

**United Nations Development Programme
Ministry of Industry, Commerce & Supplies**

NEPAL

~1ICRO-ENTERPRISE DEVELOPMENT

**PROGRAMME
(MEDEP)**

NEP/97/013

Mid-Term Evaluation Report

14 December 2000

Evaluation Team:

**Richard Huntington, Consultant, UNDP, Team Leader
C. Anton Balasuriya, Consultant, UNDP
An Singh Bhandari, Consultant, UNDP
Bimal Wagle, Ministry of Industry, Commerce & Supplies**

TABLE OF CONTENTS

	LIST OF ABBREVIATIONS	
I.	EXECUTIVE SUMMARY	I
A.	Introduction	
B.	Findings	
C.	Conclusions	
D.	Recommendations	
II.	PROGRAMME CONCEPT AND DESIGN	8
A.	Context of the Programme	
B.	Programme Document	
III.	PROGRAMME IMPLEMENTATION	12

A.	Programme Staffing	
B.	Activities	
C.	Quality of Monitoring and Backstopping	
	PROGRAMME RESULTS	21
IV.	Relevance	
A.	Efficiency	
B.	Outputs	
C.	Immediate Objectives	
D.	Development Objective	
E.	Capacity Building	
F.	Impact	
G.	Sustainability	
H.	Follow-up	
	CONCLUSIONS	33
VI.	RECOMMENDATIONS	34
VII.	LESSONS LEARNED	35

ANNEXES

	Evaluation Terms of Reference	36
B.	Evaluation Schedule	48
C.	List of Persons Met in the Evaluation	54
D.	Evaluation Team	57

ATTACHMENT 1:	Report of Dr. Anton Balasuriya	59
----------------------	--------------------------------	-----------

LIST OF ABBREVIATIONS

MEDEP Partner Organizations:

ADB/N	Agricultural Bank of Nepal
CSIDB	Cottage and Small Industries Development Board
DCSI	Department of Cottage and Small Industries
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FNCSI	Federation of Nepalese Cottage and Small Industries
IEDI	Industrial Enterprise Development Institute

UNDP Programmes:

LGP	Local Government Programme
PDDP	Participatory District Development Programme
REDP	Rural Energy Development Programme
RUPP	Rural-Urban Partnership Programme
PPP	Parks and People Programme

II/IEDEP Terms:

DPIC	District Programme Implementation Committee
DPIO	District Programme Implementation Office

DPMDistrict Programme Manager	
EDF	Enterprise Development Facilitator
EDS	Enterprise Development Supervisor
NPSO	National Programme Support Office
NPD	National Programme Director
NPM	National Programme Manager
PSC	Programme Steering Committee
PMC	Programme Management Committee

Government Bodies:

DDC	District Development Committee
MOF	Ministry of Finance
MOIL	Ministry of Industry, Commerce, and Supplies
NPC	National Planning Commission
VDC	Village Development Committee

1. EXECUTIVE SUMMARY

A. INTRODUCTION

Programme. The Micro-Enterprise Development Programme (MEDEP) assists selected DDCs and district-level public and private sector organisations to co-operate in the pilot implementation of a market-led, integrated programme of micro-enterprise promotion. The programme combines market analysis, enterprise creation training, skills training, and micro-finance in order to put a target of 6,000 micro-entrepreneurs on a sustainable footing. Participants are drawn from those at or near the poverty line in order to contribute to poverty reduction.

MEDEP is active in ten districts: Nawalparasi, Nuwakot, and Parbat (since 1998); Baitadi, Dhanusha, Sunsari, and Tehrathum (since 1999); and Daldeldhura, Dang, and Pyuthan (beginning in 2000). All of the participating districts are also locations for

in decentralization programmes (PDDP, LGP). Key co-operating agencies include: the Department of Cottage and Small Industries (DCSI), the Cottage and Small Industries Development Board (CSIDB), the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), the Federation of Nepal Cottage and Small Industries (FNCSI), the Agricultural Development Bank of Nepal (ADB/N), and the Industrial Enterprise Development Institute (IEDI). This pilot programme aims to develop and demonstrate an approach to rural micro-enterprise development and poverty reduction that is effective and cost effective.

The MIEDEP programme was originally designed as a five-year long process,

recognising the time required for both the institutional capacity building and for new microenterprises to find their sure footing. Due to funding cycles, the current Programme Document covers a period of three years, ending in June 2001, although the many targets and phasing mechanisms expressed in the body of the document are still set in a five-year time frame.

Evaluation. A four-person mission including two international consultants, one national consultant, and one representative of His Majesty's Government performed the evaluation between 23 November and 15 December, 2000. The evaluation team visited four districts (Sunsari, Thhrathum, Nawalparasi, Parbat), meeting with district project personnel, the DDC Chairman and other district officials, district representatives of partner organisations, and representatives of co-operating UNDP programmes active in the selected districts (especially PDDP, LGP, RUUP, and REDP). The team visited participating rural micro-enterprises in the four districts. In Kathmandu, the team reviewed relevant programme, government, and UNDP documents; met with a range of officials, donors, UNDP and MEDEP personnel, and reviewed internal MEDEP information systems and other programme material.'

B. FINDINGS

¹ (Report Annexes provide the Evaluation Terms of Reference, Schedule, Persons Met, and biographies of the four evaluators. Attachment 1 provides the detailed report of one consultant, Dr. Balasuriya, who departed early due to scheduling conflicts.)

Micro-Enterprise Development Programme - Evaluation

Page 1

1. Programme Concept

The programme concept, as expressed in the Programme Document, contains three compelling features including:

- The methodology for creating new micro-enterprises;
- The point of entry for implementation; and
- The institutional delivery mechanisms for skills training, micro-finance, and business information and counselling services.

Enterprise Creation Methodology. The market-led approach to micro-enterprise development combined with the sequenced delivery of an integrated package of training and services has not previously been widely applied in Nepal. There is much evidence elsewhere in the world that such an approach, with its extra up-front support to new entrepreneurs, is the most effective way to create enterprises, especially among the very poor, and especially in rural areas. MEDEP is a pilot to test the applicability of this methodology in rural Nepal.

Implementation Point of Entry. MEDEP's point of entry is districts where the DDCs have already instituted district planning and development processes with the support of successful UNDP-aided decentralisation programmes. The DDCs, as elected local bodies, have a compelling interest in assuring that enterprise development support activities are

continued within jurisdiction.

Institutional Delivery Mechanism. MEDEP has avoided the temptation to create new institutions but rather seeks to make maximum use of Nepali institutions, public and private, that already exist. The Programme Document proposes that district-level co-ordination of existing institutional resources (MIEDEP's partner organisations) can provide the synergy of services required to create sustainable enterprises. MEDEP is a pilot to test whether such institutional co-ordination at the district level is feasible and effective in Nepal. To the extent that this approach is feasible it also enhances the future sustainability of the continued delivery of district-level services and support to the microenterprise sector.

MEDEP adopts a well-integrated, practicable and achievable plan of action
(*See Attachment-1*).

2. Programme Implementation.

Programme implementation is strong at all levels.

At the **community and rural market** level, the locally-recruited "Enterprise Development Facilitators (EDF)", having been effectively oriented, motivated, and trained, provide excellent performance of the difficult task of convincing poor people that embarking on enterprises is possible for them, and, then, of guiding and supporting them in the launching of their enterprises.

At the district level, there is strong commitment and hands-on involvement of the DDC and the DDC Chairmen to lead the MEDEP co-ordination task and to incorporate the

Micro-Enterprise Development Programme - Evaluation

Page 2

issue of micro-enterprise development into the districts' regular processes of annual and periodic planning. The organisational partners in each district signed memoranda of understanding setting out what each organisation would contribute to the enterprise creation process:

- The private sector partners (FNCCI, FNCSI) take the lead in establishing permanent district market information systems and identifying opportunities of linkages between new micro-enterprises and larger companies..
- The Industrial Enterprise Development Institute (IEDI) carries out market surveys and provides training-of-trainers to MEDEP staff, especially the community-based enterprise development facilitators, regarding enterprise creation and entrepreneurship training.
- The Cottage and Small Industry (Department or Board, depending on district) takes the lead in providing technical skills training in areas where their trainers or training consultants have competence.
- The Agricultural Development Bank and the newly created Local Development Trust Funds are providing micro-finance to the enterprises.

At the central level, the Programme Steering Committee has held regular meetings providing guidance and direction to the project. The MEDEP programme support office provides and co-ordinates effective and diligent technical support, training, implementation management, and methodological guidance. UNDP is providing effective programme oversight and direction to this nationally executed programme.

All the partners had agreed on the main objectives of this programme. The methodology to achieve this objective, the logical framework and expected outputs. Thereafter they had signed the original document as well as the revised version that came later. (See *Attachment -1*).

3. Programme Results

New Enterprise Creation (and Expansion of Existing "Stunted" MicroEnterprises). Against a target of 6,000 micro-enterprises to be created/expanded, over 1,100 have been created/expanded as of October 2000. Over 3,500 carefully screened persons have received enterprise development training, and of these, 1,200 have availed themselves of technical skills training. Given the phasing sequence of participating districts, and of selected market areas within districts, it appears likely that MEDEP will achieve its target of 6,000 micro-enterprises at the end of the originally foreseen five-year programme. The programme is less likely to achieve even a proportional target should it have a shorter duration.

Micro-Finance. Three hundred seventy-one (371) groups (of five persons) have been formed to qualify their members for micro-financing loans. As of October, 510 loans have been granted to MEDEP-prepared micro-entrepreneurs for a total MEDEP loan portfolio of over NRs. 2,500,000. Loan repayment rates are exceptionally high so far, at over 900 0.

