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# A COMPARATIVE CASE STUDY OF HIGH-VALUE VEGETABLE VALUE CHAINS IN NEPAL

**GUIDED CASE STUDIES IN VALUE CHAIN DEVELOPMENT FOR  
CONFLICT-AFFECTED ENVIRONMENTS**

**microREPORT #108**

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## **DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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# ABBREVIATIONS

ADO	Agricultural Development Officer
AEC	Agro Enterprise Center
BDS	Business Development Services
CFUG	Community Forest User's Group
DAO	District Agricultural Officer
DADO	District Agriculture Development Office
DDC	District Development Committee
DHQ	District Head Quarters
DOI	Department of Irrigation
DIS	Drip Irrigation System
DM	District Manager
DOI	Department of Irrigation
GON	Government of Nepal
HVC	High Value Crops
IDE	International Development Enterprises
ICG	International Crisis Group
IPM	Integrated Pest Management
JTA	Junior Technical Assistant
JTMM	Janatantrik Terai Mukti Morcha
LISP	Local Input Service Provider
MC	Marketing Committees
M&E	Monitoring & Evaluation
MIS	Marketing Information System
MIT	Micro Irrigation Technology
MPC	Marketing and Planning Committee
MUS	Multiple Use Water Supply Schemes
NCP	National Congress Party
NARC	National Agriculture Research Council
Nr	Nepali Rupee
NGOs	Non-Governmental Organizations
PRA	Participatory Rural Appraisal
PLA	People's Liberation Army
RM	Regional Manager
RNA	Royal Nepal Army
SAPPROS	Support Activities for Poor Producers of Nepal
SIMI	Smallholder Irrigation Marketing Initiative
SP	UJYALO Project Strategic Partner
SPA	Seven-Party Alliance
SSP	SIMI Service Program
USAID	United States Agency for International Development
WI	Winrock International
VDC	Village Development Committee
VOC	Victim of Conflict

# EXECUTIVE SUMMARY

As part of a USAID initiative to explore Value Chain Development for Conflict Affected Environments through guided case studies, International Development Enterprises (IDE) and Winrock International (WI) partnered to conduct a case study exploring value chain approaches implemented in rural, conflict-affected areas of Nepal. For comparative purposes, this case study focused on two USAID-funded value chain projects jointly implemented by IDE and WI in rural, conflict-affected areas of Nepal. The Smallholder Irrigation Market Initiative (SIMI) employs a value chain approach with the primary objective of reducing poverty, while the UJYALO project integrates the value chain approach with psychosocial and peace-building activities and has building peace as the primary objective.

To conduct the case study, a thorough literature review was undertaken in the beginning of September 2007, which created the following working hypotheses: (1) The value chain is an effective tool for helping to identify and implement strategies for improving the livelihoods of rural, conflict-affected populations and accelerating economic development; and (2) The integration of psychosocial and peace-building activities into the value chain approach strengthens local capacities for peace, contributes to conflict mitigation and recovery processes, and facilitates an environment conducive for sustainable economic growth. To analyze the hypothesis, five subcategories were developed, including: Working in Conflict; Impact on Livelihoods; Building Market Systems; Governance; and Peacebuilding.

A general survey template was developed for interviewing the various stakeholders. The districts and Village Development Committees (VDCs) were chosen for field interviews and observations based on the impact of the conflict and the level of engagement of the implementing partners for at least two years. Also, due to the socio-political, cultural, economic, and topographical diversity in Nepal, two districts in the Terai and two districts in the hills were selected. Control VDCs in each of these districts were selected so the variables in this study, SIMI and UJYALO, could be compared to a control group. For comparison purposes, one major subsector, off-season vegetable production, was selected.<sup>1</sup> Between October 1 and November 7, 2007 a total of 229 people were interviewed. On December 7, 2007, the preliminary findings of the field research were presented to an audience composed of staff from USAID/Nepal, Save the Children USA, and the Government of Nepal. This presentation was the impetus for a lively discussion confirming and, at times, debating the findings.

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<sup>1</sup> SIMI's value chain only utilizes one subsector (vegetable production) while UJYALO utilizes multiple subsectors. Therefore, in a few cases fish farming was also observed in this study.

# I. MAJOR FINDINGS AND RECOMMENDATIONS

## A. WORKING IN CONFLICT AREAS

One of the most significant findings is that both projects were successfully implemented in districts that were among the most significantly affected by the conflict in Nepal. IDE/WI and partners were able to implement effective programs and meet performance targets, despite issues of mobility, access, fear and tension, and security risks that had reduced the field presence of many NGOs/traditional development programs. The conflict had reduced the activities and functions of government service centers, destroyed infrastructure, decreased social interaction and caused unpredictable market schedules. Yet a number of factors seem to have contributed to the projects' success, including: 1) implementation with local NGOs that primarily provided social mobilization services, and some technical staff; 2) focusing on the poorer community members and the primarily disadvantaged and vulnerable groups; 3) identifying subsectors and programs that led to rapid income benefits; 4) maintaining a low profile; 5) hiring national and local technical staff to lead field implementation; 6) Facilitating public–private partnerships; 7) supporting community-level Marketing and Planning Committees (MPCs) and Collection Centers (CC)s; and 8) focusing on small-scale outputs and primary products (subsectors) that do not need extensive processing.

## B. IMPACT ON LIVELIHOODS

The primary impact of SIMI/UJYALO was increased income and employment at the household level. Increases in household income were on average greater in the hills than the Terai. Also, farmers involved in SIMI experienced significantly greater increases in household income than farmers involved in UJYALO. There are several factors that contributed to this variance. Most of the SIMI districts/VDCs had been participating in the value chain for at least three years while the UJYALO districts/VDCs had only been active for two years or less. Farmers in the hills enjoy seasonal advantages in climate and production possibilities, but are challenged by weak markets. These conditions put a premium on greater cooperation among farmers to coordinate crops, timing and marketing efforts, in order to participate successfully in wider markets. Effectively organizing and coordinating farmers is the role played by farmers' marketing groups, which explains their prominence in the hills. In the terai, by contrast, relatively easy access to relatively well-developed markets reduced barriers to individual market access for farmers. For that reason, farmers marketing groups were viewed as less essential.

The farmers interviewed said they used the increased income primarily for purchasing additional food supplies to supplement their rudimentary diets. The next priority was paying for children's education. Some farmers with enough income had started savings accounts for emergencies and insurance for family members. Others used the increased income to purchase land. In the hills, several farmers who had substantially increased their income said they were using the additional income to provide the initial costs of supporting family members to gain overseas employment. Indirect impacts included: increased self-esteem and social status, improved physical/mental health, decreased dependency on Indian vegetables, increased knowledge of business and a socio-cultural transformation from subsistence to commercial farming.

## **C. BUILDING MARKET SYSTEMS**

The market systems in the Terai are significantly more developed than in the hills for several reasons. In the Terai, farmers have easy access to many local markets and the terrain allows for easy transport by foot or bicycle. Individual farmers are often able to sell a surplus at a place and time of their choosing. Therefore, instead of each farmer's group developing its own MPC and CC, they transport their vegetables individually to the local markets, where a market shed has been constructed. In the hills, there are fewer local markets, and the ones that exist attract a small number of customers. Additionally, because of the terrain in the hills it is more difficult for individual farmers to transport small volumes of vegetables to the markets. Due to these conditions, the farmers realized the benefit of working collectively to turn their small outputs into bulk by forming MPCs and constructing CCs to attract traders and wholesalers. Research findings show that stronger market systems resulted in significantly greater increases in household income.

## **D. GOVERNANCE**

Even though several farmers had received support from the local government, very few understood the purpose of government, and the role of policy and its effect on small farmers. Many of the farmers involved in SIMI/UJYALO recommended that the government make policies to prioritize helping the poor, marginalized, and landless people. They also recommended that the government have an adequate budget to implement these policies. Participating lead farmers, members of MPCs, input suppliers and output traders expressed a greater appreciation for the government as a result of these value chains, possibly due to greater exposure and interaction with local officials.

One cause for the lack of positive relations between the local government and the small farmers is the insecure environment created by the conflict. The Maoists targeted the government officials and their offices, as well as civilians perceived to be supporting the government. According to interviews with government officials, there were not many direct effects of the conflict on the District Agriculture Development Offices (DADO) in terms of extortion, kidnapping, torture and killings; however, several of the service centers were damaged and the insecure environment induced a sense of fear in government officials.

Despite the problems, the majority of the interviewees were convinced of the essential role of the government in sustainable development, particularly in terms of supporting inputs, follow-up and monitoring functions. Recommendations for working with the government in conflict environments include building trust by clarifying roles, capacity and expectations, providing policy education and advocacy training to small farmers and diversifying government officials to better represent the population. And it is important that government be more effective in its programs and provide greater emphasis to the poor and marginalized to address the root causes of the conflict.

## **E. PEACEBUILDING**

Both SIMI and UJYALO had an impact on some of the root causes of conflict in Nepal at the local level. The programs were instrumental in reducing poverty and increasing employment, reducing community and domestic conflict, increasing education for youth, increasing trust and cooperation, decreasing inter-family and inter-community conflict, increasing social harmony and interdependence, deterring individuals from joining the Maoists, transforming gender roles thus increasing female empowerment, mobility and financial independence, increasing social status and increasing awareness of gender, caste, ethnic and class discrimination.

One primary theme of this study that deserves further exploration is the contribution of the additional UJYALO psychosocial and peacebuilding elements. It was difficult to measure this for two major reasons. First, only a small percentage of actors involved in the value chain were exposed to the psychosocial and peacebuilding activities. The majority of these were farmers, whereas the other value chain actors (input suppliers, dealers, wholesalers, traders, etc.) were not involved in such activities. Second, the value chain in UJYALO is just beginning to develop and many

of the farmers have had only one harvest in this time period. Thus, the long-term effect of psychosocial and peacebuilding activities on the value chain can not be accurately assessed.

In comparing SIMI and UJYALO, one major finding was clear: When additional elements (i.e. peacebuilding, mediation, legal and psychosocial support) are added to the value chain and multiple partners are included, stronger coordination, longer time frames, and greater resources are necessary for success and sustainability.

# II. INTRODUCTION

## A. OVERVIEW OF NEPAL

The conflict in Nepal has been profoundly influenced by the country's socio-cultural and geographic diversity, a strong caste system, high illiteracy rates, a lack of economic opportunities, extreme poverty and the country's history, which includes a strong legacy of feudal systems. The violent conflict erupted in 1996 when the CPN/Maoists, alienated from the political system, initiated an insurgency against the mainstream democratic political parties, and later against the monarchy. The armed conflict began in the remote midwestern hills and quickly spread to almost every district in Nepal, posing a significant threat to security, stability and economic, industrial and agricultural development. The current peace process in Nepal was initiated through a non-violent people's movement in April 2006 following the king's seizure of power in 2005. This movement led to the king surrendering power, a ceasefire and a formal peace process between the CPN/Maoists and a Seven-Party Alliance (SPA) facilitated by the United Nations. In November 2006, a Comprehensive Peace Accord was signed, formally ending ten years of war.

While the death toll of the war was relatively low (approximately 13,000 people over 10 years), the conflict had severe negative impacts on industrial, economic and agricultural development. Impacts specific to the subsectors in which SIMI and UJYALO operate include: restrictions in movement and access, lack of law and order, damage to communications systems, a lack of a variety of services, a lack of national and foreign investment and displacement and migration (an estimated 200,000 people were internally displaced; an additional 2 million people migrated out of Nepal to work in other countries). The conflict had a greater impact on the industrial sector causing dramatic declines in major Nepalese industries including textiles, carpets, and general manufacturing. Due to the uncertain environment, labor disruptions, and general strikes the larger business community has been reluctant to operate and invest in.

The conflict also caused economic and social instability and inequality. For instance, the human trafficking business, though not new in Nepal, has increased, particularly regarding young women:

“Most at risk are the young girls and women who have fled home due to fear of the Maoist rebels, and have ended up working in restaurants and dance bars where sexual exploitation is notoriously high...In addition, Nepali girls are also trafficked to Indian brothels...there is an estimated 150,000 to 200,000 Nepali child sex workers in Indian brothels. Around 70 percent of them who returned to Nepal were HIV-positive” (IRIN 8)

In addition, economic growth slowed to an average of 1.9 percent over the FY2002-04 period compared to 4.9 percent in the decade preceding that. (Sungsup & Singh, 9) According to Sungsup and Singh:

“Economic performance has been affected through different channels. More than twelve thousand lives have been lost and physical infrastructure worth at least \$250 million has been destroyed (Mahat, 2003)... strikes, security checks, blockades, shutdowns, and extortion have increased the costs of economic activity and contributed to an economic slowdown. The conflict has caused internal and external displacement of people. Nearly 400,000 rural families have been internally displaced while thousands others have crossed over to India in search of work. The private investment rate has declined from 15.4% in 1996 to 12.6% in 2004, as private investors have desisted from making investments and foreign investors have stayed away...The economy has also suffered from a decline in development expenditures, which have fallen by a third since 2001... Government development expenditures stood at about 6% of

GDP in FY2004, down from 9% of GDP FY2001. In contrast, government security expenditures almost doubled from 1.6% to 3% of GDP in the same period.” (9)

There is no doubt that the conflict had a strong impact on Nepal’s economy at the macro level. However, at a micro level research findings suggest that the conflict did not have a severe impact on small farmers, their households, and communities. This is evidenced by IDE/WI’s ability to implement SIMI and UJYALO in the most conflict affected districts when violence was at its peak.

To date, approximately, 85 percent of the population lives in rural areas and lack productive assets or economic opportunities. Dependence on agriculture for food and income is an important reality. Therefore, programs that increase agricultural production remain the best strategy to rapidly increase incomes and rural jobs.

## **B. HOW THE CASE STUDY RELATES TO THE RELIEF-TO-DEVELOPMENT CONTINUUM**

There were no relief program elements in either SIMI or UJYALO. These programs fall clearly on the development end of the continuum. This case study provides several points of contrast with conventional relief-to-development approaches to post-conflict transition. The most significant point of contrast is that Smallholder Irrigation Marketing Initiative (SIMI) was designed and implemented as a development program appropriate to Nepal’s conflict circumstances. The purpose was to improve livelihoods and incomes for smallholder farmers by enabling them to participate in profitable markets for high-value horticultural crops. SIMI began when the civil conflict was already well established in many areas, and continued to expand to others during the life of the program. In contrast to most other development programs underway during Nepal’s civil conflict, SIMI was not forced by parties to the conflict to curtail its activities. Instead, the program continued to operate, demonstrating resilience to conflict.

The qualities contributing to this resilience are some of the most important insights provided by this analytical exercise and are described throughout this report. Among the noteworthy qualities were: the provision of benefits to smallholders, attention to local economic governance, reliance upon local staff and implementers, effort to continue engagement with government service-providing agencies, recruitment of cross-sector support and the focus on income gains as an incentive for participation. Village-level participants quickly became stakeholders because of the quick and significant benefits that the program provided. The combination of advocacy by small farmers and the inability or unwillingness of the Maoists to deny needy rural families program benefits account for the program’s resilience.

In short, by incorporating development, the project addressed grievances felt by the rural poor—a lack of economic opportunities and development services. SIMI was able to continue as a development program during the conflict period. Equally significant, SIMI worked to establish and strengthen institutions such as the Marketing and Planning Committees (MPCs) and to generate social capital by working across sectors of rural communities, government, NGOs and small enterprises. By building financial and social capital, the program helped to stabilize social and economic circumstances in which other development programs and businesses suffered considerably.

The UJYALO program adopted a somewhat different approach, but exercised similar resilience. It actively brought together activities that strengthened peace-building resources in rural communities, and economic development that delivered tangible financial benefits for marginal rural populations not being reached by other programs. In both SIMI and UJYALO programs, an overarching principle was that a lack of development was one of the key instigators for conflict. Without reducing those instigators, the prospects for stabilization and peace would be greatly diminished. So rather than beginning from the more conventional position of relief-to-development, the strategy was to continue appropriately designed development programs.

## C. PROJECT DESCRIPTION

The SIMI-UJYALO strategy reflects an important shift in perspective that has taken place in recent years in the area of post-conflict peace building and assistance to fragile or weak governments. The shift is toward a more integrated or holistic approach to the causes of conflict and their mitigation and reduction. In settings where deficits in a broad range of development services underlie grievances that help propel conflict, development programs tailored to reduce specific conflict drivers are essential. These projects create productive assets of various kinds in settings where those assets may be under pressure or rapidly degrading, and they provide economic continuity and a sense of potential for needy, rural populations. By responding to local perceptions about needs, root causes of conflict, and opportunities to stabilize fragile settings, the programs provide useful alternatives to conventional thinking rooted in sector technical specialties and program approaches to conflict.

This case study focuses on two current USAID-funded value chain projects jointly implemented by International Development Enterprises (IDE) and Winrock International (WI) in rural, conflict-affected areas of Nepal. Both projects use a value chain approach to increase incomes of smallholders and disadvantaged farmers in conflict-affected areas: SIMI employs a more traditional value chain approach, while the UJYALO project integrates the value chain approach with psychosocial and peace-building activities in order to contribute to conflict mitigation and economic recovery. The objectives of this study are to conduct an in-depth analysis of each project's approach and to compare the two approaches, documenting positive and negative outcomes and lessons learned in order to contribute to the development of an integrated value chain framework for conflict environments.

With USAID financial support of approximately \$5 million to date, SIMI, initiated in June 2003, is one of the first projects in Nepal to fully utilize the value chain approach. SIMI's geographic focus is in conflict-affected midwestern and western districts of Nepal<sup>2</sup>. SIMI's goal is to increase the incomes of participating smallholder farmers by at least 50 percent, and to push 90 percent of SIMI participants above the poverty line. To achieve this goal, the project increases crop production through the use of low-cost micro-irrigation technologies; expands smallholder opportunities for sales through value chain development of high-value crops; generates jobs throughout the value chain, including the micro-irrigation supply chain; and creates sustainability through public/private partnerships and capacity building of government entities. The success of SIMI has led to three program extensions with the current end date in September 2009.

UJYALO is an \$8 million USAID-funded project that was implemented by IDE and WI in partnership with CARE, Save the Children, and the Asia Foundation (TAF) from October 2004 to August 2007. UJYALO worked with individuals, families and communities most negatively impacted by the conflict in Nepal's western, midwestern and far western development regions. The primary goal of UJYALO is to promote peace and reconciliation through increased income and through building local capacities for peace. Within UJYALO, WI and IDE are responsible for agricultural value chain program components and implement a \$2.25 million Sustainable Rural Income Generation for Victims of Conflict component in 10 of the 13 project districts<sup>3</sup> so as to establish sustainable income generation through value chain development in micro-irrigation, horticulture/vegetables, fisheries, and livestock.

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<sup>2</sup> SIMI districts: Banke, Bardia, Dailekh Kapilvastu, Surkhet, Palpa, Gulmi, Syangja and Kailali. See Appendix C: Map of SIMI and Ujyalo Districts. Selection criteria for districts and participants included: severity of conflict; market access and agricultural potential; client base and ability to work with a large number of poor farmers; institutional structure; and infrastructure investments in roads and drinking water systems.

<sup>3</sup> IDE working districts: Lamjung, Bardiya, Kailali, Doti, Dadheldura; WI working districts: Gulmi, Arghakanchi, Salyan, Pyuthan, Banke. Partner working districts: Kanchanpur, Surkhet, Dang. See Appendix C: Map of SIMI and Ujyalo Districts where WI/IDE implement the value chain approach.

While SIMI and UJYALO both employ value chain approaches in conflict-affected environments<sup>4</sup>, UJYALO also integrates psychosocial and peace-building activities into the value chain work to build individual and community capacities for peace and cohesion in rural communities. These activities include: developing community groups (e.g. child protection committees, school management committees, and construction committees); provision of legal and counseling services for victims of conflict and torture; establishment of peace education programs; and training in human rights, peace-building, and mediation.

WI and IDE have developed innovative value chain interventions and enterprise development initiatives that link smallholder households and small-scale enterprises to enhance the development of agricultural-based market systems. The value chain approach is particularly appropriate for Nepal for two reasons. First, 85 percent of Nepal's population live in rural areas and depend on agriculture for their basic livelihood needs. Second, as the Maoist insurgency has primarily affected rural agricultural-based communities, development approaches should logically focus on the rural markets and the agricultural sector. It should also be noted that the Maoists have not disrupted smallholders and the agricultural enterprises that service smallholders.

Both SIMI and UJYALO utilize a value chain approach to accomplish the following:

- Analyze end market opportunities at local, national and regional levels.
- Develop and/or re-build vertical linkages among firms at different levels of the value chain.
- Facilitate supporting markets for the irrigation sector through the design of low-cost irrigation technologies (drip, sprinkler, treadle pumps and hybrid drinking water systems) and the creation of private sector supply chains to sell these technologies, which enable smallholder participation in high-value agriculture.
- Integrate horizontal linkages through social marketing and social mobilization to facilitate formation of farmer groups and cooperatives that increase bargaining power of farmers.
- Facilitate provision of technical agricultural support services through local input suppliers as an embedded service.
- Strengthen the business-enabling environment by working with the government to adopt policies and programs that promote micro-irrigation, taking a market-led approach to working with smallholder farmers, and establishing public-private partnerships.

SIMI<sup>5</sup> works with women (53 percent) and the most disadvantaged community members (15 percent dalit and 36 percent janajatis)<sup>6</sup> to develop value chains in agricultural subsectors, primarily high value vegetables. SIMI impacts include: increased cumulative sales of high-value crops by \$15 million; increased annual household incomes by almost 100 percent; adoption of micro-irrigation by more than 40,000 households (benefitting over 250,000 people) and provision of technical assistance to these households through 2,000 farmer groups; and installation of 40 multi-use water systems, which provide 2,000 households with water for drinking and micro irrigation. Also, SIMI has established 59 collection centers, which serve more than 30,000 households, as well as 70 marketing and planning committees, which provide communities with market linkages, crop planning, input supply, credit, and linkages with government and development programs.

UJYALO also focuses on women-headed households (61 percent women) and disadvantaged groups in multiple sectors, including micro-irrigation, vegetable production, livestock (goat, poultry, dairy), fisheries, coffee, apiculture, and specialized agricultural products (e.g. ginger and non-timber forest products). Impacts of UJYALO include the involvement of 13,955 households in micro-enterprise development, formation and strengthening of 721 farmer

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<sup>4</sup> Appendix D: Map of Conflict-Affected Districts in Nepal shows areas in Nepal most affected by the conflict.

<sup>5</sup> See Annex 6: SIMI Programmatic Component Activities

<sup>6</sup> These terms refer to traditionally oppressed or lower caste groups, or to other disadvantaged minorities.

groups, construction of 17 multi-use water systems, and 720 fishponds dug and 40 rehabilitated. UJYALO has strengthened value chains by supporting the development of 36 market collection centers, facilitated the purchase of 1,374 micro irrigation systems through local agro-input dealers, the development of a number of para-vets tied to agro-input dealers, and the development of coffee pulping and washing centers. As a result of peace building activities provided by Save the Children and CARE, children have received educational support, community members have participated in community peace building initiatives, community level disputes have been resolved by mediators, and community groups practice good governance.

## **D. METHODOLOGY**

To conduct a comparative case study exploring value chain approaches in rural, conflict-affected areas of Nepal, two USAID-funded projects, SIMI and UJYALO, were selected. In preparation for this case study, a thorough literature review was undertaken in the beginning of September 2007. This desk work was the basis for the formation of hypotheses and general research questions. To analyze the hypotheses, five subcategories were developed, including 1) Impact on Livelihoods; 2) Building Market Systems; 3) Challenges of working in Conflict; 4) Peacebuilding; and 5) Governance. Then, a questionnaire template<sup>7</sup> was created to guide structured and unstructured field interviews and observations with the different stakeholders. To test this template, the research team conducted interviews and observations in Kavre. This simulation helped to train the field team and assist in fine-tuning the questionnaire template. Simultaneously, a general list of key stakeholders for interviews<sup>8</sup> was generated and strategic districts for implementing the field research were selected. To minimize extraneous or confounding variables the districts utilized for this study were chosen based on the impact of conflict on the district and the level of engagement of the implementing partners for at least two years. Also, due to the socio-political, cultural, economic and topographical diversity in Nepal, two districts in the Terai and two districts in the hills were selected. Then, in close cooperation with IDE/WI field staff, two to three Village Development Committees and municipalities were selected in each district for conducting interviews and observations. The districts/VDCs selected in the Terai for SIMI include Banke (Jaispur, Sitapur, and Kohalpur), and Bageshwori and Naubasta for UJYALO. Interviews and observations were also conducted in Kailali (Shreepur) to provide a third UJYALO VDC in the Terai. In the hills, the SIMI VDCs included Ramghat and Chhinchu both in Kailali, and the UJYALO VDCs included Navadurga and Amargadi Municipality (Tai Gaun), all in the district of Dadeldhura. In addition, eight VDCs were selected as control groups to compare SIMI and UJYALO with areas where IDE/WI projects have not been implemented. Phattepur and Puraina, both VDCs in Banke, and Pahalmanpur in Kailali were selected as the control VDCs in the Terai. The control VDCs in the hills included Salkot, Hariharpur, and Bidyapur in Surkhet, and Bhageshwori and Ganghket in Dadeldhura.

Peter Bauman, an independent conflict specialist, led the research project with support from William Collis (IDE Country Director), Luke Colavito (SIMI Team Leader) and Brian Greenburg (Winrock Senior Program Officer). Shambhu Rai, the deputy study team leader, led the field-based interviews and observations with support from several enumerators. The field team also worked closely with locals social mobilizers and field staff.

Field interviews and observations were conducted in two phases. From October 1 through October 14, 2007, interviews and observations were conducted in the Terai districts. Then, from October 27 to November 7, 2007, interviews were conducted and observations were made in the hill districts. To maintain consistency, Shambhu Rai led this process in both phases. Both phases of field research were followed up with a thorough debriefing, and the findings were organized according to the five subcategories. A total of 229 people were interviewed. To ensure that

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<sup>7</sup> See Annex 5 for a copy of the general interview template.

