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Report No:

IMPLEMENTATION COMPLETION AND RESULTS REPORT

TF-11208
ON A

SMALL GRANT

IN THE AMOUNT OF USD 2.65 MILLION

TO THE

Poverty Alleviation Fund

FOR

Nepal: Making markets work for the conflict affected in Nepal (P128744)
December 13, 2018

Agriculture Global Practice
South Asia Region

PLEASE FILL IN THE INFORMATION BELOW

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DATA SHEET

BASIC INFORMATION

Product Information

Project ID	Project Name
P128744	Nepal: Making markets work for the conflict affected in Nepal
Country	Financing Instrument
Nepal	Investment Project Financing
Original EA Category	Revised EA Category
Partial Assessment (B)	Partial Assessment (B)

Organizations

Borrower	Implementing Agency
Poverty Alleviation Fund	Poverty Alleviation Fund

Project Development Objective (PDO)

Original PDO

The objective of the Project is to enhance the opportunities and share of rural artisans (especially the poorest, internally displaced people, landless and the vulnerable) in the crafts and cultural market.

The project will target poor and disadvantaged people (including women and differently-abled), particularly in lagging and conflict affected districts that have been marked by social unrest and stress. This innovative project aims at addressing a root cause of unrest and distress migration by enabling the beneficiaries to access sustainable livelihoods by strengthening their traditional skills and make inroads into mainstream markets.



FINANCING

	Original Amount (US\$)	Revised Amount (US\$)	Actual Disbursed (US\$)
Donor Financing			
TF-11208	2,646,777	2,646,777	2,639,410
Total	2,646,777	2,646,777	2,639,410
Total Project Cost	2,646,777	2,646,777	2,639,410

KEY DATES

Approval	Effectiveness	Original Closing	Actual Closing
17-Feb-2012	17-Feb-2012	17-Feb-2016	15-Jan-2018

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Amount Disbursed (US\$M)	Key Revisions
30-Jun-2017	2.16	Change in Components and Cost Change in Loan Closing Date(s) Reallocation between Disbursement Categories Change in Implementation Schedule

KEY RATINGS

Outcome	Bank Performance	M&E Quality
Moderately Satisfactory	Satisfactory	Modest

RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US\$M)
01	10-Sep-2013	Moderately Satisfactory	Moderately Satisfactory	0.35
02	10-Nov-2014	Moderately Satisfactory	Moderately Satisfactory	0.79
03	22-Dec-2016	Moderately Satisfactory	Moderately Satisfactory	0.83



ADM STAFF

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I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

Context

The context for the project 'Making markets work for the conflict affected in Nepal' was the internal conflict in Nepal between 1996 and 2006 and the political instability that followed, leaving Nepal's economy fractured and internally displacing hundreds of thousands of households. Nepal's economy is heavily dependent on remittances (30% of GDP). Large scale migration is a recurring phenomenon leaving behind women who often rely on agriculture and traditional crafts activities for income. Nepal is known for its rich craft traditions and its handicrafts sector has the potential to create jobs and generate sustainable livelihoods for rural households. However, due to weak community institutional capacity, low productivity, poor quality products, poor market linkages and availability of financial products, the sector hasn't been able to realize its potential. In this context it was assessed that while the associated Poverty Alleviation Fund had met with success in promoting livelihoods of the communities in the farm and off-farm sectors, it had not been as successful in providing adequate support needed to backstop and facilitate the livelihoods of those whose lives depend on the non-farm sector (especially crafts) due to sector-specific constraints. The 'Making markets work for the conflict affected in Nepal' project was therefore designed to reach this segment of the population through the following design features:

End-to-end value chain approach: The project aimed at providing end-to-end support to rural artisans (particularly internally displaced, landless and conflict affected) to enhance their opportunities and share in the crafts market. The project aimed at piloting innovative approaches to address these issues and examine and strengthen every link in the craft value chain.

Focus on women and youth in disadvantaged districts: The project aimed at promoting and supporting participation of women and young people in craft value chains and provide employment opportunities through their traditional skills at the local level. The grant focused on the most disadvantaged districts, which were emerging from severe strain, and were known for their rich cultural heritage and traditional craft skills despite high incidence of poverty and vulnerability. The project's focus was to test models that can have a "demonstration effect" and can then be scaled up through livelihoods programs of the Government.

