Focused Evaluation of Micro Enterprise Development Programme

(A Joint CIDA-AusAID Evaluation)

Submitted to:

CIDA/CCO
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In this endeavor, we had meetings with the pertinent officials of the Ministry of Industry, National Planning Commission, Nepal Rastra Bank, Cottage and Small Industry Development Board, and Cottage and Small Industry Department in Kathmandu. We also held discussion with Dr. Lazima Onta-Bhatta and Ms. Nabina Shrestha at UNDP and Mr. Jhank Narayan Shrestha from Enhancing Access to Financial Services Project in Kathmandu. Similarly, during our field visits, we had meetings with the personnel from District Development Committee, District Administrative Office, District Cottage and Small Industry Office, District Agricultural Development Office, and representatives from District Micro Enterprise Development Group Associations and Micro Enterprise Development Group Associations. We found the outcomes of all these meetings very useful for the preparation of this report. We are highly obliged to all of them for their time and invaluable thoughts.

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Our visits to different project districts provided us with ample opportunities to interact with the beneficiary participants and observe the ground realities. In this regard, we would like to acknowledge the assistance received from MEDEP staffs: Ms. Sarita Dhaubhadel, Ms. Laxmi Limbu and Ms. Sebika Devkota in Kathmandu; and Mr. Bhim Bahadur Bista and Ms. Sabita Koirala for setting all appointments, arranging necessary site visits and coordinating with the local partners in the project districts. Mr. Dil Bahadur Thapa from MEDEP Office in Kathmandu drove us safely and comfortably to all designated places. He deserves our special thanks.

Prof. Pushkar Bajracharya

Dr. Neeraj N. Joshi
Executive Summary

1. Background and the Context

In view of the prevalence of pervasive poverty in Nepal, micro enterprises have been considered a strategy to provide economic opportunities and alleviate poverty in the process. The Micro Enterprise Development Programme (MEDEP) is a government initiative with the support from the United Nations Development Programme, which started in 1998 covering 20 districts to alleviate poverty and promote economic activities in the country. The programme adopted a comprehensive business development services approach to micro-enterprises, targeting families living below the poverty line. MEDEP starts with entrepreneurship development, followed by market study, skills development, micro-credit, access to appropriate technology and business counseling, linkages to market, and development of the subcontracting system.

Despite the completion of a comprehensive impact study, there is still a need for understanding in detail about its outcomes and impacts from contribution as well as sustainability perspectives. The basic objective is to evaluate the MEDEP from the perspective of given criteria (as mentioned in the Terms of Reference for this evaluation), making in-depth enquiries so as to render it more sustainable, contributing and value adding on behalf of Canadian International Development Agency (CIDA) and Australian Agency for International Development (AusAID).

The evaluation was undertaken adopting the following approaches:

- Review of past studies, progress reports, and other relevant studies,
- Analysis of the appropriate secondary data,
- Field reconnaissance at Dadeldhura, Kailali, Dhanusha and Sidhupalchok districts, and
- Discussion with relevant stakeholders.

Based on these approaches, the data and information were collected, and the evaluation was carried out.

2. Findings of Evaluation

Since it began, MEDEP has developed over 53,000 micro-entrepreneurs (68% women, 20% Dalits and 67% youth) and created about 55,000 sustainable jobs. Eighty percent of MEDEP enterprises continue to do business - a high success rate that reflects the strength of this programme. The average MEDEP micro-entrepreneur earns over twice what they earned before coming into contact with the programme. MEDEP has established business support service organisations in all its 36 districts. These are providing a very useful service and are likely to continue as the ex-MEDEP staffs that run them earn good living by advising the entrepreneurs. The programme has also helped establish micro-entrepreneur associations that now serve their members and are the focal point for the Government and donors to keep in touch with the progress and needs of this sector. Similarly, MEDEP’s Technical support to the Government helped it produce its Micro Finance Policy, 2007, Micro-Enterprise Policy, 2008 and also contributed in Industrial Policy, 2010; District Enterprise Development Programme Guidelines, and helped establish Micro Enterprise Development Fund at the district levels.

MEDEP has been successful in bringing out socio-economic transformation of the participants. The increase in per capita income was most impressive. Improvements were noted in change in food sufficiency and asset ownership, social empowerment, household conditions, as well as in physical, social and financial capitals. MEDEP, thus, has been successful in bringing out important changes in the livelihoods and quality of life of the people establishing it as a potent model to alleviate poverty and promote economic activities in the country. MEDEP has demonstrated an alternate model of cost
effective, inclusive and gender responsive intervention through maximum use of local resources and indigenous skills in enterprise development for sustainable livelihood.

3. Market and Marketing

MEDEP has been according high priority to market and marketing aspects, which have been responsible for enabling the project to be effective with visible impacts at grass roots level. The notable factor is that MEDEP has continued to improve in the market and marketing front to make the activities more market oriented and sustainable. MEDEP entrepreneurs are moving into situations that require more sophisticated business skills and better linkages to viable market chains. In order to fully exploit the market potential, more activities are needed that include product improvement, standardisation, market linkage and promotion, e-marketing etc. Many opportunities, for expanded markets are being missed, especially because: (a) not all MEDEP entrepreneurs understand the critical requirements of these markets; (b) the communication linkages are not in place allowing micro-entrepreneurs to respond rapidly to opportunities; (c) micro-entrepreneurs are not prepared to produce in sufficient quantities and (d) proper knowledge of market and marketing beyond the local market appear to be limited. Despite the achievements and focus of MEDEP in improving market linkage, it still remains weak particularly for those aspiring to grow and sustain meaning that additional care and consideration will be needed to give greater emphasis in these aspects. Basic marketing strategies and practices must be imparted adequately including salesmanship, market identification, market positioning, branding, labeling and packaging.

4. Value Chain Analysis Business Growth and International Trade

MEDEP needs to focus its orientation to ensure business growth through value chain analysis particularly to move towards up scaling and ensuring proper growth of the enterprises. MEDEP must continue to do where it has comparative advantage meaning successful promotion of income generating activities and micro enterprise development. However, in feasible areas, it must focus towards growth strategies and engage on the path of growth and development. For this value chain activities will have to be adopted in feasible clusters and product ranges and this will open up new opportunities and markets. In other areas, it should collaborate with appropriate agencies particularly to work in the areas of higher order in the chain so that MEDEP promoted activities will also benefit and be included, while MEDEP will not have to over stretch in the area in which it may not have mastery.

5. Access to Finance

Barring the first phase, MEDEP entrepreneurs are having restrained access to finance micro-enterprises, despite the fact that MEDEP has signed Memorandum of Understanding with a number of Micro-Finance Institutions like Rural Development Banks, Savings and Cooperatives and Financial Intermediary Non-government Organisations (FINGOs) and launched other initiatives to improve access to finance, the most critical element for enterprise sustainability and growth. Access to finance is especially difficult in hill districts and also for highly disadvantaged entrepreneurs who lack citizenship certificates. MEDEP tried to overcome the problem of finance by collaborating with a number of cooperatives and micro finance institutions. It has helped to improve access but the problems of limited access as cooperatives by Nepal Rastra Bank (NRB) guidelines operated within a limited space around the district headquarters, absence of micro-finance institutions in all MEDEP areas and higher interest rate persisted affecting enterprise development activities. There is a need to ensure arrangements for accessing finance through collaboration with appropriate institutions to enable to improve low costs (including the transaction costs) financial access to Micro and Small Enterprises (MSEs).

6. Sustainability
Enterprise and entrepreneur sustainability is quite important though emphasis is required in the later case. For this the integrated package of services including finance, technology, inputs, marketing and business development services are required. Besides, the hard core poor needs to be followed at for a longer period while the only poor may require a shorter following up. The present mechanism of developing entrepreneurs on contractual basis, though providing a basis for cost efficient and enhanced coverage, is found to be deterring as they do not constantly follow up as the enterprise facilitators used to do. Hence, the pattern of contracting should be modified enabling the contractors not only to develop the entrepreneurs but also to supervise and monitor them and the single package of contract should include it.

7. Private Sector Linkage

Despite efforts including representation in the District Enterprise Development Committee (DEDCC), linkage of MSEs with the formal private sector appears to be limited. Cooperation with the private sector may provide appropriate platform for buy back arrangements, enhancing backward and forward linkages and involving them in the higher value chain activities. Improved linkages with the private sector may also improve in improving marketing as well as enhancing access to finance, which appears to be occurring at a diversified manner only.

8. Gender and Social Inclusion

The MEDEP from its inception has accorded very high importance to gender and social inclusion aspects by setting the target of 70 percent women, at least 40 hardcore poor, indigenous nationalities (Janajatis), Dalits and other disadvantaged communities as its beneficiaries. In order to make the MEDEP inclusive, it has implemented and monitored the programme activities from gender and social inclusion perspectives to have compulsory representation from women, and other excluded communities across the geographical regions of the country. Women and the disadvantaged communities, however, felt the need for extending greater services to enable them to access finance, marketing skills, technology support and business development services in order to sustain their initiatives and grow.

9. Environmental Integration

MEDEP did not seem to have deliberately and adequately consider the environmental concerns in its intervention at all levels. During the interactions held with the entrepreneurs on environmental issues, the entrepreneurs realized the need for control and mitigation measures against the noxious emissions. The workers in general and women in particular did not seem to have been taking adequate precautionary measures related about likely occupational health hazards resulting from the enterprises they are operating. The future intervention on micro enterprise development programme needs to strive to limit the adverse impacts on the participating entrepreneurs from environmental degradation. In considering the significant implications of environmental factors for the enterprises and the entrepreneurs themselves, the enterprises that are based on the forest products for their longer term sustainability need to ensure the use of the resources in a more judicious manner. In the agriculture and agro based enterprise sector, in view the potential scaling up of such enterprises and moving up in the value-chain systems, it will be of immense significance for the MEDEP to ensure that the appropriate pesticide management approaches are seriously considered during planning and design in order to safeguard the health of project participants as well as to protect the environment from degradation.

10. Challenges/Issues
• Access to financial institutions for credit by entrepreneurs, particularly for the poorest poor, excluded and those living in remote Village Development Committees (VDCs) were found to be simply inadequate.

• Drop out seems to be increasing in recent times and merits serious attention as low drop out is considered to be a MEDEP strength. However, the evaluation team noted that many of the drop outs were actually opting for other business or activities meaning that the real drop out rate may be much lower than otherwise reported by many monitoring teams.

• Entrepreneurs were found to have difficulties to move up in the value chain remaining at the low subsistent level.

• Involving the private sectors in supporting the production, marketing and linkages of entrepreneurs associations (District Micro Entrepreneurs Group Association and Micro Enterprise Group Association) is an area of vital importance for sustainability as well as growth. The existing effort to promote relationship, however, was found to be isolated and situational.

• Full transformation to Micro Enterprise Development for Poverty Alleviation (MEDPA) may pose a serious challenge due to poor ownership of the programme at the local level.

• The cooperatives and collection centers are not yet able to involve in marketing of farmers’ produce and they have developed alternative ways, such as engaging the local middlemen.

• The team noticed some environmental concerns, such as the use of insecticide and pesticides, soil erosion in the hills, and the problem of disposing plastics used for varying purposes.

• The women were found to have significantly benefitted from MEDEP initiatives. It was noted in many cases, they were burdened with additional work load on top of household chores and agricultural activities though in some instances changing gender roles were also noted slowly.

• There is a need to extend an integrated package of services as MEDEP strategized at the beginning. In case of inability, it should collaborate with appropriate agencies to extend such services.

11. Lessons Learnt

• One of the key lessons learned in this regard is that the project being intervened with an integrated approach is more efficient and effective. The entrepreneurs have been able to obtain a substantial production and income mainly because they received the support (factors of production) in the package form including the technical know-how required to operate the enterprises in their own communities.

• Easy accessibility of the producers to the market is essential for promoting production of agricultural products.

• Creation of local enterprise has a multiplier effect; while it creates employment opportunities locally, it also reduces out migration from the local community (e.g., the youths under Quick Impact for Peace Support Initiative in Dhanusha).
When a woman is economically empowered, her decision making power to expand her business is also spontaneously increased.

12. Recommendations

- Proper identification of market demand and people’s requirements and supply lines must be ensured at local, regional and national markets to initiate any activities.

- Basic marketing strategies and practices must be imparted adequately including salesmanship, market identification, market positioning, branding, labeling and packaging.

- MEDEP must continue to do where it has comparative advantage meaning successful promotion of income generating activities and micro enterprise development. In feasible areas, it must focus towards growth strategies and engage on the path of growth, upscaling and development. For this value chain activities will have to be adopted in feasible clusters and product ranges.

- Quality benchmarking and upgrading should adopt development of quality benchmarks to products with higher market potential, development of code of conducts, dissemination of code of conducts, quality benchmarks and standards and integration in skill training, training up gradation or reorientation.

- Access to finance must be improved by availing various existing sources by improving collaboration and enhancing contracts and contacts.

- There is a need to motivate local governments, particularly VDCs, to support micro-enterprise development for poverty reduction, social inclusion and employment generation leading to sustainable economic growth at local level.

