



# Technical Assistance Report

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Project Number: 39006  
December 2005

Technical Assistance  
Nepal: Reaching the Most Disadvantaged Groups in  
Mainstream Rural Development  
(Financed by the Poverty Reduction Cooperation Fund)

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 2 December 2005)

Currency Unit	–	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.014
\$1.00	=	NRs70.65

## ABBREVIATIONS

ADB	–	Asian Development Bank
BRAC	–	Bangladesh Rural Advancement Committee
DWD	–	Department of Women Development
GEEOW	–	gender equality and empowerment of women
HDG	–	Household Development Grant
IGVGD	–	Income Generation for Vulnerable Group Development
NGO	–	nongovernment organization
TA	–	technical assistance
VDC	–	village development committee
WDOF	–	women development officer

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	Targeted intervention
<b>Sectors</b>	–	Health, Nutrition, and Social Protection and Education
<b>Subsectors</b>	–	Social protection and technical education, vocational training, and skills development
<b>Theme</b>	–	Gender and Development and Inclusive Social Development
<b>Subtheme</b>	–	Gender equity in capabilities, gender equity in opportunities, and gender equity in empowerment and rights

## NOTE

In this report, "\$" refers to US dollars.

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## I. INTRODUCTION

1. The Asian Development Bank (ADB) approved in December 2004 a loan for the Gender Equality and Empowerment of Women (GEEOW) Project in Nepal, to facilitate a process of economic, social, legal, and political empowerment among poor rural women, including ethnic and low-caste women. However, during the GEEOW Project's preparation, a need was recognized for an additional specific delivery mechanism to reach the most disadvantaged members of society. The Government requested ADB technical assistance (TA) to respond to this need. ADB considered this request, and a concept paper was prepared and endorsed for funding by the Poverty Reduction Cooperation Fund at its Fifth Strategy Meeting in June 2004. Subsequently, a TA fact-finding mission visited Nepal from 2 to 8 December 2004 and held discussions with the Government and development partners. The Government and ADB reached an understanding regarding the impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and terms of reference.<sup>1</sup> The TA framework is in Appendix 1.

## II. ISSUES

2. Poverty in Nepal remains concentrated among the rural poor and women and various disadvantaged ethnic and caste groups. While there has been some progress in addressing gender-based discrimination, there has been considerably less progress in addressing caste- and ethnicity-based exclusion. Nepal's society is multiethnic, with complex variations in caste, language, and religion, with the Hindu caste system prevailing. The society is governed by a sophisticated system of rules and behavioral norms, and the caste system, although officially abolished in 1964, defines access to resources. Upward mobility is extremely limited, and social exclusion is one major reason for persistent unequal access to resources, rights, and opportunities in Nepal.

3. Past impact assessments of rural development programs show that the most disadvantaged households of a community have often not participated in or benefited from these programs. For example, the ADB-funded Microcredit Project for Women<sup>2</sup> was able to reach only the middle income women of rural Nepal.<sup>3</sup> Conventional delivery mechanisms have not always been sufficient to reach the most disadvantaged households, who are confronted with the challenges of (i) ensuring food subsistence and basic family needs and (ii) trying to improve family incomes. Their coping strategies to meet survival needs consume almost all of their time, thus preventing their participation in mainstream development programs. Even well-designed development programs may not match the capabilities and responsiveness of the most disadvantaged households. Life cycle studies in Nepal show that, besides a low level of skills and lack of inherited capital assets, the most disadvantaged households tend to contain relatively young parents and children. With a high dependency ratio, these households struggle to meet basic needs during the first 15 years of marriage, and they lack the resources and time to participate consistently and fully in development activities. Unless the most disadvantaged households receive specific assistance, these households may not be able to improve their living conditions until the children start working and the dependency ratio decreases. Development projects have difficulty reaching the most disadvantaged households during the most impoverished periods of their life cycles, thus allowing few of them to participate.

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<sup>1</sup> The TA first appeared in *ADB Business Opportunities* (internet version) on 31 March 2005.

<sup>2</sup> ADB. 1993. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance to the Kingdom of Nepal for the Microcredit Project for Women*. Manila.

<sup>3</sup> ADB. 2001. *Special Evaluation Study on Gender and Development*. Manila.

4. ADB assistance under the 2005–2009 country strategy and program will ensure greater involvement of disadvantaged groups in the mainstream development process, to improve their access to resources and achieve a more inclusive and accountable delivery of basic social services. The TA will facilitate the outcomes of the country strategy and program by focusing on inclusive social development and social protection, in particular facilitating the participation of the most disadvantaged households in mainstream development activities. Possible synergies will be built with other ADB projects and other social protection programs of the Government.<sup>4</sup> The TA will contribute to the poverty reduction objectives of the Government, through fostering social inclusion. The TA will also provide a direct input to the “targeted programs for the ultra-poor, vulnerable, and deprived groups” pillar of the Tenth 5-Year National Plan,<sup>5</sup> according to which special efforts and innovative modalities would be needed to involve the most disadvantaged groups in mainstream activities.