Micro-Enterprise Development Programme - Evaluation

Page 3

Impact. Taking up these new micro-enterprises has already had a significant, and in most instances, dramatic impact on the lives of these previously poor persons. MEDEP entrepreneurs typically are achieving significant increases in income of between *fifty* percent and several hundred percent. Many of these new entrepreneurs are, after a brief period of operation, doubling their family's monthly income. Almost every enterprise yields an interesting case study of successful entrepreneurship strategy (not just production of some items for sale) and a significant economic and moving personal transformation of the newly minted entrepreneur.

The collective impact of these enterprises on the local economies promises to be significant. In each district the target number of 600 new enterprises will have a combined business turnover of approximately Rs. 20-30 million per year, at their initial size of operations, not including indirect economic effects or the expansion of enterprises over time.

Cost/Benefit. The total MEDEP UNDP budget is approximately Rs 40 million per year, including operations in all ten districts and the full costs of the MEDEP support office. The evidence is that the revenue of the 6,000 MEDEP enterprises in the ten districts will exceed Rs 200 to Rs. 300 million per year. Based on MEDEP data to date, the cost of starting each enterprise is less than the enterprise's first year revenue.

Gender. Despite strong programme efforts at identifying special women's constraints and opportunities for enterprise development, and efforts at gender sensitisation,

IEDEP does not appear likely to meet its target of having 70% of its enterprises be woman-owned. This is unfortunate since the evidence from many countries shows that women are more effective as micro-entrepreneurs than men. A large percentage of the community/rural market based MEDEP enterprise development facilitators are women, and their proportion is increasing as new areas are phased in.

Capacity Building. Capacity building is a challenge for MEDEP due to the number and variety of MEDEP partners. MEDEP's focus is not to take on the responsibility for wholesale capacity building of any one of the partner organisations, but to provide the minimal capacity building required for the combination of the organisations to co-operatively contribute to the process of micro-enterprise development and support. \ IEDEP has focused its capacity-building efforts on specific strategic elements within each organisation.

\IEDEP has assisted the two private sector partners (FNCCI, FNCSI) to develop their institutional capacity to create and maintain a market information database and other types of information useful to both the micro-entrepreneurs and to the larger members of the District Chamber of Commerce and Industries (DCCIs) and District Cottage and Small Industries Associations (DCSIAs). The programme has seconded a locally recruited market analyst to each of these organisations. The salary of this person is initially paid by MEDEP, but gradually transferred to the partner organisation on a sliding scale during the course of the programme. It is planned to also provide these new staff with training in the area of business counselling, so that they can help co-ordinate and provide those essential services in the future.

Institutional Sustainability. Many aspects of the design and implementation of \IEDEP positively address the sustainability issue. In addition to the gradual transfer of the staff to FNCCI and FNCSI, mentioned above, it is anticipated that a certain number

Micro-Enterprise Development Programme - Evaluation

Page 4

of the enterprise development facilitators will also be absorbed by district institutions whole or in part. The Local Development Trust Fund, the Village Development Committees, and perhaps even the Cottage and Small Industries units, can step in and assist in maintaining this resource. These post-MEDEP arrangements will need to be negotiated district by district before the end of the programme, much as the MOUs for programme implementation were negotiated at the outset. Although the support services and leadership of MEDEP has been essential to establishing the system of district-level enterprise development services, most of these services are being delivered by the partner organisations with their own budgets and human resources.

Enterprise Sustainability. The 1,293 MEDEP-started enterprises appear sustainable. Although new and small, these micro-enterprises exhibit strong markets, adequate profit margins, access to required materials, and entrepreneurial strategic thinking. One area that needs elaboration and improvement if the enterprise development is to be sustainable effective is the delivery of business counselling and especially information related to the latest developments regarding appropriate technologies.

An important aspect of sustainability is the diversification of MEDEP activities among ten districts. Continuation of activities is not an all or nothing matter, and the districts will vary in the degree to which they pursue their goals and annual and periodic plans for the enterprise development sector.

It is found that the programme is very relevant in the current context and will be for

many years to come. The achievements in the ten districts could be regarded as a model to encourage flow of additional UNDP funds as well as donor funds together with counterpart Government funds for this project. The methodology practiced in the MEDEP programme is ideal for successful entrepreneurship development. This has often proved effective in other countries of the region (*See Attachment -1*).

C. CONCLUSIONS

1. Success of **the Integrated** Methodology. The market-led, integrated approach to micro-enterprise creation is by all indications to date a stunning success. One striking fact is that due to the advance market surveys, the enterprises created thus far have no difficulty in marketing their products. This is in strong contrast with the common situation where donor-assisted, production-oriented micro-entrepreneurs are unable to sell their products. Also important is the surprising sophistication of these new entrepreneurs regarding marketing strategies. Many are already actively diversifying their products and market outlets. This bodes well for the survival and expansions of the new enterprises in the future. Finally, the integrated approach is effective and cost effective.

2. **Partnership** Approach Works. The district level partnership approach is effective in utilizing existing institutional resources to deliver the components of the micro-enterprise development programme. Despite the challenges of co-ordinating the activities of a diverse set of institutions, these public and private sector district-level organizations, under the co-ordinated guidance of the DDC, can deliver the needed services to would-be micro-entrepreneurs.

3. Little Policy **Impact to Date**. MEDEP has yet to have a significant and broad policy impact, although some government programmes have adopted elements of the Micro-Enterprise Development Programme - Evaluation Page 5
" IEDEP methodology". In part this is because until the success of the pilot approach was proven, an aggressive policy dissemination element would have been premature. Also, with its strong district-level implementation focus, MEDEP has relatively low visibility at the central level. Additionally, the programme document provided little emphasis on the important policy dissemination element. MEDEP now has an important story to tell one with positive implications for how a wide range of government programmes could more effectively achieve their objectives of enterprise promotion and poverty reduction.

The other conclusions are that the purpose, approach, modality of execution and the selection of recipient institutions are relevant to the current situation in Nepal. (*See Attachment - 1*)

D. RECOMMENDATIONS

The evaluation team is making five formal recommendations. Additional technical suggestions for improving aspects of the MEDEP programme implementation can be found in the body of the main report and in Attachment 1.

Current Programme:

1. Programme Extension. MEDEP should be funded for the full five years originally foreseen in the programme design and still expressed in all of the programme targets and phasing as expressed in the body of the programme document. It is our understanding that the three-year funding of the current programme is a result of UNDP funding cycles. MEDEP never did and does not make sense as a three-year programme.

2. Sustainability. During the remaining two years, MEDEP should focus on preparing the districts (DDC, LTFB, and partner organisations) to take over fully the continued operation of support to micro-enterprises and to continued micro-enterprise development and expansion. This preparation should also include development of mechanisms for providing more varied and complex types of business counselling and advising for the enterprises as they face the inevitable challenges of growth and competition.

3. Policy **Component.** The programme revision/extension should include a new third Immediate Objective that specifies the series of required outputs and activities of a comprehensive policy development and dissemination component. This component would include revising the programme monitoring system so that it more easily provides compelling and convincing information on the programme's impact on poverty reduction, the sustainability and growth of the enterprises, the expanding market linkages, and so forth. It would work closely with, or serve as the secretariat for, a government committee to explore what government regulations, practices, and laws might need revision in order to implement the now proven effective approach to enterprise development and poverty reduction. It would provide information materials and organize events to disseminate widely the results of the MEDEP pilot.

Besides above recommendations independent recommendations are made for creating of a safety net of skills training, market information, business ideas, information centres and

Micro-Enterprise Development Programme - Evaluation

Page 6

data banks; and Establishing technology demonstration centres, financial intermediaries, raw material banks, market outlets, mobile services, demonstration units, cool rooms and storage facilities is recommended (*See Attachment -1*).

Follow-On:

4. **Expansion and Scaling Up.** MEDEP, UNDP, and the government should prepare for scaling up the MEDEP-type activities to operate in additional districts, following the completion of the current MEDEP pilot programme. An important element of this is the initiation of resource mobilisation efforts.

5. **Follow-On UNDP Programmes.** UNDP, as part of the preparatory process of its programme for the next cycle (2002-2006), should plan on developing a broad enterprise development programme that combines the lessons learned and foundations established by the MIEDEP, Rural-Urban Partnership Programme (RUPP), Rural Energy Development Programme (REDP), and the Sericulture for Rural Development Project (SRDP). MEDEP and RUPP especially have complementary foci (urban versus rural) and "clients" (traders versus producers) and operate in the same spirit of market-led enterprise formation with strong backward and forward linkages and private sector involvement. Through these programmes, UNDP has in recent years established in

Nepal a comparative advantage in exploring, testing, and proving effective methodologies to help poor people gain access to the means of production and, most important, to markets.

The Government may follow-up MEDEP approach to embrace this programme on poverty alleviation through enterprise creation as one of the key 'flagship' projects in their forthcoming tenth development plan (*See Attachment -1*).

Micro-Enterprise Development Programme - Evaluation

Page 7

II. PROGRAMME CONCEPT AND DESIGN

A. CONTEXT OF THE PROGRAMME

Nepal's population of 22 million continues to experience high levels of poverty, especially rural poverty, and high levels of unemployment and underemployment. It is estimated that approximately half of the available work time of Nepali adults is underutilized. Eighty percent of the population depends for its livelihood on agriculture, with its seasonal off-seasons and slow periods. The National Planning Commission estimates that 45% of Nepal's people live below the poverty line, currently set at Rs 5,750 (US\$ 78) per year per person. Understandably, His Majesty's Government's current Five-Year Development Plan places the highest priority on poverty reduction and employment generation. The problem of poverty in Nepal is of long standing, and decades of government programmes and donor activities have attempted to stem the tide. As a result, the institutional horizon is crowded with institutions that *have* been established to address the issue of enterprise development. Whatever particular successes these programmes and institutions have achieved are offset in general by high rates of population growth.