Community-led development to build social cohesion: The project complemented and helped strengthen on-going efforts of the Bank-assisted livelihood programs through the Nepal - Poverty Alleviation Fund. Since 2006, through its work in 40 districts of the country (including in the identified districts), PAF has facilitated community groups to identify livelihoods and social infrastructure activities which have helped increase income and build social cohesion. In particular, following the long period of conflict and political turmoil, this approach at community-led development has re-built trust and returned confidence to many rural communities.

Complementing government efforts: By supporting focused interventions enabling artisan communities and their organizations to sustainably connect to markets, the innovative JSDF project aimed at complementing and adding



value to on-going efforts of the Nepal government, which is working in partnership with the Bank on livelihood development programs especially in these politically sensitive and lagging regions in the identified districts.

Project Development Objectives (PDOs)

To enhance the opportunities and share of rural artisans (especially the poorest, internally displaced people, landless and the vulnerable) in the crafts and cultural market.

The project targeted poor and disadvantaged people (including women and differently-abled), particularly in lagging and conflict affected districts that have been marked by social unrest and stress. This innovative project aimed at addressing the root cause of unrest and distress migration by enabling the beneficiaries to access sustainable livelihoods by strengthening their traditional skills and make inroads into mainstream markets.

Key Expected Outcomes and Outcome Indicators

Key outcomes and outcome indicators are:

- a) 25 percent increase in the income of about 8,000 beneficiaries in the cluster villages that are participating in the project
- b) 10 Artisan Clusters linked to marketing outlets
- c) 10 Artisan Clusters linked to commercial banks and private sector
- d) 25 percent increase in the number of days of employment through the artisan activity in the cluster
- e) 8000 Direct project beneficiaries
- f) 80% Female beneficiaries

Components

Project components are:

- a) **Cluster development and capacity building:** Setting up and strengthening artisan clusters in six project districts, providing critical capacity building assistance, including skill development and handholding / mentoring support to participating communities, building on their traditional skills to produce contemporary products and designs.
- b) **Community cluster fund:** Creation of a community-managed cluster fund in each project district to support craft production by communities. This will include creation of artisan specific financial products, and support for setting up of workplaces and purchase of modern equipment for artisanal activity.
- c) **Marketing and Promotion:** Provide critical marketing and trade support to efficiently connect clusters with mainstream markets and establish private sector and export linkages.
- d) **Project Management, Monitoring & Evaluation, and Knowledge Dissemination:** Support a small administrative unit dedicated to implementing the project, as well as monitoring and evaluation



II. OUTCOME

Assessment of Achievement of Each Objective/Outcome

The PDO statement includes the following objectives: (a) strengthening traditional skills, (b) enhancing opportunities and increasing share of rural artisans in crafts market, and (c) making inroads into mainstream markets. The project has been able to achieve satisfactory results in strengthening traditional skills and moderately satisfactory results in enhancing opportunities and share of rural artisans in crafts market as well as mainstreaming them.

The project has opened a new path for creation of livelihoods through artisan skill based creative industries in Nepal. Traditional artisan skills are diverse in Nepal and have major potential in generating livelihood opportunities for those living in the remote mountainous regions. The project has showed innovative ways of enriching traditional skills that are locally available and mainstreaming them by engaging local people most of whom are women. Some examples include improved design aspects for local Dhaka (Nepali handloom cloth) weavers of Tehrathum who now understand ways of seeking new inspirations from their surroundings, daily lives and nature and incorporating them in their weaves specially designed for the urban European/US market; Folk painters of Janakpur who have participated in a series of cross-border product development workshops enabling them to design painted paper lights that combined their bold skills in painting, Nepal's reputed skill of paper making and the fine line drawings of Madhubani, a village in neighboring India. Similarly, Moonj grass basket makers have found new markets, transforming production from simple basket making for local use to the ever increasing demand for natural fiber storage boxes in the international market. In each of the supported clusters, the project has bought in similar kind of fresh inputs for repositioning the village's knowledge and skills and re-introducing them to the global market place by its own practitioners. It has explored ways of generating income from one's own village by making use of local produces and resources, applying local traditional skills and knowledge system to come up with innovative possibilities that brings new sources of income and enhanced wellbeing to the artisan households.

