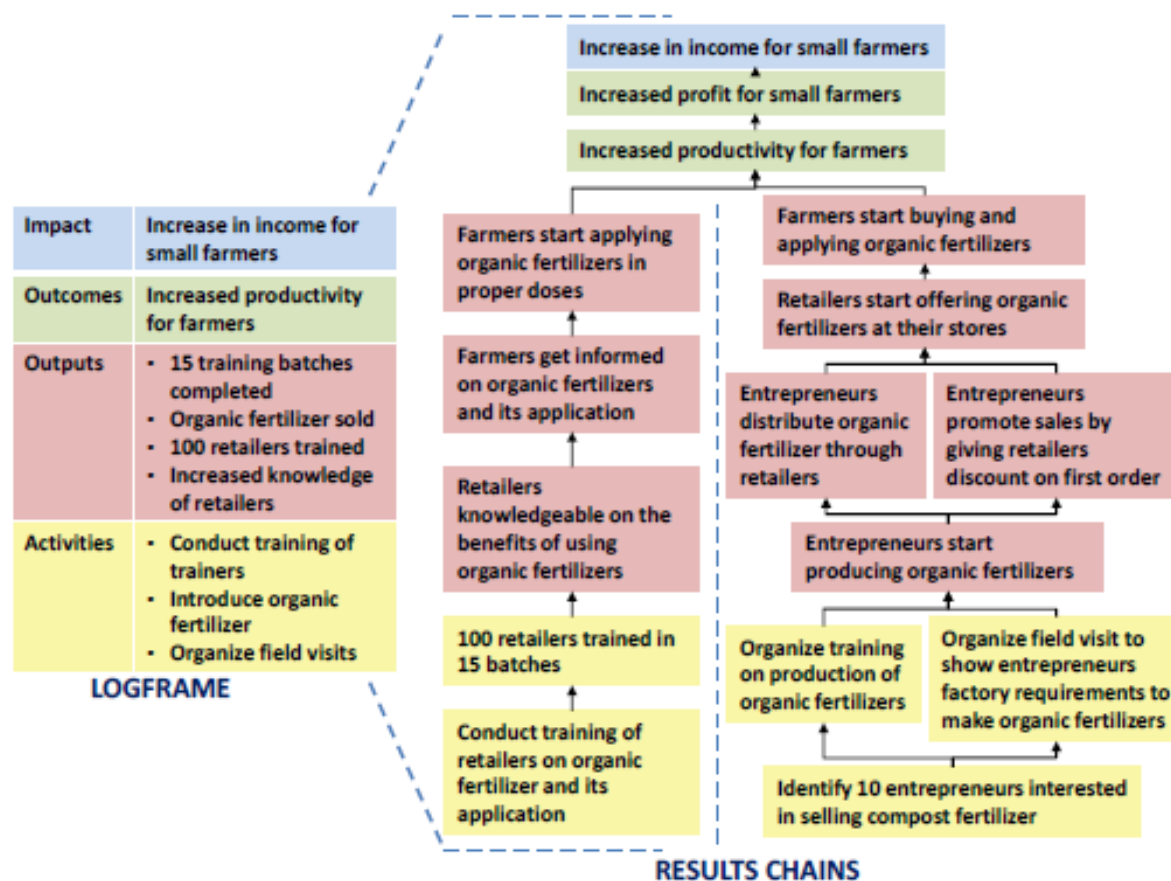
- **Result chains at the heart of the Standard**

The Standard is based on the use of results chains which offers programmes the opportunity to articulate their strategies and what they expect to happen. As defined by the Organisation for Economic Co-operation and Development (OECD), a results chain is “the causal sequence for a development intervention that stipulates the necessary sequence to achieve desired objectives beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts and feedback”.

Logical framework, which is the most common M&E tool for 40 years, is based on the strong logic of results chains, showing a causal linkage from bottom to top between activities (sometimes added at bottom level), outputs, outcomes and impacts. However, detailed results chains make more explicit the linkages between activities and changes that need to happen in parallel, or in a particular sequence to lead to the ultimate impacts envisaged, and the inter-dependence of different factors. It offers the chance to articulate the complex logic behind the design presented in the logical framework, and to clarify the thinking in ways that are particularly valuable for programme managers.

The figure 4 below illustrates a simplified example of how the results chain on the right complements the logical framework on the left.

