Connect Review (1st Phase)

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Results in development

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1 Overview of the programme

CONNECT is a component part of the Nepal Rural Access Programme Phase 3 (RAP3), one of the longest-standing and largest DFID programmes in western Nepal (Provinces 6 or Karnali Province, and Province 7). The programme aims to reduce poverty by increasing incomes and resilience through jobs, local roads, social protection support, market links to agro-business and women led micro-enterprises and small community infrastructure in ten districts in the provinces.

CONNECT as a component of the larger programme works with micro, small, and medium businesses (MSMEs) in these provinces and facilitates linkages between these entities and other market players. It focuses on micro, small, and medium enterprises to support and harness available commercial opportunities in agriculture. The programme also seeks to ensure that Nepal's local governments have capacity to tackle the challenges impeding growth, hindering geographical and socio-economic inclusion and limiting resilience.

2 Purpose of this review

The purpose of this review is to assess the CONNECT component before the end of the RAP programme, with a view to providing input into where CONNECT should focus its resources in the next phase of operation. This review focuses on the selection process employed by CONNECT in identifying the pilot interventions which it has chosen to exit and those it has chosen to continue to fund.

3 Review of pilot selection process

3.1 Initial identification of pilots

CONNECT's theory of change highlights that the programme aims to identify and select MSMEs with which it can work in areas where RAP3 has improved the road network. The programme also identifies public sector agencies and private sector providers which it thinks will be able to add value to its interventions. Selection criteria for the MSMEs are listed in Table 1 below. These criteria were used as a screening mechanism in the initial selection process, at the beginning of the programme. While the review team have some concerns relating to these criteria and their application, these will be explored in more detail in a later, more comprehensive evaluation. Using these criteria, CONNECT selected nine MSME interventions (we return to these in more detail below).

Table 1: Criteria used for initial selection process.

Selection Criteria	Weighting	Criterion description
Relevance to the project	5	Potential for private sector leverage, triggering change in commercial transactional behaviour, co-sharing of resources with public sector and other programmes, synergy with district government priorities
Feasibility	4	Ease of access to physical infrastructure (road networks, commercial transport, all season roads); finance, RAP3 and partner human resource capacities, technology and economic infrastructure (storage, packaging, processing equipment, commercial electricity connections, communication lines)
Market	4	Potential for growth and scale (production and demand sides), efficiency of market actors, competitiveness, market information systems
Gender and social inclusion	4	Scope for increasing participation of women in establishing and scaling up businesses

Improving incomes	4	Potential for sustainable increases in incomes or long term employment generation
Quick wins	4	Ability to build on established systems and leverage proven track record of successful implementation to deliver goals within project time frame
Risk	3	Level of institutional, policy, implementation and natural risks

3.2 Selection of pilots to continue

In the course of this review, the team conducted interviews with CONNECT personnel and reviewed key programme documents to understand on what basis the programme has selected pilots for continued support to February 2019. However, the team has had limited access to programme documents, in spite of ongoing requests for the same. As a result, the following review is based on limited insight into programme processes.

CONNECT currently runs nine pilot interventions. Of these nine interventions, CONNECT has opted to continue to work with four. From the provided documentation, there appears to be no structured process, or clear rationale, for the selection of these four interventions.

In only one case is there a clear, documented, rationale for exiting a pilot (apparent lack of commitment on the part of the partner entity).

Generally of concern in reviewing the decision on which pilots to continue, is that while achievements of each of the pilots are highlighted and in some cases celebrated in project documentation, there is no indication of initial targets against which these achievements can be measured. In some cases, it is mentioned that a pilot exceeded targets or expectations, but without clearly identifying what these initial targets were. This makes it difficult to objectively review the pilots against a set benchmark.

Likewise, while mini ToCs are developed for seven of the nine pilots, it is not clear from the provided material to what extent the pilot has addressed or overcome the constraints identified within these ToCs, or to what extent the assumptions within the ToCs held true, or whether their were external or unanticipated influences on the pilot, that other projects could learn from. With this lack of application, it is not clear what role the mini TOCs are expected to play.