The project organized several marketing exhibitions / marketplaces for artisans at the national and district level, including the South Asian Festival for Handicrafts organized between January 12-14, 2018, that saw participation of artisans, policymakers, dignitaries and thinkers from Nepal, Pakistan and India. Brand 'Nepal-ko' was launched in the inaugural session by the then Finance Minister, Mr. Gyanendra Bahadur Karki. Current Finance Minister Dr. Yuba Raj Khatriwada, former Minister for Industry Mr. Sunil Bahadur Thapa, secretaries of OPMCP and Ministry of Commerce, cine artist and social activist Manisha Koirala, and senior representatives from the World Bank attended the event. The festival also included a unique fashion show featuring artisans walking the ramp with professional models, insightful panel discussions and a vibrant marketplace for artisans to facilitate direct-selling to visitors.

Traditional skills strengthened: Under the project, 2259 artisans were provided opportunities for enhancing their skills and developing new designs through direct workshops. 419 new designs / prototypes were developed through these workshops in craft skills such as Dhaka weaving, Mithila painting, Sikki grass weaving, Moonj grass Basketry, Pottery, Allo Fibre, Lokta paper, Bamboo and Leather. The workshops were moderated and led by reputed national



and international designers. Two reputed craft sector organizations were roped in as Technical Partners: Nepal's Federation of Handicrafts Association for Nepal (FHAN) and India's Asian Heritage Foundation (AHF). These interventions resulted in substantial impact on the skill and design capacities of the artisan beneficiaries. As per the endline survey, 80% of the surveyed respondents reported that the project helped improve their traditional skills and create marketable products that assured greater margins and increased incomes.

Opportunities and share of artisans in crafts markets enhanced; Artisans mainstreamed: The project undertook a series of direct and indirect measures to increase opportunities and artisans share in the crafts markets, and mainstreaming them. These included organizing and regularly participating in marketing events, marketing linkages, buyer-seller meets, branding, development of promotional materials and social media campaigns

- Two national-level exhibitions were organized in Kathmandu. 23 marketing events were organized at the district-level. These events provided a platform for project beneficiaries to undertake direct sales and generate orders.
- The first national event was organized as part of the 15th Handicrafts Trade Fair held in November, 2017 by FHAN. The event resulted in direct sales of over NPR 1 million (US\$ 100,000), besides generating additional orders.
- The second national event was the 3-day South Asian Handicrafts Festival organized in January, 2018, which resulted in direct sales of over NPR 1.5 million (\$US 150,000), besides generating additional orders.
- Buyer-seller visits and unique fashion-shows were also part of these events, which resulted in a number of business linkages with entities such as ICOM-NEPAL, Everest Fashion, Nepal Knotcraft Center, Gokem Arts, Sana Hastakala, Sabha Nepal, and Fair Trade Group Nepal.
- Productive Alliance with Nepal's largest business Group: The Chaudhary Group, a prominent business group in Nepal with presence in 16 countries, has signed a Memorandum of Understanding (MoU) with PAF to source products from artisan groups supported under the project and market them in the premises of Shaswatdham. The Group has also expressed its intent to invest in these artisan groups.
- These events have been able to increase opportunities for project beneficiaries, particularly rural artisans, in the crafts markets and contributed to mainstreaming them.
- As per the endline survey, two-thirds of the respondents revealed that they accessed opportunities to link to markets. This number was the highest (86%) in Dailekh and Myagdi districts. 70% of the respondents said that demand for their products has increased to some extent, and 19% of the respondents said that demand for their products has increased highly. The average income increase reported by surveyed respondents was 68%.



Overall Outcome Rating

Rating: Moderately Satisfactory

Rationale for Rating: The project was able to achieve or exceed majority of its outcomes and implementation targets. Total beneficiaries, 7527 artisans, was marginally short of the target of 8000 beneficiaries. The project experienced significant delays, closing almost two years after the original project date. While a number of unavoidable factors contributed to this, some of the delays can be attributed to suboptimal planning and delayed execution of key activities by the management.