<sup>8</sup> See Annex 4 for a list of interviewees.

the research findings included the perspectives of different genders, ethnicities, etc., a broad range of individuals were targeted, including 141 men, 88 female. 57 Brahmin, 80 Chhetri, 53 Janajati, 27 Dalits and 12 Muslims participated.

In total, the study team interviewed 68 individual farmers, 23 input and output suppliers, 9 MPCs, 7 government officials, 15 local POs, 17 SIMI/UJYALO staff and 15 focal group discussions. In addition to field-based research several interviews were conducted in Kathmandu with staff directly involved in SIMI and UJYALO, as well as with staff from different UN agencies, the Carter Center and DFID. On December 7, 2007, the preliminary findings of the field research were presented to an audience composed of staff from USAID/Nepal, Save the Children USA, and the Government of Nepal. This presentation was the impetus for a lively discussion confirming and, at times, debating the findings.

# III. ANALYSIS OF CONFLICT/POST-CONFLICT ENVIRONMENT

## A. HISTORICAL OVERVIEW OF THE PRE-CONFLICT ENVIRONMENT

Nepal, a country landlocked between China and India, is a composite of many kingdoms with diverse ethnic, social-political and religious characteristics. Beginning in 1765, Prithvi Narayan Shah began unifying these kingdoms through force, eventually capturing the Katmandu Valley and establishing the Kingdom of Nepal. In the mid-1800s, the Rana dynasty appropriated power from the Shah dynasty and in 1923 Nepal was recognized as an independent country. During these dynasties, the political system was “patrimonial”, meaning that the state was organized as an extension of the ruler’s household” (Whelpton, 49). In addition to political policies, the monarchy utilized Hinduism to solidify a strong caste and class system. Then to maintain control the king “motivated his military troops by offering... land assignments rather than relying on his officers raising and paying soldiers themselves” (Whelpton, 35). As a result, from the time of its inception, the Royal Nepal Army (RNA) has had strong allegiance to the monarchy. This system placed a large portion of Nepal’s land, wealth and power in the hands of the upper caste elites who were faithful to the king. Beginning in 1951, the monarchy began building an alliance with Nepal’s intellectual elites and the policy of seclusion from the outside world was abandoned, leading to an influx of international organizations and Nepal’s first attempt at a parliamentary system. In 1960 King Mahendra dissolved the government and centralized power in the royal palace. Frustrated by the socio-political and economic situation, in 1989, the Nepalese challenged the monarchy in the form of a people’s movement (Jan Andolan I), which resulted in a transformation of the feudal system into a constitutional monarchy.<sup>9</sup> The new political system opened space for the expression of grievances, but elite, Katmandu-centric politicians were more interested in partisan ends and personal gains. Thus the new government and constitution “failed to recognize the country’s multiethnic and multilingual character” (Rizal, 288). Difficulties with governance were part of, and also masked, broader problems. High levels of poverty, caste and class exploitation, unemployment, low levels of education, and gender discrimination created a breeding ground for communist political parties like the United People’s Front (UPF). Instead of responding to the people’s needs and grievances, the Congress Party-led government attempted to isolate the communists leading to greater discontent and increased support among the poor and disenfranchised. In November 1991, Pushpa Kamal Dahal’s (Prachanda) announced a policy for achieving a ‘New People’s Democracy’ through a ‘People’s War’ and in 1994, Prachanda’s wing of the UPF renamed itself the Communist Party of Nepal/Maoist (CPN/M). On February 2, 1996, Dr. Baburam Bhattarai, head of the political wing of the CPN/M, submitted a list of forty demands to the government. Instead of initiating a dialogue with the Maoists to discuss these grievances, the Government of Nepal (GON) responded with force and the Maoists began attacking government and police headquarters in Rolpa and Rukum, two of the poorest districts in the western hills. After ten years of fighting, the Maoist rebels agreed to work with opposition politicians as a common front against the King. On April 24, 2006 in the wake of a massive non-violent people’s movement (Jan Andolan II), the King relinquished power and parliament was reinstated. Days later the Maoist announced a unilateral three-month truce and after a series of talks between the CPN/M and the Seven Party Alliance (SPA)<sup>10</sup>. On November 21, 2006 Prime Minister Koirala and Prachanda signed a Comprehensive Peace Accord (CPA) formally ending a decade of war.

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<sup>9</sup> Girija Prasad Koirala of the Nepali Congress Party (NCP) was Nepal’s first democratically elected Prime Minister.

<sup>10</sup> The SPA is a loose coalition of the seven major political parties in Nepal.

## B. CONFLICT ANALYSIS: INCENTIVES FOR VIOLENCE

### I. ETHNIC, CLASS, AND RELIGIOUS GRIEVANCES

Nepal has a long history of deep structural institutions including feudalism, patriarchy, and the Hindu caste system; which reinforce each other causing discrimination and extreme socio-political and economic inequality. The major forms of social exclusion include gender, caste, ethnic and religious discrimination.<sup>11</sup> Lower caste groups, marginalized ethnic and religious groups, and women are severely deprived of opportunities in all dimensions of cultural, social, political and economic life. These inequalities contribute to high levels of unemployment, poverty, illiteracy and poor health for large portions of society. For example, the average per capita income for Brahmin/Chhetri HHs is 42 percent higher than Dalits; Janajati and Muslims per capita income is approximately 14 percent less than Brahmins and Chhetris; The literacy rate for males (62.7 percent) is almost double that of the females (34.7 percent)<sup>12</sup>; And, 31 percent of Nepalese are classified as under the poverty level, yet over 60 percent of Dalits live below the poverty level.

### 2. ECONOMIC CAUSES: RELATIVE DEPRIVATION

Nepal is one of the poorest countries in the world, with over 30 percent of the population living below the poverty line, over 40 percent unemployed, and nearly half illiterate.<sup>13</sup> But, poverty alone does not typically cause violent conflict. When the distribution of wealth is in the hands of a few and this inequality supports caste, class and geographic disparities, the sense of relative deprivation can become a source of tension easily mobilized by political “entrepreneurs.”<sup>14</sup> As Sharma Kishor states,

“[t]he failure to redistribute gains of economic growth has been the net cause of civil war that erupted in Nepal in 1995. Bias in favour of urban-based growth attracted resources away from rural areas where 86 percent of the population live. This resulted in a fall in agricultural productivity and exports. This, together with the lack of alternative employment opportunities particularly in rural areas, significantly increased poverty and inequality in both political and economic dimensions. This unequal growth pattern forced disadvantaged young people from rural areas to join radical left wing forces (known as Maoists) to fight against the political system and economic policy.”

Whelpton supports Kishor’s point stating that, “Urban Kathmandu Valley and the rest of Nepal, in effect, are two separate and unequal countries... around the capital, where about 5 percent of the population live, the incidence of poverty is around 4 percent and illiteracy is 24 percent; in the rest of the country, poverty is ten times as high and the chance of being literate almost three times lower” (225). Comparative statistics support Whelpton’s remarks. For instance, “71 percent of the wealth...is in the hands of top 12 percent of the households... only 3.7 percent of the national income reaches the poorest 20 percent” (Rizal, 268). It is important to note that the highest levels of poverty are found in rural, mountain and hill districts in the mid and far western development regions where the Maoists began staging their insurgency.

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<sup>11</sup> For a detailed list of the major ethnic and caste divisions in Nepal see Whelpton pg. 9.

<sup>12</sup> CIA World Fact Book Nepal 2007 – [www.cia.gov](http://www.cia.gov)

<sup>13</sup> The 2006 Human Development Report ranked Nepal 138 out of 177 countries. Nepal’s 2006 estimated GDP was \$41.18 billion (GDP per capita PPP = \$1,500) with a growth rate of 1.9 per cent and an inflation rate (consumer prices) of 8.6 per cent. Also, in FY06/07 Nepal’s expenditure of \$1.927 billion outweighed its revenues of \$1.153 billion.

<sup>14</sup> The 2006 Human Development Report portrays this economic disparity with the lowest 10 per cent of the population accounting for 2.6 per cent of HH income or consumption by percentage while the highest 10 per cent account for 39.1 percent.

### **3. COMPETITION OVER NATURAL RESOURCES**

As stated in the historical overview, a tactic of the monarchy to maintain power was to reward the army and other supporters with land. Therefore, it is not surprising that a major source of tension is land distribution, hence the Maoist's strong stress on land reform and the monarchy and non-communist political parties resistance. In a country where nearly 90 percent of the population relies on agriculture and only 20 percent of the terrain is arable, land represents wealth. As Rizal reports, "the bottom 40 percent of agricultural households use only 9 percent of total agricultural land and the top 6 percent occupy more than 33 percent of all agriculture land" (276). This skewed distribution of land along caste, class, and gender lines causes tension and resentment.

### **4. DESTABILIZING DEMOGRAPHIC SHIFTS**

Prior to the eruption of violence a large percentage of men and women migrated to India and beyond for work. The conflict fuelled this displacement and caused further damage to the already torn social fabric. Another major demographic shift that has fueled conflict is the migration of pahardi (hill people) into the Terai. This dynamic is discussed in greater detail in the section on Erosion of State Sovereignty: Conflict in the Terai.

### **5. ELITE INCENTIVES TO CAPTURE OR MAINTAIN POLITICAL OR ECONOMIC POWER**

Nepal's political leadership has been captured by elites that have contributed to continued inequality and failure to address past wrongs even after democracy was established in the 1990's. These qualities have deep roots, and absent basic change in the current political culture, there is no evidence that anything is going to change in the near future. As Rizal states, "[p]eople have seen more than fifteen governments in almost fifteen years, which have done nothing to change the structure of system and discrimination" (267). As a representative of a major donor in Nepal points out, Nepal's leadership does not listen to the people's voices, it does not accept calls for consultation, and it is structured in a way that does not allow for creative thinking. For example, prior to the outbreak of violence, the CPN/M issued their 40-point demand asking the GON to listen to a range of grievances many of which have now become a part of the mainstream political agenda. Instead of responding constructively, the government sent in the security forces leading to an escalation of violence. The absence of any tradition of dialogue, negotiation, compromise, and coalition in Nepal's political culture explains to some extent why the Maoists and other political parties are so reluctant to engage in elections particularly if success is not guaranteed. If one political party loses in an election, they are excluded from any future participation in political processes. Even though the government has taken important steps without outside facilitation - specifically in terms of signing several agreements (i.e. arms management) the government has no history of fulfilling agreements on time. Instead they tend to make hollow promises that they have no intention of keeping.

## **C. CONFLICT MOBILIZATION AND EXPANSION DYNAMICS**

The government's weak response to the Maoist threat and failure to make adequate gestures to improve the conditions and representation of marginalized groups allowed the insurgency to grow. By taking advantage of the enormous social, economic and political vulnerabilities, the Maoists easily mobilized the lower caste, uneducated, unemployed, illiterate and poor classes, as well as the intellectual elite who opposed the government and the king. The CPN/M gained additional support by campaigning against Hindu nationalism, the education system, and domestic issues including alcohol abuse and domestic violence. Women and minority ethnic groups also became sympathetic to the cause because of the Maoist's policies regarding gender and ethnic equality. To enforce their ideological stance, the Maoists set up people's courts to fight against corruption, lack of participation of marginalized ethnic and caste groups, exploitive moneylenders and landowners. Besides ideologically based recruitment, the Maoists tactics also

included forced recruitment. “One house, one guerrilla” and the use of schools as recruiting grounds are highly publicized techniques used by the Maoists (ICG N°104, 2005).<sup>15</sup>

The Maoists sourced their political and military activities through forced donations of food and housing, bank robbery, and extortion. Additionally, industrialists, traders, senior politicians, and civil servants were forced to make secret contributions to the cause. They also collected money from teachers, businesses, farmers and tourists/trekkers. Some reports suggest that Maoists were also “involved in drug smuggling to help finance their insurgency” (ICG N°104, 2005). Though minimal and difficult to trace, the Maoists collect money from supporters in India and Western Europe and they retain resources through taxation or extortion of development projects, hence “the Maoists’ generally conciliatory attitude towards international aid.” (ICG N° 104, 2005).

In terms of military strength, the Maoists started by making their own guns and stealing weapons from local residents. As the conflict escalated, they captured most of their sophisticated weapons from the police and security forces. They also learned to build explosives including socket bombs, pipe bombs, and pressure cooker bombs. India’s porous border provided easy access to fresh ammunition and explosives. Regardless of the minimal number of weapons and cadres, in guerilla warfare, the size of the arsenal is less important than the tactics. To reduce the state’s power the CPN/M attacked police posts to force withdrawal, mainstream party activists to eliminate political competition, local government bodies to force resignations, and infrastructure to reduce the state’s delivery capacity, plus they intimidated and coerced the remaining institutions and civil servants, such as teachers. (ICG N°104, 2005)

## **D. INSTITUTIONAL CAPACITY OF STATE TO RESPOND TO THE CONFLICT**

The state’s reaction to the Maoist insurgency was slow and weak. The police appointed by a central authority, lacked credibility with people, especially in the rural areas where the Maoists used guerilla tactics. Also, “police training was poor, pay extremely low, and corruption endemic.” (Whelpton, 2007) The government’s weak military response and failure to make adequate gestures to improve the conditions and representation of marginalized groups allowed the insurgency to grow in military strength and popularity. By 2000, the Maoists had between 5,000 and 6,000 full-time cadres, with another 8,000 sympathizers. In response to the Maoist’s increased military expansion and encroachment on urban centers, in 2001, the Armed Police Force (APF) was established to combat the People’s Liberation Army (PLA), the Maoist military wing. Instability was heightened by the royal massacre<sup>16</sup> leading to King Gyanendra’s ascent to power. Soon after, the NCP’s leader Sher Bahadur Deuba succeeded Prime Minister Koirala and the first ceasefire was declared. Within months, the ceasefire collapsed and King Gyanendra declared a nationwide state of emergency and the deployment of the RNA. On October 4, 2001, King Gyanendra deposed Prime Minister Deuba and the Council of Ministers, assuming executive power. Following 9/11, Nepal, India, and the US governments declared the CPN/M a terrorist organization and several foreign governments including the United States, Belgium and the UK provided money, arms and training to the RNA. As violence escalated and international pressure mounted, the palace realized that it would never win militarily. The Maoists saw this as a strategic opportunity to extend their goals through both political and military means. This stalemate ultimately led to the signing of the CPA in

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<sup>15</sup> It is worth noting that the forceful and often violent tactics used by the Maoists and the contradictions between their political platform and their behavior has, over the years, caused them to lose popular support.

<sup>16</sup> On June 1, 2001 Crown Prince Dipendra Bir Bikram Shah Deve allegedly assassinated most of his direct family at a gathering held at the royal palace resulting in the death of his mother and father, Queen Ashwariya and King Birendra, brother and sister, and several other family members and palace staff. Though disputed most reports suggest that Crown Prince Dipendra later turned the gun on himself and died a few days later in the hospital at which time, King Birendra’s only surviving brother, Gyanendra, became the King of Nepal. For a detailed account of the Royal Massacre see *Love & Death in Kathmandu* by Amy Willesee & Mark Whittaker.

## **E. REGIONAL AND GLOBAL FORCES AFFECTING CONFLICT DYNAMICS**

Because the Himalayas provide a large wall with China, Nepal is extremely dependent on India economically. This facilitates a sense of power for India and of dependence for Nepal. This factor, coupled with India's inhibitive economic policies, have retarded Nepal's development. Politically, India's support for Nepal is opportunistic, often making it difficult to determine Indian objectives. As a result, relations between the Maoists, the government of Nepal, and the Monarchy ebb and flow depending on the need and interest of the different parties. The very large open border between India and Nepal provides an easy hiding place for Maoists and other militant groups and provides an easy supply of weapons and resources supporting violence in Nepal. For the most part China has played a quiet role in Nepal, but is a definite presence that India is very aware of, particularly in terms of trade and military buildup along China's southern border with Nepal.

## **F. EROSION OF STATE SOVEREIGNTY: CONFLICT IN THE TERAI**

The roots of the current conflict in the Terai date back to the unification of Nepal in the late 18th century. Nepal is split into three extremely diverse terrains with the northern third typically referred to as the Mountains (Himalayas) bordering China, the middle third the hills, and the bottom third the Terai or flat plains bordering India. This diverse topography helps to preserve differences and cultural identity. Throughout Nepal's history, politicians have used all of these fault lines to gain support. Prior to the conquest of the Rana dynasty, the people in the Terai were the "cultivators" with prominent "positions in the revenue-extraction hierarchy." When the Rana dynasty incorporated the Terai, the "Madheshis<sup>17</sup> were never part of the inner core of the bharadari [hills]" and therefore, when the hierarchy was established, "those appointed were predominantly from the hills" (Whelpton 58). This favoritism gave the hill people superior status and, "[s]ince a common sense of separation from the plains was the main thing that hill Nepalese shared, Madheshis were naturally felt to be outsiders" (ibid). In addition to the geographic division, "[m]odern Nepali nationalism...was shaped around the monarchy, Hinduism and the Nepali language..., [which] excluded Madhesis, whose distinct cultures and cross-border links have led hill Nepalis to view them with suspicion and derision." (N136: 3) Fueling the Madhesis frustration was the migration of hill people into the Terai. Many moved to the Terai for better economic opportunities, particularly in agriculture development and later to escape war in the hills. But, others moved as a result of government policies to protect Nepal's sovereignty and its cultural, religious, and linguistic identity. According to Welpton, "by 1991, over a million people had left the mountains or hills to set up new homes in the Terai... an increase from 6 per cent in 1951 to over 33 per cent." (123) Today the Madhesis make up a third of Nepal's population. They are completely underrepresented and tend to be poorer and have lower education and health indicators than hill communities. (ICG, N136: 5)

The political transformation triggered by Jan Andolin II (2nd People's Movement) and the peace process heightened the Madhesi and other marginalized groups expectations that they would gain representation in the new government and their grievances would be addressed. During the negotiation of the peace process Madhesi and other ethnic groups exerted strong pressure to ensure representation and benefits. This is a difficult process with many competing interests and view points. Mahesi groups are becoming more aggressive and with the splintering factions in the Terai,

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<sup>17</sup> Madhes is a near synonym of Tarai but it, and Madhesi (used for people) has distinct political connotations – Madhesis have been defined as non-pahadis with plains languages as the mother tongue. It encompasses both caste Hindus and Muslims, and, in some definitions, the indigenous Tarai ethnic groups." (N136: 2) Madhesi communities are also divided along caste and class lines so there is also internal fighting between different ethnic, caste, and class groups in the Terai.

it is difficult to determine what groups are legitimate and which ones are criminal opportunists. The people in the Terai are terrified and frustrated due to regular strikes, inter-communal violence, and criminal behavior including forced disappearances, bribery, armed robbery and murder. Though ethnic cleansing has not occurred on a large scale, extreme tension and occasional outbursts of violence between the hill people (pahadis) and the Madhesi is a tinderbox. The porous border with India allows for easy access to arms, militant groups, and cross-border criminal behavior. With the police completely demoralized and the army in their barracks, the people of Nepal find themselves in an extremely insecure situation.

## **G. WINDOWS OF VULNERABILITY FOR CONTINUATION OR RESURGENCE OF VIOLENCE**

Two years after the signing of the CPA, people remain hopeful, but expectations are waning. While the situation in the Terai deteriorates, the peace process becomes increasingly vulnerable and unpredictable. The CPN/M and the SPA have been unable to build consensus and the NCP and the CPN/M are struggling with internal threats between moderates and radicals and external threats of losing their constituents. While the SPA has fulfilled few of its obligations, the Maoists continue parallel tracks of agitation through the Young Communist League (YCL) and politically through the government. According to interviews and reports, the risk of return to open conflict is high. As ICG states, the CPN/M “define the peace process as a transitional phase in which they can destroy the ‘old regime’ and restructure the state... If this succeeds, they will declare the ‘peaceful revolution’ a victory... But, if the process is derailed, they will try to lead a more traditional ‘revolution’ in the form of a mass insurrection.” (N132: 14) This threat of war works as a veto that allows the Maoists to gain concessions and violate the CPA with impunity. Until the Maoists and other political parties feel confident of success in an election, it is likely that they will continue to pursue political delaying tactics while weighing the costs and benefits of a return to armed conflict.

## **H. CURRENT CONFLICT TRENDS/ANTICIPATED CONFLICT DYNAMICS IN THE NEAR FUTURE**

The current situation in Nepal is fragile and unpredictable. Some indicators of emerging stability seem relatively promising. The Monarchy has now been sidelined; The CPN/M and the SPA have signed a peace agreement, with combatant groups on both sides in barracks and cantonment camps. Yet the social fabric of Nepal is torn. While the death toll of the war was relatively low (approximately 13,000 people over 10 years), the conflict had severe negative impacts on industry, livelihoods, education, health and economic and agricultural development. An estimated 200,000 people were internally displaced and an additional 2 million people migrated out of Nepal to work in other countries. Much of the population is traumatized. Women have been widowed and left landless, jobless and hopeless; children have been abducted, brainwashed, forced to witness torture and murder and caught in cross fire at school; rural villages lack clean water and sanitation, schools and health facilities. These conditions compounded by deep structural inequalities and a political vacuum provide ripe opportunities for political mobilization. A culture of conformity easily mobilized for violence is omnipresent and incentives to try to gain political advantage through violence remain. Due to lack of participatory or representative governance, law and order, people feel like the only way to express grievances are through strikes, violence and other destructive means. Political spoilers and opportunists remain active and latent inter-communal and social divisions have already escalated into incidents of overt violence. Without major changes in the mentality of political parties and leaders, security sector reform and reform of the justice system, this culture of violence is likely to persist. Two rounds of promised Constituent Assembly elections have been stalled, essential basics of governance are absent in many areas, and the current experience of relative law and order are products of local initiative and culture, not of active governance institutions. The United Nations Mission in Nepal (UNMIN) has a very limited mandate and lacks the ability to intervene on major issues. Experience from other civil

conflicts (i.e. Sri Lanka) illustrate that formal peace agreements mark the beginning, not the conclusion, of a much longer stabilization and reconciliation process. If not managed effectively, the current situation could easily erupt in new rounds of violence. Unless currently missing “political will” can be generated and the root causes and incentives for violence greatly reduced, Nepal’s recent conflict experience may well reflect its future. The propensity for renewed civil conflict in other similar contexts has been high where stabilizing mechanisms are missing, as they now are in Nepal. Unless the endemic root and supporting causes of violence are addressed, the recent interval of reduced conflict cannot be assumed to be a predictor of the future.

# V. VALUE CHAIN ANALYSIS OF LIVELIHOOD ACTIVITIES

## A. VALUE CHAIN ACTIVITIES SUMMARY

With the Maoist insurgency mostly concentrated in rural agricultural communities, the prospects for social and political stabilization depend partly on the effectiveness of agricultural value chains to provide improved livelihoods and a sense of opportunity for rural communities. Responding to this reality, in the early 90s, IDE and WI began designing innovative value chain interventions and enterprise development initiatives to build agricultural value chains. A key element has been to link small farm producers and small-scale enterprises to agricultural markets, helping them to take advantage of untapped market opportunities. In the case of SIMI and UJYALO, off-season high-value horticulture was a value chain of primary focus. UJYALO also incorporated additional agricultural subsectors, including fisheries, livestock, coffee, apiculture, specialized agricultural products (e.g. ginger and non-timber forest products). To focus and simplify the value chain model, this study mostly focuses on high value horticultural crops.

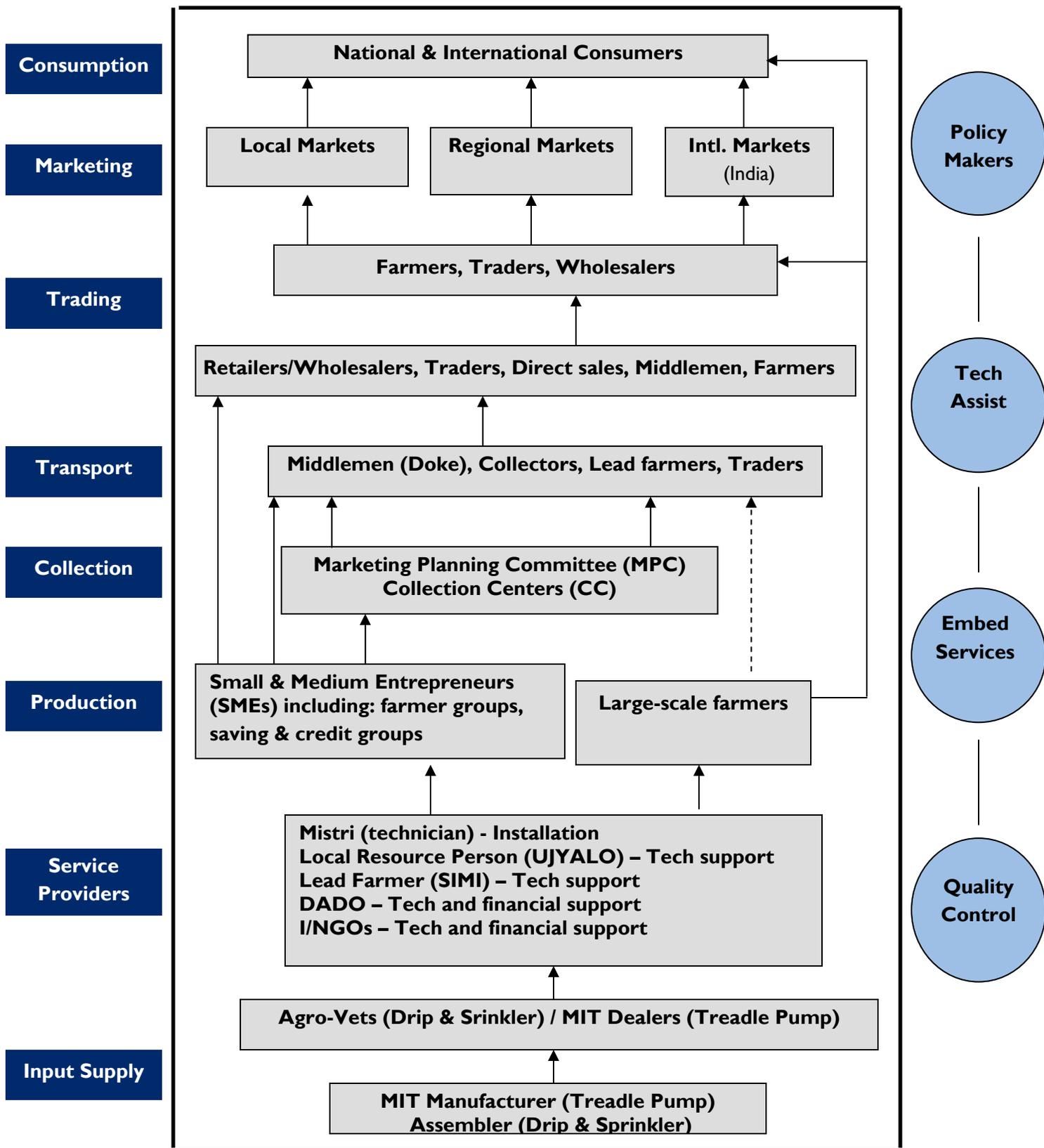
The SIMI and UJYALO projects under review in this study were initiated with the insurgency active in many parts of the country. At present—following the signing of the Comprehensive Peace Agreement—many of the original activities continue in the consolidated SIMI extension program. Both projects adopted a value chain approach and both were engaged in production and marketing of high value vegetable crops using micro irrigation technology<sup>18</sup>(MIT). UJYALO was designed to catalyze short-term income-generating activities in conflict-affected areas of the terai and mid-hills. In some program sites, UJYALO was able to capitalize on the value chain elements already being implemented by SIMI. An important constraint to horticultural value chains in some locations was the lack of reliable water supplies needed to produce high-value horticultural products using MIT.