There is no available comparative analysis of the pilots to underpin the selection process. In fact, it is not clear if the results achieved by the pilots are comparable, as presented. The evaluation team has identified a number of variables that could be placed side by side for comparative analysis, which are presented in Table 2 below. From this analysis it is apparent that the most efficient pilot in terms of outreach (both in total beneficiaries and women beneficiaries) was AGS (which was not selected to continue), while the most efficient in terms of leveraged investment was OMF (which was selected to continue). Further comparative analysis of the interventions along these lines would allow for more detailed like-with-like comparison and provide further information to guide the selection process. An example of such a comparison, developed by the evaluation team, is provided in Table 2. No such comparison appears to have been done by the project.

4 Suggestions for more detailed analysis of pilot feasibility

4.1 Further probing questions for individual pilots

In the absence of a clear process and set of (evidenced) selection criteria, our recommendation to DFID at this stage is, during the Annual Review, to probe for further information on these interventions to satisfy themselves that the correct selection has in fact been made and that there is a solid foundation for continuing with the interventions. In this section we briefly describe the grants and make suggestions as to the most appropriate questions to ask for each grant. This draws on our review of pilot ToCs, programme documentation and conversations with CONNECT staff.

MSME 1. Aastha General Store & Suppliers (AGS) ***Chosen for exit***
CONNECT partnered with AGS, a local trading business and launched a market test for Jumlli beans. This pilot has reached 725 farmers (all women). The pilot is doing moderately well according to CONNECTs own scorecard. It appears that the business relationships developed in the pilot will continue. The programme points out that the market linkages are relatively secure and it therefore sees no reason for its ongoing support of this pilot. However, in its own assessment there is a need for ongoing business support[1]. It is not clear if the parameters for success for this pilot were met.

Probing questions:

- To what extent does the success of AGS dictate the ongoing success of the farmers access to markets?
- Have participating farmers contributed and benefitted equally from this intervention?
- Can anything further be done to promote the sale of produce? (There is an apparent market failure in the lack of consumer demand for the produce – possibly due to relative high price with limited perceived additional value. (NB consumer demand (Local, regional and international) is mentioned in the TOC as strong))

MSME2. Unilever Nepal Limited (UNL) ***Chosen for ongoing support***
Partnership with UNL to help them build out their rural sales network through Hamri Didi, a local women sales agent. The programme has successfully engaged over 200 women actively trading with a reported demand for 500 more to be trained and equipped. CONNECT reports that UNL "require support to strengthen capacity and governance at the field level."

The project expects to provide management backstopping to the pilot. Given the heavy support that the project has already given to this multinational, it is not clear if the partner has fully committed to the project, thus placing its sustainability in question.

Probing questions:

- To what extent has UNL bought into and committed to this programme?
- How does this support translate into financial support translating into sustainability?

MSME 3. Belpata Dairy Cooperative (BDC) ***Chosen for ongoing support***
Commercialisation of dairy production accelerated by strategically locating trade hubs and through facilitating access to finance for DSS, issuing livestock insurance and strengthening BDCs operations management. Milk production has increased significantly in the course of the pilot. It appears that measures to address milk quality are to be put in place, including GMP standards. Infrastructure related issues play a key role in this pilot to ensure that the unspoiled product reaches the market. It is not clear to what extent the pilot successfully addresses these issues.

Probing questions:

[1] The programme's own review sates "However, much work remains to be done on streamlining operations, increasing efficiencies in cash flow management and improving governance." (Annual Review p17)

- While the intervention might be increasing milk volumes at the moment is this translating into increased incomes of the farmers?
- Given the infrastructure constraints, to what extent is this intervention sustainable after the exit of the programme?
- Are private sector partners interested in investing resources in continuing to support farmers?