5. To effectively reach the most disadvantaged groups, special design features of development projects are needed to ensure (i) equitable distribution of benefits of development programs, (ii) adequate changes of attitude and behavior of the most disadvantaged groups that translate into positive socioeconomic improvement during development projects, and (iii) necessary advancement from being the most disadvantaged groups to being beneficiaries reachable by mainstream development projects. An innovative mechanism has been designed for the TA, based on lessons learned from other similar community-driven initiatives implemented in South Asia, such as the Income Generation for Vulnerable Group Development Program of the Bangladesh Rural Advancement Committee (Appendix 2).

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

6. The impact of the TA will be the reduction of extreme poverty and a more equitable impact of rural development interventions, through the integration of the most disadvantaged households, including those from low-caste and ethnic minority groups, in development programs. The outcome is to allow the most disadvantaged households to effectively participate in and benefit from rural development projects, including the GEEOW Project, through the implementation of an innovative package of activities aimed at the acceleration of their socioeconomic status and the removal of sociocultural and financial constraints that keep them from participating effectively in these development programs. The main expected outputs of the TA are (i) improved socioeconomic status of the most disadvantaged households; (ii) improved sociocultural environment for these households, which allows them to participate in community decision-making processes and development programs; and (iii) strengthened capacity of local governments to (a) identify the most disadvantaged households and implement programs for the livelihood protection and improvement of these and (b) monitor the impact of interventions on them.

#### B. Methodology and Key Activities

7. To achieve the impact and outputs, the TA will support the following activities: (i) establish village lists of the most disadvantaged households; (ii) establish and implement the Household Development Grant (HDG), to allow the most disadvantaged households to boost their self-esteem and uplift household assets; (iii) build capacity of local government officials to target and monitor beneficiaries and build beneficiary confidence and develop beneficiary skills; (iv) monitor activities

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<sup>4</sup> The Helpless Widow Allowance and the Disability Allowance are examples. Descriptions of these programs can be found in ADB. 2004. *Social Protection Study for Nepal*. Manila.

<sup>5</sup> National Planning Commission. 2003. *Poverty Reduction Strategy Paper 2002-2007*. Kathmandu, Nepal.

and record lessons learned; and (v) manage the TA. The TA will use a two-step approach to poverty reduction that will involve (i) livelihood protection, to reduce the vulnerability of the most disadvantaged households, and (ii) livelihood promotion, to increase their incomes, productivity, or employment opportunities. After 24 months of this two-step approach, households are expected to fully participate in development programs.

8. These activities will be implemented in four of the GEEOW Project's districts and reach about 1,000 households in 20 village development committees (VDCs), to be selected with the same criteria used by the GEEOW Project.<sup>6</sup> The beneficiaries of the TA (Appendix 2) will be the most disadvantaged<sup>7</sup> households that have not benefited from past development programs and have suffered from exclusion and severe poverty for centuries. These households are so poor that they could be bypassed by the GEEOW Project, despite related efforts to include disadvantaged members of communities. TA activities will focus particular attention on poor ethnic and low-caste households, to ensure that benefits will accrue more readily to these,<sup>8</sup> and incorporate specific mechanisms to avoid intrahousehold gender-based discrimination.

9. **Component 1: Selection of Beneficiaries, Community Awareness, and Social Intermediation.** This component will establish (i) lists of the most disadvantaged households of the VDCs and (ii) priority needs and demands of targeted households. Community-based selection of the most disadvantaged households will be carried out. The TA will use existing mechanisms, where possible, to establish the lists of village households by socioeconomic level.<sup>9</sup> Where existing mechanisms are not in place, a participatory approach will be used to ensure ownership and prevent conflict within communities by involving all stakeholders (i.e., religious leaders and district development committees; rich and poor members of society; and community elders, students, and teachers) in the process of identifying the most disadvantaged households. The approach of the TA will be explained to all villagers, to gain acceptance from those who have been excluded from the lists through existing local conflict resolution arrangements. To ensure transparency, once the lists of beneficiaries are established, these lists will be posted, along with the selection criteria used and the results of the priority needs and demands assessment. A community-level monitoring and feedback mechanism will be established at the outset of the TA. Group formation among the selected households will be supported by the TA, to facilitate collective social capital building, individual capacity building, and actual preparation of household development plans.

10. **Component 2: The Household Development Grant.** The HDG will involve a grant of about \$350.00 equivalent per household for a total of \$350,000 over a period of 24 months.<sup>10</sup> The grant will be partially in-kind and partially in cash. Fifty percent of the grant, to be spent in the first 12 months of implementation, will be entirely in-kind and designed to allow the members of the most disadvantaged households to participate in community activities and social mobilization and awareness programs by paying for the social costs. In line with this, (i) 25% of the grant (\$87.50 equivalent per household) will cover basic needs (such as food during the lean period, house repairs, equipment for cooking and sleeping, clothing, and health care [basic]); (ii) 25% of the grant (\$87.50 equivalent per household) will cover the opportunity cost related to beneficiaries attending

<sup>6</sup> These criteria include poverty indicators, women empowerment indicators, and percentages of low-caste and ethnic minority group members.

<sup>7</sup> "Disadvantaged" is used to include the economically disadvantaged (those deprived of basic needs, capital assets, and skills) and the socially, culturally, and politically excluded (those deprived of basic rights and social services).

<sup>8</sup> TA activities will comply with ADB's policy on indigenous people and strengthen the GEEOW Project's efforts to comply with the policy.

<sup>9</sup> The GEEOW Project's additional criteria for gender-based discrimination will be added to the selection criteria in Appendix 4.