It should be noted that IDE-WI implement a value chain approach focused on developing input supply systems with embedded training services to farmers and to developing marketing channels working with both traders and communities and local government to provide marketing infrastructure. IDE-WI also have a strong relationship with government to provide the public goods required to make private sector value-chains more effective. While government has its limitations and weaknesses in Nepal a key to program success has been the development of a public private partnership that has led to government supporting the value chain approach to developing agricultural opportunities for Nepal's smallholder farmers.

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<sup>18</sup> These include treadle pumps, drip irrigation and micro sprinkler irrigation, all available in sizes appropriate for small plots and at low cost.

Graphic 1. Value Chain Map – High Value Vegetable Crops using Micro Irrigation Technologies



## B. DESCRIPTION OF VALUE CHAIN STRUCTURES AND DYNAMICS<sup>19</sup>

IDE/WI facilitate the operation of critical input services by providing technical expertise on manufacturing and marketing to dealers of micro-irrigation technologies, such as treadle pumps and irrigation equipment (primarily drip and sprinkler systems). They also work directly with service providers such as agrovets and with other input/service providers, who sell pesticides, seeds, fertilizers and other inputs. In a critically important step, IDE/WI also helps those service and input providers to offer information and guidance to customers as “embedded training services”. The agrovets and assemblers interface with the manufacturers and dealers for product delivery and services. Service Providers (SPs), also known as Lead Farmers (LF) in SIMI and Local Resource Person (LRP) in UJYALO, mobilize individuals and groups at the production level and link them with input suppliers and output markets. IDE/WI also identify and train technicians (*mistris*) who install, repair, and maintain MITs. Small-, medium- and large-scale producers, farmer groups and cooperatives such as Savings and Credit Groups (SCGs) utilize these inputs and services for vegetable production, which are sold to local consumers, middlemen (*doke*), collectors, marketing committees, and traders.

MPCs<sup>20</sup> and Collection Centers are the next critical connection in agricultural value chains in SIMI and UJYALO programs. These are staffed and managed by the farmers themselves, who organize production and coordinate the marketing of their produce to improve prices and reliability. MPCs aggregate the modest output of individual farmers into marketable volumes and act as agents by facilitating sales to traders and wholesalers. Members also call on MPCs to serve functions that include the following: 1) development of community cropping plans to take advantage of off-season high-value opportunities; 2) mobilization of appropriate inputs, credit and extension services to farmers; 3) organizing cooperatives vegetable collection centers; 4) developing linkages with government and projects advocating for local level development and needed policies; 5) explaining market operations and preparing farmers to participate advantageously in market opportunities; 6) helping establish realistic local expectations on the quality and availability of government services; 7) advocating for agricultural training, credit access and infrastructure including agricultural roads, collection centers and community water systems; 8) mobilizing local resources to match government investment; and 9) helping government to better prepare for and allocate services.

### I. END MARKETS

Most of Nepal’s vegetable production is sold and consumed in country. India represents a vast market opportunity but currently only a small percentage of vegetables is exported to India. And nearly all exports are unofficial because of non-tariff trade barriers, and these sales are not recorded in official statistics. The major competitive advantage lies in producing off-season vegetables for sale in areas where seasonality and lack of water prevents production and raises prices. Nepal can grow vegetables in the hills during the monsoon season and export to India and beyond.

Industrial-scale processing operations for vegetables are extremely limited in Nepal. The premium for fresh, high-value produce creates incentives to build volumes and improve efficiencies for those markets. As the value chain for fresh produce expands in volume and geographic scale, IDE/WI anticipate that it may also diversify into some value-added processing operations. Business development services for those operations would then become a logical area of service provision for future program work.

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<sup>19</sup> See Annex 6 for a detailed log frame of SIMI’s programmatic component activities

<sup>20</sup> The USAID agriculture program has established a network of nearly 100 collection centers for commodities including vegetables, fruits, spices, goats, fish, coffee, and NTFPs. The collection centers are established by MPCs, which are democratically elected from member farmer groups. The MPCs establish the collection centers to aggregate smallholder produce for traders. In SIMI alone 71 MPCs have established 60 collection centers serving over 30,000 households (about 200,000 people). Already 11 of the MPCs are formally registered as cooperatives.

## 2. BUSINESS ENABLING ENVIRONMENT

### LIMITING FACTORS

Low levels of private investment and the relatively low priority agriculture commands in Nepal's national development planning form fundamental barriers to agricultural development in Nepal. The lagging status of agriculture as a development priority means, for example, that most government resources at the national and regional level only cover staff salaries, with almost no funds for field level activities. There is also a fundamental lack of linkages between the department of agriculture technical capacity to be utilized by local government (DDCs/VDCs) that have block development funds but lack technical capacity in agriculture.

A major challenge to enabling small producers to gain access to markets is reliably producing adequate volumes of sufficiently high quality produce to supply wider markets. The major constraint to producing larger volumes is the lack of input and service providers that can enable smallholders to take advantage of market opportunities. There is also a challenge in land distribution and the current environment which discourages land owners to rent land to rural poor. There is uncertainty over land reform and a reluctance by landowners to rent land establishing possible tenancy claims/rights.

### ENABLING FACTORS

Despite the constraints currently affecting agricultural development in rural Nepal, there are tremendous opportunities to improve production, productivity, livelihoods and incomes. These opportunities involve facilitating multi-stakeholder engagement between the government, communities, local organizations and the private sector to invest in needed infrastructure and to improve policies and programs. Basic awareness-raising can help these actors to appreciate the potential of high value agricultural production to help lift the poor out of poverty. The SIMI experience has shown that government support and services can be mobilized through appropriate organizations, such as the SIMI Government Advisory Body, and by actively strengthening linkages to government at all levels. Through a recent joint workshop with the Ministry of Agriculture and Cooperatives (MOAC), SIMI established a 'Jobs in Agriculture' committee to be constituted by the Nepal SIMI Advisory committee. This committee, constituted by government agencies, the National Planning Commission, the private sector, and development organizations, will focus on how agriculture investments can maximize the creation of employment opportunities.

### SUPPORTING MARKETS

Services and markets that support the expansion of agriculture and of economic activity include credit, finance, input supply and business development services. IDE/WI have developed linkages among farmers, farmer groups and micro-finance institutions (MFIs) to support the production and marketing of high-value off-season vegetables. Due to the insecure investment environment in Nepal, risk management presents a continuing challenge for most business sectors and limits the potential for economic growth. Based on field experience, many MFIs are risk averse and view small rural farmers as presenting unacceptably high chances of default. There is a strong incentive to increase profits, but improved risk management mechanisms are necessary for stronger and more effective supporting markets, including agricultural input suppliers. By developing a mechanism in which IDE/WI provide technical, non-financial services and the MFIs provides financial services, this perceived risk has been reduced.

SIMI and UJYALO utilized different approaches to supporting markets and financial services. Based on the business development service (BDS) approach, IDE/WI typically do not provide direct subsidies anywhere along agricultural value chains. An exception to this principle has been some small grants for the construction of collection centers, marketing sheds, and the installation of telephone lines, which are needed public goods that typically involve government. SIMI has provided additional credit through the development of revolving funds, or by linking poor

farmers to organizations that can provide subsidies for the initial purchase of MITs and inputs. In a few collection centers, IDE/WI have provided weighing machines and plastic buckets to the farmer groups managing the centers. Once UJYALO beneficiaries developed farmer groups and began to develop a larger income stream, they also organized saving and credit groups.

The most sustainable approach to financing small farmers has been the development of farmer saving and credit groups. Supported by IDE/WI, these are established and financed by the farmers themselves. The savings and credit groups provide low-interest loans to the members to procure agroinputs. Members can also use these loans for personal needs, including emergency medical care and education. Revolving funds are typically established by creating a cluster of three groups of women that include members from the dalit community. A management committee is selected from the members of the groups and is elected to administer the funds. Based on a priority ranking system, loans of up to 2,000 Nrs/household are distributed. After one cropping season of approximately six months, borrowers are required to repay 50 per cent of the loan. This repayment is then transferred to the next prioritized group. This revolving system places peer pressure on each group to succeed and to make repayments reliably so that resources are available for the next group. As these revolving credit groups become established and gain experience, they improve their administration and fund management. A key dimension of improved capability is the next step of successful registration as cooperatives.

#### **INTER-FIRM LINKAGES**

As a first step, IDE/WI helped to set up MIT dealer networks and agrovet supply businesses to provide seed and other inputs. The programs then encouraged and facilitated collaboration between those small enterprises. The incentive for MIT manufacturers, distributors, marketers and service technicians (*mistris*) to engage with one another was the clear mutual business benefits. A basic or core set of production inputs from various sources is essential to the viability of high value production packages. Once the core technologies were identified, MIT sales outlets, for example, recognized the business interest they shared with other input suppliers.

IDE has established manufacturing capacity for drip and sprinkler systems in Kathmandu with regional assembler operations, wholesalers, and dealer networks. In the Terai, the primary MIT is the foot-operated treadle pump.

SIMI helps the MIT manufacturer to estimate future demand and to produce an appropriate number of MIT kits. In the event that the demand exceeded the supply, the MIT manufacturer was helped to develop links to other manufacturers located in Butwal and Janakpur capable of delivering the necessary units. This horizontal communication between MIT manufacturers has helped to build business relationships across caste and ethnic lines, increase access to MITs for farmers, stabilize MIT prices, and share information about market demand. SIMI technical assistance helped to reduce the manufacturing cost of MITs, keep prices competitive and within the range farmers can afford, and establish a more predictable market for all participants. These horizontal linkages have also enabled MIT dealers to respond flexibly to roadblocks or strikes by sourcing MITs through different manufacturers in less affected areas.

Farmers and farmer groups tend to learn about MITs through INGOs and their local partners, through DOA, or through word of mouth. According to several MIT dealers, there is a bifurcated market for irrigation technologies. Medium and large-scale farmers prefer more costly but higher capacity electric or diesel pumps, whereas only a few small-scale farmers can afford even the modest initial costs of MITs. To overcome this obstacle to small farmer market engagement, IDE/WI hired social mobilizers to encourage the formation of farmer groups. This mechanism enables farmers to share costs and reduce the risks of investing in MITs. Once the farmer or farmer groups are ready to invest in MITs, they are referred to MIT dealers by IDE/WI, DADO, or local partners—depending on the District/VDC. The dealers have access to *mistris* (technicians) who install the MITs for the farmers for a fee. A similar

regulating mechanism was put in place to stabilize installation costs, mostly for boring well holes, at approximately 17 Rps per meter of depth. One of the challenges for *mistris* is finding the exact location of a viable water source. If they fail to “bring in” a well, they only receive half of their payment and may risk losing “face,” or business reputation.

Farmers can do minor MIT repairs, but more technical operations must be done by *mistris*, for whom IDE/WI provide with the necessary technical training. In Terai, agrovets tend not to have direct business links with MIT manufacturers or dealers because they primarily supply seeds, pesticides, and fertilizers. Field interviews revealed, however, that typically MIT dealers and agrovets are located in major market centers and interact informally on a regular basis. In Nepalgunj, agrovets have started an association to regulate market prices, seed quality, and policies. This agrovet association has expanded from the Kohalpur market all the way up to the hills of Surkhet. The rapid expansion and development of this association reflects the desire to increase business linkages and share mutually beneficial knowledge, with the incentive being increased business for all. The expanding business opportunities made possible by SIMI and UJYALO’s interventions have stimulated farm production, increased incomes, and generated demand for a spectrum of inputs and services.

In the Terai, farmers tend to interface directly with agrovets individually to find information on recommended production approaches and to purchase inputs (seeds, fertilizers, pesticides). Agrovets buy their stock directly from the dealers. In Surkhet, there are several Agrovets in each city center who supply MITs and agro-inputs. However, interviews with agrovets disclosed some frustration because IDE/WI were only working through one agrovet in each city center. This has promoted a sense of unfair competition, and inhibited positive linkages between the agrovets. Currently there are no agrovet associations at the district level, but many have become involved in the agrovet association based in Nepalgunj.

At the production level, lead farmers identified and trained by IDE/WI provide information and guidance to the other farmers. The program is working to develop the lead farmers as local level sub dealer input suppliers. When farmers meet at different social events or through the MPCs, they also discuss farm finances and exchange information. This provides a platform for typically isolated rural farmers to discuss markets, as well as social and political issues. The formation of horizontal farmer groups and affiliated saving and credit groups has led to an increase in trust and cooperation among the group members. Saving and credit groups serve as a safety nets for farmers who need immediate funds for buying inputs. If a farmer has a family or financial emergency, he or she can take out low-interest loans.

In a few places, small traders have developed more stable buyer-seller relationships with individual farmers. In such cases, the traders go directly to the farmer’s field or house to collect produce. According to a wholesaler in Kohalpur, the volume is still too small for wholesalers to get involved in the small producer value chains. Perceptions of profitable volumes at both the upper and lower end of the value chain represent an important barrier to smallholder development. Aggregating production to reach profitable market volumes is a key strategy for bridging the market divide between smallholders and these larger wholesale traders.

The aggregating function has been an important part of the SIMI-UJYALO program approach and is reflected in the priority given to MPCs. IDE/WI value chain programs have facilitated the development of MPCs at various strategic locations. MPCs interact on behalf of smallholder members with buyers, whose incentive is to ensure a supply of in-demand produce at a given location on a regular basis. MPCs also help inform farmers about market conditions and provide advantageous marketing leverage for their members. MPCs also serve as a platform for discussion of socio-economic issues related to agricultural development. IDE/WI field programs have helped MPCs to coordinate the adoption of more supportive policies with the local government (DADO, municipality, VDC) and to provide financial support for the construction of market facilities and agricultural development programs. The programs have also engaged other INGOs (i.e. CARE) to finance the construction of MPC marketing sheds. Horizontal links between

MPCs in the form of MPC associations help connect farmers and MPCs from different VDCs. They also magnify the power of smallholder advocacy by engaging with government on a range of issues and help relatively isolated MPCs to gain knowledge about models for more effective operations.

Social mobilizers play a key role in facilitating the formation of farmer groups. DADO also helps to set up farmer groups and link farmers with input suppliers. In Surkhet, DADO helped provide finance to farmers for the purchase of MITs. The MPCs are further linked with DADO through the construction of collection centers and market sheds. In Surkhet, there are many such multi-stakeholder-created collection centers. The combined efforts of IDE/WI, local partners, farmers groups, MPCs and DADO, reflect coordination between implementing NGOs, the private sector, and government. These coalitions reflect aspects of both support services and horizontal linkages between actors in similar positions in the value chain.

Research findings suggest that the collection centers are more developed in the hills than in the Terai, where market conditions have not favored the formation of MPC collection centers. Instead, with market infrastructure more easily available and closer to production sites, Terai farmers have tended to market their own produce locally.

In some cases the MPCs in the hills are highly developed and linked with each other. For instance, in Surkhet, the MPCs have formed an additional level in the value chain by linking several small MPCs to form a central Apex MPC that works with more distant markets and represents farmer members at a district level with government. Supporting this initiative, SIMI recently assigned a staff member to strengthen the managerial capacity of the Apex MPC. Also, unlike the Terai, wholesalers are involved in the value chain due to higher levels of production.

It is important to note that there is significant variability in the history and characteristics of local agricultural development in Nepal. These differences are reflected in the emergence of horticultural value chains with significantly contrasting functioning and scale. Variability in agronomy, available market infrastructure and program strategic approaches help to explain many of these differences. In the western hill district of Dadeldhura, for example, the horticultural value chain was initially developed by CECI, a Canadian INGO. Farmers groups and collection centers were introduced along the major highway to Dhangadi and Nepalgunj south of the municipality. UJYALO similarly introduced vegetable farming by initiating farmers groups and MPCs at the local level, but only operated for about two years. UJYALO also chose locations in the center of the municipality rather than along the highway going south. The result is that the two value chains have not been fully developed and integrated.

Other somewhat surprising variability affects even larger market hubs, which have in some cases developed unevenly, with significant consequences for the efficiency of value chains in markets such as Nepalgunj. Total volumes flowing through Nepalgunj are large and as a result one would expect more efficient, centralized, high-volume markets to emerge. Yet one key finding from field research was the absence of a centralized market in Nepalgunj, despite its status as a regional center and the major hub of transport in midwestern Nepal.

## **C. VALUE CHAIN FINDINGS**

Based on a thorough literature review and extensive interviews with staff and beneficiaries involved in SIMI and UJYALO, the following section provides a broad explanation of the value chain findings, particularly regarding opportunities and constraints, analysis of incentives and relationship between value chain and conflict dynamics. Section V. Analysis of Case Study Hypothesis will utilize direct interviews and observations from the field to provide a more detailed assessment of the findings from the field and to elaborate on and clarify this overview of the value chain findings.

## I. OPPORTUNITIES AND CONSTRAINTS

Comparative advantages in seasonal climate and labor costs should afford Nepal's producers, traders and transporters significant business advantages and opportunities to supply Nepal and northern India with fresh vegetables. Additionally, demand from India, Bangladesh and other regional markets, coupled with Nepal's comparative advantage in high-value horticulture and other agricultural products should provide strong incentives and wide opportunities for agricultural producers and value chains to extend sales to India and even beyond. Yet a high percentage of fresh vegetables in Nepal are still imported from India and, scaled against enormous regional demand, particularly for off-season vegetables, exports are miniscule. A set of difficult constraints limits the effectiveness of market incentives in changing current circumstances.

Some of the main constraints to upgrading value chains in Nepal are weak or non-existent infrastructure; an unstable political system; non-existent, dysfunctional or disabling national policies; weak government service provision; a risky security environment that discourages investment; and tariff and non-tariff barriers to trade put in place by India to suppress Nepal-originating trade.<sup>21</sup> Gaps in critical infrastructure increase costs for all levels of agricultural value chains. The overall business environment is shaped by deficiencies in transportation, communications, market infrastructure, business and contract laws and human resources. Businesses at all stages of the value chain find that the investment needed to offset weak or unreliable infrastructure makes otherwise viable business opportunities dauntingly expensive. This situation imposes direct costs and foregone growth on the rural economy. BDS providers exist, but find the demand for their services limited by the troubled business climate and a cultural tendency to view business development as a private arena in which trusted confidants and contacts rather than technical experts are solicited for advice. Compounding these structural inhibitions are low levels of literacy and numeracy, extremely challenging terrains and extreme climates, undeveloped market systems, and lack of effective horizontal associations.

## 2. ANALYSIS OF INCENTIVES

In places where SIMI has been implemented effectively long enough for the value chain to mature, market incentives have proven sufficient to induce significant changes in crop production and the operation of agricultural markets. Just as important, those incentives are sufficient to bring significant livelihood and income gains to poor and marginal smallholders. With further improvements in planning, organization, and information sharing, a larger share of the inherent market value of agricultural products can flow to farmers.

### INPUT-LEVEL INCENTIVES

Manufacturers in the Terai are motivated to produce MITs (treadle pump, drip, sprinkler and low-cost diesel pumps) to compete with high-cost technology manufacturers. This diversifies the product, creates a niche market and increases their profit margin. In turn, dealers can take advantage of this niche market by promoting and selling MITs and other required materials to farmers, thereby increasing their profit. The introduction of new technologies provides further employment for *mistris* (technicians) who install and repair the MITs. In the hills, the agrovets' incentive for investing in MITs (drip and sprinkler) is to diversify their business and increase their incomes. Another strong incentive for input providers is building local social capital and status within community. This serves two functions. Extrinsically, the increase in popularity leads to an increase in business not only for MITs but other products and services; and intrinsically, it enhances their sense of self-worth.

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<sup>21</sup> The arduous and costly steps required for export into the Indian market including phyto-sanitary certificates, routine customs clearances, pest management permits, import permits, plant food analysis, plus 'unofficial' non-tariff costs to Indian authorities discourage or stifle legal vegetable export into Indian markets.

## **PRODUCTION INCENTIVES**

By forming farmer groups and designating lead farmers, producers are able to consolidate small surplus volumes at the single-farm level into larger, more easily marketable volumes. Beyond economic incentives, farmer groups provide a space and setting for farmers to come together and discuss various issues related to farming and socio-economic and political concerns. Nonetheless, in some cases, incentives for farmers to participate in markets have seemed insufficient to overcome key constraints faced by low-resource producers. SIMI and UJYALO identified constraints where program interventions could make a quick and significant difference to small producers. Program experience has shown that incentives are more than sufficient to induce farmers to produce higher-value products.

The constraint to realizing those incentives, however, depends not on price, but on farmers' ability to market crops in a timely and coordinated manner. The ability of MPCs to build marketable scales by organizing, coordinating and consolidating the produce of small farmers has demonstrated their effectiveness in overcoming this particular constraint. MPCs help aggregate small farmers' production and help farmers to diversify crop choices and improve the quality of their production. MPCs have also demonstrated that apparently weak incentive structures and significant other constraints can be overcome with good agricultural and business processes. This helps attract more buyers, increases farmers' bargaining power, and raises farmer incomes.

The MPCs and CCs are formed and administered by farmers or farmer groups to provide structure, organization and coordinated timing to facilitate market access and sales. Under more ideal or 'mature' market conditions, the MPCs and CCs would operate on a for-profit basis for well-defined services. However, currently, most MPCs do not process sufficient volumes to afford paid staff and rely primarily on volunteer workers. Where MPCs have matured, for instance in Chhinchu and Surkhet, the MPCs have begun raising funds for managing and promoting the organization and for hiring staff. Once MPCs are mature, they are also in a position to take a lead in mobilizing resources for investment in agriculture development and to lobby for the appropriate actors to address non-tariff barriers for exporting to India and beyond. For instance, to create greater density and increase sales farmers need Multiple Use Systems (MUS) and Collection Centers. MPCs can lobby for local infrastructure including MUS and marketing collection centers. Another incentive for forming MPCs is non-financial: local economic self-governance and empowerment. Prior to the formation of MPCs organizations representing the interests of smallholders did not exist.

## **OUTPUT INCENTIVES**

Value-added processing operations are limited and cartel barriers to entry for transportation services have limited competition. This situation implies that high incentives in the upper end of the value chain have not resulted in more competition. In some cases, it has meant less, as when a small number of wholesalers dominate markets. Strong incentives therefore exist to maintain the status quo. Where the value chain has matured, these barriers to entry and monopolistic tendencies have been reduced considerably through the formation of horizontal associations and increasing the volumes produced and traded.

## **GOVERNMENT INCENTIVES**

The programs have developed government to more actively and better provide important goods including infrastructure, technical advice and services including higher agricultural productivity, incomes and economic growth. Perhaps a greater motivator is that improved life circumstances for rural communities results in reduced support for the insurgency and improved public opinion about the government. In some VDCs, SIMI and UJYALO have created an interface between local communities and the government, helping to strengthen government services and enabling community organizations to better identify and access those services. An indicator of improving government services and stability in rural areas is that over the four years of program operation, the number of districts with active government agencies has risen from three to ten.

### **INCENTIVES FOR CONFLICTING PARTIES**

The SIMI and UJYALO experience indicates that active agricultural value chains are a stabilizing and integrating social force rather than a fault line in the conflict. The insurgency and civil conflict in Nepal for the most part did not disrupt development of rural agricultural value chains.

The particular nature of Nepal's civil conflict has meant that political divisions were not structured around the participants in agricultural value chains. Rather, the conflict has been shaped along ethnic, caste, class and ideological lines that only incidentally cross-cut these value chains. Interventions to improve relationships along the value chain are therefore less relevant here than in some other contexts. More important interventions are likely ones that improve market information flows, communications, business capabilities and transportation and storage infrastructure that serve to further energize value chains. In this sense, more rapid and inclusive development of small capitalization agricultural value chains may be as effective—if not more so—than more conventional peacebuilding activities.

### **3. RELATIONSHIP BETWEEN VALUE CHAIN AND CONFLICT DYNAMICS**

One of the most significant characteristics of SIMI and UJYALO is that both projects were implemented in the midwestern and western districts most affected by the conflict. Despite the ongoing conflict, IDE/WI and partners were able to implement their value chain programs with minimal disruption. Most technical programs were required to withdraw staff and to suspend field activities during the recent conflict.

Based on our assessment of the approach used in SIMI and UJYALO, a number of factors seem to have contributed to its resilience during the conflict. The essential reason, however, seems to be the strong support they enjoyed from local farmers and communities due to rapid increases in income. At a time when the economy was stagnating or declining, the flow of benefits in the form of increased farm production and income for SIMI-UJYALO communities seems to have reduced the appeal of the insurgency. A more in-depth analysis of these factors will be covered in the section, “Challenges of Working in Conflict.”