- There is a need to motivate the beneficiaries towards environmental protection (such as soil erosion control, disposal of used plastics) and proper attention to human/consumers’ health (wise/safe use and handling of chemicals) issues.

- In order for transforming MEDEP into MEDPA model, mainstreaming of MEDEP model of enterprise development into the local level planning process and support mechanism will be needed. For this development of local capacity by engaging local government, particularly the VDC and DDC, will be required, as their capacity to undertake the MEDEP seems to be still inadequate.
1.0 Introduction

1.1 Background and the Context

Poverty in Nepal is pervasive, largely chronic, and reflected in dimensions of social and human progress mainly caused by lack of economic opportunities, access to resources, weak empowerment, and skewed population distribution, further assisted by topographical situation and lack of access to infrastructure. Nepal’s population of 26.6 million continues to experience high levels of poverty, especially rural poverty, and high levels of unemployment and underemployment as job creation within the country has not been satisfactory leading a large number to migrate to foreign countries for jobs. Three fourths of the population depends for its livelihood on agriculture, with its seasonable, off-season and slow periods. According to Central Bureau of Statistics (CBS), it is estimated that 25.4 % of Nepal’s people live below the poverty line, currently set at Rs. 19,000 (US $ 250) per year per person (CBS, Nepal Living Standard Survey, 2010-11).

The development efforts of Nepal face a big challenge posed by the discriminatory socio-cultural systems. Socio-economic deprivation of women and disadvantaged group is high in Nepal. Women in Nepal constitute a little over 50% of the population. Nepal’s population is multi-ethnic and multilingual. Being dominated by discriminatory socio-cultural norms and values of religious and cultural practices, Dalits have not been able to get access to important public decisions, which discourage them from participating actively in development initiatives for long. Only the recent initiatives to promote inclusive strategies, to some extent, have helped to undo the situation.

Social exclusion of women, Dalits, Indigenous Nationalities and Madhesis is seen as the major cause of conflict in Nepal. Social inclusion is therefore included as one of the pillars of national development strategy in recent times. There is an imperative need to bring the poor & excluded group (P & E)-friendly development approach for two reasons: i) different social groups of people have different livelihood needs, opportunities, priorities that need to be included in development planning and ii) inclusion of P & E groups' ideas, needs and priorities in development will lead to changes in the overall approach to development so that the focus will be on sustainability considering inter alia economic growth coupled with "growth with equity".

The Micro Enterprise Development Programme (MEDEP) is a government initiative with the support from the United Nations Development Programme (UNDP), which started in 1998 covering 20 districts to alleviate poverty and promote economic activities in the country. The programme adopted a comprehensive business development services approach to micro-enterprises, targeting families living below the poverty line. MEDEP starts with entrepreneurship development, followed by market study, skills development, micro-credit, access to appropriate technology and business counseling, linkages to market, and development of the subcontracting system. With the successful completion of the earlier two phases (Phase I: from 1998 to 2003 covering 10 districts; Phase II: 2004 to March 2008 covering 25 districts), the Programme is presently in its Phase III (beginning March 2008 and coming to an end in December 2012) and working in 38 districts including in the Bhutanese Refugee Camps and adjoining communities in eastern Nepal. The MEDEP from its inception has accorded very high importance to gender and social inclusion aspects by setting the target of 70 percent women, at least 40 percent Hardcore Poor, indigenous nationalities (Janajatis), Dalits and other disadvantaged communities as its beneficiaries. For the on-going Phase III, it has set the target of 60, 40, 40, 25 and 35 percent for women, Hardcore Poor, indigenous nationalities, Dalits, and other disadvantaged communities, respectively. The Phase III is in implementation with a total budget of $14.1 million; supported by UNDP ($7.3m), Australian Agency for International Development - AusAID (AU$9.0m), Canadian International Development Agency - CIDA ($1.2m), Himal Power Ltd ($0.3m). It also assists local government bodies
and the Ministry of Industry's line agencies in a further 13 districts to provide micro-enterprise development support.

MEDEP had also made provision of microcredit to the participant entrepreneurs through special partnering arrangements with the Agriculture Development Bank of Nepal (ADBN) until its Phase II, building on the bank's existing network of branch and sub-branch offices. Microcredit was provided on a cost-sharing basis of 30 percent contribution of MEDEP and 70 percent by ADBN, and was managed jointly by both partners. For accessing microcredit, MEDEP had developed simple procedures and guidelines to be followed by micro-entrepreneurs. A simple credit operation guideline was prepared and implemented by the district level offices. MEDEP had also made computers available to the ADBN Branch Offices to link them to its management information system for reporting and monitoring purposes. Since there were a large number of small borrowers, the operating costs of ADBN were high. MEDEP supported the bank by providing the Enterprise Development Facilitators and Officers with the salary, travel, daily allowances and other logistic support needed to select enterprises and entrepreneurs, develop and review their business plans, and monitor business operations and loan management. MEDEP provided its support on a grant basis since it only worked with households below the poverty line.

CIDA provided a one-year grant ($1,200,000) to the Micro-Enterprise Development Programme (MEDEP)/UNDP for the agriculture-based Micro-Enterprise Development as per the priority of the Nepal Country Strategy, 2009. The initiative aimed to increase access of targeted micro-entrepreneurs to at least 16 improved technologies (agricultural products/commodities) in 18 project districts. It aims to create 1,500 new entrepreneurs, scale up production of 1,000 existing agro-based micro-entrepreneurs, and train 2,500 individuals (60% women, 30% Dalits; 40% indigenous nationalities, 60% youth aged 16-35) in entrepreneurship and technical skills.

MEDEP, thus, has been able to mobilize resources from various development partners and was also successful in developing synergy in its approach and strategies. A comprehensive impact study was completed in 2010. But, there is still a need for understanding in detail about its outcomes and impacts from contribution as well as sustainability perspectives.

1.2 Evaluation Objectives

The basic objective of this evaluation is to provide a focused assessment of some critical issues that will inform participating development partners and the government for the MEDEP-Micro Enterprise Development for poverty Alleviation (MEDPA) transition and the subsequent phase of MEDEP. Besides, this evaluation will also endeavour to meet AusAID’s independent completion reporting requirement.

1.3 Evaluation Methodology

The basic criteria used to evaluate are from the following given perspectives:

- Access to market and marketing
- Adoption of value chain strategy
- Access to finance
- Linkage with the private sector
- Sustainability of initiatives
- Gender and social inclusion
- Environment integration

The evaluation was done adopting the following approaches:
• Review of past studies, progress reports, and other relevant studies
• Analysis of appropriate secondary data
• Field visits
• Discussion with relevant stakeholders

1.3.1 Qualitative Enquiries

The study was based on mainly qualitative enquiries done through interactions and discussions with the relevant stakeholders both at the field as well as in Kathmandu involving various stakeholders. Attempts to the extent feasible were made to collect views of diverse stakeholders including the government, MEDEP, development partners, micro-entrepreneurs, the private sector and the other stakeholders. Besides making critical enquiries, the versions were validated through compatibility assessments and on the field checking of the actual operations. Standard issues were identified to conduct the qualitative assessments, and the qualitative enquiries were made based on these check lists. Based on these, the data and information were collected and evaluation carried out.

1.3.2 District Selection

<table>
<thead>
<tr>
<th>Districts</th>
<th>Phase</th>
<th>Features</th>
<th>Ecological Belt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dadeldhura</td>
<td>First</td>
<td>MEDEP, MEDPA, CIDA</td>
<td>Hill</td>
</tr>
<tr>
<td>Kailali</td>
<td></td>
<td>MEDEP, MEDPA</td>
<td>Tarai</td>
</tr>
<tr>
<td>Dhanusha</td>
<td>First</td>
<td>MEDEP, MEDPA</td>
<td>Tarai</td>
</tr>
<tr>
<td>Sindhupalchowk</td>
<td>Second</td>
<td>MEDEP, MEDPA, AusAID</td>
<td>Mountain</td>
</tr>
</tbody>
</table>

The districts for the field visit were selected to try to get maximum information within limited time while making the better representation of the observation at the field. First of all, an attempt was made to include all the ecological belts of the country. Secondly, an attempt was made to include MEDPA, CIDA and Aus AID districts. Thirdly, in order to see the sustainability and longer term impacts relatively older districts were selected. The four districts selected further represented areas from relatively backward region e.g., Far West and relatively better districts. Thus, the selected districts are expected to provide relatively extensive information within limited time.

1.3.3 Field Visit

During the visits meetings were held with District Micro Enterprise Group Association (DMEGA) and Business Development Service Providing Organisations (BDSPOs) in all four districts. One District Enterprise Development Committee (DED) meeting was held at Dadeldhura district. Further in depth discussions were held with 13 micro entrepreneur groups that include bamboo based enterprises, honey, incense stick, dairy, vegetable, furniture, bio-briquette and lapsi candy. Besides, discussions were held with Ministry of Industry, Department of Cottage and Small Industries (DCSI), Cottage and Small Industries Development Board (CSIDB), Nepal Rastra Bank (NRB), National Planning Commission (NPC), Department of Agriculture, Canadian Cooperation Office (CCO), UNDP/United Nations Capital Development Fund (UNCDF) and German Development Cooperation (GIZ).
1.3.4 Triangulation

The data and information being collected were triangulated comparing with the past studies, research reports and monitoring reports; secondary data and information and discussion with relevant stakeholders and on-site observation of the project activities. In case of doubt or finding otherwise, critical questions were put to relevant stakeholders illustrating the situation and trying to find the more pertinent and realistic fact finding.

1.3.5 Data Analysis and Interpretation

Data and information were analysed using qualitative approach collating with the findings of previous research reports, observation at site, secondary data and findings from discussion with various stakeholders.

Based on the information collected along with the review of existing documents and studies, the present evaluation has been carried out.

2.0 Findings of the Evaluation

2.1 Assessment based on Secondary Information

MEDEP performance, as mentioned in the methodology, has been evaluated to the extent feasible based on the secondary information as well as on the basis of the in depth enquiry made at the districts through field visits and observation.

Since its inception, MEDEP has developed over 53,000 micro-entrepreneurs (68% women, 20% Dalits and 67% youth) and created about 55,000 sustainable jobs. Eighty percent of MEDEP enterprises continue to do business - a high success rate that reflects the strength of this programme. The average MEDEP micro-entrepreneur earns over twice what they earned before coming into contact with the programme. MEDEP has established business support service organisations in all its 36 districts. These are providing a very useful service and are likely to continue as the ex-MEDEP staffs that run them earn good living by advising the entrepreneurs. The programme has also helped establish micro-entrepreneur associations that now serve their members and are the focal point for the Government and donors to keep in touch with the progress and needs of this sector.

Similarly, MEDEP’s technical support to the Government helped it produce its Micro Finance Policy, 2007, Micro-Enterprise Policy, 2008 and also contributed in Industrial Policy, 2010; District Enterprise Development Programme Guidelines, and helped establish Micro Enterprise Development Fund (MEDF) at the district levels. These make it Government policy to (i) provide easier access to finance for poor rural people and (ii) enable micro-enterprises to register as formal businesses. At the district level the programme has supported local governments to implement the MEDEP model and small businesses to access district enterprise development funds.

2.1.1 Development of Entrepreneurs and Enterprises

Table 1: Microenterprise Development by MEDEP

<table>
<thead>
<tr>
<th>Region</th>
<th>Dalit</th>
<th>%</th>
<th>Janajati</th>
<th>%</th>
<th>Brahman/ Chhetri</th>
<th>%</th>
<th>Others</th>
<th>%</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern</td>
<td>3266</td>
<td>35.4</td>
<td>3114</td>
<td>33.8</td>
<td>1394</td>
<td>15.1</td>
<td>1451</td>
<td>15.7</td>
<td>9225</td>
<td>17.3</td>
</tr>
<tr>
<td>Central</td>
<td>2605</td>
<td>16.7</td>
<td>7280</td>
<td>46.7</td>
<td>3864</td>
<td>24.8</td>
<td>1824</td>
<td>11.7</td>
<td>15573</td>
<td>29.2</td>
</tr>
</tbody>
</table>
Table 1 shows that MEDEP, during its three phases from 1998 to 2011, has developed 53,345 entrepreneurs including in all the five development regions of the country. The highest proportion of entrepreneurs by ethnicity belonged to indigenous groups (*janajatis*) closely followed by Brahman and Chhetri group. Dalits, the most disadvantaged group in the country accounted for 22.0 percent while others, that mostly included Terai communities, accounted for 7.1 percent. It clearly illustrates that MEDEP has been fairly inclusive from the very beginning targeting the disadvantaged communities. In terms of the regional distribution, though the central region has the most number of entrepreneurs; it is widely successful in promoting entrepreneurs in all regions as is exhibited by the proportion of entrepreneurs in the mid-western development region, where it started the programme most recently in the third phase only.