Component 1	<p><u>Strong and inclusive artisan clusters created with focus on women, internally displaced and marginalized sections:</u></p> <ul style="list-style-type: none"> • 14 clusters were formed and strengthened across 7 project districts. • A total of 7527 artisans (94% of target) were reached and organized into 375 groups. 85% of the beneficiaries are women (106% of target). • An independent sample survey (at endline) noted income increases of 68% among artisans that were target beneficiaries of the project. <p><u>Innovative designs / products developed with national / international inputs:</u></p> <ul style="list-style-type: none"> • 419 new and innovative product prototypes were developed through artisan-designer workshops (1676% of target). Reputed designers from Kathmandu as well as international designers from India were engaged in these workshops to bring in new design and product concepts.
Component 2	<p><u>Community-owned artisan institutions and facilities created for long-term sustainability:</u></p> <ul style="list-style-type: none"> • 14 higher level artisan institutions (Producer Federations) were formed. • Common Facility Centers (CFCs) were set up in all clusters with modern tools, equipment and machinery to provide a productive workplace for artisans. <p><u>Innovative financial products created based on community requirements:</u></p> <ul style="list-style-type: none"> • Two artisan-specific financial products were developed (CFC Fund and Revolving Fund for working capital) under the project (67% of target). More than NPR 33,800,600 (US\$ 320,000) was disbursed in the Revolving Funds to fulfill working capital needs (during and beyond project period).



Component 3	<p><u>Linkages to private sector facilitated for mainstreaming and long-term sustainability:</u></p> <ul style="list-style-type: none">• B2B linkages were established between these Producer Federations and 5 exporters of artisanal products (100% of target) namely, ICOM-NEPAL, Everest Fashion, Nepal Knotcraft Center, Gokem Arts and Sana Hastakala.• All 14 clusters (140% of target) have been linked to bulk buyers and retail stores including Sana Hastakala, Sabha Nepal, Fair Trade Group Nepal, Federation of Handicrafts Association of Nepal and the Chaudhary Group. <p><u>Market linkages and visibility generated</u></p> <ul style="list-style-type: none">• The project organized / facilitated participation in several marketing exhibitions / marketplaces for artisans at the national and district level, including the 3-day 15th Handicrafts Trade Fair organized in Kathmandu in November, 2017 and the South Asian Festival for Handicrafts organized in Kathmandu between January 12-14, 2018, that saw participation of artisans, policymakers, dignitaries and thinkers from Nepal, Pakistan and India. The two fairs resulted in direct sales of NPR 1 million (\$100,000) and NPR 1.5 million (\$150,000) respectively, besides orders placed with artisans / artisan groups.• PAF invited the then finance minister Mr. Gyanendra Bahadur Karki to launch Nepal's first artisan products brand "Nepal-Ko" which has been one of the key outcome of the project. Other principle government representatives were also invited to the South Asian artisan market linkage festival for greater visibility and support. Well known Bollywood cine artist and social activist Manisha Koirala were involved as well for the promotion of the artisan products and the brand resulting in encouraging media coverage in all the leading newspapers and social media. The innovative component of Fashion Show that showcased brand Nepal-Ko's new handmade fashion accessories and Co-Created handmade garments collaboratively made by the artisans from Nepal, Pakistan and India drew formidable responses from all age groups especially the youths.
	<p><u>Lighthouse effect: Substantial private sector and state interest in developing artisanal sector generated:</u></p> <ul style="list-style-type: none">• The project has generated significant interest in the sector as a development pathway among policy makers. At the South Asian Festival for Handicrafts in Kathmandu, the chief guest, the then Finance minister Mr. Gyanendra Bahadur Karki, said¹, "Handicrafts are an integral part of Nepal's cultural heritage, and we need planned and strategic marketing platforms like this fair to take entrepreneurship to new heights." The then Minister for Industry, Mr. Sunil Bahadur Thapa said that the handicrafts sector is important for Nepal to meet Sustainable Development Goals and graduate to a developing country by 2022.