An additional stabilizing aspect of SIMI-UJYALO was that the programs recruited and strengthened various levels of the Nepal government to better deliver important services and technical assistance. This not only provided benefits in the direct form of improved services, but created opportunities for engagement between farm communities and government agencies. That engagement has tended to improve local attitudes about the government. This contact has helped to better align high citizen expectations of government with its limited practical capacity to deliver services on the scale required. Even in the many cases where hopes for support were not met because of capacity constraints and political unrest, the engagement of government as an active contributor to tangible development has been an important component of the SIMI and UJYALO story. This process has also helped to create constituencies and advocacy on behalf of improved government services, which has the potential to induce future growth in the scale and capacity of government services.

Gaps in critical infrastructure increase costs for all levels of agricultural value chains. The overall business environment is shaped by deficiencies in transportation, communications, market infrastructure, business and contract laws and human resources. Businesses at all stages of the value chain find that the investment needed to offset weak or unreliable infrastructure makes otherwise viable business opportunities more expensive. This situation imposes direct costs and foregone growth on the rural economy. BDS providers exist, but find the demand for their services limited by the troubled business climate and a cultural tendency to view business development as a private arena in which trusted confidants and contacts rather than technical experts are solicited for advice. Compounding these structural inhibitions are low levels of literacy and numeracy, extremely challenging terrains and extreme climates, undeveloped market systems, and lack of effective horizontal associations.

The two most important distinguishing characteristics of SIMI-UJYALO value chain work were: 1) the resilience of economic development program activities, and 2) the stabilizing effect of income gains and tighter cross-sector engagement. Together, these qualities seem to have underpinned the programs' success at the operational and beneficiary impact levels.

# VI. ANALYSIS OF CASE STUDY

## HYPOTHESIS

To evaluate the accuracy and completeness of the hypothesis submitted in the IDE proposal, the IDE/WI team undertook a literature review, field surveys, key informant and focus group discussions, and a review of program documentation. This exercise prompted the team to suggest modest revision in the formulation of its original hypothesis. The original hypothesis and a discussion of steps taken to evaluate its accuracy are provided below. Following this review of the team's analysis, the revised hypothesis is restated in the form of a provisional principle. The purpose in these steps is to follow through methodologically by revising our hypothesis following information gathering and analysis, as well as to better explain the evidence that now enables the team to state more clearly and strongly important principles that underlie its experience in promoting value chain development in Nepal's conflict setting.

**Original Hypothesis:** 1) The value chain approach is an effective method to help improve the livelihoods of rural, conflict-affected populations and accelerates economic development, which increases rural satisfaction and decreases support for the insurgency; and 2) The integration of psychosocial and peace-building activities into the value chain approach strengthens local capacities for peace, contributes to conflict mitigation and recovery processes, and facilitates an environment conducive for sustainable economic growth.

To analyze the above hypothesis, the research team developed five subcategories that provide finer-grained information and perspective. These categories help to distinguish conflict causes and consequences, program activities from ambient conditions, and external forces from local influences that affected the development of these value chains. The analytic subcategories include: 1) Impact on Livelihoods, 2) Building Market Systems, 3) Challenges of Working in Conflict, 4) Peacebuilding, and 5) Governance. To explore these subcategories, a general template was developed<sup>22</sup> for interviewing the different stakeholders involved in and/or affected by SIMI and UJYALO.

Before proceeding, it is important to qualify these findings. First, the sample size per district and VDC was relatively small. Second, the enumerators did not ask to see any paper records, therefore, the numbers are for the most part, based on the farmers' estimates. Third, particularly in the case of UJYALO, several farmers were involved in more than one subsector (i.e. fisheries) making it difficult to isolate increases in income from one subsector (i.e. vegetable farming). Therefore, the statistical aspects of the analysis have weaknesses. However, the purpose of this survey was to determine general trends and to utilize these trends to test the hypothesis. The following sections are a summary synthesis of key points that emerged from these interviews and observations.

### A. IMPACT ON LIVELIHOODS

Based on extensive interviews with farmers participating in SIMI and UJYALO in the Terai and the hills, the primary impact was increased income at the household level. Prior to SIMI and UJYALO, many of the farmers were primarily subsistence, for whom market access means increased income and employment. The overwhelming majority of interviewees directly linked participation in high-value horticultural value chains with increases in household income and employment.

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<sup>22</sup> See Annex 5 for the general interview template.

To make this comparison, the field team visited two districts in the Terai (Banke and Kailali) and two in the hills (Surkhet and Dadeldhura) where SIMI and UJYALO were being implemented. To establish a baseline/control the field team also visited VDCs in each of these four districts where neither SIMI nor UJYALO were being implemented. The farmers were randomly selected with the minimum requirement that they had been involved in SIMI/UJYALO for at least one year. The following section summarizes the findings from the field interviews.<sup>23</sup>

## I. COMPARATIVE ANALYSIS

The average annual gross income from off-season vegetable farming and fish farming (UJYALO – Terai) was greater in the hills than in the Terai for both SIMI and UJYALO. The average annual income of farmers involved in UJYALO in the hills was almost three times the average annual income of farmers in the Terai. The explanation of these disparities is rooted in local circumstances and specific program histories.

In the Terai, there are several challenges to promoting the value chain. SIMI and UJYALO primarily target smallholders, the volume of whose farm output is limited. With access to roads and local markets, most of the farmers sell their vegetables individually at local markets. Currently many of the farmers do not see the benefit of selling their produce through intermediate collection centers that require fees and/or a time contribution.<sup>24</sup> This lack of incentive is one possible reason for the delay in construction of CCs and market sheds in the Terai. Market management is also difficult due to easy access to small markets and larger urban centers, including the District Head Quarters (DHQ). Also, the proximity to the Indian border decreases profit margins because vegetables are imported from India at competitive prices.

Other structural factors in local produce markets help to explain the individualistic marketing approach taken by farmers in the Terai. As Sita Basnet, a female wholesaler located in Kohalpur, Banke stated,

“The vegetable farmers were acting as producers and distributors. They did not realize the value of their time. So they sit in the markets all day trying to sell their vegetables individually. At the end of the day the farmers try to sell their remaining vegetables to the traders and wholesalers. But, by this time the quality and quantity is insufficient.”

Beyond increases in quality and quantity, the traders and wholesalers recommended an increase in farmer professionalism. Mrs. Basnet, among others, recommended that IDE/WI include professionalism and time management in farmer trainings. They recommended these trainings take place after the individual farmers begin producing higher quantities of off-season vegetables, and after farmers groups, CCs, and MPCs are established. The perception was that this would help individual farmers understand the process and value of transforming from subsistence to commercial farming.

In the hills, many of the challenges and benefits of the value chain are similar. However, in the hills there are fewer local markets into which farmers can readily sell their vegetables. The possibility of acting as an individual market agent is therefore more remote, and farmers are more dependent on smaller traders. Farmers in the hills lack vehicles for transportation and therefore they have to walk three to four hours to reach markets to sell their vegetables. Thus the benefits of farmer groups, MPCs, CCs and market sheds are more clearly apparent to farmers. Two additional challenges in the hills include a lack of water sources for irrigation, and a lack of land for cultivation. As noted earlier, upper caste landlords are reluctant to rent out land due to the uncertain situation of land reform.

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<sup>23</sup> For a more detailed explanation including spreadsheets with data please see Annex 10.

<sup>24</sup> There are in fact benefits for farmers in the Terai also to benefit from the aggregation of produce and policy advocacy facilitated by MPCs but the immediate need is less and hence it is more costly and less essential to program success to organize MPCs and collection centers in the Terai.

It is worth noting that there was significant variance among individual farmers. Also, there were differences in income generation patterns between districts and VDCs. There was a direct correlation between the maturity of the value chain and the increased income from off-season vegetable farming, evidenced in the case of Harre village in Surkhet. In addition, farmers, farmers groups, MPCs and CCs with greater access to main roads that connect to “brick of bulks” (urban centers located at intersections between the Terai and the Hills) earned higher incomes from off-season vegetable farming (i.e. Kohalpur). The average increased income from off-season vegetable farming in Kohalpur (39,000 NRs) was approximately double that of the other two SIMI VDCs surveyed in Banke (Sitapur 22,625 NRs and Jaispur 20,550 NRs). The brick of bulk in Aateria did not have a significant impact on the farmer’s increased income in Shripur. The slow urban growth of Aateria in comparison to Kohalpur could attribute to this variance. Also, the major north-south road in western Nepal connecting the hills with Rupediya (India) is the main route for importing and exporting resources with India, whereas the brick of bulk in Aateria is not a major import-export hub.

## **2. VARIABLES AFFECTING INDIVIDUAL INCREASES IN HOUSEHOLD INCOME**

In addition to differences in achieved income between SIMI and UJYALO and between the terai and hills, there was often variance between income levels of farmers in the same VDC. The following are some of the interrelated and interdependent factors that help to account for these differences:

- Farmers who had participated in the value chain for longer periods of time appeared to have greater profit margins and higher incomes.
- Farmers who had larger plots of land were able to cultivate more vegetables, increasing their output and profit margins and efficiencies in production.
- Farmers who owned or worked on land that was fertile, with proper slopes for drainage, sun and water sources generated greater income.
- Farmers with extensive knowledge and experience in farming who also exhibited an entrepreneurial spirits had greater profit margins.
- Lead farmers who helped to develop farmer’s groups and MPCs tended to have greater access to market information and stronger networks with input suppliers, government and I/NGO services, traders, and wholesalers. This often resulted in higher individual profit margins.
- Farmers who lived closer to roads and markets had higher profit margins.

## **3. DIRECT BENEFITS OF INCREASED INCOME ON LIVELIHOODS**

The farmers interviewed said they used increased income primarily for purchasing additional food supplies (vegetables, meat, salt, oil, spices, etc.) to supplement their rudimentary diets. The next priority was paying for children’s education. Some farmers with enough income had started savings accounts for emergencies. Others used the increased income to purchase land. In the hills, several farmers who had substantially increased their income said they were using the additional income to provide the initial costs of supporting family members to gain employment abroad in the Middle East (Dubai, Kuwait, Saudi Arabia) and South East Asia (Malaysia, Singapore, South Korea).

## **4. INDIRECT BENEFITS OF INCREASED INCOME ON LIVELIHOODS**

- **Increased self-esteem.** Farmers whose incomes rose reported increases in self-esteem, improved social status and a more rewarding sense of personal identity as productive farmers. This led to improved attitudes towards community involvement. Participants in UJYALO who received fishponds also said that in the past they were not always able to offer guests special food. By cultivating fish they were able to save face by offering guests fresh fish.

- **Improved health.** Due to increased consumption of more varieties of vegetables and in some cases fish, many farmers reported gains in overall health.
- **Increased mobility and access to information.** Farmers' involvement in the value chain encourages interaction with multiple stakeholders, which helps them gain information about farming and marketing as well as socio-political affairs. This exposure also helps poor farmers to build positive relations beyond their village and VDC.
- **Decreased dependency on Indian vegetables.** Because of increased local vegetable production and the higher value of what is produced, the import of vegetables from India has decreased.
- **Increased knowledge of business development.** Prior to SIMI/UJYALO, many farmers were poor and subsistence oriented, and lacked much social interaction outside of their community. They had little understanding of business mechanisms or market operations. Following the introduction of the SIMI/UJYALO programs, several farmers stated that they had been exposed to many different stakeholders and had learned much more about how to approach farming as a business, and how to engage with markets.

## B. BUILDING MARKET SYSTEMS

### I. MARKET AND PLANNING COMMITTEES (MPCS)

Both SIMI and UJYALO have supported the development of local market systems by developing human capital (farmers' groups and MPCs), infrastructure (CCs and market sheds), input supply and output marketing arrangements, soft skills including training in marketing. All of the MPCs interviewed were composed of individuals from different castes, ethnicities and genders. An exception to this pattern was Khajura, the market place in Bagshwari VDC, Banke, where female farmers and traders ran the MPC. MPCs reported that they received support from UJYALO and SIMI in the form of capacity building and infrastructure development (market sheds, CCs, baskets and weighing machines, telephones). SIMI/UJYALO also facilitated the formation of MPCs through a participatory process whereby farmer groups and traders identify potential members. Participation in MPCs also increased participants' social status, and created engagement between MPC members and various stakeholders including INGOs, DADO, customers and retailers. In essence, these relationships represent the basis of market networks and relationships.

#### **Box 1. Best Case Scenario: Local Farmer Organizations Linked by Associations**

In Surkhet (mid-hills) a total of 324 farmers' groups have been formed. The farmers' groups formed 13 MPCs with 13 operational CCs. To maximize profits, pool funds for infrastructure development and lobby the government to support small vegetable farmers, the 13 MPCs formed the Central Marketing and Planning Committee (CMPC) composed of a member from each MPC. To support the CMPC, SIMI designated a full-time staff for administrative and technical support.

Though all of the farmers in Surkhet have benefited from this development, the farmers in the village of Harre in Chhinchu VDC have had the most success, as evidenced by interviews, observations and levels of income generated. Based on interviews with four farmers from the farmers' group in Harre, the average additional income from off-season vegetable farming increased from approximately 425 Rps to 62,500 Rps per year as result of SIMI's intervention. Each of these farmers projected an additional individual increase of 20,000 Rps per year. Mrs. Pramila Bhattraai, the SIMI district manager in Surkhet supported these findings, stating that there were 207 farmers involved in off-season vegetable farming in Harre alone. In 2007, the MPC's records revealed that 13,400,000 Rps had been generated by tomato sales in just one season. This equals approximately 64,734 Rps per farmer in additional yearly income.

Due to this success, the MPC in Harre has started a savings scheme by levying a small proportion of the farmer's profits. The MPC plans to utilize this money to purchase a vehicle and other infrastructure facilities in their CC. Farmers and members of the MPC said that they would like to use this vehicle to collect and distribute vegetables to larger markets outside of Surkhet. This would help them maximize profits by accessing more remunerative distant markets. To support the initiative and success of the MPC in Harre, SIMI is provided funds for the MPC to purchase a telephone line. This will help them develop stronger horizontal and vertical linkages in the value chain.

This success can be partially attributed to favorable topography for off-season vegetable cultivation and leadership. The landscape in Harre is sloped towards the north, providing favorable conditions for moisture, sun and drainage. The lead farmer and chairperson of the MPC, Mr. Hira Bahadur Rokaya's altruistic and kind personality gained him the respect of his community. This combined with his previous experience in off-season vegetable farming and his entrepreneurial spirit enabled him to introduce new vegetables, technology and techniques to the farmers. For example, during an exposure visit to Dhankuta, a district in the eastern hills, he learned about different varieties of chilies. He asked for some seeds, which he brought to Harre and began cultivating. His first attempt was successful and now he plans to produce greater volumes and introduce these varieties to the farmers' group.

When asked about the function of the MPCs as market engagement mechanisms, the research team found some differences between the hills and the Terai districts. In the Terai, the MPC members stated that they organized and supervised regular markets where they maintained appropriate prices on behalf of farmers, and helped to promote and arrange vegetable sales. They also reported that MPCs organized meetings and interactive programs for farmers, traders, wholesalers and agrovets to discuss various issues affecting vegetable marketing. Several members of MPCs in the Terai suggested that the formation of MPCs helped to facilitate regular market schedules and systems for running the vegetable markets.

In the hills, fewer regularized local produce markets are available as sales outlets for farmers. This situation explains the value farmers place on the prime MPC function of pooling outputs from individual farmers into marketable volumes that can be sold to traders and wholesalers at collection centers. SIMI has implemented value chain development activities for a substantial period of time in the hills, which in important part explains the more mature status of hill MPCs. The MPCs manage the collection centers and work as the liaison between the small farmers and local traders. Mr. Govinda Ghimire, the central MPC chairperson in Surkhet, stated that there is active cooperation and established trust among the farmers' group and the collection centers. This trust is based on familiarity and interactions that did not occur previously, but now does regularly as MPCs have become more active in promoting collective marketing of vegetables.

In the Terai, individual farmers have easy access to many local markets, and the terrain allows for easy transport by walking or bicycle. Therefore, instead of each farmers' group developing their own MPC and CC, they all bring their vegetables individually to the local markets where a market shed has been constructed. As a result, only a few MPCs were developed, and all which function in closer proximity to the local markets. These market actors suggested the need for farmers to professionalize by utilizing MPCs and CCs to pool their vegetables into bulk and not sell small quantities individually.

## 2. CHALLENGES FOR MPCs IN THE TERAI

- **Improved conditions of market sheds.** Many MPCs said that the market sheds are too small. They also desired infrastructure improvements including water taps, toilets, graveling and drainage.
- **Placement of market sheds.** Several MPC members in the Terai stated that the members lived in different locations sometimes far away from the markets, making it difficult to supervise regular markets which are

open three days a week. In Aateria, the market sheds are facing east-west instead of north-south. As a result, the sunlight shines directly on the vegetables and dries them up, so the farmers and traders are not using the market shed. The market shed in Aateria is also located too far from the main market and therefore there are few customers.

- **Farmer professionalism.** In the Terai the small farmers are producing small volumes of vegetables. Due to easy access to local markets, many of them are selling vegetables directly to local markets instead of utilizing the MPCs, local traders, etc. MPC members, traders and wholesalers expressed a need for farmers to professionalize. For example, the chairperson of the MPC in Kohalpur, Banke stated that farmers should only be involved in production, not sales, and that the farmers do not realize the benefits of saving time and pooling small outputs into larger quantities.
- **Improved communication systems.** Some MPCs were trying to post the prices of vegetables on the wall of the market sheds so that farmers, customers, traders, and wholesalers were informed of market prices outside of the VDC and district. Due to unreliable communication systems, this did not work. Also, many of the farmers are innumerate and illiterate so they could not read the price lists even when they were posted.

### 3. CHALLENGES FOR MPCs IN THE HILLS

- **Access to roads.** Due to the rough terrain and distance from markets, the MPC members requested funding to purchase vehicles to collect and supply the vegetables to the markets.
- **Absence of local markets.** In the hills, the farmers and markets are scattered. The only central market is in the DHQ making difficult for MPCs to organize regular markets for individual farmers to sell produce directly to customers.

### 4. MPC-GOVERNMENT INTERACTION

Farmers who were also members of the MPCs appeared to have a better attitude toward the government. This could be a result of their increased awareness and exposure to government officials. For instance, Mr. Chhabilal Bhattra and Ms. Chitra Pathak, the MPC chairperson and secretary in Kohalpur VDC, Banke said that DADO had made a significant contribution to market promotion and that increased inclusion of DADO, the municipality and the VDC would bring more synergy to the project. There have been cases where the government has introduced poor-quality seeds to the farmers and not taken responsibility. This resulted in frustration and distrust in the government officials. Mrs. Indu Poudyal and Mrs. Sabitra Ranabhat, both members of the MPC in Khajura, Bageshewari VDC, Banke suggested that support from DADO and BEE-group, the UJYALO partner organization, to construct the physical infrastructure could be cited a good example of coordination with the government. Mr. Bishnu Chaudhari, a member of the MPC in Dhangadi Municipality in Kailali stated that BASE, the UJYALO partner organization, and DADO worked together with the MPC to provide land and construct a permanent market shed in the municipality. Additionally, members of the MPC in Aateria, Geta VDC in Kailali stated that DADO and the VDC had been instrumental in the construction of market sheds and that the success of the MPC was a collective effort that included the government.

## C. CHALLENGES OF WORKING IN CONFLICT<sup>25</sup>

### I. FARMER PERCEPTIONS

Few of the farmers interviewed said that the conflict between the government and Maoists directly affected the operation of the horticultural value chain. Though there is a CPA, the conflict is still very fresh in local memories and therefore, many interviewees were hesitant to respond to this line of questions. Participants who did express interference said that the major impact of the conflict was a general reduction in mobility imposed by strikes, roadblocks, closures and checkpoints. The second greatest impact of the conflict was increased fear, tension and suspicion. Depending on the location, farmers, middlemen, technicians, MIT dealers, agrovets, traders and wholesalers were harassed by both parties (RNA and police and the Maoists). Some households were forced to provide food and shelter to Maoist cadres, which often resulted in suspicion by the security forces. Also, farmers living in certain remote VDCs said that they needed a permission card from the Maoists to leave the VDC. The security forces knew which VDCs were under Maoist control. If the farmer came from one of these VDCs, they were interrogated and, if the security forces found their Maoist issued permission card, they would be punished.

In some VDCs, farmers were asked to either join the Maoists or leave the village. Schools became venues for Maoist to organize propaganda and recruitment drives. Thus, the security forces often targeted schools. This caused high dropout rates. The Maoists also had a policy of one recruit demanded per family, so many youth dropped out of school and migrated to India. Villages in close proximity to Maoist activity reported a reduced presence of INGOs and government officials resulting in decreases in technical support and lack of facilities and services. Due to the conflict, government service centers moved to the municipality and DHQ, making it very difficult for farmers to access official government documents and services. Interviewees also reported that the conflict caused disturbances in communication systems, destruction of infrastructure, lack of law and order, and decreased social interaction.

Despite these disturbances, farmers have continued to pursue their livelihoods, and have developed coping mechanisms to overcome the obstacles caused by the conflict. For instance, if they cannot get seeds or fertilizers they borrow from their neighbor or use chemicals instead of bio-fertilizer. However, the field staff are often affected due to lack of movement. To overcome this, SIMI/UJYALO began hiring social mobilizers and local staff who knew the context.

### 2. IMPACT OF CONFLICT ON MPCs

Even during the conflict, the markets ran smoothly because the output volumes remained relatively modest in size, and CCs and markets were localized. Demand for vegetables remained high, even during the most intense periods of the conflict. Neither the Maoists nor the RNA obstructed the local market, and the Maoists did not tax the farmers because the Maoists realize that even with increased incomes, farmers remain relatively poor. The paradox is that if people remain poor, the Maoists do not bother them. With greater prosperity, however, the Maoists might be more enticed to interfere. The proximity of Nepal's Terai areas to local markets seems to have decreased incidents of conflict during the Maoist uprising; with a significantly different pattern emerging as the Madhesi movement has gained in intensity. The main constraint imposed by the conflict on MPCs was closures, roadblocks, and restricted access to transportation, with obvious impacts on market operations.

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<sup>25</sup> See Annex 11

### 3. IMPACT OF CONFLICT ON INPUT SUPPLIERS

The major impacts of the conflict on input suppliers (agrovets, MIT manufacturers and dealers, technicians etc.) were transportation, strikes and closures. Several interviewees stated that while traveling with MIT equipment, the army and police were suspicious and would stop them to check the equipment. During road blockades and closures, input suppliers had difficulties transporting inputs to farmers and farmers had difficulty accessing their retail shops, causing a decrease in income.

### 4. PAHADE VERSUS MADHESI

The current conflict between Pahade (hill people) and Madhesi (Terai people) is not as intense in the mid and far west, because these development regions have high fractions of Tharu (Terai-Janajati) populations, whose allegiances seem to lie in another direction. Though the Tharu community is marginalized, that status seems not to have resulted in a regional identification with the Madhesi movement. Instead, Tharus primary identity seems to lie more closely with the Janajati from the hills. Most of the conflict between the Pahade and Madhesi has therefore occurred in the eastern districts in the Terai. However, the bandhs (strikes) and other disturbances occurring in the Nepalgunj and other parts of Nepal affect access and transportation to the West.

One potential social fault line that IDE/WI and others working in the Terai should be aware of is the unintentional favoring of migrants from the hills currently settled in the Terai. This migration is one of the grievances fuelling the current unrest in the Terai. If Madhesis perceive favoritism towards such groups, this could exacerbate regional identity-based tensions. Conversely, armed Madhesi groups could begin targeting the Tharu community if they are perceived to be favoring the Janajati in the hills.

### 5. ADDITIONAL FACTORS UNDERLYING CONFLICT RESILIENCE

A number of factors seem to have contributed to SIMI and UJYALO's ability to work in conflict beyond the economic, institutional and social factors considered earlier. These include the following:

- **Hiring Local Social Mobilizers.** Social mobilizers hired from the local villages knew the socio-political and cultural context, and had strong, active relationships with the local communities. Hiring local staff signaled that the project placed trust in local community members and farmers, and started an immediate flow of benefits to the local community. Additional hiring of socially diverse local staff and social mobilizers, including Madhesis, Tharu-Janajati, and other marginalized and frustrated groups in future efforts would likely convey similar benefits. If the conflict should flare again, this step could help IDE/WI and other organizations continue to implement projects.
- **Providing Rapid Benefits to Disadvantaged and Vulnerable Groups.** All value chain activities focused on quickly generating income in poor, vulnerable, low-opportunity and labor surplus rural areas. These include beneficiaries identified according to diverse ethnic, caste, economic (class) and gender parameters. This principle guided program work with farmer groups, marketing committees, water user associations, community forest users' groups and others. At least 50 percent of program trainings have been for women, 15 percent for the Dalits, and 40 percent for Janajati. Families with better local income opportunities tend to find male migration a less attractive option, keeping families together and stabilizing rural communities. The Maoists seem to have realized that benefits were rapid and tangible, and were flowing to an appropriate pool of poor and marginalized local beneficiaries.
- **Nepali Technical Staff Leading Field Implementation.** IDE/WI hired capable local technical service providers and field staff, reducing the need for expatriates or Katmandu-based staff to lead visible and

somewhat incongruous site visits. The projects also reduced the use of conventional advertising and promotional materials that sometimes reflect the values and approaches of outside organizations.

- **Public-Private Partnerships.** IDE/WI developed public-private partnerships to provide mechanisms to secure the presence and participation of businesses in developing smallholder agriculture. With significant investment essential to create economic opportunities, these relationships provide ways to attract wider participation and to boost business confidence. Increased business and investor confidence stimulates economic opportunities, reducing grievances and creating opportunities for producers able to respond to that demand.
- **Implementation through local NGOs.** Whenever feasible, IDE/WI implemented projects through local NGOs. This had an effect similar to hiring local staff or social mobilizers. Questions of identity and personal interest that can limit the effectiveness of outside organizations come up less frequently when local organizations play a lead role. Both SIMI and UJYALO made extensive use of local Strategic Partners (SPs) to build local capacity for equity and sustainability, to boost chances for program success, and to operate in a conflict setting. SIMI and UJYALO experience suggests that challenges of organizational capacity in these SPs needs to be directly addressed. Expectations about effectiveness need to take into account that local identities may not convey needed expertise or program experience.