<sup>10</sup> The \$350 has been estimated based on lessons learned from previous projects, and its appropriateness will be tested at the outset of the TA.

community-based activities; and (iii) 50% of the grant, to be provided either in cash or in-kind over the last 12 months, will facilitate basic economic activities, such as livestock raising and microbusinesses and small-scale agriculture and off-farm employment. A demand-driven approach based on a needs and strengths assessment will be used, leading to a development plan for each household that will be agreed under the TA. Some funds will be used to meet urgent needs of households (the livelihood protection), while the remaining funds will be used to build lasting assets that can provide additional income (the livelihood promotion).

11. **Component 3: Capacity Building.** The TA will have to enhance the most disadvantaged households' capacities to decide matters relating to their members' lives and develop livelihoods in the long term. Confidence building, skills development, and job training will be conducted at the household and group levels. Training will be provided to (i) build individual and social confidence, (ii) increase labor productivity for employment, and (iii) improve skills for economic activities with comparative advantages. The training modules will be prepared by the Executing Agency and nongovernment organizations (NGOs), based on the priority needs and strengths assessment conducted at the outset of the TA. This training, implemented by specialized local agencies, will allow the most disadvantaged households to gain the confidence and skills needed to participate in community-based activities, develop and manage sustainable small businesses, and accept new employment opportunities. NGOs specializing in poverty mapping and implementation of transfers, as well as participatory monitoring (by implementing some TA activities and working together with staff members of the Department of Women Development [DWD]), will build their own capacity to identify indicators and beneficiaries, deliver in-kind and cash transfers, and monitor and evaluate through participatory processes that will consist of on-the-job training.

12. **Component 4: Monitoring and Lessons Learned.** The progress and impact of TA activities will be monitored on a regular basis and evaluated annually, using a set of impact and process indicators at the household and community levels. These indicators will be identified at the outset of the TA. The initial baseline and subsequent monitoring, limited to key indicators identified locally through a participatory process, will be carried out externally by a specialized NGO. DWD's district level women development officers (WDOs) and villagers will be involved in monitoring activities, to build their capacity in participatory monitoring and evaluation. A village-level self-monitoring system will be established, and the grant recipients will ensure that (i) the beneficiaries will use all cash received in the ways planned and agreed and (ii) the communities' women leaders will assist in the distribution of in-kind and cash grants, to ensure transparency. Lessons learned will be recorded, and an assessment of whether or not this grant mechanism can be replicated in other ADB-funded projects, to increase impacts on the most disadvantaged groups, will be carried out. Workshops will be used to disseminate the results within ADB and to government agencies and NGOs involved in rural development and social protection. The impact of the GEEOW Project's activities in VDCs where the HDG is in place and VDCs where it is not will be assessed and compared under the loan.

13. **Component 5: Technical Assistance Management.** The TA will be centrally managed by DWD and the TA coordinator. WDOs will be responsible for management at the district level and will outsource to NGOs the implementation of TA activities. The district project team of the GEEOW Project will play a crucial role in (i) supervising communities and approving their key decisions, to ensure that the investment is implemented in accordance with defined criteria and requirements; (ii) applying checks and balances to community implementation as a part of the process of ensuring accountability; (iii) handling overall management and coordination; and (iv) reporting to DWD. The experience of the Executing Agency in participatory processes, the involvement of local NGOs, and the participation of all stakeholders will ensure transparency and good governance.

### C. Cost and Financing

14. The total cost of the TA is estimated at \$805,000 equivalent. The foreign exchange cost is \$80,000. The local currency cost is \$725,000 equivalent. The Government requested ADB to finance \$685,000 equivalent, covering the entire foreign exchange cost and \$605,000 equivalent of the local currency cost. The TA will be financed on a grant basis by the Poverty Reduction Cooperation Fund, administered by ADB. The Government will finance the balance of the local currency cost, equivalent to \$120,000, through providing counterpart and support staff and office accommodation, as well as other related services and facilities (Appendix 3).

### D. Implementation Arrangements

15. The TA's implementation will be completely unified with the GEEOW Project's implementation. The Executing Agency will be DWD of the Ministry of Women, Children, and Social Welfare, and a DWD director will be the TA coordinator. DWD's director general will give overall guidance and oversee the implementation of all TA activities and ensure close coordination between these activities and those of the GEEOW Project. To enable the most disadvantaged households that graduate under the TA to participate in the GEEOW Project, the TA coordinator will work closely with the project manager. This will be facilitated by the fact that WDOs will be implementing TA and project activities. DWD will provide staff and logistical support. Local NGOs and community-based organizations focused on low-caste and ethnic groups will be crucial implementing partners of WDOs in (i) selecting beneficiaries, (ii) monitoring activities, and (iii) undertaking capacity-building activities. The NGOs will be recruited according to procedures acceptable to ADB. The selection criteria are listed in Appendix 4. The TA will be implemented over 24 months, from January 2006 to January 2008.<sup>11</sup> Two implementation models will be piloted under the TA: model A, in which WDOs will be the social intermediaries, and model B, in which NGOs will be the social intermediaries. Lessons learned will be drawn from the most effective ways to reach the most disadvantaged households. ADB will finance equipment for the TA in accordance with ADB's *Guidelines for Procurement*.