¹ <http://www.worldbank.org/en/news/feature/2018/02/07/artisans-in-nepal-honoring-tradition-crafting-modern>



- The project has generated interest among private sector entities as well. The Chaudhary Group, a leading business group in Nepal with presence in 16 countries, has entered into a Productive Alliance with PAF and signed an MoU, wherein it will source products from artisan groups supported under the project and market them at the newly-constructed Shaswatdham. Shaswatdham was opened to the public in 2017 and has significant religious significance for Hindus, receiving over 700,000 visitors in the first year after its inauguration. The Chaudhary Group has expressed interest in investing in scaling up interventions piloted under the project, and partnering with the government and the World Bank for possible future initiatives directed at the artisanal sector.

Other Outcomes and Impacts

Some of the other outcomes and impacts noted under the project are as follows:

'Co-creation' with Pakistan and India: One of the notable initiatives undertaken by the project was leveraging regional cultural linkages and synergizing them to raise the profile of the sector in the region. The project achieved this by partnering with similar ongoing JSDF projects focused on the artisanal sector in Pakistan and India. This included supporting the development of "co-creation", a series of collections combining artisanal traditions of Nepal, Pakistan and India, and exhibiting them as part of fashion shows in "Hunar ke Rang", Islamabad (November 2017) and the South Asian Festival for Handicrafts, Kathmandu (January 2018).

Regional Integration through Cross-border learning: There are historically significant cultural linkages between the border regions of India and Nepal, which extends to the practice of handicrafts. The project supported regional integration and cross-border knowledge-sharing activities / workshops, particularly in folk painting, between Mithila artists of Janakpur (Nepal) and folk painters of Madhubani, Bihar, India. Artisans came together to learn from each other and co-created unique products by combining the artisan skills from both the regions.

III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

Strong community buy-in: A key positive factor was the significant demand for project interventions from the artisan community, which participated with enthusiasm in all activities. The community's buy-in, demand and initiative were factors in driving the implementation and influencing the design of some of the interventions. The activities in the target district had a spillover effect. Artisans from non-JSDF, neighboring districts requested intervention in their clusters as well. Artisans from some districts, (for e.g. Surkhet, a district adjoining JSDF-district Dailekh) participated in some of the district-level and national marketing events as well.

External factors delayed implementation: The project experienced delays due to a series of exogenous factors. These include: (i) Budgetary crisis of 2012-2013 faced by the government of Nepal, resulting in a delay in disbursement for the entire portfolio of Bank projects in Nepal for a year. All new projects (including the JSDF



project) were affected and were unable to disburse till March 2013. (ii) Earthquake that struck Nepal on April 25, 2015, with strong aftershocks on May 12, 2015, adversely affecting planned activities and causing PAF to modify its implementation calendar. (iii) Political crisis and intense social unrest (and the accompanying fuel crisis) currently faced by the Nepal administration. Project implementation was also affected because of investigations by the Commission for Investigation of Abuse and Authority (CIAA) in 2014-15 and subsequent suspension of 14 PAF staff members, including the Executive Director (ED) and the Chief of Finance and Administrative Division. The project addressed these delays by seeking two extensions and fast-tracking project activities.

Inadequate management attention vis-à-vis parent PAF project: Another factor affecting implementation was the relatively lesser management attention allotted to the project given its smaller size as compared to the parent IDA PAF project (< \$3 million JSDF TF project as compared to > \$250 million IDA PAF project). This was reflected in the number and quality of dedicated staff for the project, as well as the priority accorded to decision-making. The task team addressed this with frequent technical missions, particularly in the last two years of the project, and rigorous post-mission follow-up on agreed actions.

Restructuring helped achieve outcomes: The project underwent two restructuring events to compensate for the lost time on account of external / internal factors on February 15, 2016 and June 29, 2017 respectively, extending the project duration by a total of 23 months. These necessary no-cost extensions along with intensive Task Team support were instrumental in achieving project outcomes and putting in place systems / linkages to ensure sustainability.