MSME 4. Pawan Agriculture Collection Centre (PACC) ***Chosen for exit***
This intervention focussed on the expansion of PACC's supply chain to respond to unmet demand for quality vegetables and legumes in local and regional markets. PACC has established trade linkages with vegetable vendor(s). CONNECT suggests that PACC will reach its viable business size and therefore it will no longer continue with support to this venture. A clear indication of viable business size is not provided, and this is not clearly outlined in the MiniTOC as a constraint. There is no clear indication of the pilot providing technical and commercial support to the farmers, which are identified as constraints in the mini TOC.

Probing questions:

- Why has CONNECT determined that PACC has now reached a viable size?
- Has the programme overcome, or worked towards overcoming, the constraints identified in the TOC (such as technical support to farmers)?
- To what extent to these constraints still exist, and what impact do they have on the farmers?

MSME 5. Organic Mountain Flavor (OMF) ***Chosen for ongoing support***
The intervention focussed on formalising relationships between ginger producers and OMF, supporting organic certification and establishing a processing facility close to growing areas. It was envisaged that this would increase farmers' risk appetite.

A significant constraint in any ginger related venture is dealing with lower cost Indian imports and access to market (predominately in India). This was not identified as a constraint in the TOC. CONNECT has done well to link the pilot with German importers and to establish bank accounts for the farmers. However, these bank accounts appear to be vehicles for the facilitation of input and repayment transactions, and do not appear to be used by the farmers as mainstreamed financial mechanisms. Their value add to the empowerment of the farmers might therefore be negligible.

It is not clear from the documentation why the project is continuing with this venture. There appears to be a viable commercial entity and documentation speaks to the possibility of merging two companies. The original shareholders of these companies will retain significant shareholding. The benefit to the ginger farmers is not clear.

Probing questions:

- What is the benefit to the farmers regarding the merging of the companies?
- To what extent does CONNECT's support of this merger contribute to the overall programme goals?
- Are the shareholders in a position to contribute to the cost of the merger?
- Is this financial arrangement with the farmers ongoing? Do farmers continue to utilise their accounts? Is this cost effective?

MSME 6. Dadeldhura Farmers Cooperative Society Limited (DAFACOS) ***Chosen for exit***
The intervention facilitates partnership agreements between producers and MSMEs regarding the increased production of high quality seed. "CONNECT's partnership with DAFACOS delivered mixed

results. Progress against targets for the period have been achieved strengthening our hypothesis that facilitating partnership agreements between producers and MSMEs will lead to increased production of high quality seeds. We expected to see a significant demonstration effect that would attract more famers to invest in the commercial seed farming sub-sector, which has not been the case." In spite of the programme rating the pilot with high growth prospects, there is little in the narrative that supports this view.

CONNECT is choosing to end this partnership and the rationale for this is clear. However, in the interests of programme learning it would be useful to ascertain what else could be done to stimulate upstream investment and whether assumptions made in the TOC were incorrect?

MSME 7. Shoba Traders & Order Suppliers (STOS) ***Chosen for exit***

The intervention focussed on poultry breeding and take up contracts for poultry from farmers in Doti. However, early indications were to exit this partnership early if there was disagreement re strategy and the way forward. There is no clear indication of what would constitute a disagreement (as opposed to a differing of opinion) re strategy. This discussion should be placed within the border TOC context.

As a result of a disagreement re strategy (and ongoing side selling from the farmers) the project has decided to exit this intervention. While this may be the correct decision, the project could contribute to ongoing learning by recording the process steps that led to a breakdown in the relationship and recording the omission of the risk of side selling in the TOC.

MSME 8. Shree Kunwar Kirana General Store (SKKGS) ***Chosen for exit***

The focus of this intervention was on buy-back contracts for fruit and vegetables and the establishment of branch/trade hubs purchase helped tackle collection constraints. The pilot exceeded expectations, but it is not clear if the pilot's hypothesis holds – the achievements do not provide sufficient evidence. It is not clear how the proposed action plans will address the specific constraints identified in the TOC.

This intervention has already been concluded but the project could contribute to ongoing learning by recording its rationale for ending a successful intervention, and the extent to which the intervention overcame the identified TOC constraints.