16. Armed conflict and political instability make the following strategic features necessary for TA implementation: (i) approach must be demand-driven and consistent with local development priorities; (ii) transparency regarding what the TA will deliver to local communities and within what time frame must be ensured; (iii) affirmative action for low-caste and ethnic groups must be implemented; (iv) implementation must be conducted through local institutions and people; (v) flexibility in implementation must be ensured; (vi) benefits that are visible must be delivered as quickly as possible, especially benefits important to excluded groups; and (vii) approach in planning, decision making, budgeting, and monitoring must be fully participatory.<sup>12</sup>

## IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$685,000 to the Government of Nepal to be financed on a grant basis by the Poverty Reduction Cooperation Fund for Reaching the Most Disadvantaged Groups in Mainstream Rural Development, and hereby reports this action to the Board.

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<sup>11</sup> Due to the closure of the Department for International Development Poverty Reduction Cooperation Fund in March 2008, TA financial activities should be finished by December 2007.

<sup>12</sup> The conflict assessment appears in Appendix 3 of ADB. 2004. *Gender Equality and Empowerment of Women*. Manila.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></p> <p>Reduced extreme poverty and discrimination against the most disadvantaged households in four districts (20 village development committees of rural Nepal)</p>	<p>Increased level of participation in community development activities of the 1,000 poorest households</p> <p>Increased labor productivity of the most disadvantaged people</p>	<p>Monitoring system established at the beginning of the technical assistance (TA), based on household survey, process and impact indicators, and exit strategy</p>	
<p><b>Outcome</b></p> <p>Increased effective participation of the most disadvantaged households, including those from ethnic and low-caste groups, in the activities of the Asian Development Bank (ADB)-funded Gender Equality and Empowerment of Women (GEEOW) Project.</p>	<p>Ninety percent of TA beneficiaries participating in the GEEOW Project's activities</p> <p>Number of days of participation in the GEEOW Project's activities</p>	<p>Annual external monitoring mission by specialized nongovernment organizations</p> <p>The GEEOW Project's progress reports</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>Implementation arrangements support the innovative grant mechanism and are in line with TA objectives</li> <li>The Executing Agency's staff members are committed to poverty reduction of low-caste and most vulnerable groups</li> </ul> <p><b>Risk</b></p> <p>Worsening conflict and political instability</p>
<p><b>Outputs</b></p> <p>1. Strengthened capacity of local bodies to map and include the most vulnerable households in development programs</p> <p>2. Improved socioeconomic environment for the most disadvantaged households to participate in community decision-</p>	<p>By the sixth month, establish and/or update list of most disadvantaged households, using locally recognized indicators of poverty and vulnerability</p> <p>By the eighteenth month, 90% of beneficiaries participate in community meetings</p> <p>By the end of the TA,</p>	<p>The GEEOW Project's plans and progress reports</p> <p>Annual monitoring reports from the TA</p> <p>Record of Household Development Grant (HDG) funds by households available at district and village development committee levels</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>The Executing Agency's staff members are well-trained on and committed to the HDG approach and are sensitive to social, poverty, and gender issues</li> <li>HDG amount is sufficient to boost participation of and benefits to the</li> </ul>

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>making processes and mainstream development programs</p> <p>3. Accumulated capital and enhanced income of the most disadvantaged households</p>	<p>(i) sustainable saving and capital formation process in place for the most disadvantaged;</p> <p>(ii) positive perception of socioeconomic impact, on the part of beneficiaries;</p> <p>(iii) ninety percent of beneficiaries successfully completed training activities;</p> <p>(iv) all beneficiaries can access microfinance services; and</p> <p>(v) twenty percent improvement (at least) of labor productivity of the most disadvantaged people</p>	<p>Annual monitoring report of process indicators</p> <p>List of beneficiaries established during the first 6 months</p> <p>Impact socioeconomic indicators</p> <p>Attendance sheets of community meetings</p>	<p>poorest people</p> <ul style="list-style-type: none"> <li>• HDG funds are channeled appropriately and timely and operational according to the TA design</li> <li>• Efficient grassroots monitoring to guide the matching grant process</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Security issues might make difficult the circulation of cash</li> <li>• No transparent use of grant funds</li> <li>• Appropriate socioeconomic development strategy of the beneficiaries in which HDG can add value and save time</li> </ul>
<p><b>Activities with Milestones</b></p> <p>1.1 By the third month, list of criteria to identify the most disadvantaged households prepared with a participatory process</p> <p>1.2 By the fourth month, list of the most disadvantaged households, with updated needs and demands, ready and accepted by the communities</p> <p>1.3 By the sixth month, conflict resolution mechanism established</p> <p>1.4 By the tenth month, community-level feedback mechanism established</p> <p>2.1 By the sixth month, HDG established and functioning for the beneficiaries</p> <p>2.2 By the second year, exit strategy from the HDG prepared and accepted by the communities</p> <p>2.3 By the end of the TA, household assets (quality of wall, roof, and floor; clothing; equipment for sleeping and cooking) improved</p> <p>3.1 Trained 90% of beneficiaries from the most disadvantaged groups</p> <p>3.2 Trained 90% of beneficiaries from the most disadvantaged groups</p> <p>4.1 By the sixth month, a contract with an external specialized nongovernment organization awarded to carry out monitoring, based on participatory and locally recognized indicators of poverty</p> <p>4.2 By the twelfth month, village-level self-monitoring system established</p> <p>4.3 By the end of the TA, a new strategy for targeting the most disadvantaged</p>			<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• ADB \$350,000 (Household Development Fund); \$135,000 (training, workshops, and seminars); \$50,000 (consulting services); \$80,000 (project management); \$10,000 (equipment); \$10,000 (miscellaneous administration and support costs); and \$50,000 (contingencies)</li> <li>• Government \$65,000</li> <li>• Poverty Reduction Cooperation Fund \$685,000</li> </ul>