One way the Government is improving the delivery of services and economic development to the poor is through decentralisation. Through the enactment of the Local Government Act in 1997, the Government of Nepal has empowered local elected authorities to take direct action and responsibility for the conditions of their citizens. Districts and Village Development Committees play an increasingly strong role in planning and implementing the development investments. UNDP and other international agencies are reaching directly out to poor rural areas to stimulate self-help development, savings mobilisation, and enterprise formation.

The MEDEP project concept design was appropriate at the time it was designed as the ninth development plan of the Government over the period 1997-2002, had the overriding goal of poverty reduction (*Refer Attachment -1*).

B. PROGRAMME DOCUMENT

1. The Problem and the Technical Approach

NIE,DEP addresses two dimensions of the micro-enterprise development "problem": the methodological and institutional.

Methodological Approach. MEDEP presents the hypothesis that one factor retarding the

success of the many efforts to stimulate employment and self-employment is that most programmes are Uni.-dimensional, providing only one of the services that are needed to create a sustainable micro-enterprise. Each of these approaches has its strengths and limitations:

- **Credit-driven.** Some programmes rely exclusively on the provision of microcredit with little attendant technical assistance or training offered to the borrowers. Such programmes have been famously successful in Asia (with the model of the Grameen Bank) and in Latin America (based on the model of

Micro-Enterprise Development Programme - Evaluation

Page 8

Accion International). These approaches specifically omit providing additional services because the costs would be prohibitive for the sustainability of the lending programme. Micro-credit has been more successful and more financially viable in urban centres than in rural areas, more successful in densely populated areas than in sparsely populated remote communities.

- **Training-driven.** Many long established programmes in Nepal provide technical and vocational skills training to relatively large numbers of people. No doubt learning a simple skill such as tailoring or carpentry is often sufficient to allow the trainee to start earning money. But in many cases, skill training alone does not prepare the trainee to creatively start a micro-enterprise, or prepare him or her to persist with the activity when the inevitable non-technical problems (competition, cash flow, access to raw materials, need for credit) arise. Also, the poorest have difficulty availing themselves to such training opportunities.
- **Social mobilisation.** Social mobilisation methods have been refined and well tailored to the Nepal situation in recent years. Thousands of communities have benefited from these efforts that provide poor rural people with self-confidence, a sense of responsibility and empowerment, incentives to engage in group savings plans, and the encouragement to embark on income generating activities. However, as the numbers of socially-mobilised communities grows, development practitioners are aware of the limitations of the approach if the income generation activities are not connected more dynamically to the rural market system.

All three of these approaches have the characteristic problem of leading beneficiaries to produce items for which there is an inadequate market, or for which the market is inadequately identified. MEDEP proposes a comprehensive and sequenced approach to enterprise creation, one that begins by ascertaining the local market potential for micro activities, then carefully selects and screens participants (looking especially for signs of "entrepreneurial character"), then provides micro-enterprise creation training to develop the general entrepreneurial skills, knowledge and attitudes. After these steps, MEDEP works with each potential entrepreneur to select a type of business and develop a plan. As part of this plan, technical skill training is arranged, as appropriate. Lastly, those entrepreneurs that require financing are led to micro-finance institutions and assisted through the credit process. This approach requires a lot of up-front assistance to the new entrepreneurs, but it is assumed that this investment is cost effective because of the

resultant high success ratio.

Institutional Approach. On the institutional side, the MEDEP Programme Document recognises that Nepali institutions already exist to provide most elements of the comprehensive approach. Therefore, MEDEP proposes that, rather than attempt to create any new organisation, it should assist the government to co-ordinate and focus the efforts of key existing organizations in order to deliver the comprehensive methodology for micro-enterprise development. The responsibility for carrying out this multiinstitutional co-ordination is placed with the District Development Committee (DDC), as part of its responsibility for directing the district development activity. Overall, this is a somewhat complex implementation approach, but if successful would do much to enhance future sustainability and to focus the impact of the existing district-level organizations' activities.

Micro-Enterprise Development Programme - Evaluation

Page 9

Assessment. The programme design is especially clearly thought out and appropriate to the micro-enterprise sector and to the current status of the decentralisation efforts in Nepal. The Programme Document recognises that the approach is challenging, and that it is in a sense a pilot or demonstration activity. In that the point of entry for programme action is at the district level, the programme builds on UNDP's comparative advantage of its long involvement with the Government's decentralisation programme.

2. Objectives, Indicators, and Major Assumptions

The development objective of the MEDEP Programme is to contribute to the effort of the Government's efforts on poverty reduction in rural areas through the development of micro-entrepreneurs from low-income families, and the creation of a micro-enterprise services mechanism that will enable low-income families to achieve sustainable livelihoods, based on local demand. MEDEP supports this with two Immediate Objectives: (1) the development of micro-entrepreneurs, and (2) the creation of sustainable micro enterprise services mechanisms.

The Programme Document presents a set of 19 "success indicators" in support of these two Immediate Objectives. These lists of indicators include a mixed bag of items. Some are simply programme targets (6,000 entrepreneurs). Others are statements that the beneficiaries avail themselves of programme services. Others stress important qualitative changes in beneficiaries' behaviour (women entrepreneurs make decisions). Others address important issues of the impact of programme activities on the income levels of participants, but most indicators are cautiously un-quantified. This checklist of indicators provides only a starting point for assessing the success of the programme, and, more importantly, the success of the pilot methodology. MEDEP has since established a more detailed and more quantitative monitoring system. Annex 7 of the Programme Document 1999 revision provides a detailed Performance and Impact Indicator Matrix.

The Programme Document's most important assumptions are the basis of the demonstration effort itself, represented by the two immediate objectives. It is assumed (and to be tested) that an integrated approach to enterprise creation will be successful in Nepal, and that it will prove practical to implement a programme through a complex set of institutional partners.

3. Beneficiaries

The Programme Document establishes a set of target participants including low-income

families, unemployed or underemployed youth, and self-employed and micro-entrepreneurs. Participating families are from below or near the poverty line (+ or - 20% of the poverty line income). A total of 6,000 persons are to be either launched into entrepreneurship for the first time, or and existing poor self-employed or micro-entrepreneurs whose business activities have stalled (approximately 25% of the total). The Programme Document also expresses a strong commitment to promoting the participation of women, originally targeted at 50% participation. Later changes raise this target to 70%.

Partner organizations are also expected to benefit from participation in MEDEP. These are identified in the Programme Document as local government bodies, government and private training agencies, technical line agencies, banks and other financial institutions,

Micro-Enterprise Development Programme - Evaluation Page 10

chambers of commerce and industry, the Cottage and Small Industries Federation, product associations, local NGOs and other related programmes.

Finally, there are target customers: shopkeepers, market stallholders, local consumers, small and medium sized industries, traders, and buyers.

4. Execution Modality

MEDEP is a nationally executed programme of the Ministry of Industry, Commerce, and Supplies. The National Programme Director is Mr. Niranjan Baral, Joint Secretary.

Micro-Enterprise Development Programme - Evaluation Page 11

i,

III. PROGRAMME IMPLEMENTATION

A. PROGRAMME STAFFING

The National Programme Support Office (NPSO) in Kathmandu handles the overall management of the programme and provides relevant technical support to the District Programme Implementation Offices (DPIO). The NPSO includes the National Programme Manager and national professionals in the areas of appropriate technology, human resources development/gender and development, marketing specialist, social capital formation, management information systems/monitoring and evaluation and Communication Specialist. The members of this team are professional and very productive. There has been some turnover, especially in the highly competitive MIS/computer field, however, this relates to external demand rather than to any internal problem of morale.

NPSO. MEDEP is led and staffed by national professionals at every level of its operations. The only international person is the part time market analyst who had been

involved in the original design of the programme. He continues to provide few person months a year of service to the programme for a total of seven months during three years period.

Districts. Each district has a District Programme Manager (DPM) and an Enterprise Development Supervisor (EDS) who is responsible for the field activities undertaken by the Enterprise Development Facilitators (EDF) and Social Mobilisers (SMs) in the ten programme locations within the district. MEDEP has also recruited two Marketing assistants (MAs) who are seconded one MA each to the district level FNCCI and I-F' NCSI, responsible for developing and managing the new market information system. The EDSs, the EDFs, the SMs and the MAs are all locally recruited, mostly from the programme location and communities where they are working.

MEDEP has invested well in personnel recruitment, orientation, and training. The recruitment process is transparent and free from politicisation, filling each position with the strongest candidate. Over 40% of MEDEP staff are women, including one District Programme Managers and many the Enterprise Development Facilitators, Social Mobilisers and MAs. NPSO professional staff members, as well as the DPMs are employed on UNOPS contracts. The other district level personnel are paid at standard local government salary levels (without government benefits) and are attached to the Local Development Trust Fund.

The evaluation team was impressed by the quality of MEDEP staff at all levels, and by their understanding of and commitment to MEDEP principles, especially, the demand-driven, market-led, integrated approach to enterprise creation. Some more highlights on program implementation aspects are described (*See Attachment -1*).

B. ACTIVITIES

1. Implementation of Activities

The Programme Document spells out in some detail a total of 65 discrete activities to be carried out in support of the eleven outputs. Programme staff in the NPSO and in the Micro-Enterprise Development Programme - Evaluation

Page 12

district MEDEP offices have relentlessly carried out these activities according to strict procedures and principles. Many are carried out by partner organizations, or by partner organizations in cooperation with the NPSO, district MEDEP office., and/or the DDC. The following tables illustrate all the specific activities under MEDEP, their status, and the personnel or organisations primarily responsible.