MSME 9. Hatemalo Seed Promotion Cooperative (HSPC) ***Chosen for ongoing support***

The focus of this intervention was on improving quality and expanding supply chains of available seed. The intervention claims it has been successful but that there are still some challenges that it needs to address (increasing the number of buyers to reduce dependence on two buyers, and exploring the possibility of a weather based insurance product). It is not clear from the narrative why CONNECT needs to be directly involved to overcome these challenges.

Probing questions:

- What is the benefit to the farmers (as opposed to the business) regarding the ongoing support of this intervention?
- Why does the company need the ongoing support of CONNECT to pursue more customers?

4.2 Recommendations to strengthen selection rationale

While we think that the CONNECT team has performed admirably and made significant achievements, we think that the team could easily add more weight to these achievements by clearly stating their objectives and then tracking these in a transparent and accessible manner.

- Recommendation 1
  Provide clear and transparent documentation of decision making processes to assuage concerns regarding due process.

- Recommendation 2
  Provide more information regarding the criteria used to select pilots to continue and clear weighting of the same.

- Recommendation 3
  Provide a clear rationale for the selected interventions, including a clearer rationale for withdrawing support to those interventions that the project has chosen to exit.

- Recommendation 4
  Provide clear, quantifiable targets for each of the interventions with set timeframes. These targets should contribute to the overall logframe targets.

- Recommendation 5
  Provide a like for like comparison between the interventions where similarities and differences can be noted and explored.

5 Next Steps

The team will now embark on the second phase of this review where we will review again all project documentation and conduct field visits to the pilots selected to continue. The purpose of these visits will be to explore the probing questions identified above, collecting data from private sector partners and beneficiaries. This data will inform recommendations to DFID regarding improvements in any subsequent, similar initiatives.

In addition, in the second phase, the team will comment on placing the overall programme within a development paradigm. Currently, the programme is clear in its objectives but its implementation methodology is less obvious. It is not explicitly stated in any of the provided documentation, but the programme appears to have characteristics of a standard market linkages development programme. It also has a number of market development (M4P) programme characteristics, perhaps making it a hybrid programme of sorts.

While it has been stated in interviews that CONNECT interventions are designed to 'respond to opportunities' for selected MSMEs and not as market development or enterprise development initiative and do not have ‘sector’ and ‘market constraint’ orientation or any plans to develop these. However, in designing the interventions CONNECT does in fact identify constraints that impede the growth of the selected MSMEs, whether this is access to a route to market or access to finance or a combination of factors. Constraints (and potential strategies to overcome these) are also clearly identified in the mini TOCs created for the programme outcomes. However, in the same mini TOCs, although problem statements are identified, there is no clear analysis of these statements and their context.

This apparent lack of cohesion can be confusing in analysis and this confusion might also be apparent in implementation. While some aspects of the paradigm might not be suitable for CONNECT’s environment, these variations can at least be explained within a wider framework.

Table 1: Comparison across pilots (shaded rows are interventions with continuing support)

Pilot Name	CONNECT investment (£)	Leveraged investment (£)	Investment Ratio	Farmers reached	Women reached	Cost per farmer (£)	Cost per woman (£)
1. Aastha General Store & Suppliers (AGS)	3559	1459	2,4	725	725	4,91	4,91
2. Unilever Nepal Limited (UNL)					228		
3. Belpata Dairy Cooperative (BDC)	4095	2703	1,5	185	121	22,14	33,84
4. Pawan Agriculture Collection Centre (PACC)	4756	2374	2,0	581	581	8,19	8,19
5. Organic Mountain Flavor (OMF)	21690	322635	0,1	352	302	61,62	71,82
6. Dadeldhura Farmers Cooperative Society Limited (DAFACOS)	9019	12825	0,7	528	287	17,08	31,43
7. Shoba Traders & Order Suppliers (STOS)	4177	12774	0,3	18	2	232,06	2088,50
8. Shree Kunwar Kirana General Store (SKKGS)	4807	20028	0,2	415	415	11,58	11,58
9. Hatemalo Seed Promotion Cooperative (HSPC)	7985	7928	1,0	314	228	25,43	35,02

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