<b>Design Summary</b>	<b>Performance Targets/Indicators</b>	<b>Data Sources/ Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
groups in ADB operations drafted, based on TA lessons learned and the feasibility of replicating the scheme in other ADB-funded projects			

## SUMMARY OF LESSONS LEARNED AND LIVELIHOOD APPROACH TO THE DEFINITION OF DISADVANTAGED GROUPS

### A. Summary of Lessons Learned

1. The technical assistance builds upon the lessons learned from major development and social protection programs that were implemented around the world, and in particular in Asia, and evaluated by various development partners, including the Department for International Development, Food and Agriculture Organization, and World Bank.

**Table A2: Lessons Learned**

Lessons Learned		Project Interventions/Response
1.	Effective poverty reduction requires a protection component and a promotion component.	The technical assistance will use a two-step approach to poverty reduction: (i) livelihood protection, to reduce the vulnerability of the most disadvantaged households, through the Household Development Grant (HDG), and (ii) livelihood promotion, to increase the incomes, productivity, and or employment opportunities of the most disadvantaged households, through confidence building and skills development.
2.	Poverty alleviation programs exploiting synergies that exist among food, family care, access to health and infrastructure services, and access to financial resources have a better chance of stemming the root causes of long-term food insecurity.	The HDG will provide food and other basic needs for the short term. Confidence building and skills development will build the capacity within households to secure livelihood independently in the longer term.
3.	Design of local solutions for local problems based on local realities makes projects successful.	A demand-driven approach based on a needs and strengths assessment will be used to design the HDG and the training modules.
4.	Good program monitoring is critical. Implementing agencies should have strong monitoring capacities and capabilities.	External nongovernment organizations will monitor in cooperation with the women development officers, so that the Department of Women Development will improve field-level monitoring capabilities.
5.	Training needs of target groups must be properly and adequately assessed, to ensure that training programs match identified needs.	Training needs assessments will be conducted for each community, prior to undertaking training interventions.
6.	The poor are not a homogeneous group.	The Project has diversified packages of in-kind and cash transfers for different types of poor people.
7.	To reach the poor that are often inadequately served by development interventions, innovative delivery mechanism are needed to stimulate their participation.	The HDG, together with confidence building and skills development, is an innovative mechanism to help the most disadvantaged households graduate to disadvantaged and participate in mainstream development activities at the community level.

Lessons Learned		Project Interventions/ Response
8.	Targeted food transfers are effective means of supporting the poor with minimal distortions, provided communities are involved and the approach is demand-driven.	A demand-driven approach, based on a needs and strengths assessment, will be used within the development plan for each household. Communities will be involved in beneficiary identification and implementation monitoring.
9.	In-kind transfers can be used to reduce gender-based discrimination within households.	Some in-kind transfers will target specifically the female members of households.
10.	Existing community groups may not be the most appropriate entry point for projects targeting the most disadvantaged households, as membership may not include the poorest of the poor.	Mobilization of new groups will focus on reaching the most disadvantaged households. For existing groups, sensitization and awareness-building programs will encourage outreach to the most disadvantaged.
11.	Institutionalization of social protection in development partner structures is strongly needed.	If the technical assistance demonstrates that this specific delivery mechanism is effective in reaching the most disadvantaged households, this mechanism could be incorporated in Asian Development Bank rural development projects, to have more inclusive social development.
12.	In-kind transfers can help encourage the modification of behavior.	In-kind transfers will support confident-building efforts involving the most disadvantaged households and facilitate their participation in community-level activities.

Source: Asian Development Bank staff.