C 'rider Output 1.1: Low-income Families Participate

Activities	Status	Comments/Active Partners
------------	--------	--------------------------

1.1.1 Identify participants	On schedule	EDFs
1.1.2 Screen for entrepreneurial character	On schedule	NPSO
1.1.3 Estab. registry of participants	On schedule	At the districts
1.1.4 Analyse micro-entrepreneurs' potential	On schedule	Developed and administered screening mechanism
1.1.5 Identify special needs of women	On schedule	Special study commissioned.
1. 1.6 Select entrepreneur candidates	On schedule	EDF takes the lead
1.1.7 Promote enterprise groups, where desired	On schedule	EDF

L -rrdcr Outprtt 1.2: Allar/Get Opportunities Identified

Activities	Status	Comments/Active Partners
1.2.1 Identify customers	On schedule	<i>FNCCI, FNCSI</i>
1.2.2 Develop customer registry	On schedule	<i>NPSO</i>
1.2.3 Conduct market surveys	On schedule	<i>FNCCI, FNCSI, IED!</i>
1.2.4 Analyse markets	On schedule	<i>EDF, FNCCI, FNCSI</i>
1.2.5 Identify potential MEs	On schedule	EDF
1.2.6 Select enterprises	On schedule	Entrepreneurs, EDF
1.2.7 Document findings	On schedule	DPM
1.2.8 Mrkt exchanges between MEs and buyers	On schedule	These are beginning now that MEs are established and looking to expand
1.2.9. Conduct marketing campaigns	On schedule	Being done informally so far

t 'rider Output 1.3: Participants Trained in iVIEDEP Principles and Procedures

Activities	Status	Comments/Active Partners
1.3.1 Sensitise MEs re MEDEP	On schedule	EDFs
1.3.2 Discuss mrkt survey & business selection	On schedule	EDFs
1.3.3 Deliver business planning courses	On schedule	EDFs, IEDI
1.3.4 Organise M&E workshops	On schedule	<i>NPSO, DPM, DDC</i>

Micro-Enterprise Development Programme - Evaluation

Page 13

L 'aller Output 1.4: Micro-Enterprises Expanded

Activities	Status	Comments/Active Partners
1.4.1 Improve business skills of entrepreneurs	On schedule	EDFs, IEDI

1.4.2 Increase entrepreneurial competency	On schedule	FNCCI, NPSO, new arrangement with ILO (SIYB package)
1.4.3 Micro-finance invested in MEs	On schedule	Rs. 2.5 from ADB, LDTF, cooperatives, NGOs
1.4.4 Introduce appropriate technology	On schedule	Much more needs to be done in this area. New staff member recently recruited in NPSO
1.4.5 Ensure increased sales	On schedule	EDFs work with MEs

Under Output 1S: Micro-Entrepreneurs "Graduate"

Activities	Status	Comments/Active Partners
1.5.1 Hand over MEDEP functions to DDCs	Not yet	Planning for this should now start
1.5.2 Form ME product associations	In process	Beginning - soap makers and Allo processors
1.5.3 Establish common facility centres	In process	Already established in a number of VDCs in
1.4.4 Introduce appropriate technology	In process	More needs More needs to be done.
1.4.5 Ensure increased sales	In process	MEs are diversifying products, expanding market connections

(rider Output 2. 1: Programme Management Mobilised at National Level

Activities	Status	Comments/Active Partners
2.1.1 Establish PSC, PMC, & NPSO	Done	All active.
2.1.2 Recruit MEDEP personnel	Done	Strong quality
2.1.3 Procure programme inputs	Done	Good, but Indian vehicles are a problem
2.1.4 Identify counterpart staff	Done	Done in the districts, not clear who this would be in Kathmandu
2.1.5 Conduct area surveys in selected districts	Done	Consultants and IEDI
2.1.6 Prepare annual district operational plans	On schedule	DPMs and DPIC
2.1.7 Prepare MEDEP manuals & guidelines	Done	Excellent
2.1.8 Arrange external observation tours	On schedule	Several have been arranged - Indonesia, Malaysia, India. More should be scheduled
2.1.9 Hold semi-annual PSC meetings	On schedule	Four have been held to date

Micro-Enterprise Development Programme - Evaluation

		<i>nd still</i>

Activities

Status

Comments/Active Partners

2.2.1 Establish MEDEP district offices

Done

DPMs

2.2.2 Establish Participatory mgmt teams in districts

Done

Done by DPMs and NPSO

2.2.3 Train MEDEP staff

*On
schedule*

*Done by NPSO, Consultants and IEDI (due
for new staff to be recruited in 2001)*

Under Output 2.2: Implementation Teams Established in Districts

2.2.4 Prepare & implement field (community level) operations plans

Done

Done by DPMs and district staff

Under 0111p,11 2.3: Resource Centres and MIS Established

Activities

Status

Comments/Active Partners

2.3.1 Establish district resource centres with partners

In process

FNCCIs, FNCSIs but computers with programmes still in DPIOs

2.3.2 Install district intranets

Done

NPSO

2.3.3 Design decentralised MIS

Done

NPSO

2.3.4 Organise computer training

Done

NPSO

2.3.5 Carry out participatory action research *On* Conducted in some technical areas a schedule continuing

*Under Output 2.4: Partnership Network Formed with Enterprise Development Support
Oracnitiations*

Activities	Status	Comments/Active Partners
2.4.1 Link and match partnerships	Done	The set of partners are established at central and district levels
2.4.2 Prepare materials on MEDEP principles in partnership organisations	Done	MEDEP has effectively prepared such materials
2.4.3 Prepare "business" propositions for cooperation on MEDEP	Done	
2.4.4 Sign MOUs with partner organisations	Done	Detailed MOUs were signed
2.4.5 Create district institutional mechanisms	Done	Done through participatory planning

Under Output 2.3: Micro-Entrepreneurs Supported with Training, Finance, and Assistance

Activities	Status	Comments/Active Partners
2.5.1 Link & ensure training for entrepreneurs	On going	<i>Skills training provided by DCSI/CSIDB, as well as a number of more specialised institutions as per need of the potential and existing entrepreneurs</i>
2.5.2 Promote marketing activities	On going	<i>Trade fairs have been successful. FNCCJ and FNCC1 active in linking entrepreneurs with marketing agencies</i>
2.5.3 Devise easy access to micro-finance	Done	ADB, LTFB, Cooperatives, NGOs, group savings
2.5.4 Promote product associations	In process	<i>Beginning, most notable soap making and alto processing groups</i>
2.5.5 Prepare strategy for graduating MEs		Its time to cut the umbilical cord for some MEs, and teach them to pay for services

Micro-Enterprise Development Programme - Evaluation

Paee 1

L-nder Oitpuut 2.6: Local Capacity Built for Micro-Enterprise Plannin_ng and Development

Activities	Status	Comments/Active Partners
2.6.1 Recruit enterprise development facilitators in districtsNDCs	On going	On schedule in all districts according to phased recruitment
2.6.2 Organise regular district consultative meetings	On going	Frequently
2.6.3 Mobilise resources for expansion into additional districts	Not yet	Beginning in wake of evaluation. But government should take the lead.
2.6.4 Prepare strategy for private sector involvement	On schedule	Private sector is involved and plans are afoot to expand this involvement
2.6.5 Provide policy advice to the government	Not yet	This should begin in the wake of this evaluation.

2.6.6 Liaise with other poverty alleviation programmes	On going	MEDEP liases with PDDP, LGP, RUPP, PPP, NGOs, ILO, Co-operatives and others donors
2.6.7 Ensure programme evaluation	At present	Done

2. Progress and Timeliness of Implementation

Government officials at the district and in Kathmandu view MEDEP as progressing well and showing strong and timely results. If one compares the progress with the ambitious schedule originally presented in the Programme Document, it seems that the up front field activities took longer than anticipated and that the numbers of programme locations established and the numbers of enterprises underway are at this point less than anticipated. Given the smoothness of current implementation and the revised workplans for phasing in new programme locations, MEDEP has justification for its confidence that it will achieve its intended targets, if it receives funding for the full five years. An important element of the programme implementation has been the precise sequencing of activities and in this the programme has succeeded in providing services to the participants in the most advantageous order and on time.

3. Support from Government and Partners

High government officials in Kathmandu express strong satisfaction with the programme performance. Those closest to MEDEP are convinced, especially after field visits, that the MEDEP methodology provides an important model that they are already working to have adopted in certain other government programmes. District level leaders in participating districts are strongly behind the programme, and are key factors in its success. They see the results first hand in terms of successful micro-entrepreneurs. The partner organizations-IEDI, FNCCI, FNCSI, DCSI, CSIDB, and ADB-continue to co-operate and provide the required support at the district level. Their support, as with that of the DDC, is an essential ingredient to implementation and success.

4. Innovations

The mode of working through committees of existing organizations at the district level, to such an extent, is innovative. This mode of implementation is directly linked to the

integrated enterprise creation methodology that requires that unique services be provided to new entrepreneurs by a variety of organizations. Also, the programme should be commended for the extent to which it has linked all programme offices together in an intranet, allowing for rapid sharing of information and rapid reporting of field data to the NPSO monitoring system.

5. Training and Technical Support

The provision of training and technical support by the National Programme Support Office has been outstanding. Such support includes the marketing strategy, the activities in human resource development, gender sensitisation, appropriate technology, social capital building, communications and public relations, and management information systems and monitoring systems. These important elements of support have guided and assisted the DDCs and the partner organisations in delivering useful and appropriate training and advice to the fledgling entrepreneurs of the programme. The ongoing accomplishment of the 65 detailed activities specified in the Programme Document testifies to the energy and professionalism of the support and training staff.

Training is particularly important at all levels of MEDEP operation. Table 1 indicates the full range of training services provided under MEDEP.