The Recipient's overall performance was moderately satisfactory. The Task team noted that the recipient's ownership and commitment to achieving objectives was satisfactory. The recipient was mostly responsive to timely resolution of implementation issues, occasionally requiring Task team's intervention. In terms of implementation arrangements, timely appointment of key staff, and timeliness of fiduciary activities, there was room for improvement in the recipient's performance.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

The Bank team provided pro-active handholding support and technical assistance to PAF throughout the project period. In the final two years of the project, the Bank team organized frequent technical missions (quarterly / bimonthly) to facilitate partnerships, provide technical inputs to critical project activities and assist PAF in generating and leveraging private sector interest. The Bank team also played a key role in facilitating tie-ups with the Asian Heritage Foundation (that provided transformational design inputs to PAF's artisan groups), as well as artisan-centric JSDF projects in India and Pakistan. PAF's project managers have been appreciative of the Bank team's inputs and support in implementation and have acknowledged it as a factor in satisfactory completion of project activities.

Compliances:

- Financial Management: The project complied with the fiduciary covenants with some delays. There were internal control issues noted but the project took steps to mitigate most of the issues. The books of accounts were properly maintained and updated. There were some delays noted in submission of trimester financial FMRs/IUFRs and audit reports. The auditors provided unqualified opinion in the



audit report of FY17. There were no outstanding FMRs/IUFRs, audit reports or audit issues. As per the latest Aide Memoirs, FM performance was moderately satisfactory. The total disbursement was about USD 2.63 million (about 99.24% of total allocation).

- **Procurement:** The project initially took exceptionally long time in concluding contract for Technical Partner Organization (TPO) for the Services of Conducting Skill Upgrading and Delivering Technical Training to Beneficiaries, which was crucial for supporting and transferring improved technology to artisans for innovative products design development. Further there were delays in the implementation of these activities in supporting artisans, due to lack of better coordination among the international and national firms. The project took initiatives to engage individual consultants to assess artisans' skill sets, and in providing trainings; identify market oriented artisans' products, and coordinate with national and international private sectors for marketing, and were implemented successfully. Activities agreed in the procurement plan were implemented satisfactorily. Appropriate form of contract for Technical Partner Organizations with increased role in design and implementation may lead to better project management, and may be considered as lesson learnt. Procurement has been rated as "Satisfactory" given that all planned activities were completed within the project period.

The risk to sustainability of development outcomes is low for the following reasons:

- a. **Stable political environment:** Following the decisive verdict in the national-level elections held in December 2017, the political environment is stable after a prolonged period of chronic instability.
- b. **Empowered artisan institutions:** The producer federations facilitated under the project have well-equipped CFCs and competent leadership trained in managerial skills as well as exposed to markets.
- c. **Revolving funds:** Artisan groups have access to substantial community-managed revolving funds (US\$ 320,000) sufficient for working capital requirements during the craft production cycle.
- d. **Linkages with sellers:** The project has facilitated several linkages of beneficiary groups with private sector players, exporters, retailers, design-entrepreneurs as well as member-based artisan-support institutions such as FHAN. These include: ICOM-NEPAL, Everest Fashion, Nepal Knotcraft Center, Gokem Arts, Sana Hastakala, Sabha Nepal, Fair Trade Group Nepal, Federation of Handicrafts Association of Nepal and the Chaudhary Group.

V. LESSONS LEARNED AND RECOMMENDATIONS

The following are the key lessons learnt:

Artisanal sector is a critical development pathway for Nepal's marginalized: Nepal has a strong base of artisans skilled in traditional crafts. Currently, these artisan communities are not able to leverage their skills and access national / global markets due to several challenges including remoteness, poor awareness to market, limited collectivization, limited access to inputs and resources etc. The project has demonstrated that if some of these



challenges are overcome through creative solutions, the sector can be a key development pathway for Nepal's poorer sections.

There is strong community demand for continued support in artisanal value chains: Interventions under the project were received very well from artisan communities. Some of the artisan communities, for example the Dhaka weavers of Tehrathum district, noted that design-led interventions brought a transformational change to their artisanal activity and introduced them to innovative ways of using traditional skills. The end line survey as well as field visits by external evaluators revealed strong demand for continued intervention and support from artisan communities.

Replicating the project in other districts: There is a strong demand in the community level as well as at the Government level to replicate the project in other districts of Nepal. Scaling up the scope of the project from eight districts to the entire country. Increasing interest showed by community members from other non-project districts are an example that initiatives for strengthening artisan value chain can be developed in other districts as well for greater impact of livelihood creation.