Table 2: Microenterprise Development by Sex

<table>
<thead>
<tr>
<th>Region</th>
<th>Male</th>
<th>%</th>
<th>Female</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern</td>
<td>3348</td>
<td>36.3</td>
<td>5877</td>
<td>63.7</td>
<td>9225</td>
</tr>
<tr>
<td>Central</td>
<td>4436</td>
<td>28.5</td>
<td>11137</td>
<td>71.5</td>
<td>15573</td>
</tr>
<tr>
<td>Western</td>
<td>2315</td>
<td>29.0</td>
<td>5675</td>
<td>71.0</td>
<td>7990</td>
</tr>
<tr>
<td>Mid Western</td>
<td>4025</td>
<td>30.9</td>
<td>9013</td>
<td>69.1</td>
<td>13038</td>
</tr>
<tr>
<td>Far Western</td>
<td>3013</td>
<td>40.1</td>
<td>4506</td>
<td>59.9</td>
<td>7519</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17137</td>
<td>32.1</td>
<td>36208</td>
<td>67.9</td>
<td>53345</td>
</tr>
</tbody>
</table>

From the gender perspective, MEDEP has, from the very beginning, targeted 70 percent of women in the first two phases and with the need for including more youth and focus on conflict sensitive areas particularly in Tarai it targeted 60 percent women and its actual achievement has been quite impressive. Altogether, MEDEP has developed 67.9 percent women entrepreneurs (Table 2). Only in Far Western and the Eastern regions, the proportion may be somewhat smaller. MEDEP, thus, has extended adequate attention in promoting economic activities among women in the country, who, as reported in many other previous studies, despite working much harder is bereft of asset holding or access to cash seriously depriving them of the socio-economic rights. Many women entrepreneurs consider cash in hand as the greatest source of empowerment.

Table 3: Phase-wise Growth of Employment

<table>
<thead>
<tr>
<th>Phases</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>II (2004-2008)</td>
<td>6781</td>
<td>17279</td>
<td>24060</td>
</tr>
<tr>
<td>III (2009-2012)*</td>
<td>7423</td>
<td>15157</td>
<td>22595</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17883</td>
<td>36342</td>
<td>54240</td>
</tr>
</tbody>
</table>

Source: MEDEP, *Calculated up to 2011
In terms of employment generation, however, in relation to the number of enterprise creation, the situation may not be termed exactly satisfactory with 1.017 employment creation meaning that most of the entrepreneurs are operating alone and only a very few may have been successful in creating employment for others (see Table 2 and Table 3). However, it should be noted that it emanates from the way MEDEP estimates employment generation. In a single enterprise if more than one trained persons operate they are counted by the number of entrepreneurs trained and not as a single enterprise meaning that even if there are more people working in a single enterprise, the number of enterprises are counted more and hence though per enterprise employees may be more per entrepreneur employees become less. This also shows that most of the activities are at subsistence livelihood levels meaning that though MEDEP has been successful in promoting a good number of entrepreneurs and has been successful in transforming the situation of many households living under conditions of severe deprivation and poverty, it, in terms of real enterprise development, may not have achieved desired progress indicating the need for attending towards enterprise creation and development in true along with attending to the needs of promoting income generating activities in the country just to enhance the livelihoods of the poor people. MEDEP, recently, has started to promote cooperatives and other forms of more organized enterprises and recording them accordingly while counting the total number of operators as employment generation may also improve the situation.

Table 4: Status of Entrepreneurs and Enterprises

<table>
<thead>
<tr>
<th>Entrepreneurs Category</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduated</td>
<td>499</td>
<td>0.9</td>
</tr>
<tr>
<td>Active</td>
<td>25,065</td>
<td>47.3</td>
</tr>
<tr>
<td>Active but Seasonal</td>
<td>8,552</td>
<td>16.1</td>
</tr>
<tr>
<td>Sick</td>
<td>12,054</td>
<td>22.7</td>
</tr>
<tr>
<td>Migrated</td>
<td>1,170</td>
<td>2.2</td>
</tr>
<tr>
<td>Death</td>
<td>234</td>
<td>0.4</td>
</tr>
<tr>
<td>Dropped Out</td>
<td>5,478</td>
<td>10.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>53,052</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: MEDEP; Note: it is the total picture from 1999 to 2011.

Table 4 shows that among the entrepreneurs almost two thirds are operating, with the drop-out rate estimated at varying range from 10.3 percent as per MEDEP data base and 30 percent or more as estimated by the impact study and other monitoring reports. The UNDP monitoring system pointed towards a much higher drop-out rate. The MEDEP data base reported 22.7 percent as sick, which is abnormally high compared to the average morbidity rate in the country. Further investigation into what is being counted under the category of ‘sick’ is needed, and if necessary, a new category for some of the entrepreneurs created, in order to give a more accurate picture of the situation.

Table 5: Dropout Rate by Gender and Ethnicity

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Gender</th>
<th>Ethnicity Type</th>
<th>Total Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
<td>Male</td>
<td>Dalit</td>
</tr>
<tr>
<td>2010</td>
<td>30</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>2009</td>
<td>224</td>
<td>65</td>
<td>90</td>
</tr>
<tr>
<td>2008</td>
<td>692</td>
<td>221</td>
<td>182</td>
</tr>
<tr>
<td>2007</td>
<td>769</td>
<td>405</td>
<td>265</td>
</tr>
<tr>
<td>2006</td>
<td>640</td>
<td>177</td>
<td>253</td>
</tr>
</tbody>
</table>
The rate of drop out has increased from 2005 onwards though rate has declined since 2009 (Table 5). Two reasons were identified for the higher dropout rate during the period 2005-2008. The first is the sharp increase in the number of entrepreneurs developed and the second, the meaning the replacement of facilitators supervised mechanism to entrepreneurship development by contracting out. The gender and ethnic differences do not exist. The higher drop out among females and other categories to a lot of extent is commensurate to the total number of developed entrepreneurs.

Table 6: Migrated Entrepreneurs by Gender and Ethnicity

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Gender</th>
<th>Ethnicity Type</th>
<th>Total Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
<td>Male</td>
<td>Dalit</td>
</tr>
<tr>
<td>2010</td>
<td>5</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2009</td>
<td>52</td>
<td>26</td>
<td>19</td>
</tr>
<tr>
<td>2008</td>
<td>159</td>
<td>58</td>
<td>62</td>
</tr>
<tr>
<td>2007</td>
<td>160</td>
<td>70</td>
<td>57</td>
</tr>
<tr>
<td>2006</td>
<td>137</td>
<td>46</td>
<td>40</td>
</tr>
<tr>
<td>2005</td>
<td>183</td>
<td>60</td>
<td>66</td>
</tr>
<tr>
<td>2004</td>
<td>23</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>2003</td>
<td>10</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>2002</td>
<td>38</td>
<td>30</td>
<td>4</td>
</tr>
<tr>
<td>2001</td>
<td>29</td>
<td>31</td>
<td>10</td>
</tr>
<tr>
<td>2000</td>
<td>26</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>1999</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: MEDEP, 2012 (Data from 1999-2011)

Similar trend as in drop out is noted among the migrating entrepreneurs as well (Table 6). It is further noted that most of the migrating entrepreneurs were doing some entrepreneurial activities meaning that migration in itself may not mean drop out.

Table 7: Dead Entrepreneurs

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Gender</th>
<th>Ethnicity Type</th>
<th>Total Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
<td>Male</td>
<td>Dalit</td>
</tr>
<tr>
<td>2010</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2008</td>
<td>10</td>
<td>7</td>
<td>4</td>
</tr>
</tbody>
</table>
Death of entrepreneurs, though marginally, has contributed to the drop out (Table 7). In depth enquiry during the field visit of the current study, however, showed that the actual drop-out rate may be lower as many of those reported to have dropped-out were actually reported to be operating in different places or in different activities. MEDEP, in reality, promotes entrepreneurs rather than enterprises and hence if they change the enterprises or activities, it should be taken as a positive aspect as it is natural for entrepreneurs to opt for more rewarding activities or move away from loss making or less rewarding activities. The pattern, therefore, needs to be appreciated rather than condemned as drop-outs.

Table 8: Relative Drop-Out Rate

<table>
<thead>
<tr>
<th>Gender</th>
<th>Ethnicity Type</th>
<th>Total Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>Total entrepreneurs</td>
<td>36,208</td>
<td>17,137</td>
</tr>
<tr>
<td>Total dropout</td>
<td>4,619</td>
<td>2,161</td>
</tr>
<tr>
<td>Rate of dropout in %</td>
<td>12.8</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Source: MEDEP, 2012 (Data from 1999-2011)

In relative terms, there is hardly any difference in the dropout rate among different segments. The total drop out rate is estimated at 12.7 percent and only the indigenous community has slightly lower rate probably explained by the involvement in entrepreneurship activities from socio cultural perspective historically (Table 8). But the difference is not big enough to infer any definite conclusions. Females have slightly higher rate of drop out but the difference is very narrow. It is therefore pertinent to draw that there is no difference by segments indicating the general trend of the drop out.

2.1.2 Cost Effectiveness

Table 9: Per Entrepreneur and Per Employment costs

<table>
<thead>
<tr>
<th>Per entrepreneur's cost in US $</th>
<th>Per entrepreneur's cost in NRs.</th>
<th>Per Employment cost in US $</th>
<th>Per Employment cost in NRs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>401.25</td>
<td>20,193.66</td>
<td>392.46</td>
<td>19,751.36</td>
</tr>
</tbody>
</table>

Source: MEDEP, 2012 (Data from 1999-2011)
MEDEP, as illustrated by the above data (Table 9), is clearly a cost effective mechanism with about NRs. 20,000 to develop an entrepreneur and create an employment opportunity. It means it must be the most cost effective mechanism to generate employment opportunities in the country even compared to government, non-government or private sector efforts to generate employment opportunities. It obviously means that MEDEP is a very effective approach to promoting employment in the country.

2.1.3 Contribution of MEDEP

Table 10: Value Addition

<table>
<thead>
<tr>
<th>Description</th>
<th>N.Rs. in million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>7960</td>
</tr>
<tr>
<td>Inputs</td>
<td>1851</td>
</tr>
<tr>
<td>Value addition</td>
<td>6109</td>
</tr>
</tbody>
</table>

Source: MEDEP, 2012 (Data from 1999-2011)

The micro entrepreneurs have been successful to generate NRs. 6109 million in value addition that includes labour/employment costs and profits (Table 10). It comes to a staggering 76.7 percent of the total sales proceeds. The real profits and value addition by sales to ultimate consumers may be high meaning that the resource based micro entrepreneurship development has been highly successful not only in generating income generating activities but also in creating activities that are highly rewarding. It means that on an average each entrepreneur must have generated value addition of N.Rs. 19000, which, if calculated excluding the dropped out enterprises, would mean a much higher per annum return. Hence, it may be safely be deduced that micro enterprises have contributed to upscale the income level of the entrepreneurs contributing to improving the quality of life of the people as well as in moving out of the poverty level.

The MEDEP impact study (2010) also has clearly spelled out the contribution of MEDEP in bringing out socio-economic transformation of the participants comparing it with the non-participants. The increase in per capita income was most impressive with 320 percentage point additional income compared to non-participants meaning that the MEDEP process has been successful in bringing out economic improvement among MEDEP entrepreneurs. It also showed that food sufficiency of the participants has been one month more than that of non-participants. Improvements were noted in change in asset ownership, social empowerment, household conditions, as well as in physical, social and financial capitals. MEDEP, thus, has been successful in bringing about important changes in the livelihoods and quality of life of the people establishing it as a potent model to alleviate poverty and promote economic activities in the country. The issues are how far these achievements can be sustained and can it be translated into the MEDPA model owned and executed by the government adopting the MEDEP model.

2.1.4 Factors for Successful Intervention of MEDEP

In the past 14 years since its inception, MEDEP appeared to have made significant achievements in all the 38 programme districts through the development of entrepreneurships and entrepreneurial skills leading to creation of employment opportunities in the rural areas of the districts. The programme is creating employment and income opportunities for the rural poor by: (i) providing skill and business training and other support, mainly for women, poor and disadvantaged people to set up micro-enterprises, (ii) helping establish business support services and representative organisations for micro-entrepreneurs, and (iii) working with the government to improve the policy environment.

MEDEP's impressive achievements led the Government in its Interim Plan to allocate $3 million to replicate the MEDEP model across all Nepal's 75 districts. Its achievements also led to it being highly
commended in the International World Business and Development Awards, 2008. The key factors that appear to be contributing to the successful implementation of MEDEP are as follows:

- Identification and selection of proper target beneficiaries by following systematic and appropriate selection criteria to identify potential micro-entrepreneurs who are well motivated and capable of undertaking micro-enterprises;
- A proper comprehensive delivery of necessary services such as business development, including entrepreneurship development, skills development and market promotion, provision of microfinance service, *albeit* till Phase II (that is up to 2008) only;
- Adoption of a demand-driven approach, by responding systematically and sequentially to the demand made by the beneficiary micro-entrepreneurs for business development services;
- Monitoring and follow-up of the enterprises being undertaken on a regular basis as well as business counseling to the entrepreneurs even after the establishment of enterprises.