Table 1. Types of Training in MEDEP

Training	Type	Duration	Target Group	Implementers
Orientation on MEDEP process and principle	Orientation on MEDEP process and principle	3 days	Central and district level partner staffs, MEDEP staffs	MEDEP
	Training for Savings/Credit	3 days	EDF, EDS, SM &DPM	ADB/N
MECD Training of Trainers'		3 weeks	EDF, EDS and Other Partner Organization	IEDI
Participatory Rural Appraisal		9 to 10 days	EDF, SM, EDS and Other Partner Organization	PRA Consultants like SAGUN, Mountain Spirit
Entrepreneur Development	<i>MEC/MED and MEA Training</i>	1 weeks	Potential Entrepreneurs from low-income families	EDF & EDS of MEDEP
	Entrepreneur's Awareness Workshop	1-4 days	Target participants at location	EDF & EDS
	Business Planning Course	4 days	Potential / Existing Entrepreneurs	ADB/N, DCSI, CSIDB, IEDI, EDS, EDFs
Micro Enterprise Development Training	Marketing Mgmt Training	3 days to 1 weeks	New and Existing Entrepreneurs	IEDI & MEDEP
	Production Mgmt Training	"	New and Existing Entrepreneurs	"
	Business Mgmt Training	1 week	Existing Entrepreneurs	
Market System Analysis and Development		3-4 days	Potential entrepreneurs	Consultant MEDEP
Management Information System	Computer Awareness and information	1 weeks	EDFs, EDS, IPOs	MEDEP

Micro-Enterprise Development Programme - Evaluation

	Computer Internet / Intranet literacy Training	1 weeks	EDS, DPM, IPOs	MEDEP
Gender and Development		4 days	EDFs, SMs, EDS, DPMs,	MEDEP Consultants
Social Mobilization		2 weeks to 1 Month	SMs	UNDP
Skill Upgrade Training	Different types	1 week - 6 month	Potential & Existing Entrepreneurs	DCSI / CSID, Department of Food Technology and Quality control, others
Growth Counseling	Growth Counseling, TOT	4 days	EDF, EDS, DPM	IEDI
	Growth Counseling	4 days	Existing Entrepreneurs	EDFs, EDS

6. Programme Management

Programme management is effective, with appropriate and timely meetings and decisions on the parts of both the Steering Committee, providing overall guidance, and the Management Committee, providing hands on management and resolution of implementation issues. The Programme Steering Committee (PSC) has held four meetings over the past two years. The Programme Management Committee (PM,) meets quite often. During the first year of the programme it met almost monthly as there were many practical items to iron out, especially concerning the process of co-operation among so many national institutional partners. This past year, such frequent meetings have no longer been needed as implementation modalities have mostly been worked out and put into practice. The PMC has met approximately six times during this past year.

7. Quality of Monitoring and Evaluation

Tripartite Review Meetings (TPR) have now been held twice. The first TPR was organized as a two-day long session in the district of Nawalparasi. This provided an opportunity for all attendees to visit programme locations and the district programmes office on one day, and conducts the meetings on the next day. The second TPR is being held in conjunction with this Mid Term Evaluation.

Oversight. UNDP has provided close monitoring and oversight with field visits by the two Programme Officers and the two Assistant Resident Representatives (ARRs) responsible for MEDEP since its inception. The Resident Representative visited one programme location, and the Deputy Resident Representative made field visits as part of the Nawalparasi tripartite review. The first ARR was actively involved in district level personnel recruitment, visiting most districts during the process. The current ARR responsible for the programme visited Nawalparasi district with Resident Representative and participated for two day in a MEDEP workshop held in Pokhara. Additionally, the ARR brought visitors from the UN centre in Denmark

Programme Monitoring System. The programme is putting in place a detailed monitoring system with regular updates from the field, utilizing a SMART set of indicators (Specific, Measurable, Attainable, Relevant, and Traceable). The evaluation team suggests that out of the many indicators proposed in the Programme Document, and out of the many data that are currently reported from the field, MEDEP should concentrate a small number of key indicators emphasising:

- Income growth,
- Employment expansion, and
- Credit utilization.

These should be desegregated by:

- Gender,
- District, and
- Enterprise type.

Regarding reporting of loan repayments, it would be good to track late payments as an early indicator of problems. Tracking the gross amount that has been repaid is less useful since all loans are at a different stage in their cycle. As a first step in this direction \ IEDEP has prepared a simple chart on incomes and credit utilization to support this evaluation. (See Table 2. on the following page.)

MICRO-ENTERPRISE DEVELOPMENT PROGRAMME (MEDEP)

NEP/971013-HMG/MOICS/UNDP

Table 2. Income status of beneficiaries before and after MEDEP (until October 2000)

Number of Entrepreneurs	Employment Generation	Average Per capita Income of the Beneficiaries			Percent Increase	Total loan (NRs.)	No of Borrowers	Average Loan size	Re- payment Rate (%)	Remarks
		Before NIE1)E1'	After MEDEP	Net increase per entrepreneur						
134	134	5,530	12,760	7,230	130.74	15,000	5	3,000	100	Implem
32	32	4,775	-	-	-	-	-	-	-	Implem
18	18	4,926	-	-	-	25,000	5	5,000	100	Implem
115	131	4,133	11,699	7,566	183.06	180,700	30	6,023	100	Implem
311	571	5,560	18,928	13,368	240.43	658,600	128	5,145	99	Implem
199	215	5,050	20,040	14,990	296.83	972,000	143	6,797	87	Implem
214	236	5,475	16,700	11,225	205.02	447,011	85	5,259	100	Implem
82	91	5,468	-	-	-	21,000	37	568	100	Implem
106	106	5,340	30,180	24,840	465.17	209,000	72	2,903	100	Implem
82	93	5,478	18,838	13,363	243.88	60,000	12	5,000	100	Implem
1293	1627	51,735	129,145	92,582	-	2,588,311	517	39,695	-	
		5,174	18,449	13,226	256.61	287,590	51.7	4,411	98.4	

Notes:

1. The MEDEP beneficiaries come from the hardcore poor families having per capita income of below the poverty line. As per definition of National Planning Commission (NPC) the person having per capita income of NRs. 4,400 is living on the poverty line (1996). To be more scientific this has been revised as per price index of 1999 and per capita income has been adjusted for inflation to NRs. 5,750. Majority of the MEDEP target beneficiaries come from the families living below the poverty line.
2. MEDEP is being implemented in phase-wise manner and the enterprise established in the three new districts (Pyuthan, Dadeldhura and Dang) are too new to calculate increases in income. MEDEP has been successful in raising the income of more than 1,600 poor families (households) coming out of the poverty line. Assuming an average family size of 5.6, the per capita income of the entrepreneurs' families has been raised from NRs. 28,975 to NRs. 42,000 at the end of second year, the per capita income of the hardcore family standing at poverty line being NRs. 32,200

IV. PROGRAMME RESULTS

A. RELEVANCE

MEDEP remains directly relevant to the issues of poverty reduction and employment generation that stand at the centre of the government's development policies as expressed in the 91st Development Plan. To the extent that MEDEP is beginning to produce positive results that could impact significantly on government policies in this sector, MEDEP's relevance grows. The Secretary of Industry, Commerce, and Supplies formed a special fact finding committee to review the ministry's operations in the area of micro enterprise and cottage and small industries, with the express purpose of considering what changes will be necessary to make the efforts in this sector more efficient and more effective. The committee is directed specifically to consider the implications of replicating aspects of the MEDEP model in other government programmes.

B. EFFICIENCY

MEDEP is organized to perform its functions with great efficiency. Reliance on national professional staff and locally-recruited district staff paid at government rates has kept the personnel line item to a minimum while providing first rate direction, assistance, and support to the MEDEP endeavour. MEDEP's total project amounts to Rs 4 million (US\$ 55,000) per district, including overall programme start-up costs, overheads, and central support costs in addition to the direct delivery costs. This cost is a fraction of the annual revenues of the micro-enterprises begun under MEDEP's guidance. One should remember that partner organizations also contribute to the MEDEP process from their own budgets. This report provides a closer look at costs and benefits in the section on programme impact.

C. OUTPUTS

Output 1.1: Low-income Families Participate

Through a process of Participatory Rural Appraisal, the MEDEP Enterprise Development Facilitators identified poor families below the poverty line, out of which 3,500 persons qualified for MEDEP participation. The average income of a MEDEP participant before beginning his or her enterprise was Rs. 5174, below the inflation-adjusted national poverty line of Rs. 5750. As of October 2000, 1,293 MEDEP entrepreneurs are now in business providing employment to a total of 1,627 persons, including themselves. Over 500 entrepreneurs have taken advantage of the availability of micro-credit and have borrowed a total of over Rs. 2.5 million with an extremely high (98%) repayment record to date.

Output 1.2: Market Opportunities Identified

MEDEP contracted with its implementation partner, Industrial Enterprise Development Institute (IEDI), to conduct detailed market studies for each of the local programme areas, as these areas were added to the schedule of implementation. The marketing

Micro-Enterprise Development Programme - Evaluation

Page 21

strategy has been excellent and is largely responsible for the fact that almost all of the enterprises have more customers than they can satisfy with their production levels.

Output 1.3: Participants Trained in MEDEP Principles and Procedures

All participants have been oriented and trained to the principles and procedures of the programme. The investment in this training has paid off well in that all of those involved in MEDEP understand and are committed to the principles and approaches put forth by the programme.

Output 1.4: Micro-Enterprises Expanded

MEDEP's target is to have 25% of its 6,000 entrepreneurs be developed from among existing entrepreneurs whose enterprises were previously "stunted". So far it has proven difficult to find existing "stunted" micro-enterprises in the rural areas where MEDEP is working. To date approximately 15% of the total number of MEDEP entrepreneurs qualify in this category. Looking to the future, MEDEP plans to identify clients of this category in some of the adjacent rural market towns. It is important to try to reach this target since in other parts of the world the evidence shows that improving existing micro-enterprises has a greater impact on employment generation than starting new ones.

Output 1.5: Micro-Entrepreneurs "Graduate"

almost all of the MEDEP supported micro-enterprises now provide incomes that exceed to poverty requirements for programme participants. Several enterprises no longer qualify as micro due to their number of employees, volume of business, and so forth. However most of these enterprises still make some use of the advice of the MEDEP EDF and other staff that helped give them their start. MEDEP is assisting entrepreneurs to form product associations, strengthen ties with cooperative and local businesses, and build other

linkages to private sector support networks.