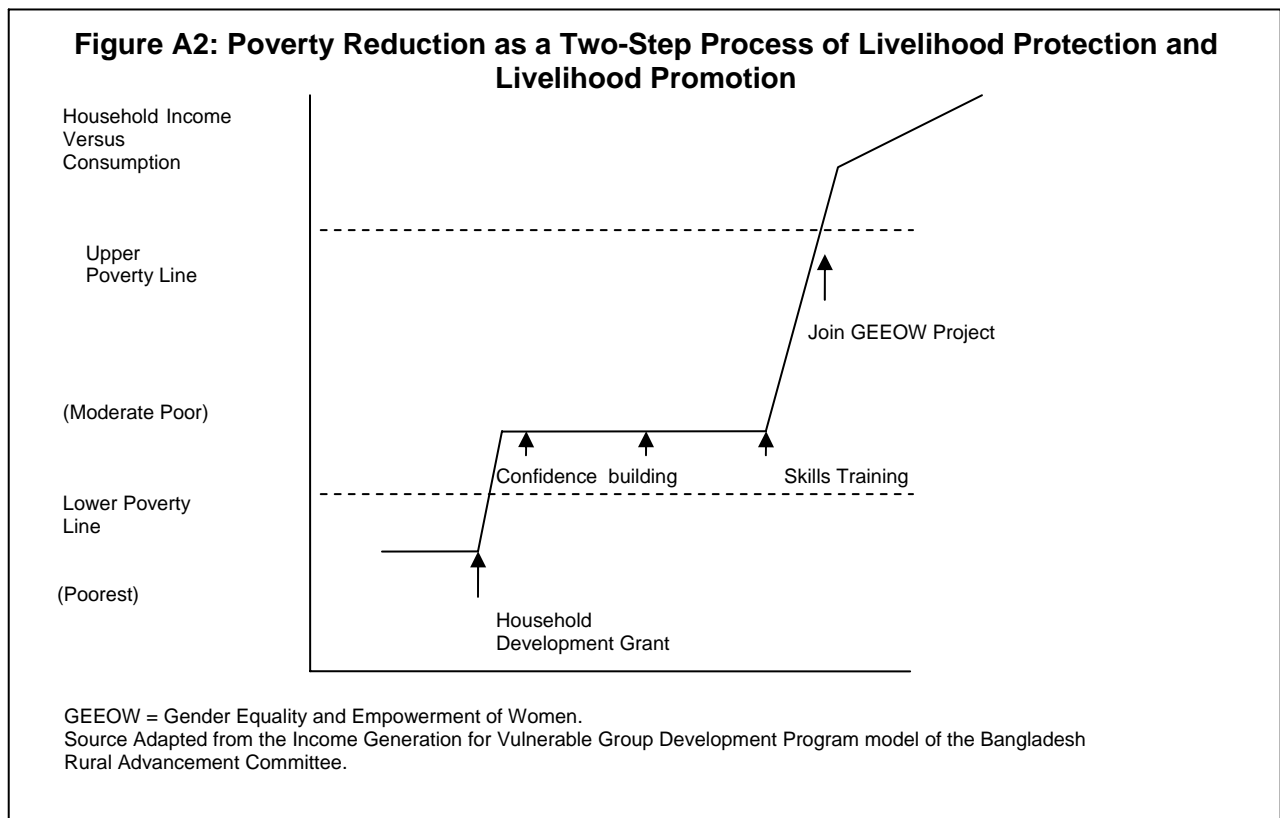
**2. The Concept of the Income Generation for Vulnerable Group Development Program of the Bangladesh Rural Advancement Committee.** The Income Generation for Vulnerable Group Development (IGVGD) Program is built on a government safety net program that provides free food grain for an 18-month period to destitute, female-headed households that are at the highest risk of hunger. Through its experience, the Bangladesh Rural Advancement Committee (BRAC) discovered that including the poorest in its conventional microfinance operations was difficult, and BRAC was therefore looking for another entry point to involve the destitute in its development activities. BRAC understood that food grain donations provided a strong incentive for the poorest to participate in programs. In the IGVGD Program, BRAC uses food grain relief assistance to attract the poorest and cater to their immediate consumption needs, but skills training and savings and credit services are added, to build development capacity. Hence, when the cycle of free food grain ends, participants are able to engage in income-generating activities and become clients of regular microfinance programs, earning by way of their newly acquired skills at least the same money equivalent of the wheat they received. The IGVGD Program started as a pilot activity in 1985 but since then has become a national program serving close to 1 million women.

**3. The Income Generation for Vulnerable Group Development Program Cycle.** The IGVGD Program is jointly administered by the Government of Bangladesh and BRAC. The IGVGD Program has three essential elements: food grain safety net, skills training, and savings and credit services. Women entering the IGVGD Program as recipients of free food grain are selected by local elected representatives. This eliminates targeting costs for BRAC and protects it from the politics of selecting food grain recipients. The selection of households is based on three criteria, households (i) headed by widows or abandoned women; (ii) owning less than half an acre of land; and (iii) earning less than 300 takas per month (\$6.00). BRAC further selects

about 90% of the women receiving food relief for the IGVGD Program, excluding only the most physically handicapped. Once selected for the IGVGD Program, participants begin training from an available menu of training options, including poultry and livestock raising, vegetable gardening, and others. In most cases, training is completed 6 months after initial enrollment. When training is completed, participants are enrolled in a preexisting BRAC center. IGVGD Program members attend weekly meetings and are required to save 25 takas (\$0.50) per month with BRAC.

4. BRAC pays a 6% return on savings. Participants can save more frequently (weekly, for example) if they choose to do this, as long as each month the 25 taka minimum is met. This requirement is similar to the mandatory 20 taka (\$0.40) savings per month for regular members. A first loan of 2,500 takas (\$50.00) is disbursed on completion of training. Weekly repayments are due immediately. The interest charge is a flat rate of 15%. The loan term is 12 months. On repayment of the initial loan, participants are given a second loan of 4,000 takas (\$80.00). The 18-month grain distribution cycle will typically end before the second loan is repaid. Upon completion of this repayment, IGVGD Program graduates are channeled into normal microfinance membership (BRAC’s Rural Development Program). This is easier to do in cases where the household economic situation has improved. In practice, 80% of IGVGD Program members stay on for the next cycle, while about 66% stay on beyond two cycles.

5. **The Household Development Grant.** The technical assistance delivery mechanism is similar to that of the Household Development Grant, as the grant uses the same two-step approach to poverty reduction: (i) livelihood protection, to reduce the vulnerability of the most disadvantaged households, and (ii) livelihood promotion, to increase the incomes, productivity, or employment opportunities of these households, through confidence building and skills development. The following figure shows the two-step approach over time, adapted from the IGVGD Program.