International inputs had higher impact on artisan skills and incomes: The project piloted numerous designer-artisan interactions through workshops to introduce new innovative designs to rural artisans who were used to making products using traditional designs. This included workshops with well-known Nepali designers (from Kathmandu) as well as international designers (from India). As per feedback received from artisan communities, under the project, designers introduced fresh ideas that were seen in Nepal's markets for the first time. These new inputs, combined with traditional Nepalese skillsets, created unique and innovative product ranges that were market ready and fetched higher margins. However, due to prevailing political situation, a certain degree of resistance was observed from some members of PAF's management in bringing in international expertise.

Facilitation is critical to encourage private sector linkages: The project supported a number of buyer-seller meets, where private sector players such as exporters were introduced to the products developed by artisan communities which were supported by the project. These private sector participants, who had hitherto been reluctant to work with communities from remote rural areas, expressed keen interest in sourcing from artisan cluster institutions established under the project. These market players were also willing to establish long-term business arrangements after active facilitation and support service provided by the project in terms of capacity building of artisan communities and workspace arrangements (CFCs). Nepal's largest industry house Chaudhary Group's decision to tie-up with the project supported artisan clusters as well as interest in investing in scaling them up is an apt example of the result that can be achieved by facilitating and encouraging private sector linkages.

Streamlining processes: While the project faced a number of interruptions including the catastrophic 2015 earthquake and political tensions earlier, one of the factors for slow pace of implementation was the complicated and arguably onerous bureaucratic procedures in decision making. The "tippani" system often resulted in files moving back and forth for several weeks even for simple decisions, and often required task team's proactive facilitation to expedite progress on decision making for technical matters. This resulted in the consumption of more task team time and resources than otherwise necessary.

Intense handholding support by Bank required when client implements parallel projects: As discussed earlier, PAF management was not able to allot sufficient management attention to the project given the competing



demands on their time from the parent PAF project. Furthermore, PAF felt that joint missions (PAF and WB-JSDF task teams) resulted in too much workload during the mission. Consecutively scheduled missions distributed this workload over a period of time, but still demanded significant management attention over a lengthy period of time which was seen as disrupting their regular responsibilities. The Task Team addressed this with smaller technical missions that did not demand as much attention from the PAF top management, and instead focused on providing specific support.



ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

A. RESULTS INDICATORS

A.1 PDO Indicators

Objective/Outcome: INCREASE IN INCOME

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
25 percent increase in the income of about 8,000 beneficiaries in the cluster villages that are participating in the project	Percentage	0.00	25.00	25.00	68.00
		30-Sep-2011	17-Feb-2016	15-Jul-2017	15-Jan-2018

Comments (achievements against targets): Annual income from artisanal activities rose from NPR 23,395 (baseline, prior to project interventions) to NPR 39,392 (endline) representing an increase of 68% (Source: Endline survey)

Unlinked Indicators

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
10 Artisan Clusters linked to	Number	0.00	10.00	10.00	14.00



marketing outlets		30-Sep-2011	17-Feb-2016	15-Jul-2017	15-Jan-2018
Comments (achievements against targets):					

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
10 Artisan Clusters linked to commercial banks and private sector	Number	0.00 30-Sep-2011	10.00 17-Feb-2016	10.00 15-Jul-2017	14.00 15-Jan-2018
Comments (achievements against targets):					

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
25 percent increase in the number of days of employment through the artisan activity in the cluster	Percentage	0.00 30-Sep-2011	25.00 17-Feb-2016	25.00 15-Jul-2017	50.00 15-Jan-2018
Comments (achievements against targets): Average hours of employment per day rose from 3.06 (baseline, prior to project interventions) to 4.6 (endline) representing an increase of 50% (Source: Endline survey)					

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Direct project beneficiaries	Number	0.00	8000.00	8000.00	7527.00



		30-Sep-2011	17-Feb-2017	15-Jul-2017	15-Jan-2018
Female beneficiaries	Percentage	0.00	80.00	80.00	85.00
		30-Sep-2011	17-Feb-2017	15-Jul-2017	15-Jan-2018

Comments (achievements against targets):