Output 2.1: Programme Management Mobilised at National Level

This output was accomplished early in the programme. The National Programme Support Office was established, equipped, and staffed in Kathmandu. The Programme Steering Committee was convened; and the Programme Management Committee became functional and active early in the first year.

Output 2.2: Implementation Teams Established in Districts

The implementation teams have been established in the districts according to schedule. (See Table 3.) The recruitment of local staff was carried out in a fully transparent manner that avoided any politicisation of the district teams and secured highly qualified staff.

Micro-Enterprise Development Programme - Evaluation

Page 22

Table 3: Phased implementation schedule of MEDEP districts

Phase-in Year	Districts	Development Regions	Ecological Region
1998	Nawalparasi Nuwakot Parbat	Western Central Western	Terai Hills Hills
1999	Baitadi Dhanusha Sunsari Tehrathum	Far-Western Central Eastern Eastern	Hills Terai Terai Hills
2000	Dadeldhura Dang Pyuthan	Far-Western Mid-Western Mid-Western	Hills Inner Terai Hills

Output 2.3: Resource Centres and MIS Established

Resource centres are established in the districts and a state-of-the-art decentralized MIS system is in operation.

Output 2.4: Partnership Network Formed with Enterprise Development Support Organizations

Memoranda of Understanding were signed with the Partnership Organizations at the central level - DCSI, CSIDB, FNCCI, FNCSI, IEDI, and ADB. In each district, a facilitated workshop and transparent negotiations led to agreements among all Implementation Partner Organizations and the DDC regarding the responsibilities of each under the MEDEP process. During its visits to four districts, the evaluation team was particularly impressed with the evidence of teamwork and shared understanding among the partners of the MEDEP activity.

Output 2.5: Micro-Entrepreneurs Supported with Training, Finance, and Assistance

MEDEP and its partner organizations provide all support required for the creation of micro-enterprises in the districts. IEDI provided support with its marketing studies, and training of trainers for micro-enterprise creation, DCSI and CSIDB provided technical skills training, FNCCI and FNCSI provide market information and private sector linkages. ADB and the Local Development Trust Funds provided micro-finance.

Output 2.6: Local Capacity Built for Micro-Enterprise Planning and Development

Much progress has been achieved in this regard. The DDCs are adding micro-enterprise development to their annual district planning process, as well as including it in their longer-term "periodic plans". Each of the Implementing Partner Organizations has gained strength and experience through co-operation in this programme, but additional capacity building assistance will be required during the final programme period.

D. IMMEDIATE OBJECTIVES

Immediate Objective 1: Link new and existing micro-entrepreneurs from poor families to local delivery organisations, based on the market-potential and the specific needs of women, so that

Micro-Enterprise Development Programme - Evaluation

Page 23

their micro-enterprises can expand resulting to increases in their families' income and achieve sustainable livelihood.

MEDEP appears to be having a stunning overall success in assisting people from below the national poverty line to embark successfully on new, quickly successful, and apparently sustainable micro-enterprises. This success derives directly from the effective application of the market-led, properly sequenced, integrated support in the areas of business training, skills training, and micro-credit. All signs point to the achievement of this complex, multi-faceted objective. It is very likely that the overall target of 6,000 entrepreneurs will be achieved should the programme continue for the five-year period originally envisaged.

Two sub-targets within that overall number may not be achieved. First, the programme will find it difficult to have 70% of those entrepreneurs. Despite a commendable effort to date, 55% of the current entrepreneurs are women. Second, less than the anticipated 25% of the MEDEP entrepreneurs are existing entrepreneurs that MEDEP is helping to expand.

Immediate Objective 2: Create a micro-enterprise services mechanism through the networking of local organisations in sustainable enterprise partnerships with micro-entrepreneurs and build the local capacity of local government and the community through a participatory programme management and shared information system.

MEDEP has progressed strongly toward the achievement of this objective. In every district the system of micro-enterprise development services delivery is in operation through the participation of several key district institutions. The credit for the

successful launching of almost 1,300 micro-entrepreneurs and micro-enterprises is shared by the partner organizations: IEDI, DCSI/CSIDB, FNCCI, FNCSI, ADB, and, most important, the DDCs. Since this service delivery mechanism is made up of existing institutions that, under MEDEP, are carrying out activities that are clearly within their normal mandate, the prospects for sustainability are high. There remains, however, much to be done and many commitments to be negotiated in order to assure that the delivery system will continue in most districts following the withdrawal of UNDP-supported personnel.

E. DEVELOPMENT OBJECTIVE

MEDEP is demonstrating an unusually effective and cost effective approach toward making a relatively rapid contribution toward the objective of reducing poverty and generating employment in the rural areas.

F. CAPACITY BUILDING

MEDEP expressly was not designed to provide wholesale capacity building for any one organization, but to assist each of the implementation partner organizations to develop or improve some specialised capabilities to help create and support enterprise development in the district.

DDC. At the heart of MEDEP services delivery is the District Development Council (DDC). Through its participation in MEDEP, the DDC has acquired experience and developed its capacity for providing co-ordination for a set of complementary district Micro-Enterprise Development Programme - Evaluation

Page 24

organizations. In recent years, the DDCs have provided co-ordination and leadership of other district organizations in the process of *planning*, but MEDEP provides a significant experience for co-ordinating actual programme *implementation*. As part of the MOU signed by the participating DDC, it agrees that by the end of MEDEP it will take on the Enterprise Development Supervisor as a staff member of the DDC, and he or she will then continue to provide the assistance now provided by MEDEP's District Programme Manager.

IEDI. As an autonomous government institution, IEDI needs to recover a significant portion of its budget through appropriate contract work. IEDI also took the lead in performing the market studies, in co-operation with the FNCCI and FNCSI, and IEDI provided training of trainers to the MEDEP Enterprise Development Facilitators, preparing them to teach poor participants to become micro-entrepreneurs. By providing this contractual opportunity, MEDEP contributes to the capacity building and sustainability of the institution's development of its successful consultancy record.

FNCCI and FNCSI. These two private sector organizations are strong in Kathmandu, but their district chapters are often quite small and inexperienced regarding the

provision of member services. MEDEP decided that at the district level they needed to have assistance in developing their sustainable capacity to contribute to supporting microenterprise development. MEDEP has provided them with one staff person to take the lead in developing and maintaining the Chamber's district marketing information system. This will provide an important service to their members and to micro-entrepreneurs. IFDEP has provided the person to support each district chamber, provided training and guidance to the person in the area of market information systems, and is providing the computer required for such a system. The salary is being gradually assumed by the district FNCCI/FNCSI so that by the end of MEDEP the Chamber will have the market information specialist permanently on its staff. One area where it is expected that FNCCI/FNCSI could provide assistance in the future will be in providing or serving as an information centre/clearing house in the area of business counselling. MEDEP enterprises will require such counselling as they face new issues during future efforts to expand.

DCSI/CSIDB. These established government technical skill training institutions have provided skills training to MEDEP entrepreneurs and, in so doing, have, at the district level experienced participating in a market-led, demand-driven approach. Additionally, the\ have reviewed their set of training curriculum modules and found that many are out of date or no longer respond to actual demand on the part of future entrepreneurs. MEDEP is working with them to update a number of required training modules, but more remains to be done.

Agricultural Development Bank. The bank is acquiring a large number of new clients/borrowers with strong repayment records and growing future requirements for financing. Expanding the set of good customers is key to improving a bank's capacity and sustainability.

In all these cases, however, the newly developing capacity remains fragile. ME-DEP will need to work closely with its Implementation Development Partners to continue to strengthen their abilities so that they can confidently carry on following the termination of LNDP direct funding to the district enterprise development programme.

Micro-Enterprise Development Programme - Evaluation

Page 25

G. IMPACT

MEDEP, at its mid point, gives evidence of providing a very significant economic impact to its beneficiaries and to the local economies where it is working.

Impact on Beneficiaries. The impact of the programme on its beneficiaries is the most important result of MEDEP. These participants, with average pre-MEDEP incomes of approximately NRs. 5,000 per year, are already earning, on the average, Rs. 18,000 per year from their new businesses. (See Table 2, on page 19.) For many of them, this income is in addition to their pre-MEDEP income. Previously unemployed farm housewives are doing these enterprises in their "spare" time. Others carry out their new activities during agricultural off-seasons.

From a family perspective, the average family incomes of MEDEP participants (assuming an average family size of 5.6) have already increased by 50%, from NRs. 28,975 per year to over NRs. 42,000 per year. (See Table 2.) The poverty line for a family of 5.6 persons is NRs. 32,200.

To date, 55% of the MEDEP beneficiaries are women. The programme has an ambitious target of having 70% of its 6,000 entrepreneurs be poor women. It will be difficult for the programme to reach that target, however, with over 40% of MEDEP staff female, special contracted studies of the needs of women entrepreneurs, and a continued effort in this direction, it may be possible to meet the target. It is important to remember that, world-wide, women make the most successful micro-entrepreneurs.

An increase of 50% in income has a dramatic effect on these families, lifting them above the poverty line for the first time in their lives. Even more dramatic is the increased selfconfidence and sense of self-worth, and growing optimism that results from succeeding, for the first time in a competitive economic activity.

Local Economic Impact. In each Programme Area in the district (a rural market area, or a VDC), the MEDEP Enterprise Development Facilitator works with participants to form 60 enterprises. Based on the records to date, each of these enterprises generates, on average, annual revenues of approximately NRs. 36,000. This has a significant economic impact on this small local area, generating between NRs 2-3 million per year of new economic activity. With 10 local Programme Areas in each district with a targeted total of 600 entrepreneurs, the level of new economic activity for the district is between NRs 20-30 million. When one contemplates the backward and forward linkages and the potential for growth on the part of many of these enterprises, the impact can be substantial.