## D. PEACE-BUILDING AND COMMUNITY STABILIZATION

### I. CONFLICT MITIGATION

Extensive interviews suggested that both SIMI and UJYALO affected some of the root causes of conflict in Nepal. Primary conflict drivers identified by a range of observers and confirmed by our fieldwork include entrenched, intense poverty; lack of employment opportunities; community and domestic conflicts; and a lack of educational opportunities for youth. The following highlights some of the major impacts of SIMI/UJYALO on conflict in Nepal:

- **Increased trust and cooperation.** Farmers who included their families in vegetable production reported an increase in intra-family social harmony due to the collective effort and common interest. Also, farmers said that participation in farmers' groups and MPCs led to increased trust and cooperation between group members as well with neighbors.
- **Decreased inter-family and inter-community conflict.** Due to increased farming activity, many farmers said they were too busy farming to indulge in unproductive activities like cards, alcohol and inter-family and community arguments.
- **Deterred individuals from joining the Maoists.** Several farmers suggested that the heightened farming activity and resulting increase in income and employment had deterred some people from joining the Maoists.

### 2. IMPACT ON GENDER DISCRIMINATION

- **Shifts in gender roles and improved social status.** Typically, Nepali women are solely responsible for carrying out domestic chores and taking care of children. In both the hills and Terai, a large percentage of the farmers are women. Due to their involvement in the vegetable production and marketing, several women reported that their husbands had begun helping with domestic chores. Women are also taking lead roles in farmers groups and MPCs. This has resulted in an increase in respect and social status. (However, there are very few female agrovets, MIT manufacturers/dealers, and *mistris* (technicians), wholesalers and traders.

Upper caste (Brahmin/Chhetri) men still dominate these professions.) A remarkable feature of the projects is that women initially involved are reluctant to even participate and introduce themselves at public events but over the course of the program women become very active participants articulating local needs. The projects benefited cultural flexibility in Nepal that does enable women to participate in outside activities if there is a substantial income gain.

- **Increased mobility.** SIMI/UJYALO have increased women's mobility by encouraging their participation in MPCs. This has increased their comfort levels with public interactions. Now they are more vocal about their needs, interests, and opinions.
- **Financial independence.** Many women involved in SIMI/UJYALO are earning an income for the first time. As a result they have become financially independent and no longer have to beg their husbands for petty cash. Numerous interviews suggested that women's involvement in SIMI/UJYALO had also increased women's knowledge of running a business.

### **3. IMPACT ON SOCIAL DISCRIMINATION (CASTE/ETHNICITY/CLASS)**

Both SIMI/UJYALO utilized a participatory approach in developing farmers groups that represented poor smallholders. Thus, many of the groups were heterogeneous in terms of gender, caste, and ethnicity. The list of farmers interviewed for this case study highlights this diversity.<sup>26</sup> One stark contrast worth noting is the difference in caste, gender and ethnic composition of farmers compared to input suppliers, government officials, traders and wholesalers. While farmers are socially heterogeneous, the other stakeholders involved in the value chain are higher-status, typically male, Brahmin or Chhetri, and have a moderate income and mid-level education.

Though discrimination obviously exists, few interviewees openly addressed discriminatory practices. Some interviewees equated an increase in education with decreases in discrimination. They also hinted at a generation gap between the young and old people's views regarding the caste system and discrimination. Participants involved in UJYALO expressed higher levels of awareness of discrimination, but it would be unrealistic to assume that a two-year project would end generations of caste, ethnic and class discrimination. An interaction between a Chhetri woman and a Dalit woman highlighted the prevalence of caste discrimination even between women in UJYALO committees. In Dadeldhura, the MPC chairperson is a female Chhetri who also owned a teashop. While conducting a focal group discussion with a farmers group, and offering tea and cookies to the farmers group, she handed each of the women a cookie. When she reached a Dalit woman, she dropped the cookie without making any physical contact. This infuriated the Dalit woman who began shouting at the chairperson. The group intervened and explained to the research team that it will take a long time to end caste discrimination in Nepal.

### **4. CHALLENGE OF MACRO STRUCTURAL CONFLICT DRIVERS AND LOCAL, SMALL SCALE DEVELOPMENT**

Based on these research findings both SIMI and UJYALO had significant, positive affects on the root causes of conflict in Nepal. Our findings suggest that both can contribute to the long-term process of socio-economic and political transformation at the grassroots level. However, these projects did not and cannot address the internal structural and geo-political influences that cause many of inequities fueling poverty, social unrest and injustices. Because of their comparatively limited size and focus, both projects are limited in their capacity to influence the conflict in Nepal.

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<sup>26</sup>See Annex 4 for a complete list of the interviews.

During field research, a survey was taken to gauge the impact of SIMI and UJYALO on community confidence in the peace process. There did not appear to be a great difference between the effects of the two projects in this area. However, there was some disparity between the hills and the Terai. Cumulatively 19 percent of farmers interviewed in the Terai and only 2 percent in the hills expressed optimism in the current peace process. Thirty-one per cent of Terai respondents and 49 percent in hills were not sure or did not have an opinion, and 50 percent of all interviewees were pessimistic about the current peace process. The field team reached the realization that very few of the farmers actually understood the peace processes, and felt disconnected from and often confused by the current political rollercoaster. Yet almost universally, respondents expressed confidence that peace would bring significant benefits to Nepal.

## **E. GOVERNANCE**

### **I. ECONOMIC GOVERNANCE AND GOVERNMENT PARTICIPATION**

Although not typically part of mainstream value chain approaches, SIMI and UJYALO worked closely on internal institutional economic governance for farmers, and directly with government to facilitate farmer-government linkages. Even though several farmers had received some form of support from the local government, the majority expressed skepticism in the government's interest and ability to support small farmers. Almost no farmers made positive remarks about working with the government, and many suggested that the government favored wealthier farmers. The farmers also said that government had limited human and financial resources, making their services inaccessible to small farmers.

Most farmers did not express a preference about working with INGOs or local NGOs particularly when the INGOs hired local social mobilizers. Many farmers expressed higher interest, however, in working with INGOs rather than the local government. Some of the reasons provided included delivery of services directly local communities by INGOs, ongoing monitoring and support from social mobilizers and greater flexibility vested in farmers by INGOs in making their own production and business decisions. A few small farmers did suggest that DADO could have a greater role in the sustainability of value chains by supporting inputs, follow-up and monitoring progress.

Insecurities created by the conflict seem to have negatively affected the relationships between farmers and government agencies. Maoists targeted the government officials and their offices, as well as civilians perceived to be supporting the government. Government officials did not report many direct personal security impacts from the conflict such as extortion, kidnapping, torture and killings. However, several government service centers were damaged, and the insecure environment induced a sense of fear in government officials. Overall findings suggest that there were pockets of opportunity to work with the government without Maoists interference.

Very few farmers understood the purpose of government policy and its affect on small farmers. Many of the farmers involved in SIMI/UJYALO recommended that the government make policies that do not exclude poor, marginalized and landless people. They also recommended that the government have an adequate budget to implement these policies.

To gain the perspective of the local government on the conflict and development approaches during conflict, our field team interviewed several DADO officials and District Agriculture Officers (DAO) in the hills and the Terai. In the Terai, Mr. Sachhinanda Upadhaya, the DADO in Nepalgunj, Banke, assessed SIMI and UJYALO effects in several local VDCs. Though there was not a direct program link with DADO, both projects tapped the technical expertise of DADO during implementation. Mr. Sachhinanda stated that the collective effort of INGOs, NGOs, and DADO was a positive example of collaboration, and that he is happy that SIMI is extending its services through DADO in Banke.

He believes that support and closer collaboration will result in synergic effects in the implementation of the value chain.

To increase the effectiveness of SIMI, Mr. Sachhinanda recommended hiring more local social mobilizers and having longer project implementation periods so that the necessary knowledge and skills are transferred to the beneficiaries. Mr. Sachhinanda recognized that the government does not have enough human and financial resources to cover large catchment areas. The central government ministry determines the annual budget, prioritizes beneficiaries, and sets program targets for agricultural programs. Thus, DADO officers cannot easily deviate from this agenda. Several government officials stated that though positive opportunities are easy to identify, the government's expenditure for agriculture development is decreasing.

In Kailali the research team interviewed DADO's Crop Protection Officer and the Fishery Development Office in Dhangadi Municipality. Many of their comments echoed Mr. Sachhinanda, particularly regarding the lack of financial and human resources needed to cover district. They also confirmed substantial cuts in DADO's budget and services. Based on market and value chain surveys their office carried out for Kailali and neighboring districts, they stated that there were very positive prospects for off seasonal vegetable farming. Though UJYALO did not have a direct link with DADO, government officials supported the project by providing technical support and resources for construction of market sheds. Apparently, the conflict did not have a negative impact on fish farming. However, it did inhibit the government's ability to monitor and supervise projects, including the construction of the market sheds. In closing, they stated that UJYALO provided a solid basis for further expansion of fish production. They are happy that SIMI will now be implemented through DADO in former UJYALO districts.

In Surkhet, Mr. Lila Ram Poudyal, the DADO officer in the Birendranagar Municipality, stated that DADO did not have the human and financial resources to reach all of the districts. Through cooperation with SIMI, however, the farmers were able to receive services. Mr. Poudyal encouraged SIMI to further facilitate the formation of farmers' groups in a Dalit community in Surkhet. Once Dalits were mobilized, DADO provided grants for MITs and seeds to help the Dalit community begin off-season vegetable farming. In response to the farmers' complaints about seed quality, Mr. Poudyal said that government lacked a good mechanism to control seed quality. He confirmed that the central government was planning to implement a new policy on seed production at the local level to help ensure seed quality. Mr. Poudyal stated that the government was also planning to implement a policy to waive import taxation on vehicles. Unfortunately, funding for this step was not included in the annual budget. Regarding the impact of the conflict, Mr. Poudyal stated that closures and roadblocks created some problems, but the value chain in Surkhet was not severely affected. Even during the 19-day strike, fresh vegetables were continuously available in local markets.

In Dadeldhura, the Junior Technical Officer (JTO) for DADO in Amargadi municipality also narrated a positive experience with UJYALO and its POs. Though DADO was not directly involved in the project, it did provide technical inputs to the UJYALO partners. As a result of collective efforts between DADO and UJYALO partners, a central level CC (market place) and a butchering house in Amargadi were constructed. To operate this CC more effectively, the infrastructure still needs some improvement including GI wire boxes and a road linking the CC with the market. In response to farmer's frustrations with irregular vegetable prices, the DDC had facilitated an agreement between the farmer groups and traders that resulted in a fixed price on fresh tomatoes. The central government also implemented a project to diversify vegetable production in several districts, including Dadeldhura. This crop diversification project was the impetus for off-season vegetable farming.

Though a successful initiative, funding for this project ended because the government is reducing its expenditure on agricultural development. Vegetable farming in Dadeldhura was introduced by CECI prior to the implementation of UJYALO. Presently, off-season vegetables are exported to many neighboring districts, including Baitadi, Doti,

Dhangadi, Mahandranagar and Nepalgunj. Similar to the other three districts utilized for this study, closures and road blockades caused some problems for farmers and traders in terms of exporting fresh vegetables, but the conflict did not have a major impact on the value chain in Dadeldhura.

# VII. SUMMARY OF FINDINGS

## VALUE CHAINS IN NEPAL'S CONFLICT: RESILIENCE AND THE STABILIZING EFFECTS OF AGRICULTURAL VALUE CHAIN DEVELOPMENT

Experience in the SIMI and UJYALO programs illustrates that a value chain approach tailored to Nepal's conflict circumstances and agricultural conditions improved the livelihoods and incomes of conflict-affected rural populations. In providing vital development benefits to needy communities, the program significantly increased rural satisfaction. Community satisfaction translated directly into support for SIMI and UJYALO and enabled them to continue operating in conflict areas with limited disruption. This resilience confirms that appropriately designed agricultural development programs can deliver economic and conflict-mitigating benefits during conflicts when many other areas of the economy experience major disruptions.

SIMI and UJYALO actively created sustainable rural institutions and development processes that, along with income and economic opportunities, generated social capital in contexts where other forms of capital were very scarce. Marketing and Planning Committees, water users' groups, farmers' groups and horizontal associations between such groups helped to mobilize social capital and foster market relationships. The programs also engaged across the sectors of government, NGOs and INGOs, small farmers and businesses. These institutions and the engagements between them have helped stabilize and restore the enabling environment for development activities damaged in the conflict. These findings confirm that well-designed market-led agricultural development programs contribute positively and directly to community resources for peace-building and stabilization.

UJYALO, and to a lesser extent SIMI, integrated peace-building activities into the value chain approach. UJYALO also incorporated psychosocial interventions to directly create additional community peace-building resources. Peace building was the core objective of UJYALO program, while economic opportunity and income generation remains central to SIMI. Both programs integrated vital activities that addressed local needs and to respond to the evolving conflict. Groups created by the programs for the purpose of agricultural development and peace building responded by serving as platforms for broader community discussion of social and political issues. Those activities created synergies or strong positive social externalities that directly supported development and peace building for rural Nepali communities.

Findings confirm that appropriately designed agricultural development programs have been resilient to Nepal's conflict, and have helped stabilize needy rural communities by building financial, institutional and social resources. Findings also indicate that integrating conflict mitigation or peace-building activities into agricultural and rural development programs adds to the stabilizing effects. Perhaps most important, findings show that communities respond more positively and strongly to effective income-generating activities than to peace-building activities alone. Briefly stated, income-generating activities create legitimacy and local support, boosting the appeal of associated activities such as conflict mitigation. In the difficult social and economic conditions facing conflict-affected communities, helping to meet basic needs such as income generation induces a much more positive response to peace-building interventions.

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- Annex 10. Field Data
- Annex 11. Impact of Conflict (based on field interviews)

# ANNEX I

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## ANNEX 2

### SCOPE OF WORK (TOR)

#### **Value Chain Approaches in Conflict-Affected Environments: A Comparative Case Study Exploring Value Chain Approaches Implemented in Rural, Conflict-Affected Areas of Nepal**

##### **1. Project Description for Research**

This proposed case study focuses on two current USAID-funded value chain projects jointly implemented by International Development Enterprises (IDE) and Winrock International (WI) in rural, conflict-affected areas of Nepal. Both projects use a value chain approach to increase incomes of smallholders and disadvantaged farmers in conflict-affected areas: the Smallholder Irrigation Market Initiative (SIMI) employs a typical value chain approach, while the UJYALO project integrates the value chain approach with psychosocial and peace-building activities in order to contribute to conflict mitigation and economic recovery. The objectives of this study are to conduct an in-depth analysis of each value chain approach and to compare the two approaches, documenting positive and negative outcomes and lessons learned in order to contribute to the development of an integrated value chain framework for conflict environments.

With USAID financial support of approximately five million USD to date, SIMI is one of the first projects in Nepal to fully utilize the value chain approach when it was initiated in June 2003. SIMI's geographic focus is in conflict-affected Mid-Western and Western districts of Nepal.<sup>27</sup> SIMI's goal is to increase incomes of participating smallholder farmers by at least 50 percent and to push 90 percent of SIMI participants above the poverty line. To achieve this goal, the project increases crop production through the use of low-cost micro irrigation technologies; expands smallholder opportunities for sales through value chain development of high-value crops; generates jobs throughout the value chain, including the micro-irrigation supply chain; and creates sustainability through public/private partnerships and capacity building of government entities. The success of SIMI has led to three program extensions with the current end date in 2009.

UJYALO is a USAID-funded (approximately eight million USD) project implemented by IDE and WI in partnership with CARE, Save the Children (SC), and the Asia Foundation (TAF) from October 2004 to August 2007. UJYALO works with individuals, families and communities most negatively impacted by the conflict in Nepal's Western, Midwestern and Far Western Development regions. The primary goal of UJYALO is to promote peace and reconciliation through increased income and through building local capacities for peace. Within UJYALO, WI and IDE are responsible for agricultural value chain program components and implement a 2.25 million USD Sustainable Rural Income Generation for Victims of Conflict component in ten of the thirteen project districts<sup>28</sup> to establish sustainable income generation through value chain development in micro-irrigation, horticulture/vegetables, fisheries, and livestock.

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<sup>27</sup> SIMI districts: Banke, Bardia, Dailekh Kapilvastu, Surkhet, Palpa, Gulmi, Syangja and Kailali. See *Appendix C: Map of SIMI and Ujyalo Districts*. Selection criteria for districts and participants included: severity of conflict; market access and agricultural potential; client base and ability to work with a large number of poor farmers; institutional structure; and infrastructure investments in roads and drinking water systems.

<sup>28</sup> IDE working districts: Lamjung, Bardiya, Kailali, Doti, Dadheldura; WI working districts: Gulmi, Arghakanchi, Salyan, Pyuthan, Banke. Partner working districts: Kanchanpur, Surkhet, Dang. See *Appendix C: Map of SIMI and Ujyalo Districts* where WI/IDE implement the value chain approach.

While SIMI and UJYALO both employ value chain approaches in conflict-affected environments<sup>29</sup>, UJYALO also integrates psychosocial and peace-building activities into the value chain to build individual and community capacities for peace and cohesion in rural communities. These activities include: developing community groups (e.g. child protection committees, school management committees, and construction committees); provision of legal and counseling services for victims of conflict and torture; establishment of peace education programs; and training in human rights, peace-building, and mediation.

### **1. Description of Targeted or Potential Subsector, Industry, or Livelihood Activity**

Similar to the USAID/MD value chain framework, IDE has developed an integrated value chain market systems approach for rural environments, termed PRISM (Poverty Reduction through Irrigation and Smallholder Markets). Utilizing this model as a diagnostic and guiding tool for implementation<sup>30</sup>, WI and IDE have developed innovative value chain interventions and enterprise development initiatives that link smallholder households and small-scale enterprises to enhance the development of agricultural-based market systems. The PRISM value chain approach is particularly appropriate for Nepal for two reasons. First, 85 percent of Nepal's population live in rural areas and depend on agriculture for their basic livelihood needs. Second, as the Maoist insurgency has primarily affected rural agricultural-based communities, development approaches should logically focus on the rural markets and the agricultural sector.

Both SIMI and UJYALO utilize elements of the PRISM approach to:

- Analyze end market opportunities at local, national and regional levels.
- Develop and/or re-build vertical linkages among firms at different levels of the value chain.
- Facilitate supporting markets for the irrigation sector through the design of low-cost irrigation technologies (drip, sprinkler, treadle pumps and hybrid drinking water systems) and the creation of private sector supply chains to sell these technologies, which enable smallholder participation in high-value agriculture.
- Promote horizontal linkages through social marketing and social mobilization to facilitate formation of farmer groups and cooperatives that increase bargaining power of farmers.
- Facilitate provision of technical agricultural support services through local input dealer extension.
- Strengthen the business enabling environment by working with government to adopt policies and programs promoting micro-irrigation and taking a market-led approach to working with smallholder farmers.

SIMI<sup>31</sup> works with women (53 percent) and the most disadvantaged community members (15 percent Dalit and 36 percent Janajatis) to develop value chains in the agricultural subsector, primarily high value vegetables. SIMI impacts include: increased cumulative sales of high-value crops by 15 million USD; increased annual household incomes by almost 100 percent; adoption of micro-irrigation by more than 40,000 households and provision of technical assistance to these households through 2,000 farmer groups; and installation of 40 multi-user water systems, which provide 2,000 households with water for drinking and micro irrigation. Also, SIMI has established 59 collection centers, which serve more than 30,000 households, and 70 marketing and planning committees, which provide communities with market linkages, crop planning, input supply, credit, and linkages with government.

UJYALO also focuses on women-headed households (61 percent women) and disadvantaged groups in multiple sectors, including micro-irrigation, vegetable production, livestock (goat, poultry, dairy), fisheries, coffee, apiculture,

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<sup>29</sup> Appendix D: Map of Conflict-Affected Districts in Nepal shows areas in Nepal most affected by the conflict.

<sup>30</sup> See Appendix E: PRISM Model for Value Chain Development in the Agricultural Sector and Appendix F: PRISM Intervention Design.

<sup>31</sup> See Appendix G: SIMI Value Chain in Nepal and Appendix H: SIMI Programmatic Component Activities

and specialized agricultural products (e.g. ginger and non-timber forest products). Impacts of UJYALO include the involvement of 13,955 households in micro-enterprise development; formation and strengthening of 721 farmer groups; construction of 17 multi-use water systems; and 720 fishponds dug and 40 rehabilitated. UJYALO has strengthened value chains by supporting the development of 36 market collection centers; the purchase of 1,374 micro irrigation systems through local agro-input dealers; the development of a number of para-vets tied to agro-input dealers; and the development of coffee pulping and washing centers. As a result of peace building activities provided by Save and CARE, children have received educational support; community members have participated in community peace building initiatives; community level disputes have been resolved by mediators; and community groups practice good governance.

## **2. Summarized analysis of the conflict**

The conflict in Nepal has been profoundly influenced by the country's socio-cultural and geographic diversity, a strong caste system, high illiteracy rates, lack of economic opportunities, extreme poverty and the country's history, which includes a strong legacy of feudal systems. The violent conflict erupted in 1996 when the CPN/Maoists, alienated from the political system, initiated an insurgency first against the mainstream democratic political parties and later against the monarchy. The armed rebellion began in the remote Mid-Western hills and quickly spread to almost every district in Nepal, posing a significant threat to security, stability, economic, industrial, and agricultural development. The current peace process in Nepal was initiated through a non-violent people's movement in April 2006 that resulted from the King's seizure of power in 2005, which led to the king surrendering power, a ceasefire, and a formal peace process between the CPN/Maoists and a seven-party alliance facilitated by the United Nations. In November 2006, a Comprehensive Peace Accord was signed, formally ending ten years of war. While the death toll of the war was relatively low (approximately 13,000 people over 10 years), the conflict had severe negative impacts on industry, economic and agricultural development. Impacts specific to the subsectors in which SIMI and UJYALO operate include: restrictions in movement and access, lack of law and order, damage to communications systems, a lack of a variety of services, lack of national and foreign investment, and displacement and migration (an estimated 200,000 people were internally displaced; an additional 2 million people migrated out of Nepal to work in other countries).

## **3. Case study hypotheses**

Hypothesis: The value chain approach improves the livelihoods of rural, conflict-affected populations and accelerates economic development. The integration of psychosocial and peace-building activities into the value chain approach strengthens local capacities for peace, contributes to conflict mitigation and recovery processes, and facilitates an environment conducive for sustainable economic growth.

To test this hypothesis, this case study will conduct an in-depth analysis of two value chain approaches implemented during the conflict in Nepal, compare these approaches and document positive and negative outcomes and lessons learned in relation to the following:

- *Impact on Livelihoods:* Did the approaches successfully integrate rural conflict-affected people – including women headed-households and other disadvantaged groups - into value chains and improve their livelihoods? If not, why? If so, how?
- *Re-Building Market Systems:* Did the approaches successfully meet relief priorities while re-building markets and accelerate the process of broad economic development in the post-conflict environment? If not, why? If so, how?

- *Peace building:* Did the approaches successfully increase trust and build positive relationships among actors involved in the value chain, creating an environment conducive for effective value chain development? If not, why? If yes, how?
- *Governance:* Although not typically part of mainstream value chain approaches, SIMI and UJYALO worked closely with government at all levels to access government services and resources as part of the value chain or directly for clients. Did the inclusion of government strengthen service delivery and improve governance? How? What were the strengths and challenges of working with national and local governments in the conflict and post-conflict periods and how have these evolved in the post-conflict period?
- *Challenges of working in conflict:* Which approach most successfully overcame obstacles to implementing the value chain approach in the midst of violent conflict?

The proposed study is uniquely appropriate for testing the above hypothesis and addressing the research question for several reasons. First, both SIMI and UJYALO started during a period of extreme violence and continued through to the current peace process. This enables the case study to examine if/how the projects linked relief and development and to formulate best practices in relation to value chain development for economic recovery in conflict and post-conflict environments. Second, this case study enables documentation of impacts and lessons learned in relation to two very different value chain approaches. Further, as both projects were implemented in Nepal and overlapped in terms of time and location, this case study is uniquely positioned to control for extraneous variables (e.g. external factors that affect value chain development and economic growth) that could otherwise compromise the findings of the study. Third, the interventions' successful work with government institutions provides the basis for significant learning regarding working with government institutions involved in conflict. Fourth, although the main conflict in Nepal has been between the CPN/Maoists and the Government, other latent conflicts - including caste, gender discrimination, and identity-based conflicts - provide both challenges and opportunities for value chain implementation and opportunities for research in order to better understand how to target and benefit these disadvantaged groups through value chain development. Finally, this case study will enable IDE/WI to document these two approaches and the lessons learned in order contribute to practitioners' best practices. The knowledge gained through this case study will be directly applied to the design and implementation of a new IDE/WI USAID-funded two-year initiative, the Global Development Alliance for Conflict Reconciliation and Reduction (CRR), which will use the value chain approach to address key underlying causes of conflict in Nepal.