2.2 Evaluation based on Field Visit

MEDEP's interventions responded to the emerging needs of the un-reached segment of rural women and men in the context of political conflict and the existence of pronounced poverty in the country, when lack of home based employment, absence of public services and feminization of poverty exacerbated the rural poverty. By exploiting the existing constraints as challenges for constructive transformation, MEDEP developed capacity of socially excluded groups at local level, specially targeting women and disadvantaged clients who are left alone to look after family matters, due to outgoing nature (or migration) of male family members. At the macro level, MEDEP is a fitting tool to respond to the national poverty reduction strategy, gender mainstreaming strategy of the National Development Plans, and to Millennium Development Goals (MDGs), particularly the first and third goals to attain the mission of employment oriented inclusive growth as defined by the Twelfth Plan (2009-2013). MEDEP has demonstrated an alternate model of cost effective, inclusive and gender responsive intervention through maximum use of local resources and indigenous skills in enterprise development for sustainable livelihood. It is highly satisfying to note that micro enterprises and micro entrepreneurs have become demonstrative agents encouraging all to be entrepreneurs or to put on efforts to do well in life. It has also exhibited that there may be enough lucrative opportunities within the country if one is ready to put on efforts. The question of relevance looms especially large during times of national political fragility and MEDEP, as illustrated by above information, has been able to respond to the need quite efficiently. It, however, does not mean that it does not have weaknesses or there is no room for improvement.

2.2.1 Market and Marketing

A greater number of MEDEP entrepreneurs are starting simpler and smaller enterprises for the local market. They have taken their long first step—making a product and selling it. But they may not yet have the adequate entrepreneurial skills regarding product pricing, product selection, positioning and marketing. They are in some instances self-employed producers, but not yet entrepreneurs.

The marketing practices being adopted by the micro entrepreneurs are at best simple and basic. Many of them are operating at the local market level. A few have grown and up-scaled to regional market level while a further few are even noticed to be operating at the national level and beyond. Many products and activities promoted by MEDEP albeit at micro level have grown to spread at the regional and the national market establishing a distinct product image meaning that that a number of activities have moved to the growth path. Natural evolutions of growth strategies thus are visible with proper market prospects. In a sense, business incubation service too has emerged and is being promoted commensurate to market potential, resource potential, and the entrepreneurship ability. However, the number of such entrepreneurs is limited not surprisingly, because of MEDEP’s inclusive strategy focusing on hardcore poor, *Dalits* and
excluded communities and women. There is a further need to extend such activities to make the effort sustainable as well ensure real entrepreneurship development.

MEDEP has been according high priority to market and marketing aspects, which have been responsible for enabling the project to be effective with visible impacts at grass roots level. The notable factor is that MEDEP has continued to improve in the market and marketing front to make the activities more market oriented and sustainable. Particularly noteworthy is the way it has operationalised efforts to improve marketing activities in the third phase (2008-2011). However, more sustained efforts are needed in the area to make enterprises survive, compete and grow and hence in the proposed fourth phase, more concerted efforts will be needed also in view of enlarged coverage and the need for making activities really sustainable. But many entrepreneurs during field visits actually responded that they have no problems of market but the critical problem is inability to produce to meet demand or inability to have necessary raw materials particularly in forest based products.

MEDEP entrepreneurs are moving into situations that require more sophisticated business skills and better linkages to viable market chains. For this segment of the market, product quality, timely delivery, increased production capacity, competitive pricing, branding and labeling and sharper packaging are required. The growth strategies pursued have resulted to a number of success stories leading to linkage with the international market albeit in a limited range of products and producers. Some of the products for which export possibilities have emerged and developed include honey, handmade paper, natural fibre, ginger and processed ginger, Dhaka textile and products, incense sticks, craft products like bamboo products, among others. Honey is being exported to the European market and the potential is enormous though the issue of organic certification to ensure quality and free from pesticide use is creating serious hindrances. Ability to attend to sanitary and phyto-sanitary measures may extend new market opportunities, which, however, may require deeper concentration and additional efforts. Collaborative efforts of the government, producers, development partners and MEDEP type initiatives will be required to use such opportunities. Some markets have emerged for the incense sticks in India and Tibet. Nepal has long been importing incense sticks from India but MEDEP efforts have not only led to substitute imports but have also enabled to export to the same country from where Nepal has been importing. Producers, particularly from Dhanusha and other regions are manufacturing incense sticks totally based on local resources and exporting without using the scent and in some cases branding and packaging. It means that through improvement in the quality of scent and proper packaging, branding and labeling as per market needs and proper positioning in the market, there is a possibility to add further value. More activities directed towards value chain, should enable to attain these goals. In order to fully exploit the market potential, more activities are needed that include product improvement, standardisation, market linkage and promotion, e-marketing etc. To date, many opportunities for expanded markets are being missed, especially because: (a) not all MEDEP entrepreneurs understand the critical requirements of these markets; (b) the communication linkages are not in place allowing micro-entrepreneurs to respond rapidly to opportunities; (c) micro-entrepreneurs are not prepared to produce in sufficient quantities and (d) proper knowledge of market and marketing beyond the local market appear to be limited.

In the later phases, strategies included developing marketing skill through marketing / business plan preparation, marketing management and networking training and regular business counseling and market survey at local and district markets preparing a list of potential buyers to the micro entrepreneurs and developing market linkages or linkages with market makers and the market and marketing intermediaries according to specific considerations of local, district, regional and national level markets. The strategies have been well laid out but implementation has not been uniform and in many cases wanting. There are some products, which may be suitable to local market only. But this recognition and implications have not been adequately made aware of to the entrepreneurs. Especially among the hardcore poor product selection appears to be based on the request of ‘would be’ entrepreneurs, who, as has been mentioned earlier, may lack knowledge and information pertaining to the market rather than on the basis of market
surveys. Some products based on bamboo crafts may be suited to high end markets only and sporadic sales at local markets may not fully meet the requirements of the entrepreneurs for example as noted in Kailali district. They need to be cushioned with bamboo and rattan products suited to local market ranging from furniture to baskets etc and craft products targeted to higher end markets. In certain respects, MEDEP actually followed others in promoting appropriate marketing strategies. In Dhanusha, MEDEP incense stick entrepreneurs were taught about branding and packaging by Employment Creation & Peace Building based on Local Economic Development (EMPELED) project of International Labour Organisation (ILO) and MEDEP appears to have followed suit in encouraging branding, packaging, labeling and market networking activities. Efforts to link with intermediaries like Mahaguthi, Organic Village, Women Entrepreneurs Association of Nepal (WEAN), cooperative and Apiculturist’s Network – Nepal (API-NET) etc. were noted. There is a clear need to allocate more resources and extend greater attention to marketing besides production in order to ensure proper development of entrepreneurship.

Proper identification of market demand and people’s requirements and supply lines must be studied at local, regional and national markets to initiate any activities. The primary need is to study at the local market centre levels while studies should be conducted at regional and national levels in consonance to growth strategies, volume of production and production potential.

Most of the micro-enterprises are expected to operate at local market levels but products and services with potential should be promoted through growth strategies and value chain approach to enable enterprises expand towards the path of growth. In the process, attention must be provided in respect to,

a. Product and feature standardization
b. Quality upgrading and benchmarking
c. Market linkages and market networking
d. Salesmanship
e. Appropriate adoption of marketing strategies including branding, labeling and packaging,
d. Indulging in market promotion activities.

For the sake of product and feature standardization, based on experience and lessons learnt at nationwide level, there should be an exercise of what should be the standards according to the product market category. Standardization efforts should be initiated in the product market categories with growth and expansion possibilities as well as wherein competition or potential competition may be high.

Quality benchmarking and upgrading should focus on development of quality benchmarks for products with higher market potential, development of code of conducts, dissemination of code of conducts, quality benchmarks and standards and integration in skill training or advanced training. Quality concerns and factors inhibiting expansion should be identified based on product market potential and these should be addressed taking into consideration their impacts including costs and technology. In many product areas, inability to maintain acceptable quality is often mentioned as a critical problem. Such product quality may endure in the local market so far outside competition particularly from organized manufacturing sector are limited otherwise it will be arduous to sustain such activities. There must, therefore, be adequate attention to gradually improve the quality of product and service to be able to compete in the market as per its nature and needs.

Market promotion activities some of which MEDEP has already been operating like exhibitions in partnership with stakeholders D-MEGA, National-Micro Entrepreneurs Group Association (N-MEGA), local Chambers, Federation of Nepalese Chambers of Commerce and Industry (FNCCI), Federation of Nepal Cottage and Small Industries (FNCSI), product association and other marketing/retail, outlet agencies or networks etc., need to be expanded at local, regional or national level as per potential in consultation and linkage with business bodies (chambers etc.) or with trading and networking agencies. Market linkages should be expanded.
Market outlets promoted with the help of partner agencies need to be enriched with products of not only the district level supplies but from entire MEDEP area. Needs and supplies of these outlets should be coordinated enabling products to flow easily from across the districts too, provided market opportunities exist. Saugat shops are interesting innovation but sustaining them is going to be an enormous task. Hence, the primary focus should be linking such products and services to the existing market. Similarly, networking and cooperation may also be feasible with similar other bodies for example Mahaguthi, Dhukuti, WEAN, Organic Village, cooperatives or departmental stores etc. In light of need for micro-enterprises up-scaling and expanding the scope and markets of their business, MEDEP would also need to facilitate exploring Business to Business linkages to ensure forward and backward linkages. The government, through appropriate policy mechanisms, should encourage sub-contracting between various levels of economic activities. The government, through appropriate policies, may encourage through preferred procurement from Micro and Small Enterprises (MSEs).

Despite the achievements and focus of MEDEP in improving market linkage, it still remains weak particularly for those aspiring to grow and sustain meaning that additional care and consideration will be needed to give greater emphasis in these aspects. Basic marketing strategies and practices must be imparted adequately including salesmanship, market identification, market positioning, branding, labeling and packaging. Of course the market and marketing will be determined by the market. However, there is a need to enable MSEs how to avail the market and compete as a producer of goods and services.

2.2.2 Value Chain Analysis Business Growth and International Trade

MEDEP needs to focus its orientation to ensure business growth through value chain analysis particularly to move towards up scaling and ensuring proper growth of the enterprises. Value chain analysis is a process of identifying the total processes and actors involved in each stage of activity from production to ultimate consumption, identification of strengths and weaknesses at each stage and identifying existing and possible value addition. This is expected to make the proper intervention at each stage and make the product/service more valuable, contributing and beneficial. This will enhance the viability and feasibility of products and services both in financial/economic and marketing terms. Value chain maps should be prepared for each major product and area of needed intervention identified so that the entire value chain can be made more beneficial. This in itself will provide sufficient motivation to all actors to be involved in the process. This will also help to link higher level activities with the grassroots level activities. MEDEP has mainly concentrated in the latter though in some aspects it has done value chain analysis (though not in its strict professional sense) in products like incense sticks, allo, lokta, juices, and honey. The process adopted by GTZ/PSP-RUFIN (GIZ) to promote the value chain approach is,

- Market demand/growth potential
- Unmet market demand
- Potential to increase income at rural level
- Opportunities for market linkages
- Potential for employment generation
- Number of small enterprises (outreach)
- Potential for value addition
- Trade potential / competitiveness
- External environment (e.g., government policies, taxes, etc.)

GTZ/PSP-RUFIN (GIZ) has conducted value chain analysis in eight products out of which five products are compatible with MEDEP activities for example, bamboo, handmade paper, honey, mandarin orange, medicinal and aromatic plants, and ginger. MEDEP should coordinate with GTZ/PSP-RUFIN if possible signing Memorandum of understanding’s to link activities and generate greater benefit through the value chain approach. Working in possible areas of intervention, the mutual benefits can be significantly
improved. In this case, MEDEP will not have to do all activities already done. Products/services requiring the approach to ensure growth should be identified and works can be initiated as per the roles defined. This is expected to push the viable products in the growth path. While working in the value chain strategies, there may be a need for working with and supporting higher level activities as well as higher level enterprises, which may not be the focus of MEDEP. Hence, it should follow the three pronged strategies:

1. Sustaining the livelihood approach to generate more sustainable and value adding economic activities,
2. Initiating the value chain approaches in feasible product groups, and
3. Collaborating with other appropriate agencies to work in the value chain rather than MEDEP itself working in these areas.

MEDEP must continue to do where it has comparative advantage meaning successful promotion of income generating activities and micro enterprise development. However, in feasible areas, it must focus towards growth strategies and engage on the path of growth and development. For this value chain activities will have to be adopted in feasible clusters and product ranges and this will open up new opportunities and markets. In other areas, it should collaborate with appropriate agencies particularly to work in the areas of higher order in the chain so that MEDEP promoted activities will also benefit and be included while MEDEP will not have to over stretch in the area in which it may not have mastery.

In certain areas, value chain may not be feasible due to lack of feasible scale, too small operations that survive only in the limited local market and activities selected to suit some limited segments only. Some activities may have to be conducted only to suit the limited local market. They may be too small and their ability to compete may also be limited. They will tend to survive so far they do not have to compete with the organized sector. Their viability, to a lot of extent, is determined by not the profit per se but the total return including the labour costs. But, besides such activities all with some volume needs to be pursued with the value chain strategy.