## B. Livelihood Approach to the Definition of Disadvantaged Groups

6. As a result of the process of profiling the rural population and its development and to build strategies toward the objective of reducing poverty in rural areas through strengthened human, social, capital, financial, and natural assets and empowerment, the population of rural Nepal has been divided into four different groups: the most vulnerable, the vulnerable, the medium socioeconomic, and the better-off groups. Two concepts have been used to differentiate the groups and capture the previously mentioned assets and external factors in a dynamic development process: (i) dependency ratio, which is the number of potentially active people in relation to the number of nonactive people in a household, and (ii) labor productivity, which is the capacity of economically active people to turn their labor into income.

7. The most vulnerable<sup>1</sup> groups (20–25% of the population), with high proportions of Dalit, Tharu, Magar and Kamaiya, obtain more than 80% of their total incomes from wages. In principle, members of these groups are interested in working near their rural areas. In practice, most of the adult men give priority to off-farm activities in district towns and in India, where the minimum wage is 2–3 times higher than farm wages in Nepal. Labor movement and migration started in the mid-18<sup>th</sup> century. Other sources of income, including second-choice coping activities, are quarrying, making bricks, collecting food and nonfood non timber forest product and credit from money lenders, begging, stealing, and trafficking children and child labor. In absolute terms, vulnerable households are found among all castes and ethnic groups, with a smaller proportion among Newar, Bhramin, and Chetri. All groups face low labor productivity and a high dependency ratio. The households in this category experience chronic food and economic difficulties. New couples without inheritance and assistance, living in area with limited potential and facing some social difficulties, may take at least 14 years before starting to improve their income and 18 years before constructing a permanent house. They will only then be in a position to fully participate in development programs and begin accumulating financial and capital assets. During this 18-year period, given the low level of all types of assets, the households will not be in a position to take any risks.

8. The people under this category have lost or have never had any sustainable or adaptable production system in which they could at least ensure the reproduction of their society or household condition. The permanent fear of food insecurity impedes them to waste their time and energy on other activities that may be perceived by them as luxuries or maybe suicide. Their survival strategy became a chronic way of life plagued by insecurity and less-preferred and sometimes socially unacceptable coping mechanisms, as well as lack of self-esteem and exclusion. Contrary to the poor, they need much more rehabilitation time and confidence building before accepting any new development model that may provide additional threats and risks. Conventional development delivery mechanisms and project periods are usually not adapted to them, and they cannot afford to participate and benefit. Some projects try to fill temporarily the development inequity with social welfare or emergency activities, but most are not sustained, due to short periods, absence of consolidation activities, and exit strategies.

9. Vulnerable groups (25–30% of the population) with a relatively high proportion of low-caste and ethnic groups have less than 0.05 hectares per household member (an average of

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<sup>1</sup> “Disadvantaged” in opposition to “very poor” or “ultra poor,” provides a dimension of chronic and permanent vulnerability to all kinds of shocks. The term includes the notions of “psychological poverty,” “social exclusion,” and “total lack of hope for a better future.” These notions are not automatically included in the standard interpretation of “poor, very poor, and ultra poor” and therefore are often ignored or underestimated by development projects. However, psychological poverty and social exclusion continue to constrain disadvantaged groups’ trust of and participation and interest in development programs.

0.30 hectares per household) and base more than 60% of their total incomes on off-farm activities. In absolute terms, an important number of high-caste households are also in this category. The food crops produced ensure 1–4 months of food security. Increased agriculture intensification, diversification, and productivity only cover part of the food gap (through production or income to buy food). Vulnerable groups face low labor productivity and a medium to high dependency ratio. The households in this category have usually already financed a permanent house of low or medium quality through slow accumulation of funds or sale of buffalo and cattle. The labor force is sufficient to respond to profitable economic opportunities, either farm (through an increase in cultivated area, to intensify existing farmland) or off-farm. Because vulnerable groups do not face much labor vulnerability and are in a position to improve their labor productivity, they are motivated to change. A development program for capital and savings formation may potentially interest and benefit up to 85% of these groups. For others, changes are constrained by low capital and financial assets and sometimes lack of land.

10. Medium socioeconomic groups (30–40% of the population) are usually food secured, with their production system, and may slowly accumulate savings in favorable years. Medium-level socioeconomic groups have good labor productivity but a high dependency ratio, or a low dependency ratio but low labor productivity. Their well-being is maintained either through a well-paid household earner or through a high proportion of household labor force with a low level of earnings. Found in this category are large rural households with land and livestock, households with oversea migrants and pension earners, and households that are involved in small businesses, trade, and microenterprises, with permanent employees. Savings are invested in improved food, education, and housing.