## ANNEX 3

### FIELD ITINERARY

Date	Place	Mission	Contact Persons
01.10.2007	Kathmandu (KTM) – Nepalgunj (NPJ)	Arrival to NPJ, SIMI Office	Field Team (FT)
01.10.2007	NPJ	Meeting with Banke SIMI District Officer and Crew members <ul style="list-style-type: none"> <li>• Information on the project</li> <li>• Identification of SIMI VDCs</li> <li>• Identification of Control VDCs</li> <li>• Identification and recruitment of Social Mobilizers</li> <li>• Identification of Prime stakeholders</li> <li>• Arrangement of logistic &amp; Transport</li> <li>• Interaction with DADO</li> </ul>	Banke SIMI District Officials and FT
02.10.2007	Field Visit	Visit to Kohalpur and interview with: <ul style="list-style-type: none"> <li>• MIT manufacturer</li> <li>• MIT dealer</li> <li>• Technicians (Mistris)</li> <li>• Agrovet</li> </ul>	FT & Social Mobilizers (SMs)
03.10.2007	Field Visit	Visit to Jaispur VDC and interview with: <ul style="list-style-type: none"> <li>• Four individual farmers (SIMI)</li> <li>• Focal Group Discussion (FGD)</li> </ul>	FT & SMs
04.10.2007	Field Visit	Visit to Sitapur VDC and interview with: <ul style="list-style-type: none"> <li>• Four individual farmers (SIMI)</li> <li>• Focal Group Discussion</li> </ul>	FT & SMs
05.10.2007	Field Visit	Visit to Kohalpur VDC interview with: <ul style="list-style-type: none"> <li>• Four individual farmers (SIMI)</li> <li>• Focal Group Discussion</li> <li>• MPC members in Khajura</li> <li>• Technician (Mistri)</li> </ul>	FT & SMs
06.10.2007	Field Visit	Review of the findings and adjustment of program <ul style="list-style-type: none"> <li>• Interview with MIT dealer in NPJ</li> <li>• Interview with agrovet in NPJ</li> </ul>	FT & SMs
07.10.2007	Field Visit	Visit to Bageshowri VDC and interview with: <ul style="list-style-type: none"> <li>• Four individual farmers (UJYALO)</li> <li>• Focal Group Discussion</li> <li>• School Disaster Management Committee</li> <li>• MIT dealer</li> <li>• Agrovet</li> </ul>	FT & SMs

Date	Place	Mission	Contact Persons
08.10.2007	Field Visit	Visit to Phattepur VDC and interview with: <ul style="list-style-type: none"> <li>• Four individual farmers (Control)</li> <li>• Focal Group Discussion</li> </ul>	FT & SMs
09.10.2007	Field Visit	Visit to Naubsta VDC and interview with: <ul style="list-style-type: none"> <li>• Four individual farmers (UJYALO)</li> <li>• Focal Group Discussion</li> <li>• Culvert Construction Committee</li> <li>• SDF &amp; FECOFUN (local POs)</li> <li>• MPC in Kohalpur</li> </ul>	FT & SMs
10.10.2007	Field Visit	Visit to Puraina VDC and interview with: <ul style="list-style-type: none"> <li>• Four individual farmers (Control)</li> <li>• Focal Group Discussion</li> <li>• CeLLARd &amp; BEE-Group (local POs)</li> <li>• Review in SIMI office</li> </ul>	FT & SMs
11.10.2007	Field Visit	Travel from NPJ to Dhangadi and meeting with Kailali SIMI District officials: <ul style="list-style-type: none"> <li>• Information on the project</li> <li>• Identification of UJYALO VDC</li> <li>• Identification of Control VDC</li> <li>• Identification and recruitment of Social Mobilizers</li> <li>• Identification of Prime stakeholders</li> <li>• Arrangement of logistic &amp; Transport</li> </ul>	Kailali SIMI officials and FT members
12.10.2007	Field Visit	Visit to Shreepur VDC and interview with: <ul style="list-style-type: none"> <li>• Four individual farmers (UJYALO)</li> <li>• Focal Group Discussion</li> </ul>	FT & SM
13.10.2007	Field Visit	Visit to Pahalmanpur VDC and interview with: <ul style="list-style-type: none"> <li>• Four individual farmers (Control)</li> <li>• Focal Group Discussion</li> <li>• Agrovets in Aateria</li> <li>• Visit and interview with MPC</li> <li>• Fishery Officer at Dhangadi</li> </ul>	FT & SM
14.10.2007	Kailali-KTM	Visit and interview with: <ul style="list-style-type: none"> <li>• MPC at Dhangadi</li> <li>• DADO</li> <li>• MIT dealer</li> <li>• Arrival to KTM</li> </ul>	FT & SM
27.10.2007	Kathmandu (KTM) – Nepalgunj (NPJ)	Arrival to Nepalgunj and interaction with: <ul style="list-style-type: none"> <li>• MIT dealer</li> <li>• Agrovets</li> <li>• Contractor of Vegetable market</li> </ul>	FT
28.10.2007	NPJ - Surkhet	Travel from Nepalgunj to Birendranagar municipality, Surkhet	FT
29.10.2007	Field Visit	Meeting with Surkhet SIMI District officials:	Surkhet SIMI

Date	Place	Mission	Contact Persons
		<ul style="list-style-type: none"> <li>Information on the project</li> <li>Identification of SIMI VDCs</li> <li>Identification of Control VDCs</li> <li>Identification and recruitment of Social Mobilizers</li> <li>Identification of Prime stakeholders</li> <li>Arrangement of logistic &amp; Transport</li> <li>Interaction with agrovet &amp; MIT dealer</li> <li>Interaction with central MPC Chairperson</li> <li>Interaction with Wholesalers</li> <li>Interaction with DADO</li> </ul>	District Officials and FT + SMs
30.10.2007	Field Visit	Visit to Bidyapur & Salkot VDCs and interview with: <ul style="list-style-type: none"> <li>Focal Group Discussion in Bidyapur</li> <li>Four individual farmers in Salkot</li> <li>Observation and informal discussion with MPC members in Baddichaur</li> </ul>	FT & SMs
31.10.2007	Field Visit	<ul style="list-style-type: none"> <li>Visit to Ramghat &amp; Chhinchu VDCs and interview with:</li> <li>Four individual farmers in each VDC</li> <li>Focal Group discussion in each VDC (MPC members + farmers)</li> <li>Agrovet and MIT dealers</li> </ul>	FT & SMs
01.11.2007	Field Visit	<ul style="list-style-type: none"> <li>Visit to Hariharpur VDC and interview with:</li> <li>Four individual farmers (Control)</li> <li>Travel from Surkhet to Aateria</li> </ul>	FT & SMs
02.11.2007	Field Visit	Travel from Aateria to Amargadi municipality, Dadeldhura and interaction with POs officials: <ul style="list-style-type: none"> <li>Information on the project</li> <li>Identification of UJYALO VDCs</li> <li>Identification of Control VDCs</li> <li>Identification and recruitment of Social Mobilizers</li> <li>Identification of Prime stakeholders</li> <li>Arrangement of logistic &amp; Transport</li> <li>Interaction with POs (REC-CARE, GSM-IDE?WI, RUWDUC-TAF, Red Cross-SCF, IDES-IDE/WI)</li> </ul>	REDC officials FT & SMs
03.11.2007	Field Visit	Visit to Navadurga VDC & Rai Gaun (UJYALO) to interview with: <ul style="list-style-type: none"> <li>Four individual farmers in each place</li> <li>Focal Group Discussion at Navadurga</li> <li>MIT dealer and agrovet</li> </ul>	FT & SMs
04.11.2007	Field Visit	<ul style="list-style-type: none"> <li>Visit to Bhageshwori VDC (Control) and</li> </ul>	FT & SMs

Date	Place	Mission	Contact Persons
		interview with: <ul style="list-style-type: none"> <li>• Four individual farmers</li> <li>• Wholesaler</li> <li>• SIMI Official</li> </ul>	
05.11.2007	Field Visit	Visit to Gangkhet VDC (Control) and interview with: <ul style="list-style-type: none"> <li>• Four individual farmers</li> <li>• Focal Group Discussion</li> <li>• MPC members</li> <li>• DADO officials</li> </ul>	FT & SMs
06.11.2007	Field Visit	Travel from Dadeldhura to Nepalgunj	FT
07.11.2007	Field Visit	Visit to SIMI office in NPJ to clarify some open issues <ul style="list-style-type: none"> <li>• Arrival to KTM</li> </ul>	FT

## ANNEX 4

### LIST OF INTERVIEWEES

#### INDIVIDUAL FARMERS (TERAI)

S. No	Name	Gender	VDC/District	Project	Caste / Ethnicity	Socio - Economic	Education
1	Mnuui Devi Kaun	Female	Jaispur/Banke	SIMI	Dalit (Terai)	Poor	Higher Secondary
2	Kalawati Kori	Female	Jaispur/Banke	SIMI	Dalit (Terai)	Poor	Simple read & write
3	Kali Prasad Dhobi	Male	Jaispur/Banke	SIMI	Dalit (Terai)	Poor	Simple read & write
4	Abdul Jabbar Kabadiya	Male	Jaispur/Banke	SIMI	Muslim	Poor	Simple read & write
5	Krishna Shaha	Female	Sitapur/Banke	SIMI	Chhetri (Hill)	Poor	Primary School
6	Pampha Pun Magar	Female	Sitapur/Banke	SIMI	Janajati (Hill)	Poor	Simple read & write
7	Pabitra Nepali	Female	Sitapur/Banke	SIMI	Dalit (Hill)	Poor	Lower Secondary
8	Shesh Raj Aryel	Male	Sitapur/Banke	SIMI	Brahmin (Hill)	Poor	Simple read & write
9	Moti Lal Khatri	Male	Kohalpur/Banke	SIMI	Chhetri (Hill)	Poor	Simple read & write
10	Dil Bahadur Poudyal	Male	Kohalpur/Banke	SIMI	Chhetri (Hill)	Poor	Simple read & write
11	Chhabi Lal Bhattarai	Male	Kohalpur/Banke	SIMI	Brahmin (Hill)	Poor	Higher Secondary
12	Jhupa Thapa	Female	Kohalpur/Banke	SIMI	Chhetri (Hill)	Poor	Simple read & write
13	Bhadri Mahatara	Female	Bageshwori/Banke	UJYALO	Chhetri (Hill)	Poor	Simple read & write
14	Khagisara Giri	Female	Bageshwori/Banke	UJYALO	Brahmin (Hill)	Poor	Simple read & write
15	Tila BC	Female	Bageshwori/Banke	UJYALO	Chhetri (Hill)	Poor	Simple read & write
16	Yuba Thapa	Female	Bageshwori/Banke	UJYALO	Chhetri (Hill)	Poor	Primary School
17	Padam Bahadur Thapa	Male	Naubasta/Banke	UJYALO	Chhetri (Hill)	Poor	Higher Secondary
18	Cham Bdr. Budha Chhetri	Male	Naubasta/Banke	UJYALO	Chhetri (Hill)	Poor	Simple read & write
19	Devi Budha Chhetri	Male	Naubasta/Banke	UJYALO	Chhetri (Hill)	Poor	Simple read & write
20	Man Bdr. Thapa Magar	Male	Naubasta/Banke	UJYALO	Janajati (Hill)	Medium	Primary School

S. No	Name	Gender	VDC/District	Project	Caste / Ethnicity	Socio - Economic	Education
21	Kanaiyalal Chaudhari	Male	Shreepur/Kailali	UJYALO	Janajati (Terai)	Poor	Simple read & write
22	Bechan Chaudhari	Male	Shreepur/Kailali	UJYALO	Janajati (Terai)	Poor	Simple read & write
23	Aaitaram Chaudhari	Male	Shreepur/Kailali	UJYALO	Janajati (Terai)	Poor	Simple read & write
24	Aashi Chaudhari	Female	Shreepur/Kailali	UJYALO	Janajati (Terai)	Poor	Simple read & write
25	Dharmabir Tharu	Male	Phattepur/Banke	Control	Janajati (Terai)	Mediums	Simple read & write
26	Ram Kumari Chaudhari	Female	Phattepur/Banke	Control	Janajati (Terai)	Poor	Lower Secondary
27	Phariya Tharu	Female	Phattepur/Banke	Control	Janajati (Terai)	Poor	Simple read & write
28	Ram Baran Chaudhari	Male	Phattepur/Banke	Control	Janajati (Terai)	Poor	Illiterate
29	Lajjabati Kori	Female	Puraina/Banke	Control	Dalit (Terai)	Poor	Illiterate
30	Chhadena Kori	Female	Puraina/Banke	Control	Dalit (Terai)	Poor	Illiterate
31	Krishnawati Raider	Female	Puraina/Banke	Control	Dalit (Terai)	Poor	Illiterate
32	Kuhara Kori	Female	Puraina/Banke	Control	Dalit (Terai)	Poor	Illiterate
33	Sewak Ram Katheria	Male	Pahalmanpur/Kailali	Control	Janajati (Terai)	Poor	Simple read & write
34	Sita Devi Katheria	Female	Pahalmanpur/Kailali	Control	Janajati (Terai)	Poor	Primary School
35	Aagreju Chaudhari	Male	Pahalmanpur/Kailali	Control	Janajati (Terai)	Medium	Primary School
36	Daya Ram Katheria	Male	Pahalmanpur/Kailali	Control	Janajati (Terai)	Medium	Higher Secondary

**INDIVIDUAL FARMERS (HILLS)**

S. No	Name	Gender	VDC/District	Project	Caste / Ethnicity	Socio - Economic	Education
1	Indra Dev Giri	Male	Salkot/Surkhet	Control	Brahmin (Hill)	Moderate	Secondary in veterinary
2	Dillip Thapa Magar	Male	Salkot/Surkhet	Control	Janajati (Hill)	Poor	Illiterate
3	Chandra Dev Giri	Male	Salkot/Surkhet	Control	Brahmin (Hill)	Poor	Simple read and write
4	Resham Rana Magar	Male	Salkot/Surkhet	Control	Janajati (Hill)	Moderate	B.Ed
5	Top Bahadur Bhandari	Male	Hariharpur/Surkhet	Control	Chhetri (Hill)	Poor	Illiterate
6	Sher Bahadur Bhandari	Male	Hariharpur/Surkhet	Control	Chhetri (Hill)	Poor	Illiterate
7	Leela Thapa	Female	Hariharpur/Surkhet	Control	Chhetri (Hill)	Poor	Illiterate
8	Tikaram Thapa	Male	Hariharpur/Surkhet	Control	Chhetri (Hill)	Poor	Illiterate
9	Sita Khadka	Female	Ramghat/ Surkhet	SIMI	Chhetri (Hill)	Poor	Illiterate
10	Padma Khatri	Female	Ramghat/ Surkhet	SIMI	Chhetri (Hill)	Poor	Complete secondary
11	Gaumaya Sunar	Female	Ramghat/ Surkhet	SIMI	Dalit (Hill)	Poor	Illiterate
12	Dilsarha khatri	Female	Ramghat/ Surkhet	SIMI	Chhetri (Hill)	Poor	Illiterate
13	Hira Bahadur Rokaya	Male	Chhenchu/ Surkhet	SIMI	Chhetri (Hill)	Moderate	Incomplete secondary
14	Bal Bahadur Khatri	Male	Chhenchu/ Surkhet	SIMI	Chhetri (Hill)	Poor	Simple read and write
15	Sushmita Pun	Female	Chhenchu/ Surkhet	SIMI	Janajati (Hill)	Poor	Class – 9
16	Punmaya Khatri	Female	Chhenchu/ Surkhet	SIMI	Chhetri (Hill)	Poor	Illiterate

**INPUT & OUTPUT (TERAI)**

S. No	Name	Profession	Gender	VDC/District	Caste / Ethnicity	Socio - Economic	Education
1	Ramlotan Chaudary	Technician	Male	Kolahapur/ Banke	Janajati (Terai)	Poor	Simple read and write
2	Laima Bhat	Technician	Male	Bageshwori/ Banke	Chhetri (Hill)	Poor	Simple read and write
3	Gopal Tiwari	MIT Dealer	Male	Bageshwori/ Banke	Brahmin (Hill)	Moderate	Secondary (tech)
4	Laxmi Prasad Dhakal	Agrovet	Male	Dhangadi Municipality	Brahmin (Hill)	Moderate	Secondary (tech)
5	Ramesh Varma	Agrovet	Male	Khajura Bazar/ Sitapur	Chhetri (Terai)	Moderate	Secondary (tech)
6	Kiran Acharya	MIT Dealer	Male	Kolahapur/ Banke	Brahmin (Hill)	Moderate	Secondary (tech)
7	Yubak Dangki	MIT Manufacturer	Male	Kolahapur/ Banke	Chhetri (Hill)	Moderate	Bachelor's degree
8	Narayan Adhikari	Agrovet	Male	Kolahapur/ Banke	Brahmin (Hill)	Moderate	Secondary
9	Kausal Acharya	MIT Dealer	Male	Nepalgunj/ Banke	Brahmin (Hill)	Moderate	Bachelor's degree
10	Bhim Subedi	Agrovet	Male	Nepalgunj/ Banke	Brahmin (Hill)	Moderate	Bachelor's degree
11	Krishna Lal Sharma	Agrovet	Male	Nepalgunj/ Banke	Brahmin (Hill)	Moderate	Secondary
12	Sita Basnet	Wholesaler	Female	Kolahapur/ Banke	Chhetri (Hill)	Moderate	Secondary
13	Shiva Prasad Shukla	Principal	Male	Bageshwori/ Banke	Brahmin (Terai)	Poor	Bachelor's degree
14	Sher Bahadur Basnet	Culvert Construction Committee-Member	Male	Naubasta/ Banke	Chhetri (Hill)	Moderate	Secondary

**INPUT & OUTPUT (HILLS)**

S. No	Name	Profession	Gender	VDC/District	Caste / Ethnicity	Socio - Economic	Education
1	Mr. Dilli Pandey	Agrovet + MIT Dealer	Male	Birendranagar/ Surkhet	Brahimn (Hill)	Moderate	Secondary
2	Mr. Prakash Adhikari	Wholesaler	Male	Birendranagar/ Surkhet	Brahimn (Hill)	High	Secondary
3	Mr. Madan KC	Wholesaler	Male	Birendranagar/ Surkhet	Chhetri (Hill)	Moderate	Primary
5	Mr. Jitendra Shris Magar	Agrovet	Male	Birendranagar/ Surkhet	Janajati (Hill)	Moderate	Secondary
6	Mr. Tek Narayan Sharma	Agrovet + MIT Dealer	Male	Chhinchu/ Surkhet	Brahmin (Hill)	Moderate	Secondary
7	Mr.....	Agrovet + MIT Dealer	Male	Ramghat/ Surkhet	Brahmin (Hill)	Moderate	Secondary
8	Mr. Kamal Pd. Gwyal	Agrovet	Male	Ramghat/ Surkhet	Brahmin	Moderate	Secondary

**MPC (TERAI)**

S. No	Name of the MPC members	Designation	Gender	Municipality/ VDC /District	Caste/ Ethnicity
1	Mr. Chhabilal Bhattra	Chairperson	Male	Kohalpur/ Banke	Brahmin (Hill)
	Ms. Chitra Pathak	Secretary	Female	Kohalpur/ Banke	Brahmin (Hill)
2	Mrs. Indu Poudyal	Treasurer	Female	Bageshwori Banke	Brahmin (Hill)
	Mrs. Sabitra Ranabhat	Member	Female	Bageshwori/ Banke	Chhetri (Hill)
3	Mr. Bishnu Chaudhari	Supervisor	Male	Dhangadi/ Kailali	Janajati (Terai)
4	Mrs. .... KC	Supervisoe	Female	Aateria/ Kailali	Chhetri (Hill)

**MPC (HILLS)**

S. No	Name of the MPC members	Designation	Gender	Municipality/ VDC /District	Caste/ Ethnicity
1	Mr. Govinda Ghimire	Chairperson, Central MPC	Male	Birendranagar/ Surkhet	Brahmin (Hill)
2	Mr. Hira Bahadur Rokaya	Chairperson	Male	Harre, Chhinchu/ Surkhet	Chhetri (Hill)
3	Mrs. Jhuma Khadka	Chairperson	Female	Ramghat/ Surkhet	Chhetri (Hill)

### FOCAL GROUP DISCUSSIONS (TERAI)

S. No	Name of participants	Position/ Designation	Gender	VDC/District	Caste/ Ethnicity
1	Mrs. Merajan Kabadiya	Member, Farmer's Group	Female	Jaispur/ Banke	Muslim
2	Mrs. Phatama Kabadiya	Member, Farmer's Group	Female	Jaispur/ Banke	Muslim
3	Mr. Islaman Kabadiya	Member, Farmer's Group	Male	Jaispur/ Banke	Muslim
4	Mr. Jakir Kabadiya	Member, Farmer's Group	Male	Jaispur/ Banke	Muslim
5	Mr. Saied Ali Rai	Member, Farmer's Group	Male	Jaispur/ Banke	Muslim
6	Ms. Parmina Kabadiya	Member, Farmer's Group	Female	Jaispur/ Banke	Muslim
7	Ms. Rihana Kabadiya	Member, Farmer's Group	Female	Jaispur/ Banke	Muslim
8	Ms. Tabashum Kabadiya	Member, Farmer's Group	Female	Jaispur/ Banke	Muslim
9	Ms. Naphisa Kabadiya	Member, Farmer's Group	Female	Jaispur/ Banke	Muslim
10	Mr. Ekarar Kabadiya	Member, Farmer's Group	Male	Jaispur/ Banke	Muslim
11	Mr. Mohammad Hasim	Member, Farmer's Group	Male	Jaispur/ Banke	Muslim
12	Mr. Bhupal Nepali	Farmer + Solder	Male	Sitapur/ Banke	Dalit (Hill)
13	Mr. Nar Bahadur Pun	Farmer + Ex-Ward Chairperson	Male	Sitapur/ Banke	Janajati (Hill)
14	Mr. Man Bahadur Pun	Farmer	Male	Sitapur/ Banke	Janajati (Hill)
15	Mrs. Dilmaya Thapa	Member, Farmer's Group	Female	Sitapur/ Banke	Janajati (Hill)
16	Mrs. Bhubaneswori Giri	Member, Farmer's Group	Female	Sitapur/ Banke	Brahmin (Hill)
17	Mr. Chabilal Bhattarai	Chairperson, Farmer's Group	Male	Kohalpur/ Banke	Brahmin (Hill)
18	Mrs. Jhupa Thapa	Member, Farmer's Group	Female	Kohalpur/ Banke	Janajati (Hill)
19	Mr. Santaram Tharu	Farmer	Male	Kohalpur/ Banke	Jajajati (Terai)
20	Mrs. Januka Khatri	Farmer	Female	Kohalpur/ Banke	Chhetri (Hill)
21	Mr. Bhola Thapa	Student	Male	Kohalpur/ Banke	Chhetri (Hill)
22	Mr. Hari Khadka	Student	Male	Kohalpur/ Banke	Chhetri (Hill)
23	Mrs. Ratna Chand	Member, Farmer's Group	Female	Bageshwori/ Banke	Chhetri (Hill)
24	Mr. Basanta Bdr. Sunar	Farmer	Male	Bageshwori/ Banke	Dalit (Hill)
25	Mr. Tula Ram Thapa	Farmer	Male	Bageshwori/ Banke	Janjati – Hill

S. No	Name of participants	Position/ Designation	Gender	VDC/District	Caste/ Ethnicity
26	Mr. Bhim Bdr. Chand	Farmer	Male	Bageshwori/ Banke	Chhetri (Hill)
27	Mr. Lilman Giri	Member, Farmer's Group	Male	Bageshwori/ Banke	Brahmin (Hill)
28	Mr. Kanailal Chaudhari	Member, Farmer's Group	Male	Shreepur/ Kailali	Janajati (Terai)
29	Mr. Bechan Chaudhari	Member, Farmer's Group	Male	Shreepur/ Kailali	Janajati (Terai)
30	Mr. Balaram Chaudhari	Farmer	Male	Shreepur/ Kailali	Janajati (Terai)
31	Mr. Aaitaram Chaudhari	Member, Farmer's Group	Male	Shreepur/ Kailali	Janajati (Terai)
32	Mrs. Shanti Chaudhari	Member, Farmer's Group	Female	Shreepur/ Kailali	Janajati (Terai)
33	Mr. Hiralal Chaudhari	Farmer	Male	Shreepur/ Kailali	Janajati (Terai)
34	Ms. Ram Kumari Chaudhari	Farmer + CEPEV staff	Female	Phatampur/ Banke	Janajati (Terai)
35	Mr. Purna Bahadur Pun	Farmer + CEPEV staff	Male	Phatampur/ Banke	Janajati (Hill)
36	Mr. Daya Ram Chaudhari	Farmer	Male	Phatampur/ Banke	Janajati (Terai)
37	Mr. Tika Ram Chaudhari	Farmer	Male	Phatampur/ Banke	Janajati (Terai)
38	Mr. Dharmabir Tharu	Farmer	Male	Phatampur/ Banke	Janajati (Terai)
39	Mrs. Dhanadevi Pariyar	Member, Farmer's Group	Female	Phatampur/ Banke	Dalit (Hill)
40	Mrs. Man Kumari Sunar	Member, Farmer's Group	Female	Phatampur/ Banke	Dalit (Hill)
41	Mrs. Kuhara Kori	Member, Farmer's Group	Female	Puraina/ Banke	Dalit (Terai)
42	Mrs. Chhedna Kori	Member, Farmer's Group	Female	Puraina/ Banke	Dalit (Terai)
43	Mrs. Krishnawati Raider	Member, Farmer's Group	Female	Puraina/ Banke	Dalit (Terai)
44	Mrs. Lajjabati Kori	Member, Farmer's Group	Female	Puraina/ Banke	Dalit (Terai)
45	Mrs. Sunita Kori	Member, Farmer's Group	Female	Puraina/ Banke	Dalit (Terai)
46	Mr. Sanilal Kori	Farmer	Male	Puraina/ Banke	Dalit (Terai)
47	Mr. Jagadambika Pd. Kathariya	Farmer + Teacher	Male	Pahalmanpur/ Kailali	Janajati (Terai)
48	Mrs. Sitadevi Katharia	Farmer	Female	Pahalmanpur/ Kailali	Janajati (Terai)
49	Mrs. Gulabdevi Katheria	Farmer	Female	Pahalmanpur/ Kailali	Janajati (Terai)
50	Mr. Sewakram Katheria	Farmer	Male	Pahalmanpur/ Kailali	Janajati (Terai)
51	Mr. Shiva Prasad Katheria	Farmer	Male	Pahalmanpur/ Kailali	Janajati (Terai)