Figure 4: Complementarities between logframe and results chain



- **To define/measure indicators of change**

Once projects have clarified what they expect to happen, they have to define a serie of indicators for the different levels of change in each value chain that can be regularly tracked in order to identify what is working and what is not and then being able to adjust project implementation.

Three universal impact indicators enterprise-oriented are recommended for use by all programmes implementing the Standard:

- Net Income: net additional income accrued to target enterprises
- Scale: number of target enterprises which realize a financial benefit
- Net Additional Jobs: net additional, full time equivalent jobs created in target enterprises

The table 2 below shows the various levels where indicators have to be defined and what they have to capture.

Tableau 2: Indicators level

Results/Indicators level	What is measure
Impact poverty level	Income, scale, jobs created
Impact enterprise level	Enterprise behavior
Service market outcome level	Market interactions
Service market output level	Capacity building
Project intervention level	Project activities

Once indicators are defined, as in all M&E system, programmes must develop a system for measuring changes in those indicators, to begin with a baseline to analyze the situation prior to the project intervention.

2.3. Regarding HVAP

Regarding the nature of HVAP, based on various value chains development and expecting to achieve changes both at households and at markets level, the Programme Management Unit (PMU) decided in 2011 to use “Results Chains” to define the detailed interventions strategies and monitor results and then to apply the DCED Standard. The standard will thus also become the basis for the project M&E framework. This decision was welcomed by the supervision mission held in September 2011.

As intervention strategies are specific to each value chain, a results chain needs to be developed per VC, in order to track a broader set of indicators, for example the number of producers/cooperatives/traders operating in a specific commodity, the price of a commodity at various points of the VC...

The project has developed detailed results chains for each of the first three VCs (apple, ginger and vegetable seeds), setting out relevant indicators and phased and a measurement plan

and will do the same for the next VCs. The results chains designed for these three VCs are attached as an annex below.

The mandatory indicators of the Standard at enterprise level (net income, jobs and scale), have been adapted to the case of HVAP, defining the households as households enterprises, as these are market-oriented farmers. Thus, impact level indicators will be tracked at household level.

A characteristic of HVAP is that the work in the various VCs will be gradually phased in, starting with 3 VCs and then with a rolling programme to increase to around 10 VCs by the end of the project. Hence, baselines will be conducted around each of the value chains as they come on line, starting with apple, ginger and vegetable seeds in July 2012.

Due to the diverse value chain areas and to be sure that the sampling procedure accommodates the diversity, the number of clusters commonly used in IFAD project will be increased to four clusters per VC. Then, the number of respondents per cluster will be fixed accordingly.

Following the decision of implementing the DCED Standard, IFAD and the supervision mission of September 2011 called attention to the need of “combing the DCED and RIMS approaches in a practical manner, which has the potential to create a powerful M&E system for the project” (HVAP supervision, Aide-mémoire, September 2011).

3. Integration of RIMS and DCED approaches

As IFAD project, HVAP must implement and report on the Result and Impact Management System (RIMS). The specificity and challenge for HVAP was to design an M&E system integrating both RIMS and DCED Standard, in order to ensure maximum efficiency of the M&E system and returns to M&E efforts.

3.1. Introduction of the RIMS

According to the *RIMS Handbook* (February 2011), RIMS is the framework adopted by IFAD in 2004 for measuring and reporting the results and impacts of the projects it finances. Indicators have to be settled and results collected at output (first-level results), outcome (second-level results) and impact levels (third-level results).

As for the DCED Standard, some of the indicators at impact level are mandatory but these are at household level (those of the Standard are at enterprise level): number of households with improvement in household assets ownership index (based on additional assets) and percentage reduction in the prevalence of child malnutrition. Both are of direct relevance to the MDGs and to IFAD's mandate. But unlike the Standard, it also includes a menu of indicators at first and second levels where the project has to select those relevant to the project supported interventions.

The anchor and relevant RIMS indicators have to be included in the logframe, which IFAD pays particular attention to.

Projects are expected to report to IFAD on a project year basis using the same period as for APW&B.

RIMS is primarily focused at household level but there are also indicators of the maturity of community organisations, sustainability and utilization of infrastructure, likelihood of sustainability of enterprises...

In order to report achievement of second-level results in a flexible manner by using project specific indicators, ratings indicators have been introduced at second-level.