Cost/Benefit. The total annual MEDEP budget, when divided by the ten participating districts equals approximately NRs. 4 million per district per year. When one separates out the direct local delivery costs from the overall national "overheads" and start-up costs, the amount spent per district is considerable less.

District Level. This investment of less than NRs. 4 million generates an annual level of economic activity of, as we said, between NRs. 20 and 30 million.

3. **Community Level.** The locally recruited Enterprise Development Facilitator receives a salary of less than NRs. 60,000 per year, and directly leads to the formation of enterprises that generate NRs. 2-3 million.

4. **Enterprise Level.** Based on MEDEP data so far, this evaluation would estimate that the recurrent costs of starting each of these enterprises are less than the amount of the first year's revenue of the new micro-enterprise.

5. Unit **Costs.** A full analysis of the unit costs of creating micro-enterprises will require estimating the costs of each implementing partner organizations contributions towards MEDEP beneficiaries combined with UNDP-funded MEDEP costs per beneficiary.

H. SUSTAINABILITY

There are several important dimensions to sustainability, including (1) the sustainability of the enterprises created under the MEDEP programme, (2) the ability of participating organizations to continue providing the stream of benefits to beneficiaries, and (3) the likelihood that proven programme methodologies can be more widely adopted and implemented either by other government programmes and organizations or by other districts.

Sustainability of **MEDEP-supported Enterprises.** The evaluation team found strong evidence for the future sustainability of the MEDEP enterprises, surprisingly strong evidence for such new micro-enterprises operated by previously inexperienced hardcore poverty beneficiaries. The many enterprises we visited demonstrated that they have control over the three issues that most frequently weaken and destroy new micro-enterprises.

First, they all have a strong customer base. Thanks to the market studies done by NIEDEP, they are producing items for which there is a strong local demand at the prices they need to be profitable. For the most part, they are producing items regularly purchased and utilized by the rural poor. And in rural Nepal there is no shortage of such customers.

Second, due to their training, the entrepreneurs have a strong understanding of their actual profit margins, separating out their labour costs (usually themselves) from their profit. Again, the failing of so many micro-enterprises often comes from underestimating their real costs and hence operating at a hidden loss that gradually comes to the fore.

Third, all of the enterprises we visited had certain access to the raw materials required for their enterprise. The emphasis of most of the MEDEP enterprises is to utilize locally available natural resources.

. \n important element that suggests the likely sustainability of many of these enterprises is the evidence of a strong strain of strategic entrepreneurial thinking already adopted by these new entrepreneurs. One could provide many examples of classic entrepreneurial strategies:

Economies of Scale and Competitive Pricing. A few members of a very poor peri-urban, semi-squatter community were, before MEDEP, occasionally producing simple bamboo "racks" for sale in the local market at the going price of Rs. 150. With MEDEP guidance they organized themselves into several

groups and began "mass producing" these simple racks Finding that they could each produce five a day they lowered the price to Rs 75 and greatly expanded the

market. They are now earning double what they previously could make with a smaller market at twice the price.

3. Leveraging. A few members of a resettled landless community in the terai had occasionally made simple circular bamboo/reed trays which they sold from time to time for Rs. 25 a piece. They also organized themselves into several groups and found that they could together easily produce 50 trays a day. They negotiated with Indian buyers a price of Rs.50 apiece if they promised to have 50 ready each day for the buyer. The buyer agreed since this "one stop shopping" saves him the cost of travelling all over. They now have "contracts" with several Indian buyers who come to their village to purchase the product on alternate days.
4. Branding Strategies. *Many* entrepreneurs are actively developing their logos and brands to build up brand recognition and brand loyalty for their products. Others are using a time-honoured trick for entering a new field. Many women engaged in the fine art/craft of tika-making, package their product in Indian packaging with Indian brand names. They say that if customers knew these stylish *tika* were locally made, they would not be willing to pay the price they will pay for imported.
5. Rapid Expansion. One entrepreneur modestly began his enterprise making a simple milk product called *khuwa*. In the beginning he was using a daily amount of 30 litres of milk as the basis of his product. Seeing the surprisingly strong market for the product, he didn't hesitate to rapidly expand his operation so that six months later he is producing and marketing ten times the original amount.

One area of potential vulnerability for many of the simpler types of enterprises is that, once neighbours see the success, the enterprises are relatively easily imitated causing a serious increase in competition. The business training of the entrepreneurs has prepared them for this, and already we found many diversifying their products and expanding their market contacts.

Enterprises need to grow in order to remain vital. For this some important support systems are not yet in place to assist these enterprises after the termination of MEDEP. As they expand and/or face new competition, these entrepreneurs will require the services of business counsellors. This capacity will need to be enhanced before the end of MiEDEP. Preferably many of these counselling services would be paid for by the expanding micro-entrepreneurs out of their profits. Another related problem area for expansion pertains to appropriate technology. Expansion to the next level for most of these types of enterprise requires some semi-automation, improved methods for better quality products, better packaging, and so forth. It will also require building a private sector network of support in including product associations and business co-operatives. \IEDEP will need to concentrate on this area between now and the end of the programme.

Sustainability of the District **Level Institutional Capacity to Deliver Enterprise Development Services**. The MEDEP programme, by design and through implementation, positively addresses institutional sustainability. One way it addresses sustainability is through its design choice not to create any new institutions requiring
Micro-Enterprise Development Programme - Evaluation

large future recurrent support costs. Also, as part of this strategy, there is the institutional diversification of MEDEP activities to ten districts and multiple organizational partners. Continuation following the termination of direct UNDP funding is not an "all or nothing" issue. One could expect that some districts will continue strongly, others less so; some participating organizations will continue participating and utilizing capacities developed under MEDEP and others may not.

At the district level, the plan is for the DDC to continue to co-ordinate the work of the several district level institutions in the sector. This is part of the DDC's mandate under the Local Government Act, and this action of co-ordination can continue without external financial support. As part of the MOU between the districts and MEDEP, they agreed to add the Enterprise Development Supervisor to their staff to be the person to carry out this co-ordination in line with the District Annual Plan.

FNCCI and FNCSI have agreed similarly to pick up the salary of the locally-recruited Marketing Assistants (MAs) to maintain the market information system for the FNCCI/FNCSI members and other entrepreneurs in the district.

The key element will be the assumption by some local bodies of the salaries of the Enterprise Development Facilitators (EDFs). One option is that some of these EDFs will be paid by their VDCs. The VDC's annual block grant includes earmarked amounts (Rs 125,000) for "economic activity" and "human resources development". The Rs 60,000 salary of the EDF could be a good investment for a VDC. This need not be a permanent commitment. One VDC could utilize the EDF to create enterprises for a year or two, and then he/she could move on and provide the same service to an adjacent VDC. Several VDC chairmen have already approached MEDEP regarding such arrangements. The important point is that the cost/benefit ratios and the salary levels make continuation of these services financially feasible, once the arrangements are negotiated during the closing period of MEDEP.

Another option being discussed for some EDFs is to "privatise" them and let them provide local business creation and counselling services for a fee. They could do this while also running their own enterprises (something several say they plan to do).

Overall, a concerted focus on negotiating these sustainability issues during the final period of MEDEP can be expected to produce acceptable results in many of the districts.

Replicability and Scaling Up. The Government has expressed its interest in expanding the MEDEP approach to other districts and incorporating the MEDEP methodology into other government institutions' and programmes' modes of action. Expanding the MEDEP model to other districts is technically feasible, but it would require funding either from government or donor resources. Given the cost/benefit ratios and the direct relevance of the MEDEP approach to the Government's commitment to poverty reduction and employment generation, efforts to arrange for financial support for expansion of MEDEP-like activities should yield results, if the Government, UNDP, and other donors start discussions.

Entrepreneurial and Institutional Sustainability: MEDEP model has shown some signals leading towards sustainable development. Sustainability of MEDEP process in Micro-Enterprise Development Programme - Evaluation Page 29
this regard must be viewed from the perspective of: (i) entrepreneurial sustainability and (ii) institutional sustainability over the years.

(i) **Entrepreneurial sustainability:** Entrepreneurial sustainability basically grounds on the MEDEP's strict entrepreneur selection criteria starting from household survey - entrepreneurial competency screening - selection of entrepreneurs - determination of potential needs and felt needs of the entrepreneur - and training on enterprise creation and development. This process jibes with Maslow's theory of hierarchy of needs. The implication of Maslow's theory could be reflected in such a way that the people first go for satisfying their lower level physical needs in this relation. To satisfy their physical needs they must have an access to wealth through micro enterprise activities for which MEDEP stands. The logical framework showing the MEDEP's main process in micro enterprise development is presented.

(ii) Since a vast majority of rural mass in the country is poor, they strive hard to satisfy their basic requirements. How to increase household income is their felt need. This is where MEDEP intervenes and prepares people to adopt micro enterprise activity at their own locality. Programs having been touching the felt-needs of the people have to do relevance with sustainability. Having seen the opportunity of income generation from their enterprises they do their all efforts to continue the enterprise even after the project. Once, the entrepreneur sees money coming from their undertaking they let that undertaking go ahead on commercial grounds. Thus, strong ground work laid by MEDEP in preparing micro entrepreneurship would ultimately contribute to entrepreneurial sustainability.

The another dimension of entrepreneurial sustainability appears from the point of view of market economy. MEDEP's preparation of entrepreneurs on business grounds starting from: customer survey - selection of appropriate enterprise - identification of viable products - SWOT analysis - selection of viable products - designing intervention strategies - and training on strategic market planning and business development heads towards sustainability. The involvement of entrepreneurs in this process prepares them to make a right choice of investment. Building their analytical power as well as entrepreneurial capacity through MEDEP would last long in making a right choice of continuing their enterprise.