### FOCAL GROUP DISCUSSIONS (HILLS)

S. No	Name of participants	Position/ Designation	Gender	VDC/District	Caste/ Ethnicity
1	Mr. Binod Chalise	Teacher	Male	Bidyapur/ Surkhet*	Brahmin (Hill)
2	Mr. Dhanraj Ban	Farmer	Male	Bidyapur/ Surkhet*	Chhetri (Hill)
3	Mr. Bijaya Giri	Farmer	Male	Bidyapur/ Surkhet*	Brahmin (Hill)
4	Mrs. Pabitra Poudyal	Farmer	Female	Bidyapur/ Surkhet*	Brahmin (Hill)
5	Mr. Tikaram Poudyal	Farmer + Shopkeeper	Male	Bidyapur/ Surkhet*	Brahmin (Hill)
6	Mrs. Jhuma Khadka	Member, Farmer's Group	Female	Ramghat/ Surkhet	Chhetri (Hill)
7	Mrs. Padma Khatri	Secretary, Farmer's Group	Female	Ramghat/ Surkhet	Chhetri (Hill)
8	Mrs. Sita Khadka	Chairperson, Farmer's Group	Female	Ramghat/ Surkhet	Chhetri (Hill)
9	Mrs. Dilsara Khatri	Member, Farmer's Group	Female	Ramghat/ Surkhet	Chhetri (Hill)
10	Mrs. Shanta Khadka	Member, Farmer's Group	Female	Ramghat/ Surkhet	Chhetri (Hill)
11	Mrs. Pabitra Khatri	Member, Farmer's Group	Female	Ramghat/ Surkhet	Chhetri (Hill)
12	Ms. Ranjani Khatri	Member, Farmer's Group	Female	Ramghat/ Surkhet	Chhetri (Hill)
13	Mr. Hira Bahadur Rokaya	Chairperson, Farmer's Group	Male	Chhinchu/ Surkhet	Chhetri (Hill)
14	Mr. Jhak Bahadur Khatri	Secretary, Farmer's Group	Male	Chhinchu/ Surkhet	Chhetri (Hill)
15	Mr. Bal Bahadur Khatri	Treasurer, Farmer's Group	Male	Chhinchu/ Surkhet	Chhetri (Hill)
16	Mr. Dhan Bahadur Khatri	Member, Farmer's Group	Male	Chhinchu/ Surkhet	Chhetri (Hill)
17	Mrs. Kausala Khatri	Member, Farmer's Group	Female	Chhinchu/ Surkhet	Chhetri (Hill)
18	Mrs. Puspa Pun	Member, Farmer's Group	Female	Chhinchu/ Surkhet	Janjati – Hill
19	Mrs. Punmaya Khatri	Member, Farmer's Group	Female	Chhinchu/ Surkhet	Chhetri (Hill)
20	Mrs. Sushmita Pun	Member, Farmer's Group	Female	Chhinchu/ Surkhet	Janjati – Hill
21	Mr. Top Bahadur Bhandari	Farmer	Male	Hariharpur/ Surkhet	Chhetri (Hill)
22	Mr. Shankar Bdr. Bhandari	Farmer	Male	Hariharpur/ Surkhet	Chhetri (Hill)
23	Mr. Sher Bahadur Bhandari	Farmer	Male	Hariharpur/ Surkhet	Chhetri (Hill)
24	Mr. Tikaram Thapa	Farmer	Male	Hariharpur/ Surkhet	Chhetri (Hill)
25	Mrs. Bhima Bhandari	Farmer	Female	Hariharpur/ Surkhet	Chhetri (Hill)
26	Mrs. Leela Thapa	Farmer	Female	Hariharpur/ Surkhet	Chhetri (Hill)
27	Ms. Padmakala Bhandari	Farmer	Female	Hariharpur/ Surkhet	Chhetri (Hill)

S. No	Name of participants	Position/ Designation	Gender	VDC/District	Caste/ Ethnicity
28	Mrs. Harina Dhami	Chairperson, Farmer's Group	Female	Navadurga/ Dadeldhura	Chhetri (Hill)
29	Mrs. Bhagratidevi Dhami	Secretary, Farmer's Group	Female	Navadurga/ Dadeldhura	Chhetri (Hill)
30	Mrs. Ashinadevi Tiruwa	Member, Farmer's Group	Female	Navadurga/ Dadeldhura	Dalit (Hill)
31	Mr. Yagyaraj Bhatta	Member, Farmer's Group	Male	Navadurga/ Dadeldhura	Brahmin (Hill)
32	Mrs. Putalidevi Lohar	Member, Farmer's Group	Female	Navadurga/ Dadeldhura	Dalit (Hill)
33	Mrs. Laxmidevi Tiruwa	Member, Farmer's Group	Female	Navadurga/ Dadeldhura	Dalit (Hill)
34	Mrs. Pashudevi Lohar	Member, Farmer's Group	Female	Navadurga/ Dadeldhura	Dalit (Hill)
35	Mr. Karna Bdr. Thapa Magar	Member, Farmer's Group	Male	Gangkhet/ Dadeldhura	Janajati (Hill)
36	Mr. Man Bdr. Thapa Magar	Member, Farmer's Group	Male	Gangkhet/ Dadeldhura	Janaajati – Hill
37	Mr. Bhakta Ale	Chairperson, Farmer's Group	Male	Gangkhet/ Dadeldhura	Janjati – Hill
38	Mr. Mohalal Oli	Secretary, Farmer's Group	Male	Gangkhet/ Dadeldhura	Brahmin (Hill)
39	Mr. Lal Bahadur Khadka	Member, Farmer's Group	Male	Gangkhet/ Dadeldhura	Chhetri (Hill)
40	Mr. Raju Luitel	Member, Farmer's Group	Male	Gangkhet/ Dadeldhura	Brahmin (Hill)
41	Mr. Gagan Singh Bohara	Member, Farmer's Group	Male	Gangkhet/ Dadeldhura	Chhetri (Hill)

#### LOCAL PARTNERS (UJYALO - TERAI)

S. No	Name of Officials	POs Name	IPs	Gender	District	Caste / Ethnicity
1	Mr. Bhanubhakta Rizal	CeLLARD/UJYALO	TAF	Male	Nepalgunj - Banke	Brahmin (Hill)
2	Mr. Tula Ram Khatri	FECOFUN/UJYALO	SCF	Male	Kohalpur, Banke	Chhetri (Hill)
3	Mr. Durga Pd. Poudyal	FECOFUN/UJYALO	SCF	Male	Kohalpur, Banke	Brahmin (Hill)
4	Mrs. Draupadi Oli	FECOFUN/UJYALO	SCF	Female	Kohalpur, Banke	Brahmin (Hill)
5	Mr. Devendra B.C.	BEE-Group/UJYALO	IDE/WI	Male	Nepalgunj, Banke	Chhetri (Hill)

6	Mr. Damber Sunar	BEE-Group/UJYALO	IDE/WI	Male	Nepalgunj, Banke	Dalit (Hill)
7	Mr. Khagendra Thapa	SDF/UJYALO	IDE/WI	Male	Naubasta, Banke	Chhetri (Hill)
8	Mrs. Kamala Gyawali	BASE/UJYALO	IDE/WI	Female	Dhangadi, Kailali	Brahmin (Hill)

#### LOCAL PARTERS (UJYALO - HILLS)

S. No	Name of Officials	POs Name	IPs	Gender	District	Caste / Ethnicity
1	Dhirendra Awasti	RUWDUC	TAF	Male	Dadeldhura	Brahmin (Hill)
2	Chakravir Bhandari,	RUWDUC	TAF	Male	Dadeldhura	Brahmin (Hill)
3	Mr. Aain Bahadur Shahi,	REDC/ UJYALO	IDE/WI	Male	Surkhet	Chhetri (Hill)
4	Mr. Dilliraj Bhatta	REDC/ UJYALO	IDE/WI	Male	Surkhet	Brahmin (Hill)
5	Mr. Shiva Raj Pant	Red Cross	SCF	Male	Dadeldhura	Brahmin (Hill)
6	Mrs. Padma Gurung	IDeS/ UJYALO	IDE/WI	Female	Dadeldhura	Janajati (Hill)
7	Mr. Ramesh Joshi,	IDeS/ UJYALO	IDE/WI	Male	Dadeldhura	Brahmin (Hill)
8	Mr. Baburam Shrestha,	IDeS/ UJYALO	IDE/WI	Male	Dadeldhura	Janajati (Hill)

#### INGO STAFF (SIMI)

S. No	Name	Designation	Gender	Address (District)	Caste / Ethnicity
1	Mr. Bhim Moktan	Regional Director	Male	Nepalgunj, Banke	Janajati (Hill)
2	Mr. Badri Narayan Chaudhari	Marketing Specialist	Male	Nepalgunj, Banke	Janajati (Terai)
3	Mr. Prem Lal Chaudhari		Male	Nepalgunj, Banke	Janajati (Terai)
4	Mr. ... Chaudhari		Male	Nepalgunj, Banke	Janajati (Terai)
5	Mr. Raj Kumar Amatya		Male	Nepalgunj, Banke	Janajati (Hill)
6	Mr. Mishri Lal Yadav	Former SM	Male	Nepalgunj, Banke	Chhetri (Terai)
7	Mrs. Sita Tiwari	Former SM	Female	Nepalgunj, Banke	Brahmin (Hill)
8	Mrs. Tika Khadka	Former SM	Female	Nepalgunj, Banke	Chhetri (Hill)
9	Mr. Damodar Bhatta		Male	Dhangadi, Kailali	Brahmin (Hill)
10	Mr. Upendra Khatri		Male	Dhangadi, Kailali	Chhetri (Hill)

11	Mr. Chandrakanta Joshi		Male	Dhangadi, Kailali	Brahmin (Hill)
12	Mr. Deshi Ram Rana Tharu		Male	Dhangadi, Kailali	Janajati (Terai)
13	Mrs. Pramila Bhattra	District Coordinator	Female	Birendranagar, Surkhet	Brahmin (Hill)
14	Mr. Aain Bdr. Shahi		Male	Birendranagar, Surkhet	Chhetri (Hill)
15	Mr. Dilli Chalise		Male	Birendranagar, Surkhet	Brahmin (Hill)
16	Mrs. ....	Marketing Officer	Female	Birendranagar, Surkhet	Chhetri (Hill)
17	Mr. Parmananda Jha	District Coordinator	Male	Amargadi, Dadeldhura	Brahmin (Terai)

#### GOVERNMENT OFFICIALS (TERAI)

S. No	I. Name	Designation	Gender	District	Caste / Ethnicity
1	Mr. Sachhitananda Upadhaya	DADO	Male	Banke	Brahmin
2	Mr. .... Yadav	Junior Technical Officer	Male	Banke	Chhetri (Terai)
3	Mr. Gupta	Fishery Development officer	Male	Kailali	Brahmin (Terai)
4.	Mr.....	Crop Protection Officer	Male	Kailali	Chhetri (Hill)

#### GOVERNMENT OFFICIALS (HILLS)

S. No	I. Name	Designation	Gender	District	Caste / Ethnicity
1	Mr. Lila Ram Poudyal	DADO	Male	Surkhet	Brahmin (Hill)
2	Mr. ...KC	Junior Technical Officer	Male	Dadeldhura	Chhetri (Hill)

# ANNEX 5

## INTERVIEW TEMPLATE

Name: \_\_\_\_\_ VDC / District: \_\_\_\_\_

Gender: Male / Female \_\_\_\_\_ Caste / Ethnicity: \_\_\_\_\_

### 1. Socio-economic status

- High (greater than \$4 USD (240 Rps) per day)
- Moderate (between \$1 USD (60 Rps) and \$4 USD (240 Rps) per day)
- Low (less than \$1 USD (60 Rps) a day)

### 2. Level of education / literacy:

- Illiterate
- No formal education
- Less than 5 years – primary education
- Incomplete secondary – (5-7 years) or less
- Complete secondary – (10 – 11 years)
- Specialized secondary – technical/vocational
- Bachelor's degree

3. Are you or a member of your family a victim of conflict or torture (VOC or VOT)? If so, who was the perpetrator? How did this affect you and your family's livelihood?

4. Are you or members of your community marginalized or discriminated against? If so, how? Has your involvement in SIMI / UJYALO helped to reduce the level of marginalization or discrimination? Please explain.

5. Who do you work with in relation to UJYALO / SIMI?

- Local Government (DADO)
- Local Partner (NGO or CBO) \_\_\_\_\_.
- INGO \_\_\_\_\_.

6. Based on your response to the above question, what are the challenges and benefits of working with this entity?

7. Affiliations: Committee or association: \_\_\_\_\_ Position: \_\_\_\_\_

- A. What are the advantages of being a member of this committee/association?
- B. What is the selection process for determining who can be a member?
- C. Are all of the members from the same ethnic (language) group or area?

- D. Can someone from a different ethnic group/caste or area join this association?
- E. Is there any conflict among members due to caste, ethnicity, religion, and/or gender?

**8. Have you received services directly or indirectly from SIMI / UJYALO? If so, what services?**

- A. Seed grants
- B. Crops produced in relation to SIMI / UJYALO?
- C. Irrigation or micro-irrigation used for production in relation to SIMI / UJYALO?
- D. Technical training
- E. Social services (counseling, mediation, conflict resolution, etc.)

**9. Are these services sustainable without IDE/WI and/or partner's input? Explain.**

**10. Who do you work with directly in the value chain?**

- A. Input
- B. Output
- C. Horizontal links
- D. Vertical links

**11. Please describe you or your family's relation to the following entities: If you have interacted with any of these entities please discuss your interaction. What are some of the benefits and challenges of this interaction? How could it be improved?**

- A. Customer
- B. Market Promotion Committee
- C. Wholesalers / Markets
- D. Assembly/Traders (middlemen, associations, transport)
- E. Collection Centers
- F. Producers (individual farmers, groups, & associations)
- G. Input/Supplier (seeds, fertilizer, irrigation equipment, tech training)
- H. INGO
- I. Local NGO or CBO
- J. District Agricultural Development Office (DADO)
- K. Chief District Officer (CDO)
- L. District Development Committee (DDC)
- M. Village Development Committee (VDC)
- N. Social Mobilizer

**12. Do you have any recommendations for improving the value chain? Are there any missing links?**

- A. Knowledge base / tech support
- B. Business Development Services (BDS)
- C. Market Development
- D. Communication
- E. Technology
- F. Committees
- G. Infrastructure

**13. How has your involvement in SIMI / UJYALO affected your...**

- A. Business / Livelihood
- B. Children's education
- C. Family
- D. Community or village
- E. Mobility
- F. Community participation

**14. Has your HH income increased as a result of your involvement in UJYALO / SIMI?**

- A. Starting household income
- B. Current household income
- C. Projected household income in 1 year

**15. How has this increase in income affected...**

- A. You
- B. Your HH
- C. Your village
- D. Your VDC
- E. Your district

**16. What factors contributed to this increase in income? Please discuss in detail.**

- A. Increased access to inputs
- B. Increased access to markets
- C. Increased access to technical support / training. What kind? From whom?
- D. Membership in an association or committee. What kind? How did it help?
- E. Infrastructure development (roads, culverts, irrigation systems, collection centers, markets, telephone, radio, notice boards etc.)
- F. Additional factors not mentioned above

**17. Did the integration of psychosocial and peace-building activities into the value chain:**

- A. Strengthen local capacities for peace? If so, how? Examples
- B. Contribute to conflict mitigation and recovery processes? If so, how? Examples
- C. Facilitate an environment conducive for sustainable economic growth? If so, how?

**18. Have you or members of your family or village been engaged in any of the following committees or activities? If so, what are some of the benefits of this committee or activity (Economically / Socially)? Examples Please.**

- A. Child Protection Committee (CPC)
- B. Culvert Construction Committee (CC)
- C. Community Development Projects (CDP)
- D. Community Counselor or Psychosocial Worker
- E. Legal advisor
- F. Mediation or Peacebuilding training
- G. Do No Harm Training
- H. Human Rights Training
- I. Peace Education
- J. Farmers User Groups
- K. Marketing Committee
- L. Other

**19. In your opinion, what are the three major causes of violent conflict in Nepal?**

**20. Is SIMI / UJYALO addressing these causes? If so, how? If not, what additions or adaptations would you suggest?**

**21. Please discuss if and how each of the following impacts of the conflict between the Maoists and Government have affected your livelihood / business. Please provide examples.**

- A. Restrictions in movement and access
- B. Lack of law and order
- C. Damage to communications systems
- D. Lack of a variety of services
- E. Lack of national and foreign investment
- F. Displacement and migration

G. Other

**22. How has the conflict between the Maoists and the Government affected your...**

- A. HH income
- B. Livelihood
- C. Children's education
- D. Family life
- E. Mobility
- F. Community participation

**23. Did SIMI / UJYALO successfully increase trust and build positive relationships among actors involved in the value chain, creating an environment conducive for effective value chain development? If not, why? If yes, how?**

**24. Has your involvement in SIMI/UJYALO helped you to work in the conflict environment? If so, how? Please provide specific examples.**

**25. Has your involvement in SIMI/UJYALO hindered your ability to work in the conflict environment? If so, how? Please provide specific examples.**

**26. Do you have any recommendations for how INGOs and their partners could have helped more in terms of working in the conflict environment?**

**27. Are you optimistic about the current peace process? If so, why? If not, why? What do you see as the major obstacles to sustained peace in Nepal? Is SIMI/UJYALO addressing these obstacles? If so, how?**

**28. If the peace process is successful, what business opportunities do you see in the post-conflict environment? Has your involvement in SIMI / UJYALO prepared you to capitalize on these opportunities?**

**29. Has your involvement in SIMI / UJYALO created conflict within your community?**

**30. How has your involvement in SIMI / UJYALO affected your relationship with neighboring communities? Did your involvement in SIMI/UJYALO help to build relationships and/or has your involvement created conflict with neighboring communities? Examples.**

**31. Did UJYALO / SIMI help the government to provide better services? If so what services? How**

did this affect economic development?

32. Did the inclusion of government strengthen service delivery and improve governance? If so, how? If not, why?

33. What were the strengths and challenges of working with national and local governments in the conflict and post-conflict periods?

34. Did UJYALO / SIMI's interaction with the government affect participants in the value chain in terms of vulnerability to the CPN/Maoists?

35. Considering UJYALO and SIMI are both funded by USAID. What strategy did they adopt to avoid provocation and negative stigma from non-state actors with grievances towards the United States?

36. How do government policies affect your business?

37. Are there any policies that you would like to see changed? Suggestions?

38. How has SIMI / UJYALO helped to develop new or reform old obstructive policies?

39. Do you have additional observations or comments that we have not discussed?

40. Are there other people involved in this value chain in your community that you think we should talk to? Could you give me referrals?

## ANNEX 6

### SIMI PROGRAM COMPONENT ACTIVITIES

Component / Activity	Description / Goal
Product development TA	Provide assistance to manufacturers and dealers of MITs
Agricultural BDS TA	Work with input suppliers, farmers, and organizations to identify & commercialize high-value productivity packages suited for MITS & agro zones.
<b>Social Marketing</b>	
Advertising	Raise awareness of the profitability of micro irrigation for high-value agriculture and support development of the supply chain.
Micro Credit	Develop savings and loan associations with participating micro irrigation farmers to facilitate finance, awareness, and technical capability in using micro irrigation for high-value agriculture.
Grassroots organizing	Organize micro irrigation groups to facilitate information exchange, links to suppliers, and micro credit.
<b>Market Development</b>	
Identification of Products	Develop sustainable approaches & recommendations for commodity productivity packages linked to market demand in collaboration with national organizations.
Domestic Market Development	Develop local markets and link program participants to local markets through cooperatives and other farm-based organizations.
Marketing Cooperative Development	Develop local marketing cooperatives to enable farmers at distance from local markets to obtain reasonable product prices.
International Market Development	Develop international markets with strong focus on India and Bangladesh in South Asia. This includes posting SIMI marketing staff in India and Bangladesh to build market linkages and facilitate exchanges of buyers and sellers and help overcome import restriction in those countries.
Agriculture Information & Communication Technologies	Improve the flow of market information with a strong focus on raising awareness of opportunities for trade with Indian buyers and improving local market information. This includes working with AEC to improve its information collection, dissemination, and presentation, including a GIS spatial presentation of market opportunities.
Demand Driven Policy	Initiate a strong high-level policy advocacy effort based on local demand working with local institutions to ensure that Nepalese markets function and barriers to Nepal South Asian trade are reduced.
<b>Government Mobilization</b>	
HMG Orientation	Build linkages with HMG with a strong focus on forming policies as well as local level linkages so that line agency staff understand and engage in SIMI.
HMG Inclusion in SIMI	Give HMG staff in active SIMI locations full training and utilize them as resource people for SIMI.
HMG Activities	Designate staff that will be given extensive training in SIMI approaches so that they can accomplish their work program goals.
<b>Water Source Development</b>	
Hybrid Drinking Water Systems	SIMI develops demonstration hybrid drinking water systems and promotes these systems to larger projects and communities as a viable means of obtaining drinking water and supplemental income. SIMI also builds linkages with existing drinking water programs.

Watershed Management	SIMI works with existing watershed management programs to promote inclusion of supplemental micro irrigation as a benefit of improved watershed management.
Water Markets	SIMI works in the Terai to facilitate the development of water markets based on a variety of technologies including shallow and deep tube wells.

## ANNEX 7

### SIMI / UJYALO COMPARISON

	SIMI	UJYALO
<b>Overarching Goal</b>	Poverty Alleviation	Promotion of Peace
<b>Duration</b>	June 2003 – June 2007 (ext. 2009)	Oct 2004 - Sept 2007 (complete)
<b>Location</b>	11 conflict-affected districts in Far, Mid, and Western Districts	13 conflict-affected districts in Far, Mid, and Western Districts
<b>Donor</b>	USAID	USAID
<b>Partners</b>	IDE, WI and NGO partners: CEAPREAD, SAPROS, AEC	Save the Children (Prime), CARE, TAF, IDE, WI
<b>Approach to Implementation</b>	Implemented directly by IDE/WI, through GON, and NGOs -Worked in teams in pockets (Tech team included: Agriculture specialist, Irrigation, Marketing, and social mobilizers)	Implemented only through local NGOs (65) at least three per district) and managed by project officer (1 staff per district). Also utilized social mobilizers.
<b>Total Cost</b>	\$4,826,039 total (phase I & 2)	7,200,000 total WI/IDE \$2.2 million
<b>Cost per beneficiary</b>	\$79 USD Cost/benefit ratio 8:1	
<b>Participation of women and marginalized groups</b>	53% Women 15% Dalit 36% Janajati	53% Women 19% Dalit 25% Janajati
<b>Subsector</b>	Single – high value vegetables	Multiple subsectors – high value vegetables, livestock (goat, poultry, dairying), fisheries, coffee, apiculture, specialized agricultural products such as ginger and Non-Timber Forest Products (NTFPs)
<b>Average increase in annual income</b>	Increased annual incomes of over 100,000 HHs by over 50%. Average increase in additional annual income at the end of FY07 of \$200 USD per year for farmers.	Increased annual incomes of 14,000 HHs by over 50%. Average increase in additional annual income at the end of FY07 of \$125 USD (11,260 NRs for farmers; 10,660 NRs for vocational trainees, and 8,475 NRs for VOCs)
<b>Employment</b>	8,200 full time equivalent jobs <sup>32</sup> including 1,500 jobs in agriculture value-chains and 6,700 jobs through the indirect impact of increased farmer spending.	
<b>Increased sales of vegetables</b>	\$23 million USD A direct benefit-cost ratio of nearly 5:1.	

<sup>32</sup> This estimation is based on a cumulative farm income increase of \$15.2 million, project expenditure over 3 years of 4.1 million, a very conservative income multiplier of 1.8 leading to an additional increase of \$12 million in income. An average wage figure of Rs. 2,500 per month was used to estimate the number of jobs created.