Additional growth strategies will be needed particularly in areas where activities have matured. These strategies should be to uplink with regional and national markets and providing necessary interventions to ensure it. There are many products for which these are possible for example bamboo products, allo fiber, honey, juices, soap, and incense sticks to name a few. Up scaling should be done targeting the national as well as the international market more with the former. International market opportunities do exist for products like honey, handmade products, and handicrafts and efforts are needed for its promotion. Linkages with the international market should be improved by standardisation of products, improving benchmarking and quality control efforts, positioning in the proper market and improving the linkages with the exporting agencies and exploring/establishing linkage with importing agencies.

Where potential value chains for agricultural products exist, it would be very beneficial to facilitate stronger links between producers (farmers) and organisations that can bring current agricultural research to farmers, to improve their productivity. Such productivity improvements include adopting higher-yielding varieties of crops/vegetables, or adopting better cultivation techniques. National bodies that should be tapped to assist include the Department of Agriculture, National Agriculture Research Centre, Tribhuvan University, Agriculture and Forestry University and internationally, the Consultative Group on International Agricultural Research (CGIAR) and the Australian Centre for International Agricultural Research (ACIAR). Increasing yields not only allows for increased income generation, but also increases the viability of potential value chain development.
2.2.3 Access to Finance

Financing is one of the critical aspects for the success of enterprise development irrespective of size, nature, and location. Micro enterprises too therefore cannot be imagined to succeed and grow without adequate access to micro finance. The need of finance is particularly high among micro enterprises as MEDEP is focusing on real poor and excluded communities and population. Easy and comfortable access to requisite finance therefore is the primary condition for the success of MSEs.

Barring the first phase, MEDEP entrepreneurs are having restrained access to micro finance providers, despite the fact that MEDEP has signed Memorandum of Understanding with a number of Micro Finance Institutions (MFIs) like Rural Development Banks, Savings and Credit Cooperatives and Financial Intermediary Non-government Organisations (FINGOs) and launched other initiatives to improve access to finance, the most critical element for enterprise sustainability and growth. Access to finance is especially difficult in hill districts and also for highly disadvantaged entrepreneurs who lack citizenship certificates. One consequence of having multiple MFIs is that it is at present difficult to monitor how many MEDEP entrepreneurs have taken loans, what is their status and so forth. Another problem has been higher interest rate. Besides the access is limited for the entrepreneurs located at or near the district headquarter as MFIs operate around the district headquarter only pursuant to Nepal Rastra Bank (NRB) directives.

In many cases, the MEDEP promoted entrepreneurs have been successful in obtaining loans from MFIs and Credit Cooperatives. They reported about Cooperatives as the best source for soft loans. Some among them think that they must not take loan and risk, because they might fail to pay back. The training contents of MEDEP can include more about “capital provision through soft loans” on a more serious way so that the entrepreneurs get motivated to take and use loans for up scaling their businesses. At the same time, Village Development Committees/District Development Committees (VDCs/DDCs) need to make the MFIs accountable to respond to the poor’s needs for loans with a development motive, different than the profit making corporate banks, because rural credit organizations are mandated to respond to development needs of the poor having social corporate values besides being self sustainable. The MFIs must be made accountable to provide door step services for the disabled and women. In a nutshell, the poor have the right to banking services and it is the duty of the State mechanisms to organize an innovative trend of credit facilities for rural entrepreneurs differently than usual banking services.

MEDEP tried to overcome the problem of finance by collaborating with a number of cooperatives and micro finance institutions. It has helped to improve access but the problems of limited access as cooperatives by NRB guidelines operated within a limited space around the district headquarters, absence of micro- finance institutions in all MEDEP areas and higher interest rate persisted, affecting enterprise development activities. In order to overcome the problems, concerted efforts will be required to ensure adequate supply of finance and credits enabling them to initiate, operate and grow as the case may be. Reliance cannot be made upon only on one type of institution or instruments. Judicious mix of varied approaches is needed in order to envisage sustained development of MSEs as a vehicle for poverty alleviation. The argument that commercially viable enterprise should have commercial access to finance may be true but at the early phases neither these are available nor may be feasible. In the longer run therefore there has to be a development of a separate micro- finance institution to cater to MSEs based on appropriate wholesale lending with at least windows or mechanisms to serve at grass roots levels for poverty alleviation. Some of the limitations of the existing micro-finance institutions like Rural Development Banks, Cooperative, MFIs, Non-government Organisations (NGOs) and other schemes may be summarized as follows:

- Lack of resources among the micro finance providers to go really into the rural regions,
• Very limited geographical coverage,
• High interest rates,
• Loan sizes not appropriate
• Short repayment periods
• Collateral requirement, and
• Procedural difficulties and high transaction costs.

One of the problems often cited is the repayment modality of most of the initiatives as most MFIs in the country has followed Gramin model of Bangladesh that requires quicker repayment installments e.g. each day. Since MEDEP supports many agricultural production enterprises, they require longer term repayment periods e.g. three to six month installments, to allow for harvest and sale of produce. No doubt in many cases MEDEP was found to have made representation and was successful in extending the period of repayment installment from seven days to 15 days or one month. The requirement for many, however, is at least an installment period of three months and there is a need to design products to suit the requirement of the MSEs.

Some of the favourable developments include enhanced access to Rural Self Reliance Fund (RSRF) of NRB through cooperatives at concessional rates and MEDEP is found to be promoting enterprises to form cooperatives in order to enable them to access RSRF. The role of the government however should be much more to ensure adequate access of micro finance at appropriate interest rates as the task is dedicated towards poverty alleviation. The government may do so by adopting proper wholesale lending policies or sharing funds or investments in case an integrated package is initiated in MEDEP type model. The RSRF funds itself need to be enlarged.

To overcome the problems mentioned above and to take advantage from new opportunities MEDEP should adopt the following strategies to improve financial access:

• Establish cooperatives of micro-entrepreneurs wherever feasible with at least 25 members to enable them to access RSRF and for the cooperatisation of Micro Entrepreneurs Groups (MEGs), MEDEP may collaborate with appropriate agencies like National Federation of Cooperatives.
• Promote coordination with various development initiatives and funds at community/village/district levels.
• Link with various institutions and mechanisms like Rural Microfinance Development Centre (RMDC), Small Farmers Development Bank (SFDB), Gramin Banks and FINGO etc. to ensure better access to micro credit.
• Enable access to Community Forest User Group (CFUG) funds by developing appropriate guidelines in case of enterprises developed from among CFUG members or from surrounding areas involved in entrepreneurial activities particularly in forest based enterprises.
• Collaborate with United Nations Capital Development Fund (UNCDF) to ensure MEDEP can benefit from the micro-finance mechanisms being developed through UNCDF’s Enhancing Access to Financial Services (EAFS) Project, and from UNCDF’s experience in using mobile phone technology to provide access in geographically remote areas.
• Micro Enterprise Development Fund (MEDF) established at DDCs should have two aspects: enterprise and entrepreneurship development as is being done at present and secondly it must have a credit window preferably positioned at the VDC level so that MSEs may have easier access to credit.
• Nepal Rashtra Bank (NRB), the central bank of the country must create a revolving fund from the portion allocated to financing the deprived sector and ensure cheaper access to
finance by making wholesale lending to financial intermediaries with the condition that they finance with mark up within the designated limit.

These steps should help to improve access to finance of micro-enterprises, significantly assisting in not only their initiation but also in the sustenance and growth of these enterprises. Cautions required may be,

- Proper use and repayment of funds,
- Non-dilution of purposes of specific funds and institutions, and
- Strong monitoring ensuring repayment and discharge of accountabilities.

The volume of micro-finance funds should be increased to suit the changes in times and the market and ensuring access in case MSEs tend to grow or aspire to grow. Similarly, micro-finance institutions should not be rigid in implementing their financing policies. Rather they should be able to customise their lending based on the needs and requirements of MSEs. The formal banking sector including A class banks are found to commit increasingly to meet the requirements of the MSEs. They should also customize the products and supply and serve taking into account the needs of MSEs.

2.2.4 Private Sector Linkage

Enterprise creation and entrepreneurship development is not only an employment promoting and poverty alleviation strategies but it also means of development of private sector operators in the country. MEDEP has developed over 53,000 private sector operators. However, the linkage with the formal private sector appears to be limited. True, the private sector is included in the District Enterprise Development Committee (DEDIC) but otherwise barring in a few cases the linkages appear to be limited. For the sustainability of the activities and promote feasible cooperation with the private sector there must be sustained efforts to promote relationship with the formal private sector and the private sector agencies. It may provide appropriate platform for buy back arrangements, enhancing backward and forward linkages and involving them in the higher value chain activities. Actually, other initiatives have tapped buy back arrangements profitably, for example in incense sticks. MEDEP needs to follow the suit. Improved linkages with the private sector may also improve in improving marketing as well as enhancing access to finance, which appears to be occurring at a diversified manner only. There may be a situation where the private sector may not be ready to really be partners to MSEs due to feeling of added competition and other reasons but there is a good enough reason to pursue relationships to ultimately benefit both MSEs and the larger private sector firms. Particularly, it may not be beneficial even for the larger firms to do everything themselves. By promoting specialization, they may be able to enhance their own benefits. They appear to be apprehensive of the fact that the MSEs may not be able to adhere to stick to the quality standards and meet delivery schedules. Ability to promote confidence in these two areas by promoting professionalism among MSEs may help to promote backward linkages for the larger firms thus establishing a conducive relationship and helping promote economic activities in general.

2.2.5 Some Product Specific Issues

There is a huge prospect of promoting agricultural activities including agro processing and agri marketing not only to create jobs and income generating activities but also to add value and create jobs preferred by youth as they were increasingly found to be shunning traditional agricultural activities. There is a need to closely coordinate starting right from the apex level to really promote conducive working atmosphere at the grass roots levels. District Agriculture Development Office (DADO) was found to be ready to cooperate with MEDEP initiatives provided working cooperation can be established right from the beginning. There is a need to coordinate right from the planning phase to ensure meaningful cooperation and benefit agricultural activities and entrepreneurs. Even prospects of joint efforts exist in this respect.
In the forest based products, entrepreneurs face a number of problems including difficulties in registration of forest based enterprises, establishment of enterprises in districts with heavy forest coverage like Dadeldhura where it does not seem to be feasible to have any location that is three Km away from the forest and supply inconsistency and difficulty in forest based raw materials. There is a need to clearly define policies to ease the matter and ensure the supply of raw materials in a sustainable manner without affecting the stock. Commercial plantation of some of the raw materials like bamboo should be looked into and the forest policies must ensure that degradable raw materials be availed with ease.

2.2.6 Gender and Social Inclusion

Despite unprecedented political changes\(^1\) in recent times, poverty, injustice and poor governance still persist owing to deep-rooted socio-economic and political exclusion of some groups of people coupled with uneven geographical development and poor governance. Patriarchal structure, prevalent in the Nepalese society, has placed women in a discriminated position regardless of class, caste, ethnicity, religion and age. A huge income-gap persists between men and women both in terms of opportunities for employment and income generation. Similarly, geographic location has been a strong exclusionary factor in Nepal, particularly for excluded groups. Only 32 percent of households can reach the nearest centre within 30 minutes, only 28 percent can reach the nearest bank, and only 34 percent can reach a cooperative providing farm inputs. Geographical exclusion has affected all people irrespective of their caste, ethnicity and gender. The government lacks the human resources and institutional arrangements to deliver services or offer effective outreach to the remotest communities, while lack of adequate service providers in remote areas is a major barrier. Given the above mentioned context, the implementation of MEDEP in 38 districts has been significant effort in narrowing down the existing socio-cultural and economic gap. The reduction in proportion of women as target group is mainly due to the fact there is a demand to concentrate on youths particularly in Terai area as the absence of gainful employment opportunities is causing disappointment among the youth. In order to make the MEDEP inclusive, it has implemented and monitored the programme activities from gender and social inclusion perspectives to have compulsory representation from women, and other excluded communities across the geographical regions of the country.

As it appeared from the field assessment, the implementation of micro-enterprise development programme has been a vehicle for finding solutions to a wide range of social and economic development problems facing the Nepalese rural women and excluded communities. The review of some of the past and assessment of current experience of MEDEP interventions indicates that the majority of programme activities contributed to substantial and positive social and economic impact on the life of women and other socially excluded groups. Most programme activities (training on technical and business skill development, financial and technology support, formation of entrepreneur groups and co-operatives, including business counselling, etc.) have on the whole benefited the poor, particularly women, socially and geographically excluded segment of the society. The programme has produced beneficial impact on gender-balance and equalities.

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\(^1\)This, among others, includes the 1990 people’s movement against the then political system known as Panchayat System, and the election to the Constituent Assembly and the end of the 240 year old monarchy with the formal declaration of Nepal as a federal democratic republic on 28 May 2008 by the first meeting of the Constituent Assembly (CA).
**Changing Social and Economic Scenario**

MEDEP has supported the participants for developing entrepreneurial skills by providing them with technical training on production of various products and software aspects on gender and development, entrepreneurship, and counseling for accessing financial and institutional services. The evaluation team observed and learned of various socio-cultural and economic changes that have taken place due to implementation of MEDEP. The following are some social and economic changes that have been experienced and articulated by the MEDEP participants during the field reconnaissance component of this assignment.

