

Spotlight Analysis: Returns on Investments

Returns on investment, or cost-benefit ratios, are effective ways to measure agricultural programs' impact. The United States Agency for International Development's Nepal Flood Recovery Program (USAID-NFRP) measures the program's investments against the farmers' net sales over three crop cycles in an intensive 18-month period of training and assistance.

Investments include everything expended and contracted by the program (salaries, transportation, logistics, supplies, training, and initial inputs including shallow tube wells, treadle pumps and seeds). USAID-NFRP farmers also cost share a significant amount of the initial investment. The project provides training and co-investment for each farmer, allowing them to increase productivity and incomes with high-value crops, while also requiring sufficient time and financial obligations to ensure sustainability. Most farmers will spend more in the first and second crop cycles than in any period before assistance. This is mainly due to new expenses like irrigation, or seeds and nursery supplies for high-value vegetables that are costlier than inputs for traditional staple crops. The willingness of farmers to invest indicates they expect positive returns, and also demonstrates their low risk as beneficiaries.

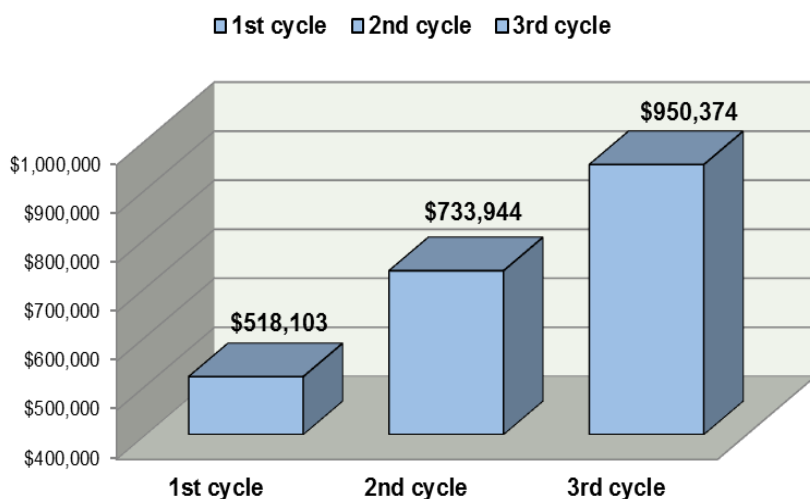


Photo by Fintrac Inc.

Market activity is stimulating economic growth in rural communities. This market in Dhangadi was built as part of USAID-NFRP's productive infrastructure component.

USAID-NFRP does not cost share any investment in the third crop cycle as part of the project's strategy to ensure sustainability. The higher upfront investment cost in the first cycle, due to training and technology grants, results in a low cost-benefit ratio, but by the third cycle this changes significantly as the project's investment declines and farmers' sales grow.

18-month Progress in Farmers' Economic Productivity (Phase II)



USAID-NFRP continues to expand its geographic and client coverage. Activities during Phases I and II were in direct response to serious flooding in several districts of the Terai. Phase III is focusing on broader objectives to improve food security, nutrition and incomes in preparation for funding from the Feed the Future initiative. In each progressive phase the agricultural programs have become more cost-effective as the project continues to improve its approach.

Phase I (May 2008-November 2009)	
Total Budget	\$420,000
Number of Field Technicians	22
Hectares under Production	479
Number of Beneficiaries	2,164
Total Production (3 cycles)	17,146,127 kg
Net sales earned	\$2,403,738
% increase in net sales per Ha	686%
Cost Benefit Ratio (18 months)	1 : 5.7

Phase II (December 2009-February 2011)	
Total Budget	\$320,000
Number of Field Technicians	32
Hectares under Production	487
Number of Beneficiaries	2,271
Total Production (3 cycles)	9,683,164 kg
Net sales earned	\$2,203,881
% increase in net sales per Ha	686%
Cost Benefit Ratio (18 months)	1 : 6.9

Phase III (March 2011-August 2012)	
Total Budget	\$490,000
Number of Field Technicians	33
Hectares under Production	750
Number of Beneficiaries	3,135
Total Production (3 cycles)	TBD
Net sales earned (estimate)	\$3,700,000
% increase in net sales per Ha	TBD
Cost Benefit Ratio (18 months) (estimate)	1 : 7.6

During the first two phases the average cost-benefit ratio was 1:6, meaning that farmers increased their net sales sixfold for every dollar of intervention by USAID-NFRP. Phase III, which began in March 2011, expects this ratio to increase to nearly 1:8. These types of increases are truly transformational in the lives of rural farmers.

For example, Sonu Tharu is now earning 6.3 times as much as he did before working with USAID-NFRP. Tharu received seeds, irrigation equipment and participated in seven core trainings per crop cycle. USAID-NFRP technicians visited his farm weekly to provide in-the-field training and ensure that he was applying the new technologies appropriately. Tharu co-invested \$440 (NRs. 35,000) over three crop cycles and achieved more than \$3,100 (NRs. 245,000) in net sales over the past 18 months as a result. This compares with the \$495 (NRs. 39,000) he earned in net sales for a similar period before he joined the program.



Photos by Fintrac Inc.

With help from USAID-NFRP, Sonu Tharu has dramatically increased his income and is able to provide a better life for his family.

With this extra income, Tharu paid back his loan, provided better education for his children and bought extra food for his family to enhance their overall food security. He also deposited a portion of his earnings in a savings account to use for farm expansion and other investments.

To date, USAID-NFRP has supported 858,751 people in rural Nepalese communities with direct training or

technical assistance, or through access to new or improved community infrastructure. By strengthening communities and stimulating growth across sectors, USAID-NFRP will have a lasting impact by lifting nearly one million Nepali people out of poverty.