<b>Target Population</b>		Individuals, families, and communities most affected by the conflict or who are victims of conflict (VOCs), and is comprised of torture-affected individuals and communities with many such families, communities greatly affected by fear, mistrust, and violence, and internally displaced people (IDPs) and child VOCs.
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## ANNEX 8

### SIMI ACHIEVEMENTS (JUNE 2007)

#### 1. Micro Irrigation Technology (MIT)

MIT	1 <sup>st</sup> Phase	2 <sup>nd</sup> Phase	Total (Till June 2007)
Treadle Pump	16486	12538	29022
Drip/Sprinkler	9148	7583	16731
Others*	<u>989</u>	<u>2762</u>	<u>3751</u>
<b>Total</b>	<b>26623</b>	<b>22881</b>	<b>49504 + 1878 (DADO) = 51382</b>

(\* = Modified Thai Jar, Plastic House, Diesel Pump)

#### 2. Farmer Group Formation (Till June 2007)

	1 <sup>st</sup> Phase	2 <sup>nd</sup> Phase	Total
Farmer Groups Formed	1512	661	2173
Male	14321	7745	22066
Female	<u>16084</u>	<u>7093</u>	<u>23177</u>
<b>Total Members</b>	<b>30405</b>	<b>14838</b>	<b>45243</b>

#### 3. Multiple Water Use System (Till June 2007)

Total MUS	49
Total Beneficiary HH	1104
Total Beneficiary No.	7487 (Male =3773, Female =3714)

#### 4. Output Marketing (Till June 2007)

Marketing Committee	78
Cooperatives	22
Collection Center	48

#### 5. Major Trainings (Till June 2007)

	1 <sup>st</sup> Phase	2 <sup>nd</sup> Phase	Total
No. of Trainings	6243	2063	8306
Male	55378	18595	73973
Female	<u>57743</u>	<u>20267</u>	<u>78010</u>
<b>Total</b>	<b>113121</b>	<b>38862</b>	<b>151983</b>

#### 5. Vegetable Production Details (Till June 2007)

Area of Production (Hectares)	9919
Production (Metric Tons)	129642
Income from Vegetables (Approx. US \$ Million)	22.68
Households Involved in Vegetable Sales (Number)	46000
Increase in Income from Vegetable Sales (/HH) USD 803 (Cumulative income of project period)	

#### 7. Service Providers (Till June 2007)

Input Traders	2390
Output Traders	<u>176</u>
<b>Total</b>	<b>2566</b>

#### 8. Micro Credit (Till June 2007)

Number of Groups	180
Revolving Fund Disbursement (NRs.)	1139805

Number of MIT Purchased through RF                      2206  
(100% Repayment)

9. **Collaboration with Government (DADO Tanahun, Nawalparasi, Kavre) (Till June 2007)**

	<b>Tanahu</b>	<b>Nawalparasi</b>	<b>Kavre</b>	<b>Total</b>
Program Orientation	1	1	1	3
Group Working with	63	19	18	80
MIT Promotion	677	639	562	1878
MUS (Beneficiary HH 16)				

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\* 1<sup>st</sup> phase = June 2003 ~ Sep 2005, \*\* 2<sup>nd</sup> phase = Oct 2005 ~ June 2007

## ANNEX 9

### UJYALO ACHIEVEMENTS (JUNE 2007)

1. Number of micro-enterprises:	16,770 HHs
2. Average additional income:	10,604 NRs
3. Agricultural IGAs average annual income:	8,809 NRs
4. Non-Agricultural IGAs average annual income:	23,337 NRs
5. Number of productive groups formed and strengthened:	871
6. Number of opportunities for Dalits/youths:	160
7. Number of people getting psychosocial services:	27,186
8. Number of people receiving individual counseling:	891
9. Number of people receiving legal aid:	383
10. Number of children provided with educational service:	7,301
11. Number of students supported in block grant:	68,602
12. Number of functioning CPCs formed:	124
13. Number of schools with child protection plan:	147
14. Number of CDPs completed:	360
15. Number of community initiatives implemented:	1,580
16. Number of people trained in peacebuilding skills:	17,260
17. Number of people affiliated with peacebuilding initiatives:	153,246
18. Number of disputes resolved by community mediators:	850
19. Number of schools providing peace education:	180

## ANNEX 10

### FIELD DATA

**TABLE 1. TERAI (SIMI) VDCS**

Increased gross income from off-season vegetable farming	SIMI Income (Terai)		
	Before	Present	Future <sup>34</sup>
<b>SIMI / Banke / Jaispur VDC<sup>33</sup></b>			
1. Female, Dalit (Terai), poor, higher secondary (literate)	0	12,000	15,000
2. Female, Dalit (Terai), poor, no school (literate)	0	7,000	11,000
3. Male, Dalit (Terai), poor, no school (literate)	0	14,000	14,000
4. Male, Muslim, poor, no school (literate)	9,000	49,000	60,000
<b>SIMI / Banke / Sitapur VDC</b>			
1. Female, Chhetri (Hill), poor, primary school (literate)	0	5,000	10,000
2. Female, Janajati (Hill), poor, no school (literate)	0	27,500	27,500
3. Female, Dalit (Hill), poor, lower secondary (literate)	0	18,000	18,000
4. Male, Brahmin (Hill), poor, no school (literate)	0	40,000	60,000
<b>SIMI / Banke / Kohalpur VDC</b>			
1. Male, Chhetri (Hill), poor, no school (literate)	0	47,500	55,000
2. Male, Chhetri (Hill), poor, no school (literate)	30,000	50,000	60,000
3. Male, Brahmin (Hill), poor, higher secondary (literate)	0	47,500	30,000
4. Female, Chhetri (Hill), poor, no school (literate)	0	11,000	15,000
<b>Average Income (Approximately)</b>	<b>3,250</b>	<b>27,375</b>	<b>31,300</b>

Jaispur VDC lies to the south of Nepalgunj, the District Head Quarters (DHQ) of Banke along the border with India. The majority of residents of Jaispur are Muslims and Dalits (Terai) who speak Aabadhi language. Most of the residents are very poor farmers with small landholdings. Most of the farmers rent land for vegetable cultivation and therefore must provide half of their profits to the landowner. Because the VDC is close to the Indian border the conflict has less impact on the VDC. Also, the farmers were able to avoid major delays caused by strikes and closures by selling their vegetables individually at small markets in Nepalgunj. The majority of the farmers do not sell their vegetables at the markets in Rupadeya, which is just across the border in India because vegetables are sold at a lower price in India. The male Muslim farmer highlighted in the above chart has a much higher income than the other farmers because he is a lead farmer in the farmers group and he had been cultivating vegetables prior to SIMI. With his increased income he was able to rent additional land, thereby further increasing his output. He also collects vegetables from the other farmers and supplies them to the army and police camps. This practice has significantly increased his income from off-season vegetable farming. The Maoists have not targeted him for supplying the army and police because he lives close to the Indian border where security is strict.

Sitapur VDC is about 15 km south west of Nepalgunj. The majority of the farmers are poor and small landholders. In the 1970s the government resettled flood victims from the hills in Sitapur. Though the caste/ethnicity of the resettled people is heterogeneous, the VDC is mostly pahari (people 'from the hills'). The majority of these pahari have not received a landowner certificates. Therefore, they cannot mortgage

<sup>33</sup> In Jaispur, the majority of the farmers did not own land therefore they had to pay the landowner 50 percent of their profit. The incomes listed above do not include this deduction.

<sup>34</sup> Expected income one year in the future.

their land as collateral for credit loans. The prime market place for farmers from Sitapur is Khajura (Bageshwori VDC), a small market on the road to Nepalgunj. The people of Sitapur experienced minimal disturbances due to the conflict. In Sitapur the female Janajati and the male Brahmin have a much higher income from off-season vegetable production because they have larger plots of land and they have employed the entire family to cultivate vegetables.

Kohalpur VDC, approximately 26 km north of Nepalgunj, a major transportation hub where bulk loads of produce are re-allocated and re-directed. Due to its strategic location (main entry point to other parts of the country) Kohalpur has experienced rapid urbanization and growth. In the early 70's during the road construction period many hill people moved here. Because Kohalpur is at a crossroads it was also a major travel and supply route for both conflicting parties (Government and Maoist). As a result, the RNA and police harassed people in the community due to suspicion of supporting the Maoists. The conflict also caused roadblocks, which made it difficult for traders and wholesalers. However, interviews with SIMI beneficiaries suggest that the conflict did not have a major impact on the value chain. The male Brahmin in Kohalpur highlighted in the chart is the MPC chairperson. He has been simultaneously cultivating vegetables and producing milk from cows. The projected decrease in income from 47,500 to 30,000 is because he would like to prioritize dairy production and therefore he expects less income.

When comparing these three VDCs the average income raised by off-season vegetable farming is almost double in Kohalpur. Three primary variables help to explain the variance. First, Kohalpur is strategically located at a major intersection along the E-W Highway. Second, this location creates a high demand for off-season vegetables resulting in farmers designating more land for production leading to greater volume for sales. Third, Kohalpur's topography is more conducive for off-season vegetable farming particularly regarding water sources, drainage, and soil fertility.

**TABLE 2. TERAI (UJYALO) VDCs:**

Increased gross income from off-season vegetable farming/ fisheries	UJYALO Income (Terai)		
	Before	Present	Future
<b>UJYALO / Banke / Bageshwori VDC</b>			
1. Female, Chhetri (Hill), poor, no education (literate)	0	6,500	11,000
2. Female, Brahmin (Hill), poor, no education (literate)	0	12,500	22,500
3. Female, Chhetri (Hill), poor, no education (literate)	0	2,500	4,500
4. Female, Chhetri (Hill), poor, primary education (literate)	0	11,000	15,000
<b>UJYALO / Banke / Naubasta VDC</b>			
1. Male, Chhetri (Hill), poor, higher secondary (literate)	0	0	0
2. Male, Chhetri (Hill), poor, no education (literate)	0	7,500	-
3. Male, Chhetri (Hill), poor, no education (literate)	0	4,500	11,000
4. Male, Janajati (Hill), medium income, primary education	0	10,000	100,000
<b>UJYALO / Kailali / Shreepur VDC</b>			
1. Male, Janajati (Terai), poor, no education (literate)	2,000	4,000	10,000
2. Male, Janajati (Terai), poor, no education (literate)	250	4,500	6,500
3. Male, Janajati (Terai), poor, no education (literate)	0	5,500	9,000
4. Female, Janajati (Terai), poor, no education (literate)	0	2,250	0
<b>Average Income (Approximately)</b>	<b>200</b>	<b>6,000</b>	<b>8,000</b>

Bageshwori VDC is approximately 9 km west of Nepalgunj on a secondary route that leads to Gulareai, the DHQ of Bardiya. The government initiated a rehabilitation project for flood victims in early 70s. Thus residents of Bageshwori are mixed caste/ethnic groups primarily of Pahade (Hill) origin.

Naubasta VDC is approximately 6 km north of the road leading to Surkhet from Kohalpur. The VDC is primarily made up of paharis who migrated for economic opportunities in the 70s during the construction of a road. Social Development Forum (SDF), a local Partner Organization (PO), began implementing UJYALO in 2006. There has not been much integration of the psychosocial & peace building components in this VDC. However, a culvert construction committee was initiated in the village by SDF under the support of CARE-Nepal. Also, FECOFUN and Nari Sewa Samaj, both UJYALO POs, initiated various income generation and awareness raising activities from the part of Save the Children USA. The male Chhetri highlighted in the chart above did not make any income from UJYALO because during a flood the fish in his pond were washed away. Due to this experience he is not sure of the future. The male Janajati highlighted in the chart above was a Ghorka soldier in the Indian army. After retirement he invested his pension to purchase land for farming. He projected a larger increase in income than the other farmers because he plans to construct more fishponds.

Shreepur is approximately 12 km North of Dhangadi, the DHQ of Kailali and in close proximity to Aateria, a major intersection (brick of bulk) along the E-W Highway. The VDC is primarily made up of Tharu (Janajati from the Terai). The female Janajati highlighted in the chart above was a Victim of Conflict (VOC). The Maoists kidnapped and killed her husband, who was an officer in the army. Through UJYALO she received a joint-family fishpond; however, she lost her part of the pond because her brother-in-law separated the property, excluding her from fish farming. Therefore, she does not have a projected future income.

**TABLE 3. TERAI (CONTROL) VDCS:**

Control / Banke / Phattepur VDC	Control Income (Terai)		
	Before	Present	Future
1. Male, Janajati (Terai), middle class, no school (literate)	0	0	0
2. Female, Janajati (Terai), poor, lower secondary	0	0	0
3. Female, Janajati (Terai), poor, no school (literate)	0	4,500	0
4. Male, Janajati (Terai), poor, illiterate	0	4,500	0
<b>Control / Banke / Puraina VDC</b>			
1. Female, Dalit (Terai), poor, illiterate	0	0	0
2. Female, Dalit (Terai), poor, illiterate	0	0	0
3. Female, Dalit (Terai), poor, illiterate	0	0	0
4. Female, Dalit (Terai), poor, illiterate	0	0	0
<b>Control / Kailali / Phalmanpur VDC</b>			
1. Male, Janajati (Terai), poor, no school (literate)	0	0	0
2. Female, Janajati (Terai), poor, primary school	0	0	0
3. Male, Janajati (Terai), middle class, primary school	0	0	0
4. Male, Janajati (Terai), middle class, higher secondary	0	0	0
<b>Average Income (approximate)</b>	0	750	0

Phattepur VDC is about 20 km east of Nepalgunj on the opposite side of the Rapti river. Currently there is no road access to Nepalgunj from Phattepur. Due to the absence of road accessibility Phattepur VDC is not easily linked with private and public facilities. The community is primarily Tharu. A few I/NGOs have

worked in Phattepur especially targeting ex-bonded laborers and landless people. The government security forces are very suspicious of the Tharu community and have labeled them as a revolutionary group. Therefore, heavy security measures have been imposed in this VDC. The two female Janajatis highlighted in the above chart were previously landless people who received resettlement packages from the government and CEPEV (EU). Due to a completely subsidized assistance program including seeds, pesticides, fertilizers, and MITs, they have earned approximately 4,500 Rps per year by cultivating and selling vegetables at the local market. The assistance project will soon phase out and therefore neither woman is sure of their future income.

Puraina VDC is located approximately 7 km east of Nepalgunj. The majority of the residents are originally from the Terai and a large proportion of the population is Dalit. Previously FORWARD, a local NGO supported the Dalits through income generation activities. After the program ended most of the vegetable farmers stopped producing crops. DADO is currently trying to revive the farmers groups.

Pahalmanpur VDC lies in the middle of the East-West highway; however, it does not have good access to local markets. The two municipalities in Kailali district are relatively far from Pahalmanpur, where larger markets can be found. Most of the residents are Tharu. During the conflict, Pahalmanpur VDC was a high alert area because most of the VDC was under Maoist's control. Due to the impact of the conflict and the high levels of unemployment, many youth from Pahalmanpur migrated to India to avoid joining the Maoists and to gain employment. This trend continues to date.

**TABLE 4. HILL (SIMI) VDCS:**

Increased gross income from off-season vegetable farming SIMI / Surkhet / Ramghat VDC	SIMI Income (Hill)		
	Before	Present	Future
1. Female, Chhetri (Hill), poor, illiterate	0	2,250	3,000
2. Female, Chhetri (Hill), poor, secondary school	0	1,900	2,500
3. Female, Dalit (Hill), poor, illiterate	0	3,100	4,000
4. Female, Chhetri (Hill), poor, illiterate	0	1,100	1,500
<b>SIMI / Surkhet / Chhinchu VDC (Harre)</b>			
1. Male, Chhetri (Hill), medium, secondary School	1,250	70,000	100,000
2. Male, Chhetri (Hill), poor, no school (literate)	0	45,000	50,000
3. Female, Janajati (Hill), poor, secondary school	1,250	70,000	100,000
4. Female, Chhetri (Hill), poor, illiterate	900	65,000	80,000
<b>Average Income (Approximately)</b>	<b>425</b>	<b>32,300</b>	<b>42,600</b>

Ramghat VDC is approximately 42 km south of the Birendranagar municipality, the DHQ of Surkhet, close to the main road connecting Surkhet to Nepalgunj and the E-W HWY. The majority of the population in Ramghat is Pahade Chhetri who migrated from the northern hills for economic opportunities. The farmers said that they were not severely affected by the conflict but they had to occasionally provide food and shelter to the Maoists. According the farmers interviewed this did not lead to much harassment from the RNA and police. Currently some of the farmers are providing vegetables to the cantonment camp in Satakhani. The income of farmers from Ramghat is comparatively less than those in Chhinchu. This is partially because the farmers in Ramghat could not expand vegetable cultivation due to a lack of a water source.

Chhinchu is approximately 50 km South of the district DHQ along the main road connecting Surkhet with the Nepalgunj and the E-W HWY. The population, a mix of different caste and ethnic groups of Pahade origin, migrated to Surkhet for economic opportunity several generations ago. In Chhinchu, the three farmers highlighted in the above chart have a much greater income due to prior experience in vegetable cultivation.

**TABLE 5. HILL (UJYALO) VDCS:**

UJYALO / Dadeldhura / Amargadi Municipality	UJYALO Income (Hill)		
	Before	Present	Future
1. Female, Brahmin (Hill), poor, illiterate	0	22,500	30,000
2. Female, Dalit (Hill), poor, illiterate	0	22,500	30,000
3. Female, Brahmin (Hill), illiterate	0	17,500	20,000
4. Female, Brahmin (Hill), poor, illiterate	0	25,000	30,000
UJYALO / Dadeldhura / Navadurga VDC			
1. Female, Chhetri (Hill), poor, illiterate	0	11,000	20,000
2. Female, Chhetri (Hill), poor, secondary school	0	11,000	20,000
3. Female, Dalit (Hill), poor, illiterate	0	11,000	15,000
4. Female, Dalit (Hill), poor, illiterate	0	11,000	20,000
Average Income (Approximately)	0	16,400	23,100

In Dadeldhura, interviewed farmers included the value of consumed vegetables in estimating their income, whereas in the UJYALO districts in the Terai this income was not included in the estimate. This partially explains the variance in income between the UJYALO districts in the hills and the Terai utilized for this study.

Amargadi Municipality, the District Head Quarter (DHQ), the market shed and CC were constructed off the main road with little access to the central market. As a result the farmers, traders, and wholesalers are not utilizing them effectively. Rai Gaun (ward 10) in the vicinity of Amargadi municipality is composed of Brahmin, Chhetri, and Dalits. Rai Gaun has year round access to the DHQ (5 km east on the way to Doti). Two years ago, UJYALO was introduced through the local PO, Integrated Development System (IDeS). Before UJYALO, few farmers were cultivating vegetables in the area. The strategic location with easy access to roads and the central market made this a prime location for vegetable production and the value chain. The disparity in income between Rai Gaun and Navadurga displays the benefits of access to roads and markets when implementing the value chain.

Navadurga VDC is about 25 km east of Amargadhi municipality on the road corridor to Siligudi, the DHQ of Doti district. The residents of Navadurga are primarily Chhetri and Dalit. Farmers located near the Ilaka service center in Navadurga VDC have access to basic government services and facilities (agriculture & livestock, health post, postal service and a training center/UNFPA). The prime target group of UJYALO is marginalized and poor smallholders who face severe water shortages. Chhetris own most of the fertile land with year round access to water sources. Currently they do not allow the lower caste poor farmers to lease the land for vegetable production. Also, the farmers in Navadurga do not have access to CCs so the individual farmers have to walk to Dadeldhura (approximately 25km) to sell their vegetables. This helps to account for the lower profit margins compared to the farmer's profits in Rai Gaun.

**TABLE 6. HILL (CONTROL) VDCS:**

<b>Control / Surkhet / Salkot VDC</b>	<b>Control Income (Hill)</b>		
	<b>Before</b>	<b>Present</b>	<b>Future</b>
1. Male, Brahmin (Hill), middle class, secondary school	0	0	0
2. Male, Janajati (Hill), poor, illiterate	0	0	0
3. Male, Brahmin (Hill), poor, no school (literate)	0	0	0
4. Male, Janajati (Hill), middle class, bachelor degree	0	0	0
<b>Control / Surkhet / Hariharpur VDC</b>			
1. Male, Chhetri (Hill), poor, illiterate	0	0	0
2. Male, Chhetri (Hill), poor, illiterate	0	0	0
3. Female, Chhetri (Hill), poor, illiterate	0	0	0
4. Male, Chhetri (Hill), poor, illiterate	0	0	0
<b>Control / Dadeldhura / Bhageshwori VDC</b>			
1. Male, Chhetri (Hill), middle class, secondary school	0	0	0
2. Male, Brahmin (Hill), poor, secondary school	0	0	0
3. Male, Chhetri (Hill), poor, illiterate	0	0	0
4. Male, Chhetri (Hill), middle class, Bachelor degree	0	0	0
<b>Control / Dadeldhura / Gangkhet VDC</b>			
1. Male, Brahmin (Hill), middle class, secondary	0	65,000	80,000
2. Male, Chhetri (Hill), middle class, secondary	0	22,500	30,000
3. Male, Chhetri (Hill), poor, illiterate	0	55,000	70,000
4. Male, Janajati (Hill), poor, illiterate	0	31,000	35,000
<b>Average Income (Approximately)</b>	<b>0</b>	<b>21,700</b>	<b>26,900</b>

Salkot VDC is approximately four hours from the DHQ by car. It has very fertile land and access to water and roads. It is also very close to the local market in Babiyochaur. RRN, an NGO, initiated various development projects in Salkot. Due to threats from the Maoists RRN discontinued its project. The conflict has severely affected the farmers' ability to access supplies from Surkhet. The male Janajati highlighted in the chart above is the former VDC chairperson from Salkot who was forced to relocate to the DHQ where he started vegetable farming to earn an income to support his family. After the CPA he stopped vegetable farming to return to political affairs.

Hariharpur VDC is approximately 45 km west of the Surkhet. There is currently no vehicle access to Hariharpur. The farmers migrated from the upper hills for economic opportunities. Due to inaccessibility no I/NGOs have initiated projects in this VDC. Due to lack of access to roads and markets, they remain subsistence farmers who cultivate some off-season vegetables for their own consumption.

Bhageshwori VDC is approximately 7 hours west of the DHQ by car and foot. The residents of the VDC are primarily Brahmin and Chhetri. During the conflict, a Maoist base camp was located in Bhageshwori. Thus, the residents were compelled to obtain permission cards from the Maoists to travel outside of the VDC. Due to suspicion by the RNA the residents of Bhageshwori were often interrogated when traveling to the DHQ. Several I/NGOs are working in Bhageshwori including: Rural Infrastructure Work Project (RIWP/FAO), Sustainable Soil Management Project (SSMP/Helvetas) and Poverty Alleviation Fund (PAF). Though the topography is conducive for off-season vegetable production, the value chain has not been introduced in Bhageshwori.

Gangkhet VDC is approximately 45 km south of Amargadi Municipality, the DHQ of Dadeldhura. A major road corridor links Gangkhet with the DHQ in the North and Aateria, a major junction (brick of bulk) in the South. CECI, a Canadian INGO, introduced off-season vegetable farming in the late 80's to many of the farmers in Gangkhet. Due to the strategic location the value chain flourished, particularly along the road corridor. Even after the project was discontinued, the value chain was sustained evidenced by individual farmer's incomes listed in the above chart. Several years later, UJYALO was introduced (2004 – 2005) in several VDCs in close proximity to the CECI project. During the research team's field visit, it was noticed that the value chains developed by UJYALO did not coordinate with the preexisting value chain introduced by CECI. Had they linked UJYALO with CECI perhaps the results could have been greater and more sustainable.

## ANNEX II

### IMPACT OF CONFLICT (BASED ON FIELD INTERVIEWS)

#### TERAI (BANKE AND KAILALI)

District/VDC	Project	Impact of Conflict	Factors
Banke, Jayaspur	SIMI	No impact	<ul style="list-style-type: none"> <li>▪ The VDC is close to the Indian border, therefore there was tight security</li> <li>▪ There is a local market in the VDC</li> <li>▪ The volume of production is very small so most vegetables are sold locally</li> <li>▪ Historically there has been harmony in the community</li> <li>▪ There are very few pahardi (hill) migrants</li> </ul>
Banke, Sitapur	SIMI	No impact	<ul style="list-style-type: none"> <li>▪ In the early 70s the government initiated a rehabilitation project for flood victims. The VDC is made up of small-scale migrant farmers (mixed pahardi and madhesi) with little income</li> </ul>
Banke, Kohalpur	SIMI	Little conflict	<ul style="list-style-type: none"> <li>▪ Located at a crossroads Kohalpur's growing urban center has become a travel route for both the government and the Maoists. During the conflict several people were killed from the government side. The villagers lived in fear.</li> </ul>
Banke, Bageshwari	UJYALO	Little conflict	<ul style="list-style-type: none"> <li>▪ Minor incidents occurred but no major damage or threat was imposed by either conflicting party</li> <li>▪ Maoists sought shelter and security personal searched houses</li> </ul>
Banke, Naubasta	UJYALO	No impact	<ul style="list-style-type: none"> <li>▪ The VDC is close to an army camp so the community did not observe any major impact of the conflict</li> </ul>
Shreepur, Kailali	UJYALO	High impact	<ul style="list-style-type: none"> <li>▪ During the peak of violence security personal from the VDC were kidnapped and killed by the Maoists</li> <li>▪ There are several Victims of Conflict and Torture in this VDC</li> </ul>
Phattepur, Banke	Control	High impact	<ul style="list-style-type: none"> <li>▪ VDC labeled as sympathetic and supportive of the Maoists which resulted in high levels of harassment, searches, and torture by the security forces</li> </ul>
Puraina, Banke	Control	Little impact	<ul style="list-style-type: none"> <li>▪ Population is mostly Madhesi Dalit so they were very little impact of the conflict.</li> <li>▪ One person was reported as being beaten and killed by the Maoists</li> </ul>
Pahalmanpur	Control	High impact	<ul style="list-style-type: none"> <li>▪ Tharu community was seen as sympathetic and supportive of the Maoists and therefore the</li> </ul>

			security forces searched the people houses, harassed and beat them.
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#### HILLS (SURKHET & DADELDHURA)

District/VDC	Project	Impact of Conflict	Factors
Surkhet, Ramghat	SIMI	Minimal	<ul style="list-style-type: none"> <li>▪ Migrants from hills</li> <li>▪ Small volume of production</li> </ul>
Surkhet, Birendranagar	SIMI	High Impact	<ul style="list-style-type: none"> <li>▪ “The army thought I was a rebel carrying ammunition on my motorbike and they searched my whole package and treated me poorly”</li> <li>▪ “One of the school teachers was kidnapped by the Maoists.”</li> <li>▪ We have been tortured by both parties</li> <li>▪ We have to provide shelter and food for the reel groups and the army suspected us to be sympathizers to the Maoists.</li> </ul>
Surkhet, Chinchu	SIMI	No	<ul style="list-style-type: none"> <li>▪ Close to army camp</li> <li>▪ Migrants and small land holders</li> </ul>
Surkhet, Salkot	Control	Highly affected	<ul style="list-style-type: none"> <li>▪ Community is made up of IDPs from the hills</li> <li>▪ “Many families were dislocated by the Maoists. We were asked either to join them or to leave the village.”</li> <li>▪ “One of the neighbors named Bal Bahadur Marsanghi was killed in the clash between security personnel and the Maoist. Still unknown which party killed him.”</li> </ul>
Surkhet, Hariharpur	Control	Minimal	<ul style="list-style-type: none"> <li>▪ Migrants from hills</li> <li>▪ Small holders</li> </ul>
Dadeldhura, Navadurga	UJYALO	Minimal	<ul style="list-style-type: none"> <li>▪ Small holders</li> </ul>
Dadeldhura, Rai Gaun, Amargadi Municipality	UJYALO	No	<ul style="list-style-type: none"> <li>▪ Small holders</li> <li>▪ Located in Municipality, district HQ so no direct impact of conflict</li> </ul>
Dadeldhura, Bhageshwari	Control	High Impact	<ul style="list-style-type: none"> <li>▪ Impact on mobility</li> <li>▪ Near base camp of Maoists</li> <li>▪ Tight security / interrogation by army</li> <li>▪ “Our VDC was declared a Maoist base camp, therefore we have to obtain permission to travel outside.”</li> <li>▪ “The army was suspicious of us and interrogated us when traveling to district HQ”</li> </ul>
Dadeldhura, Gangket	Control	Minimal	<ul style="list-style-type: none"> <li>▪ Pahardi community</li> </ul>

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