While the women’s involvement in the programme activities appeared to have increased their own workloads, it has also substantially enhanced their access to and control over incomes within the household, thereby giving them a sense of economic empowerment. In some cases observed, the programme has also contributed to bringing about desirable alteration in the gender division of labour within the household, to the benefit of those particular women entrepreneurs. During the field visits, some women entrepreneurs articulated that with the introduction of the MEDEP their male counterparts have started realising the significance of sharing the work-burden for the development of their family and community. In some of the sites being visited, the study team found some of the women, who participated in the interaction sessions, saying: ‘it is now that our male counterparts started helping us by doing household (cooking, cleaning, taking care of children, etc.) and farm activities (collection of fuel-wood and fodder, and taking care of livestock, etc.) that used to be the domain of women’s work’. Viewed from this perspective, MEDEP’s activities can also be seen as a means, to some extent, towards addressing the gender and socio-economic inequality at the grassroots.

During the discussion/interaction, many women participants stated that discriminations against women and socially excluded communities have been decreased to a greater extent. The members of ‘Chandrama Bamboo Entrepreneurs Group’, composed exclusively of so-called Dalits in Dakshin Tole, Malakheti VDC of Kailali district, have now become the entrepreneurs from their earlier state of squatters through their involvement in MEDEP, which also provided a Common Facility Center for them to utilize as a venue for community development activities. They have been empowered by keeping themselves economically engaged in bamboo-based enterprise. Women have also held leadership positions, and presently, Mrs. Tara Devi Kaini holds the position of Chairperson of the group. Similarly, Mrs. Manu Sah and Sudha Karna of Mitra Udhamshil Vikas Kendra in Dhanusha district, presently holding the position of executive members, have already held the position of Chairperson of this organisation.

Women are also involved in decision making at household and community based organization levels. Most of the women and men who participated in the interaction during the field study said that ‘joint decision making’, i.e., decisions made by both men and women for a particular matter at the household level is the most commonly followed pattern of decision making. It is now that women are at least consulted by their male/elderly family members for making important decisions in the family.

The earlier perception of the women household members in the project areas was that it is the men’s responsibility to act as breadwinner for the whole family. However, it is now that the women have come forward saying that we too do have potentials and we could also learn as men do if we are given opportunities.

Changes in the attitude of the male members could also be noticed. Gradually, the male household members are also encouraging their female counterparts for the latter’s involvement in
the economic development activities that lie even outside the home. Some female workers (in Briquette industry of Sikre in Sindhupalchowk) said that their male counterparts have been helping them doing even household chores, whenever they, for some reasons, are not in a position to perform them.

Traditionally, women in rural Nepal were greatly restricted in terms of their mobility and their access to markets and towns. It is now that the extent of restrictions imposed on the women’s mobility beyond their households is gradually decreasing irrespective of their caste/ethnicity and geographical region, thereby allowing women to go away from their homes for involvement in income generating enterprises. The women entrepreneurs, who have entrepreneurial and technical skills, do go even out of their village and districts to work as resource persons to train others, besides working in their own community.

In each of the sites the Evaluation Team visited during the field visit, we were able to interact with a substantial number of both male as well as female participants (MEDEP beneficiaries), who were present at the group discussion sessions and individually. Despite the fact that outmigration of males, which is also now seen more as one of the livelihood options, is taking place in a massive scale in the country, the Evaluation Team did not come across many women who had stories to tell us about the adverse impacts of male migration on them and their households. We came across a couple (Mr. Karna Bahadur Bohara and his wife Mrs. Kamala Bohara) at Alital VDC – 7 in Dadeldhura district, who told us about the agonies they experienced while he was in Malaysia for a period of two years as a labourer. Mrs. Kamala complained that her husband’s stay in Malaysia substantially increased her workload, i.e., working more hours in the farm besides the regular household chores. Similarly, Mr. Karna also suffered in both social and economic terms. He explained that while he had to bear the constant anxieties of being away from the home and family, he also failed to make any money in the sense that whatever he earned in two years period was just enough to repay the loan he had borrowed to go to Malaysia. However, Mrs. Padma Bohara, also belonging to Alital VDC – 7 in Dadeldhura district, explained the positive and negative effects of the male migration. On the one hand, she seems to be quite happy with the remittance earned by one of her three sons, who is presently working in Qatar and other two being in Nepal Police. At the same time, she complaints about the labour being shortage due to migration of males; which makes her work for longer hours looking after the household and farm chores including the MEDEP supported bee-farming with a total of eight hives. Moreover, her husband who works as a construction labourer, offers very little time to help with the farm and household activities.

Women have strongly realised the need for their social and economic empowerment at both household and community levels in order for them to become reputable persons. Women’s access to and control over the household income seems to be on the increasing trend in the project areas. The women participants reported that they not only have access to but also full control over the incomes they earned as a result of engaging in enterprises. They keep the income with them and invest for household purposes (buying supplies and materials, children’s education, clothes, medicines, repair and maintenance of houses, constructing toilets, celebrating festivals, etc.). Both women and men realise that the quality of their life could be further enhanced if they have the entrepreneurial skills in their hands and utilize these skills properly.
The need for enhancement of institutional capacity was stated by most entrepreneur participants from all gender and socially excluded groups the evaluation team came across. The member entrepreneurs articulated about their inadequacy of skills for taking up leadership roles, to voice their concerns and operating their organizations (groups, cooperatives, etc.). Therefore, significant support and capacity enhancement efforts are required to enable them to operate and manage their organizations, and for delivery of service in an effective and sustainable way.

The intervention of MEDEP can be more effective in terms of achieving greater gender equality and social inclusion, if these issues are adequately integrated into the future programme design and planning for implementation. Engaging men directly in consideration of gender equality issues is likely to be more effective than expecting women alone to drive change.

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**Case of Social Change**

The evaluation team came across some persons who went for foreign employment and have now come back and are operating some enterprises. For example, Mr. Karna Bahadur Bohara in Dadeldhura and Mr. Dip Kumar Sah in Dhanusha, are operating enterprises like Beehive making and sale of motorbike spare-parts, respectively. Mr. Bohara had gone to Malaysia abandoning the MEDEP supported beekeeping enterprise as he was not satisfied with this enterprise and with the suggestions he got from his friends. He, however, came back home realising the fact that he would be able to earn even more than what used to earn in Malaysia from bee-hive making. He learned about more efficient work and production processes in Malaysia and this seems to be reflected in the way he now runs his enterprise. Similarly, Mr. Sah, who earlier on had been participant of MEDEP under Quick Impact and Peace Initiative Support - QIPSI, was in Iraq for a while with an employment opportunity. Both of them succinctly expressed that the amount of money they used to earn in foreign country could easily be earned here in Nepal, if there is personal willingness together with entrepreneurial skills, and favorable environment (availability of appropriate technology, financial services, market, etc.) for operating the enterprises. Mr. Bohara and his wife (Mrs. Kamala Bohara) both happily work in their bee-hive making small factory, while Mr. Sah plans to get married in near future and engage his wife in his own enterprise. The common lesson they have learned through their experience of working in foreign country is that it is the hard-work and entrepreneurship that matters to become economically prosperous.

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**A Case of Empowerment**

Encouraged by her husband, Mrs Surja Damai of Dadeldhura travels away from their home selling the ready-made clothes from their own tailoring enterprise. Ms. Hema Moktan, a MEDEP-Enterprise Development Facilitator- graduate, of Jamunibas in Dhanusha district has worked as a resource person to impart training on ‘Bamboo Stick (Sinka)’ Making’ in Sarlahi, Udaypur, Parsa districts, and various parts of Dhanusha district. She thinks of opening up a Handicraft-based Gift-shop in Janakpur in near future. Similarly, Ms. Sanu Maya Gurung, who has been a MEDEP participant for advanced training on tailoring, currently Chairperson of their group called ‘Pragati Tailoring Centre’ comprised of six unmarried girls, and the treasurer of DMEGA of Sindhupalchok, says that she is not under any of her family’s norms that restrict her from running this enterprise in Chautara town or elsewhere.

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2 Sinka means thin and short bamboo sticks, usually less than 12 inches in length, used for making incense sticks.
Need for capacity enhancement

The need for capacity enhancement for all gender and caste group was realized not only for undertaking the enterprises they have been undertaking, but also for the scaling up as well as long-term sustainability of the enterprises. The needs for capacity enhancement as indicated by the participant entrepreneurs basically include (i) access to financial services (ii) support for advanced and appropriate technology, and (iii) institutional strengthening of the local organizations of the entrepreneurs (groups and cooperatives), which have implications for scaling up and long-term sustainable of the enterprises.

Designs for scaling up of women’s enterprises and entrepreneurship and entrepreneurial skills should be based on the actual situation at the particular project site and not comprehensive assumption regarding women’s control over and access to resources. The need for support for men and women should be distinguished and disaggregated. The future Phase of MEDEP should give special attention to these capacity enhancement initiatives.

2.2.7 Environmental Integration

MEDEP did not seem to have deliberately and adequately considered the environmental concerns in its intervention at all levels. Despite this fact, it did not seem to have provided support for the implementation of large infrastructure construction and enterprises that would trigger environmental degradation and production of adverse environmental impacts on the communities and the surrounding natural resources like land, water and forest. The purpose of MEDEP is to increase the earnings of the poor women and men beneficiary communities (entrepreneurs). However, as it was observed (e.g., in the forest product based enterprises such as furniture making including bee-hive making, briquette-making, incense-stick making, etc.) the major problem is the emission of dust particles and smoke in the case of briquette and incense-stick making, and dust in the case of beehive and furniture making enterprises. During the interactions held with the entrepreneurs on environmental issues, the entrepreneurs realized the need for control and mitigation measures against the noxious emissions. The workers in general and women in particular did not seem to have been taking adequate precautionary measures related about likely occupational health hazards resulting from the enterprises they are operating.

In view of the link between the nature of the enterprise and the health of men and women (also lactating women) working with their babies and children (e.g., at Briquette industries in Tamchi and Sikre villages of Sindhupalchowk district), there is a special need of attention to be paid to prevent them and their children from developing likely health problems. For example, by making wearing of gloves and masks at the work place as mandatory for them to work environmentally safely, besides the provision of support services like child care facilities at work places and regular health check-up to create an enabling environment. Similarly, the communities taking bee-keeping as their prime enterprise do not seem to adopt any precautionary measures (as was learned in Aalital of Dadeldhura) such as wearing gloves, protecting masks, apron, etc. Most entrepreneurs engaged in these activities were not found to be taking any precautionary measures from a health and safety perspective.

In addition, the continuous removal of raw materials (lumber and plants) from the forest without compensation through a re-plantation activity is likely to result in forest degradation. Therefore, maintenance of forest vegetations through their judicious use and environmentally sustainable practice such as regular re-plantation should be ensured. The Common Facility Centres (CFCs) during their monthly meetings could also discuss for raising community awareness on environmental issues and enhancing community participation in forest management and conduct orientation sessions for community people on environment management.
The future intervention on micro enterprise development programme needs to strive to limit the adverse impacts of the participating entrepreneurs and prevent environmental degradation. In considering the significant implications of environmental factors for the enterprises and the entrepreneurs themselves, the enterprise that are based on the forest products for their longer term sustainability need to ensure the sustainable use of these resources.

The enterprises under MEDEP, among others, also include agriculture-based micro-enterprises such as production of seed potatoes, off-seasonal and seasonal vegetables and fruits (mandarin orange, strawberries, etc.). The review of past studies on impact of the earlier phases of the MEDEP as well as this study did not notice any activity related to deleterious effects resulting from the use of pesticides in agro-based enterprises, although some soil erosion problems were identified and rectified, e.g., in strawberry farming. However, in view the potential scaling up of such enterprises and moving up in the value-chain systems, it will be of immense significance for the MEDEP to ensure that the appropriate pesticide management approaches are seriously considered during planning and design in order to safeguard the health of project participants as well as to protect the environment from degradation. Soil erosion, disposal of waste products on land, into waterways and into the air, and unsafe working and handling practices are all likely to become bigger issues as enterprises scale up. Embedding environmental awareness and safe work practices into microenterprises is a good strategy to help prevent negative impacts in the future. Food production enterprises in particular will need to be more rigorous in hygiene and food handling matters, particularly if they wish to access export markets.

The MEDEP has substantially realized the need for taking environmental concerns into consideration from the very beginning. However, it appears that it has started giving adequate attention to this important aspect with the CIDA coming into the programme. The internalization of the environmental concerns by the MEDEP within its policy and programme intervention since April 2012 offers an opportunity for it to identify potential environmental impacts and risks during production, processing and marketing of the products. For this, MEDEP has adopted the environmental screening templates of UNDP and CIDA, while it has also developed its own ‘Environmental Guidelines’ in order to (i) ensure that no negative impacts will be produced on the environment while promoting enterprises and (ii) promote environmental-friendly technologies or practices for enterprise development. However, the MEDP does not seem to possess the staffs with adequate competencies to undertake assessment of environmental aspects at the field level, as well as to professionally use the guidelines it has prepared for the purpose of integrating the environmental aspect into the project activities.