None of these are contradictory to the core ideas of the DCED Standard, and the project adjusted both systems in order to develop a comprehensive and logical M&E system, without losing the value for which each was designed.

3.2. How to integrate RIMS and DCED Standard in HVAP

The implementation of the DCED Standard is new among IFAD projects; HVAP is the 2nd IFAD project implementing the Standard, the first one being Rural Livelihoods Improvement Programme (RULIP) in Cambodia. The challenge in integrating the RIMS and DCED was then an area of interest and query at IFAD head quarter.

The core idea of the DCED approach being closed to the one used by the projects in general, the integration of both RIMS and DCED in the design of the M&E system didn't raise any particular difficulty but required few adjustments in order to make them fit well.

- **Regarding indicators**

Although DCED Standard makes use of results chain while RIMS accords importance to logical frameworks, both are based on causal linkages of inputs-outputs-outcomes-impacts. The choice of the project has been to build results chains for each VCs, with specific indicators, and then to revised the logical framework with general indicators that can track common changes among all the VCs/groups/districts.

At output and outcome levels, most of the RIMS indicators are quite general and can be aligned with service market outputs and outcomes VCs indicators devised by the Standard. For HVAP, service market outputs can be broadly categorized under “establishment of commercial linkages” and “building capacity of business service providers”. Service market outcomes are aimed at capturing changes in the enterprise behavior. Most of RIMS indicators related to effectiveness and sustainability can provide information on service market outcomes. HVAP can then come up with relevant RIMS indicators, linked to the specific VCs indicators.

At impact level, while DCED focuses on income, jobs, and scale, RIMS indicators are more aligned with the MDGs and focus more on social impact indicators (improvement in household assets ownership index, reduction in the prevalence of child malnutrition, access to safe water and sanitation, food security...). There was no problem combining this indicators in the logframe, RIMS impact indicators coming at top level (goal) and DCED Standard indicators at purpose level as they contribute to the achievement of the goal level impact. Standard indicators are also part of each specific VC.

- **Regarding the baseline**

Regarding the baseline, after consultation with IFAD, the PMU decided to conduct a single rolling baseline that covers both RIMS and VC specific indicators, in phases that correspond to gradual selection of project areas and VCs interventions.

As the RIMS survey is quite short and focuses on impact only, the project decided to add additional questions to the baseline questionnaire at outcome level to track intermediary outcome progress, some of them similar to all the VCs and some others specific to each VC. As a result, the project will come with a questionnaire having a similar set-up for all the value chains and then an additional VC specific module,

- **Measurement plan**

Below is the indicative measurement plan of the project, combining both RIMS and DCED requirements.

Tableau 3: Measurement Plan

Activity	Year							Remarks
	2012	2013	2014	2015	2016	2017	2018	
Baseline (apple, ginger, vegetable seeds)								Combine RIMS & DCED
Baseline (OSV, timur, goat meat, turmeric)								Combine RIMS & DCED
Baseline (VCs X,Y,Z)								Combine RIMS & DCED
Annual results measurement (apple, ginger, vegetable seeds)								VCs indicators
Annual results measurement (OSV, timur, goat meat, turmeric)								VCs indicators
Annual results measurement (VCs X, Y, Z)								VCs indicators
Results against the logframe (outputs)								Combine RIMS & DCED
Results against the logframe (outcomes)								Combine RIMS & DCED
Midterm assessment								Combine RIMS & DCED
Impact assessment								Combine RIMS & DCED

- **Adaptation of the logframe**

A logframe were designed in 2009, at the project design. At that time, intervention strategies in the different VCs were not totally clear and detailed and to implement the DCED standard were not yet decided. As a result, the logframe were not well adapted to the project strategies.

Thus the logframe has been revised (attached as an annex below) during the supervision mission of May 2012, based on the results chains. Suitable component-level indicators (at outcome and output levels) have been defined to better reflect project intervention strategies. For example, as the project will also work with value chains having spot market relationships (e.g. OSV, meat goat), the previous indicator on contractual arrangement was not be applicable in all cases. Hence, a new indicator on “terms of trade” rather than on “contractual relationships” has been added, in order to capture improvements in all the VCs.

The HVAP will be an interesting case study of a project implementing both DCED Standard and RIMS. Sharing lessons learned and discussing will be very important in order to make this experience as efficient as possible and to support other projects interesting in combining the two approaches.

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