11. The better-off households (10–15% of the population) enjoy a sustained accumulation strategy, due to good labor productivity and a usually low dependency ratio. Many of those households are from a high caste and consolidate their capital, financial, human, and natural assets through their social and political networks. Most better-off households invest in higher education. They do not face particular vulnerabilities, except recently, because of the insurgency.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Poverty Reduction Cooperation Fund</b>			
<b>Financing<sup>a</sup></b>			
1. Household Development Fund	0.0	350.0	350.0
2. Equipment <sup>b</sup>	5.0	5.0	10.0
3. Training and Workshops	35.0	100.0	135.0
4. Nongovernment Organization Services	25.0	25.0	50.0
5. Project Management	0.0	80.0	80.0
6. Miscellaneous Administration and Support Costs	0.0	10.0	10.0
7. Contingencies	15.0	35.0	50.0
<b>Subtotal (A)</b>	<b>80.0</b>	<b>605.0</b>	<b>685.0</b>
<b>B. Government Financing</b>			
1. Office Accommodation and Transport	0.0	30.0	30.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	70.0	70.0
3. Others	0.0	20.0	20.0
<b>Subtotal (B)</b>	<b>0.0</b>	<b>120.0</b>	<b>120.0</b>
<b>Total</b>	<b>80.0</b>	<b>725.0</b>	<b>805.0</b>

<sup>a</sup> Administered by the Asian Development Bank.

<sup>b</sup> The equipment will include two computers, one printer, and assorted accessories. The equipment will become the property of the Government upon completion of the technical assistance.

Source: Asian Development Bank estimates.

## SELECTION CRITERIA

### A. Selecting Districts and Village Development Committees

1. The criteria for selecting the technical assistance (TA) districts and village development committees will be the same used in the Gender Equality and Empowerment of Women Project to reach the poorest and most disadvantaged areas of Nepal <sup>1</sup>
2. The general selection criteria will be the following:
  - (i) more than 50% of the population is income poor;
  - (ii) more than 60% of the population has less than 0.5 hectares of agricultural land;
  - (iii) more than 40% of the population is *Dalit* and low-caste or ethnic minority;
  - (iv) no other agencies are implementing the same activities in the area, but partnership for implementation with other programs is possible; and
  - (v) other cluster- and district-specific selection criteria will be elaborated by the district project teams, district implementation coordination committees, and central project management team.

### B. Selecting Households

3. The following basic selection criteria will be used for communities, to successfully identify very poor households.
  - (i) Household has less than 3 months of food security from production.
  - (ii) Wage from seasonal employment and migration to India is the main source of household cash income.
  - (iii) Household owns no land or less than 0.3 hectares of land.
  - (iv) Household labor productivity is low, and the socioeconomic situation cannot be improved.
  - (v) Literacy level; awareness of development issues; skill levels; and capital, financial and social asset levels are low.
  - (vi) Household dependency rate is high.
  - (vii) Household faces caste-based discrimination and social isolation.
  - (viii) Household needs to rely on credit from local moneylenders and from small jobs to ensure the feeding of family members during the lean months.
  - (ix) Members of the household, because of their workload and vulnerability, have no time for community-based activities or collective action to raise their voices.

### C. Selecting Nongovernment Organizations and Community-Based Organizations

4. Nongovernment organizations (NGOs) will be recruited to implement various activities of the TA. NGOs and community-based organizations would be recruited for a needs assessment, group formation and mobilization, service delivery activities, training related to income generation, programs related to capacity building, and campaigns designed to raise awareness. Detailed terms of reference for various components and activities will be prepared after the needs assessment.

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<sup>1</sup> International Center for Integrated Mountain Development. 1998. *Human Development Report*. Kathmandu. Includes poverty and women's empowerment indicators and other indicators including the gender empowerment measure, gender development index, percent of Dalit population, ratio of primary school girls to boys, and literacy rate of females.

5. The criteria for district-level NGOs (i.e., with decentralized offices in districts) follow.
- (i) NGO is legally registered (at least 3 years) as an NGO with the district administration office.
  - (ii) NGO is allowed by its statutes to engage in community development activities.
  - (iii) NGO has operated for at least 3 years and has a demonstrated track record in implementing rural development projects (e.g., gender, ethnicity, community mobilization and training, and others).
  - (iv) NGO maintains a proper accounting and financial system.
  - (v) NGO is committed to the principles of gender equality in terms of its own staffing and targeting excluded groups and the poor.
  - (vi) NGO has sufficient institutional capacity and a mandate to serve the poor and excluded.
  - (vii) NGO has experience in Poverty Reduction Cooperation Fund districts and development regions.
  - (viii) NGO has built rapport with local bodies and line agencies at the district level.

**D. Nongovernment Organization for Performance Monitoring and Evaluation**

6. The NGO hired for the performance monitoring and evaluation (on an intermittent basis) will be responsible for independently reviewing the TA's outcome and effect. The NGO will review the TA upon completion, based on the TA's baseline information. Detailed terms of reference for this activity will be prepared by the TA team, in consultation with the Department of Women Development's monitoring, evaluation, and coordination unit and the Gender Equality and Empowerment of Women Project's management information system specialist. The NGO will

- (i) assess conditions and management systems prevailing prior to the assignment by collecting necessary data for analyzing, evaluating, and presenting in a report the TA's goal, purposes, outputs, activities, and inputs;
- (ii) develop, as required, relevant indicators for assessing TA performance in terms of delivery, use, and effectiveness of the services envisaged, and the data required must be specific, limited, gender-disaggregated, and directly linked to results, target groups, and indicators envisaged;
- (iii) establish links with the TA framework;
- (iv) develop a TA performance management system in line with Asian Development Bank guidelines;
- (v) train women development officers to collect and record data; and
- (vi) prepare a final performance evaluation report.