The micro-enterprises are demand driven and likely to be small-scaled, and therefore no large irreversible environmental impacts are envisaged from the individual enterprises. However, MEDEP conducted environmental assessments prior to the establishment of micro-enterprises by following environmental assessment guidelines of UNDP, supplemented by the guidelines of CIDA and the Government of Nepal. The environmental assessment team, comprised of an environmental specialist, natural resource management specialist and agriculturist, analysed the potential environmental implications of 15 enterprises in seven districts. Some of the environmental issues identified by this study team included: (i) soil erosion resulting from the cultivation of strawberry along the slope, (ii) deteriorating health of farmers due to haphazard and unsafe use of chemical fertilizers and pesticides in off-season vegetables, (iii) depleting soil fertility owing to inadequate incorporation of leguminous crops in the farming system, (iv) pressure exerted on the nearby forest because of increase in dairy animals on the one hand, and inadequacy of fodder/forage on the other, and (v) recycling problem due to increase use of plastic tunnels for tomato cultivation. In considering such issues, MEDEP’s intervention has considered the availability of the local resources together with its sustainability as the main criteria for supporting enterprise development. Consequently, over time, dependency on forest has been decreased by seven percent among the participants, with the increase in the proportion (7%) of households using bio-gas and liquidified
petroleum gas (LPG). Similarly, the proportion of the participants using improved sanitation facility has also increased by nine percent, besides the non-participants.

In order to address the issues, the efforts made by the MEDEP included: training on Integrated Pest Management (IPM)/Organic Pest Management (OPM) to vegetable farmers and (ii) Organic Certification of Chiuri honey, besides the preparation of training curricula to train the agro-vets, village agricultural as well as animal health workers to integrate sensitiveness for environmental sustainability in collaboration with the Department of Agriculture and Department of Livestock Services, and (iii) training on cleaner production to prevent health hazard and to ensure sanitation during operation of enterprise.

Further, the programme has initiated promotion of ‘Green and Environmental-friendly Enterprises’. For example, use of wood ash for processing Allo fibre, IPM and OPM in vegetables, and organic certification of Chiuri honey. Such initiations are also likely to contribute to disaster mitigation, e.g., Allo for prevention of soil erosion. Products/commodities are based on the use of renewable natural resources, e.g., Allo, if not used will go waste. During the field visit to the bio-briquette industry at Tamchi village of Uttarpur VDC – 7 in Sindhupalchowk district, the entrepreneurs working at this industry told the Evaluation Team that they have been using a plant species locally known as ‘Haad Unyou’ as the major raw material for briquette-making. These plants regenerate and grow naturally, and go waste if not harvested and used.

With the above experience, MEDEP has developed overall environmental sustainability guidelines for micro-enterprise development, and has further planned to put into practice in coming days. However, for this, there is a need of full-time Environment Expert in MEDEP to ensure environmental sustainability as far as possible in the development of enterprises. The environment expert will be responsible for: (i) regularising the assessment of the environmental aspect at the field level, as well as the tools and techniques it has used for the purpose at different level to integrate the environmental aspect into the project activities, (ii) continuous efforts to influence the concerned GoN agencies for inclusion of environmental aspects for micro-enterprises (the present environmental policy and Industrial Policy are not adequate as these indicates no need of Initial Environmental Examination for micro-enterprises).

2.2.8 Sustainability of MEDEP

Enterprise and entrepreneur sustainability is important, though emphasis is required in the later case. For this, the integrated package of services including finance, technology, inputs, marketing and business development services are required. Besides, the hard core poor needs to be followed up for a longer period while the only poor may require a shorter following up. The present mechanism of developing entrepreneurs on contractual basis, though providing a basis for cost efficient and enhanced coverage, is found to be deterring as they do not constantly follow up as the enterprise facilitators used to do during MEDEP Phase I and Phase II. Hence, the pattern of contracting should be modified enabling the contractors not only to develop the entrepreneurs but also to supervise and monitor them and the single package of contract should include it. It is desirable that such support should exist for about a year for microenterprises however those coming from the hard core poor should be provided support up to two years to really make them stand on their own legs. This may augur well for promoting the sustainability of entrepreneurship development. A key benefit of the MEDEP approach for sustainability is that it aims to develop a ‘culture of entrepreneurship’ among participants, rather than focusing on continuation of a particular enterprise. This aligns well with market reality. Businesses will start and close down for a range of reasons, many of which may be beyond the control of the entrepreneur. These entrepreneurship skills will help entrepreneurs see and adapt to changing market conditions, responding to demand, including ceasing one business and starting another if necessary.
The 2010 MEDEP impact study identified that 80% of Phase I and II entrepreneurs were still active and generating incomes in 2010. This is a remarkable sustainability achievement that compares very favourably with small business success rates in developed countries. There is value in investigating and learning from the reasons for those non-sustainable enterprises, however, expecting a 100% success rate for business start-ups is not realistic, and it is unlikely to be cost-effective to try to achieve this.

MEDEP has facilitated the platform for its target communities to get organized into Micro Entrepreneurs Group (MEG) which again builds up into Micro Entrepreneurs Group Association (MEGA) and then into DMEGA and finally into National Micro Entrepreneurs Group Association (NMEGA). The project encouraged these organizations in linkage building with the market systems and Micro credit and financial organisations besides making linkages with government and non-government service providers. This way, the project facilitates a process of organizing project participants into federated networks for creating solidarity among rural enterprisers. However, despite DMEGA being entrusted the task of entrepreneurship development, the prospect of their sustainability appears to be raising questions. Growth and up scaling of enterprises may help their sustainability but more needs to be done in this respect including linkage with the private sector. DMEGA should itself be run as a business venture capacitating it initially to support MSEs and then sustained on the basis of membership and services provided by it.

The government of Nepal (GoN) has determined that it will implement the MEDEP model across the 45 districts that have not yet been included in MEDEP. This Government programme, MEDPA, will effectively take over providing the entrepreneurship, business planning, skills training and other services provided by MEDEP. The next 5 year period is seen as a transition, with MEDEP ceasing in districts that have ‘matured’, ie, where MEDEP has been operating for some time and micro-entrepreneurs are well-established. MEDEP will phase out of other districts, while working with MEDPA in order to transfer skills, knowledge and experience to the Government programme.

The institutionalisation of MEDEP by the Government of Nepal (GoN) demonstrates the programme’s sustainability at an additional level to the sustainability of the entrepreneurs and their enterprises. (An unsustainable development intervention typically dissipates when donor/UN funding ceases). In this case, the GoN has acknowledged the value of MEDEP and taken on the responsibility of providing MEDEP-type services to continue creating both incomes and employment among the poorest and most disadvantaged segments of society. This is an ambitious undertaking. It will be a challenge for the GoN agencies to effectively replicate the services provided by MEDEP; undertake the selection processes to identify target groups; maintain the targets/criteria used by MEDEP; monitor, collect data and report in a timely and accurate way; generate the same level of commitment and enthusiasm in government employees that MEDEP project staff bring to their roles, which will impact on the outcomes of MEDPA. MEDEP has been asked to support the GoN in this transition period, which could be expected to stretch MEDEP staff resources. This will likely place limits on what MEDEP is able to do with existing and recent entrepreneurs in the exit Phase IV.

**Sustainability of MEDEP-assisted Micro-Enterprises**

Micro-enterprises created through MEDEP operate in the market with other small, medium and large private sector enterprises. It is a fact that not all businesses will succeed in a normal market situation. In fact, in many developed countries, the failure rate for small businesses within 2-3 years is quite high, and this is accepted as part of the risk of running a business. Many small business operators start one small business, see it fails and moves on to something else, repeatedly. Some are successful; they may remain small or expand, to become medium or even large businesses. At any point, even the largest business can fail.

Any discussion of the ‘sustainability’ of MEDEP-facilitated micro-enterprises must be grounded in market reality. Adopting an expectation of ‘sustainability’ would appear to be contrary to the fundamental
reality of markets, as business success can be impacted by many external factors and so cannot be guaranteed. Nevertheless, it should be expected that adequate market analysis and business training would have underpinned the MEDEP microenterprises, such that they have a reasonable chance of succeeding for at least a few years.

An impact assessment of MEDEP undertaken in 2010 found that MEDEP had exceeded its target for creating micro-entrepreneurs in Phases I and II, and that 80 percent of the micro-enterprises were still operational in 2010. This is a remarkable achievement, and certainly points to sustainability at the enterprise level. The entrepreneurs interviewed at meetings and the micro-enterprises visited by the evaluation team in February 2012 were not randomly selected, so cannot be taken as a representative selection. However, the enterprises chosen for the team to visit were largely very successful. Many entrepreneurs had a desire to expand their business but were usually constrained by the lack of access to an appropriate business-oriented microcredit product. Some key constraints were the size of the loan available; repayment periods not taking into account cash-flow issues with start-ups and seasonal business; high interest rate; and lack of collateral.

If ‘sustainability’ expectations extend to businesses expanding, again, a practical and realistic assessment of this is needed. In any normal market situation, it would not be expected that every start-up would expand to become a small, medium or large enterprise. Given that MEDEP targets the poorest and most disadvantaged groups, including those with little or no schooling, it cannot be assumed that all micro-entrepreneurs would be suited to running a small, medium or large business, or that they would want to try to run a larger business. Many of those entrepreneurs met by the evaluation team did want to improve their business efficiency (e.g., buy machinery, build sheds, obtain running water) and expand their production, as local demand was in almost every case greater than they could currently meet. This suggests MEDEP’s microenterprise level strategy is well-targeted, as these enterprises are meeting a market demand, the limits of which have not yet been reached.

Scale-up

There is scope for development of products along value chains. However, it is not necessarily most effective for MEDEP itself to invest more resources in this. At this time, there are Phase III enterprises to continue to support while phasing out of earlier districts and providing support to the GoN to establish MEDPA. MEDEP, Donors and GoN could instead look to partner with an entity already developing value chains, such as German Development Cooperation (GIZ), which could draw on the base of MEDEP micro-enterprises as suppliers or feeders for value chain development, and help to further develop MEDEP’s value chain products.

Competition from India and China is another constraint on business sustainability/viability, from micro-size enterprise upwards. The evaluation team met entrepreneurs who could not compete with Indian products (e.g., Bindi or Tika spot powder), and had to drop this business. Others, for example bamboo basket makers, were competing for local raw materials against Indian wholesalers who buy in bulk all the bamboo auctioned by a Nepali Community Forest Users Group, and then sell it back to them at higher prices.

The development of value chains in Nepal is also likely to be constrained by competition from India and China, both of which already have cheap plentiful labour and well-established mass production systems. Value chains may be possible in niche markets/products and agricultural products. MEDEP has begun work on a number of value chains, including honey. Interestingly, honey-producers and bee-hive makers the team met in the far west noted that they received a high price for their honey locally and didn’t need to try to send to other districts or to Kathmandu, or to market their honey through a company.
There appears to be limited interest from larger Nepali firms in partnering with home-grown micro-enterprises or using them as ‘feeders’. Whether they are unaware of the potential, see it as not cost-effective or efficient (e.g., due to the dispersed and/or remote geographical location of many microenterprises and lack of good road infrastructure), or do not want to invest resources in developing the relationship (i.e., perhaps requiring an incentive), is unclear from field interviews. Further investigation of the reasons for this might identify opportunities to catalyze their engagement.

Other constraints on scaling up or investments by large firms are uncertainty regarding political stability and infrastructure concerns such as reliability of electricity supply. Sound market analysis would need to guide scale-up activities.

**Environmental Sustainability**

Most microenterprises visited that harvest raw materials (wood, bamboo, leaves, forest waste, etc) from the forest or jungle are doing so from Community Forest User Group-managed areas. This provides some protection from overexploitation of wild-sourced materials. If businesses expand and have a ready market, it is not clear whether it would be possible to ensure all businesses would obtain supplies from sustainably-managed sources. Some enterprises such as honey-production have an incentive to maintain the integrity of the forests as this is the source of nectar for their bees.

As businesses increase in size, increasing amounts of waste products and their appropriate disposal is likely to become an issue. It is not clear what environmental regulations exist to cover these situations, and whether regulations are enforced.

Awareness of occupational health and work safety practices appeared weak. Some enterprises (e.g., briquette making, coal dust use in incense-making) expose workers to potentially harmful chemicals and particulate matter that can cause respiratory and other problems. Home-based and village-based enterprises also risk young children and babies being exposed to these hazards, to machinery and other production equipment, with potential for illness or accidents. Food preparation enterprises need adequate instruction in food preparation hygiene and handling, including use of gloves, caps, clean preparation areas, etc.