(iii) **Institutional sustainability:** Institutional sustainability of MEDEP model must be reflected in close stakeholder relations at the local level which will takeover MEDEP activities after the project.

\IF DEP has addressed key institutional sustainability issues at several levels by having many districts and implementing partners. The present coordinating role of the DDCs can continue as well as upgraded without outside support. The salaries of the \IF DEOP's local staffs are in line with that of the government. The FNCCI and FNCSI have gradually started to assume the salaries of MEDEP's Market Assistants in accordance with the assumption of the programme. A key assumption to institutional sustainability is that the salaries of MEDEP staffs will be borne by VDCs, LTFB, DCSI and CSIDB.

The service delivery mechanism of the DPIC should be reinforced representing implementing partner organizations (IPOs). The institutional sustainability aspect of \II-

market survey, skill training, micro finance, and business development as a continuous process to be performed by IPOs.

The other side of institutional sustainability would come from up-scaling of enterprises and formation of product associations as well as cooperatives. The institutions like product associations and cooperatives can function as independent institutions having an access of services from business development service organizations. Forward and backward linkages between institutions and among enterprises will also lead towards sustainability of MEDEP process in the long-run.

Other Dimensions of Sustainability of MEDEP Model: MEDEP's role in increasing local participation, building capacity of the stakeholders, establishing backward and forward market linkages, improving indigenous technology, introducing new technology, and networking of information technology to the remote districts like Baitadi in the farwest and Terhathum in the eastern hills has significantly contributed to develop entrepreneurial behavior of the beneficiaries.

Which has helped in achieving the targets of poverty alleviation, gender mainstreaming, creating micro industrial atmosphere, and generating income and employment, and distribution of economy among the rural poor leading towards sustainable human development.

Rural development programme in the world targeted to the poor are rarely sustainable as such, however, it is our view that if this project proves effective at the pilot stage, there are various avenues that the MEDEP approach can prove as a sustainable model. One good indication of this could be seen from the capital formation and profitability of the enterprises undertaken by the micro entrepreneurs. So long as the entrepreneurs find comparative profit from their undertakings, they keep continue that enterprise until graduated to step ahead.

Although the cost of transaction on the part of the government / UNDP can be substantially reduced by involving private sector, but the private sector is profit oriented by nature. The Government sector by virtue of its representation of the public, is development oriented especially towards the poor. The government sector, therefore, must bear costs and continue support to promote micro enterprises in the beginning till the micro enterprises come up to a sustainable business enterprise.

However, the participation of the private sector institutions such as the Federation of Nepalese Chamber of Industry and Commerce and the Federation of Cottage and Small Industries with the Government institutions such as the Department of Cottage and Small Industries and Cottage and Small Industries Development Board, Industrial Enterprise Development Institute and the Agricultural Development Bank have some thing to do with sustainable development.

Thus, initial investment in micro enterprise development especially in the rural areas would certainly contribute to long-term returns to the nation categorically in the field of industrial spirit, economic welfare, social justice and environmental balance by minimizing the pressure of rural unemployed youths. This is how the Government's initial investments through MEDEP would result in long-term sustainability of the system.

The project cuts across many other needs of the country's population, the provision of which is the responsibility of the Government. The success, therefore, in income generation will inversely reduce other social expenditure by Government in areas such as, rural food subsidies, health, education, sanitation, welfare, poor relief, drug administration, crime prevention and prevention of migrant slums in urban cities.

Similarly, the another concept of establishing sustainability especially in a project where the cost cannot be recovered is the creation of an endowment fund to look after the recurrent expenditure of the programme. For example, if the programme utilizes only the interest obtained from the endowment for their activities there will always be guaranteed funds to support administrative expenses.

Assured sources of funds will bring stability to staff as they do not have to worry about their next salary or the continuity of the project on a daily basis. This will dramatically reduce turnover of staff as they do not worry about their future. Reduction of turnover of staff will naturally guarantee the continuity and efficiency and the maintenance of credibility and motivation of the target group. When administration expenses are guaranteed, project funds can be sourced easily.

The partners to such an endowment will be the Government, the private sector and the donor community. The continuity of MEDEP almost over a decade would significantly bring rural industrialization in Nepal.

Greater turn over of local economy, availability and utilization of loans, market rates of interest and. high repayment rates of micro enterprise loans is another indication of systems sustainability.

In addition to this, implementation of the recommendations made by the evaluation team as well as the recommendations of individual report of Dr. Balasuriya will help achieve the sustainability of the MEDEP *approach*. (See Attachment-1)

I. FOLLOW-UP

The major follow-up activities for a Mid-Term Evaluation are properly embodied in the evaluation team's recommendations.

Micro-Enterprise Development Programme - Evaluation

Page 32

V.

CONCLUSIONS

1. Success of **the Integrated** Methodology. The market-led, integrated approach to micro-enterprise creation is by all indications to date a stunning success. One striking fact is that due to the advance market surveys, the enterprises created thus far have no difficulty in marketing their products. This is in strong contrast with the common situation where donor-assisted, production-oriented micro-entrepreneurs are unable to sell their products. Also important is the surprising sophistication of these new entrepreneurs regarding marketing strategies. Many are already actively diversifying their

products and market outlets. This bodes well for the survival and expansions of the new enterprises in the future. Finally, the integrated approach is effective and cost effective.

?. **Partnership Approach Works.** The district level partnership approach is effective in utilizing existing institutional resources to deliver the components of the microenterprise development programme. Despite the challenges of coordinating the activities of a diverse set of institutions, these public and private sector district-level organizations, under the coordinated guidance of the DDC, can deliver the needed services to would-be micro-entrepreneurs.

3. Little Policy Impact to **Date.** MEDEP has yet to have a significant and broad policy impact, although some government programmes have adopted elements of the "MEDEP methodology". In part this is because until the success of the pilot approach was proven, an aggressive policy dissemination element would have been premature. Also, with its strong district-level implementation focus, MEDEP has relatively low visibility at the central level. Additionally, the programme document provided little emphasis on the important policy dissemination element. MEDEP now has an important story to tell, one with positive implications for how a wide range of government programmes could more effectively achieve their objectives of enterprise promotion and poverty reduction.

Micro-Enterprise Development Programme - Evaluation

Page 33

VI. RECOMMENDATIONS

The evaluation team is making five formal recommendations. Additional technical suggestions for improving aspects of the MEDEP programme implementation can be found in the body of the main report and in Attachment 1.

Current Programme:

1. Programme Extension. MEDEP should be funded for the full five years originally foreseen in the programme design and still expressed in all of the programme targets and phasing as expressed in the body of the programme document. It is our understanding that the three-year funding of the current programme is a result of UNDP funding cycles. MEDEP never did and does not make sense as a three-year programme.

2. Sustainability. During the remaining two years, MEDEP should focus on preparing the districts (DDC, LTFB, and partner organisations) to take over fully the continued operation of support to micro-enterprises and to continued micro-enterprise development and expansion. This preparation should also include development of mechanisms for providing more varied and complex types of business counselling for the enterprises as they face the inevitable challenges of growth and competition.

3. Policy **Component.** The programme revision/extension should include a new third Immediate Objective that specifies the series of required outputs and activities of a comprehensive policy development and dissemination component. This component would include revising the programme monitoring system so that it more easily

provides compelling and convincing information on the programme's impact on poverty reduction, the sustainability and growth of the enterprises, the expanding market linkages, and so forth. It would work closely with, or serve as the secretariat for, a government committee to explore what government regulations, practices, and laws might need revision in order to implement the now proven effective approach to enterprise development and poverty reduction. It would provide information materials and organize events to disseminate widely the results of the MEDEP pilot.

Coordination: The cooperation and integration of all the stakeholders guarantees success through acceptance of responsibility and commitment and eliminates obstacles (*See Attachment -1*).

Follow-On:

4. **Expansion and Scaling Up.** MEDEP, UNDP, and the government should prepare for scaling up the MEDEP-type activities to operate in additional districts, following the completion of the current MEDEP pilot programme. An important element of this is the initiation of resource mobilisation efforts.

5. **Follow-On UNDP Programmes.** UNDP, as part of the preparatory process of its programme for the next cycle (2002-2006), should plan on developing a broad enterprise development programme that combines the lessons learned and foundations established by the MEDEP, Rural-Urban Partnership Programme (RUPP), Rural Energy Development Programme, and the Sericulture for Rural Development Project (SRDP). MEDEP and RUPP especially have complementary foci (urban versus rural) and "clients" (traders versus producers) and operate in the same spirit of market-led Micro-Enterprise Development Programme - Evaluation

Page 34

enterprise formation with strong backward and forward linkages and private sector involvement. Through these programmes, UNDP has in recent years established in Nepal a comparative advantage in exploring, testing, and proving effective methodologies to help poor people gain access to the means of production and, most important, to markets.

VII. LESSONS LEARNED

Sequencing of Support and Training. One technical lesson learned regarding enterprise creation is the importance of the proper sequencing of training and other activities. Much of MEDEP's success in establishing micro-enterprises derives from the fact that market analysis was done first, entrepreneurship training second, then skills training, and finally (if required) credit. This sequencing seems responsible for the fact that MIEDEP entrepreneurs consider themselves first as entrepreneurs and only secondarily as a tailor, donut maker, *tika* maker, and so forth. Also, putting credit last, in service of the enterprise, helps keep that often-troublesome aspect in perspective. MIEDEP entrepreneurs know *why* they are borrowing money.

Participatory Team Building and Transparency. The district service delivery teams (

District Programme Implementation Committees) work because of the intensely participatory and open process by which the responsibilities of each organization were decided and agreed upon collectively. Each participating organization has not only a contractual obligation to MEDEP (through the MOUs) but also a public commitment and obligation to the entire group to perform its functions.

Micro-Enterprise Development Programme - Evaluation

Page 35