A.2 Intermediate Results Indicators

Component: INCREASE IN BUSINESS BY CLUSTER LEVEL INSTITUTIONS

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Annual 20% increase in business for established cluster	Percentage	0.00	20.00	20.00	68.00
		30-Sep-2011	17-Feb-2016	15-Jul-2017	15-Jan-2018

Comments (achievements against targets):

Unlinked Indicators

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
At least 3 innovative and artisan specific financial products launched	Number	0.00	3.00	3.00	2.00
		30-Sep-2011	17-Feb-2016	15-Jul-2017	15-Jan-2018



Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
At least 5 major international business linkages established	Number	0.00 17-Feb-2013	5.00 17-Feb-2016	5.00 15-Jul-2017	5.00 15-Jan-2018

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
25 new contemporary products developed	Number	0.00 17-Feb-2013	25.00 17-Feb-2016	25.00 15-Jul-2017	419.00 15-Jan-2018

Comments (achievements against targets):





B. ORGANIZATION OF THE ASSESSMENT OF THE PDO

Outcome 1: Increase income from handicrafts activity for target beneficiaries in artisan clusters	
Outcome Indicators	<ol style="list-style-type: none"> 1. 25 percent increase in the number of days of employment through the artisan activity in the cluster 2. 25 percent increase in the income of about 8,000 beneficiaries in the cluster villages that are participating in the project 3. Direct project beneficiaries 4. Female beneficiaries
Intermediate Results Indicators	<ol style="list-style-type: none"> 1. Annual 20% increase in business for established cluster
Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)	<ol style="list-style-type: none"> 1. 7527 artisans (94% of target) organized into 375 producer groups 2. 85% of the beneficiaries were women (106% of target) 3. 68% increase in artisanal income (as per sample survey by independent agency)
Outcome 2: Strengthen access to finance for target beneficiaries in artisan clusters	
Outcome Indicators	
Intermediate Results Indicators	<ol style="list-style-type: none"> 1. Annual 20% increase in business for established cluster
Key Outputs by Component (linked to the achievement of the Objective/Outcome 2)	<ol style="list-style-type: none"> 1. Two artisan specific financial products developed – CFCs and Revolving Fund for working capital 2. Over NPR 33,800,600 (USD 320,000) disbursed in Revolving Funds to address working capital needs during and beyond project period



	<ol style="list-style-type: none"> 3. 14 higher level artisan institutions (Producer Federations) established 4. CFCs established in all craft clusters with modern tools, equipment and machinery
Outcome 3: Strengthen product marketability and access to markets for target beneficiaries in artisan clusters	
Outcome Indicators	<ol style="list-style-type: none"> 1. 10 Artisan Clusters linked to marketing outlets
Intermediate Results Indicators	<ol style="list-style-type: none"> 1. At least 5 major international business linkages established 2. 25 new contemporary products developed
Key Outputs by Component (linked to the achievement of the Objective/Outcome 3)	<ol style="list-style-type: none"> 1. 419 new and innovative products developed (1676% of target) 2. B2B linkages established between Producer Federations and 5 exporters of artisanal products (100% of target) namely, ICOM-NEPAL, Everest Fashion, Nepal Knotcraft Center, Gokem Arts and Sana Hastakala. 3. All 14 clusters (140% of target) linked to bulk buyers and retail stores including Sana Hastakala, Sabha Nepal, Fair Trade Group Nepal, Federation of Handicrafts Association of Nepal and the Chaudhary Group.



ANNEX 2. PROJECT COST BY COMPONENT

Note to Task Teams: The data in this section has been pre-populated for the first time for your convenience, but it is completely editable. *Please delete this note when finalizing the document.*

Components	Amount at Approval (US\$M)	Actual at Project Closing (US\$M)	Percentage of Approval (US\$M)
Cluster Development and Capacity Building	0	.71	0
Community Cluster Funds	0	1.12	0
Marketing and Promotion	0	.60	0
Project Management, Monitoring and Evaluation, and Knowledge Dissemination	0	.20	0
Total	0.00	2.63	0.00



ANNEX 3. RECIPIENT, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS



ANNEX 4. SUPPORTING DOCUMENTS (IF ANY)