**Role of the Government**

The government of Nepal (GoN) is also trying to promote MSEs as a vehicle for poverty alleviation and generating gainful employment opportunities. The government has approved MSE policy as well as the new industrial policy - 2010 that strongly incorporates MSEs. However, the trend of implementation is not very satisfactory. The support and encouragement of the government, to a greater extent, has been personalised rather than institutionalised. Many people convinced by MEDEP modality has extended appreciable support to support MEDEP and MEDPA activities but this not visible among many others. The government has to fully own it and implement with conviction. Similar situation is observed among DDCs and VDCs too. In the allocation of resources in the block grant, there must be a provision to promote income generating and employment oriented activities also.

**3.0 Challenges/Issues**

Some of the challenges/issues have been identified based on the evaluation carried out are as follows.

- Access to financial institutions for credit by entrepreneurs, particularly for the poorest of the poor, excluded and those living in remote VDCs were found to be simply inadequate. Though MEDEP
is helping them to link to financial resources with various recommendations, the limited presence of financial institutions, high interest rates, high transaction costs and long procedures limit their access. This has not helped to sustain and grow the enterprises. Besides, they have to repay loans quickly, not befitting the realities of business. For example, production oriented enterprises that, during the season, have also to store inputs to enable them to work year long. It is considered, rightly so, as the critical element for the success and the sustainability of enterprises and entrepreneurs.

- It was reported by the MEDEP staff that out of the total trained, one-third of micro-entrepreneurs (~34%) are inactive and dropouts. One-fifths (21%) are semi-inactive. Dropout rate of 20 to 40 percent was reported by various monitoring teams. Migration for employment (internal and foreign), price fluctuations of the products, higher price margins for the middlemen, lack of access to credit and difficult to transport products to market centre or road head owing to rugged topography are some of the reasons mentioned by the entrepreneurs for dropouts. This has been the challenge for the project as nearly 50 percent of those trained as micro entrepreneurs are more or less inactive. This calls for proper and careful identification and selection process. It was told that there are several unavoidable reasons for such inactiveness and dropouts, such as conflict related, death and migration. Large percentage of dropouts falls under the conflict related and migration category. If we exclude such unavoidable cases, the number of dropouts/inactive Micro-entrepreneurs (MEs) will be considerably less. Minimizing the dropout rates has been the challenge for the project. Though this is well within the global standard, it merits attention as low drop out is considered to be a MEDEP strength. However, the evaluation team noted that many of the drop outs were actually opting for other business or activities meaning that the real drop out rate may be much lower than otherwise reported by many monitoring teams.

- Though the team observed that many entrepreneurs were opining that they did not have any problems of selling products and they, in most cases, were unable to meet the demand, it was found that marketing activities were limited and taken up belatedly. There is a strong need to inculcate marketing and selling component in entrepreneurship development that includes market studies or estimations, market networking, branding, labelling, packaging and market positioning.

- Entrepreneurs were found to have difficulties to move up in the value chain, often remaining at the low subsistent level. For some enterprises (off seasonal vegetable, honey and mandarin production) the entrepreneurs are reluctant to go for value addition. The up-scaling activities are geared towards increase in area of production and number of producers. However, they recognize the need to upgrade the existing micro enterprise to small enterprise for higher income and employment. Though in certain areas and products they were found to be moving upwards, many were found to be stagnant or at subsistence levels. There is a need to attend to the issue either by collaborating with appropriate agencies or designing proper strategies by MEDEP itself. Moving up in the value chain systems involving different actors is a challenge to the project. It is recognised, however, that not all micro-entrepreneurs might want to increase the size of their business, and that the market tends to support fewer of the larger-size enterprises. In other words, it would not be viable for all microenterprises to scale up.

- Involving the private sectors in supporting the production, marketing and linkages of entrepreneurs associations (DMEGA, and MEG - MEGA) is an area of vital importance for sustainability as well as growth. The existing effort to promote relationships was found to be isolated and situational. There is a challenge in involving the district level private sector such as district chambers and commerce in supporting the production and marketing. Though the district chambers and commerce is represented in DEDC along with other relevant government line
agencies, the DMEGA, MEGA and MEDEP project as a whole has the challenge of engaging the private sector to improve marketing. This needs to be made more systematic involving them in buy back arrangements, forward and backward linkages and outsourcing arrangements.

- When MEDEP transforms into MEDPA model, mainstreaming of MEDEP model of enterprise development into the local level planning process and support mechanism will become another challenge. Additionally, the project has not been able to engage local government, particularly the VDCs, adequately to mainstream MEDEP model of enterprise development into the local planning process, though the District Development Committee (DDC) is directly involved in the MEDEP, and has allocated the matching grants for enterprise development, the approach and strategies are yet to be mainstreamed into the local planning process.

- The cooperatives and collection centers are not yet able to involve in marketing of farmers’ produce and they have developed alternative ways, such as engaging the local middlemen. Poor internal governance of the cooperative, inadequate marketing skills, problem of human resources with the cooperative, inadequate facility and capacity to handle the large volume of products are some of the reasons noted.

- The team noticed some environmental concerns albeit in limited number, such as the use of insecticide and pesticides, soil erosion in the hills, and the problem of disposing plastics used for varying purposes. However, significant environmental problems were not noted.

- The women were found to have significantly benefitted from MEDEP initiatives. However, it was noted that they were, in many cases, burdened with additional work load on top of household chores and agricultural activities though in some instances changing gender roles were also noted slowly.

- There is a need to extend an integrated package of services as MEDEP strategized at the beginning. In case of inability, it should collaborate with appropriate agencies to extend such services.

- One of the critical elements of the MEDEP approach is constant supervision by facilitators at least for some time. In recent times, this aspect appears to be missing. Even when contracting out, there is a need for packaging training, facilitating, supervising, and extending business support services in one package.

4.0 Recommendations

**Short Term**

- Proper identification of market demand and people’s requirements and supply lines must be ensured at local, regional and national markets to initiate any activities. The primary need is to study at the local market centre levels while studies should also be conducted at regional and national levels in consonance to growth strategies, volume of production and production potential.

- Basic marketing strategies and practices must be imparted adequately including salesmanship, market identification, market positioning, branding, labeling and packaging. Still, many women and men entrepreneurs (e.g., incense making, honey, herbal soaps, etc.) have been selling their products to the individual consumers, retailers and by contacting the
local traders, without exactly having the market information, especially the price of commodities. Both men and women farmers go to sell their products on their own not only in market places but also in their neighbourhoods and at various sites in town. The women entrepreneurs said that they would able to fetch better value for their products, if there is well organized marketing system for products.

- The need for market development and marketing management was realised by the participants for enhancement of competitiveness and promoting commercialization of their products. They are of the view that, in future, the MEDEP would give emphasis to enhancement of competitiveness, identification of sub-sectors, development of business plan, production planning, and activities such as grading, packaging and labelling, and promoting marketing of their products. In order to make the products market oriented, the MEDEP should give emphasis to analysis of market situation, which includes identification of market hubs, niches and marketing channels. The activities under marketing management would also include strengthening of producers’ groups and cooperatives so that the entrepreneurs will not have to look for individual traders or middlepersons for marketing of their products on their own.

- MEDEP must continue to do where it has comparative advantage meaning successful promotion of income generating activities and micro enterprise development. However, in feasible areas, it must focus towards growth strategies and engage on the path of growth and development. For this value chain activities will have to be adopted in feasible clusters and product ranges and this will open up new opportunities and markets. In other areas, it should collaborate with appropriate agencies particularly to work in the areas of higher order in the chain so that MEDEP promoted activities will also benefit and be included while MEDEP will not have to over stretch in the area in which it may not have mastery.

- In order to improve access to finance, MEDEP needs to follow the following strategies:

  (i) Establish cooperatives of micro- entrepreneurs wherever feasible with at least 25 members to enable them to access RSRF and for the cooperatization of MEGs, MEDEP may collaborate with appropriate agencies like National Federation of Cooperatives.

  (ii) Promote coordination with various development initiatives and funds at community/village/district levels.

  (iii) Link with various institutions and mechanisms like Rural Mico-finance Development Centre (RMDC), Small Farmers Development Bank (SFDB), Gramin Banks and Financial Intermediary Non-government Organisations (FINGOs), etc. to ensure better access to micro credit.

  (iv) Enable access to Community Forest User Group (CFUG) funds by developing appropriate guidelines in case of enterprises developed from among CFUG members or from surrounding areas involved in entrepreneurial activities particularly in forest based enterprises.

  (v) Enabling access to the micro- finance through mechanisms such as United Nations Capital Development Fund’s (UNCDF’s) Enabling Access to Financial Services Project (EAFSP)
(vi) Micro Enterprise Development Fund (MEDF) established at DDCs should have two aspects: enterprise and entrepreneurship development as is being done at present and secondly it must have a credit window preferably positioned at the VDC level so that MSEs may have easier access to credit.

(vii) Nepal Rashtra Bank (NRB), the central bank of the country must create a revolving fund from the allocated portion to financing the deprived sector and ensure cheaper access to finance by making wholesale lending to financial intermediaries with the condition that they finance with mark up within the designated limit.

(viii) Additionally, as any other poor people living in rural areas of Nepal, most MEDEP participants in general and women in particular enjoy only limited access to financial resources and credit. The existence of financial institutions more in the town areas together with their rigid and lending procedures often make it difficult for women in accessing the services available with such institutions. Moreover, the collateral as required by the financial institutions for borrowing loans act as an obstacle for the poor women, who often lack any productive resources like land and other assets. Informal sources of credit such as local merchants often charge very high interest rate, which is beyond affordability for the poor. Given this context, one of the viable options could be establishment and enhancement of the capacity of community based cooperatives, which, in fact some of the entrepreneurs visited during the field visit have been doing, for the poor to access credit and other resources. Such cooperatives could initiate their own saving and credit schemes to the benefit of member borrowers. Enhancing access to the full range of banking and credit services and facilities is also required to upgrade the women from micro entrepreneurs (enterprises) to strong and viable small or medium entrepreneurs (enterprises).

(ix) As it appeared, there is differential impacts of male migration on the social, economic and gender equality of the households. Such a result implies that there is an urgent need to comprehend the impact of male outmigration on the social and economic life-pattern of women and children left behind.

**Long Term**

- MEDEP need to strategize the up scaling opportunities in all feasible enterprises. Up scaling the potential MEs to small enterprises in areas where there are fewer chances of failures, may provide foundation for further advancement.

- There are opportunities to upscale the agro-based enterprises undertaken by the project in previous phases particularly in areas of agriculture commercialization, product diversification, access to improved technologies, packaging, and storage facilities to minimize post-harvest losses. Partnering with relevant organisations to help increase agricultural productivity through application of latest research into better seed and cultivation techniques and better animal husbandry practices is also recommended.

- Quality benchmarking and upgrading should adopt development of quality benchmarks to products with higher market potential, development of code of conducts, dissemination of code of conducts, quality benchmarks and standards and integration in skill training, training up gradation or reorientation. Quality concerns and factors inhibiting expansion should be identified based on product market potential and these should be addressed taking into consideration their impacts including costs and technology.
• While there exist huge potentials for moving the present production level to a higher scale, there is inadequacy of the technology (particularly manufacturing and processing machines) and the necessary technical skills on the part of the poor and women entrepreneurs. Many MEDEP supported entrepreneurs are willing to expand their enterprises. Therefore, supplementary support for appropriate and advanced technologies together with technical skills to scale up the productivity of the enterprises they have been undertaking constitutes one of the areas for improvement for the future programme interventions. However, provision of such support should be arranged through entrepreneurs’ associations, cooperatives and collective action, rather than on individual basis.

• There is a need to motivate local governments, particularly VDCs, to support micro-enterprise development for poverty reduction, social inclusion and employment generation leading to sustainable economic growth at local level.

• There is a need to motivate the beneficiaries towards environmental protection (such as soil erosion control, disposal of used plastics) and proper attention to human/consumers’ health (wise/safe use and handling of chemicals) issues. They need to be taught on taking appropriate precautionary measures and proper disposal of used plastics and other waste products.

• Given the fact that the process of male migration is on the increasing trend over time in the country, national longer-term strategies for economic development need to take ‘gender dimension of the migration dynamics’ into consideration.

• The present practice of promoting ‘Green and Environmental-friendly Enterprises’ that focuses on natural resource management (e.g., sustainable soil management, resource conservation, prevention of depletion through sustainable harvesting of forest products such as Kaulo; plantation of Lapsi trees, use of Haad Unyou, etc.) should be given continuity not only for the sustainability of the plant species, but also for the long-term sustainability of the plant-based enterprises.

• In considering the fact that there is a need to assess the environmental aspects of the project activities in line with the Guidelines prepared, MEDEP should have staffs with adequate competencies to undertake environmental assessments in its future programme.

• In order for transforming MEDEP into MEDPA model, mainstreaming of MEDEP model of enterprise development into the local level planning process and support mechanism will be needed. For this, development of local capacity by engaging local government, particularly the VDC and DDC will be required, as their technical capacity to undertake the MEDEP model seems to be still inadequate.
Annex I: List of Documents Consulted


Scoping Study MEDEP Phase III. Kathmandu: MEDEP, 2010


