

Micro-Enterprise Development



Project: Micro Enterprise Development Programme (MEDEP)

➤ Background

Over 80% of Nepal's population live in rural areas. The lack of income-earning opportunities in these areas is a central cause of the widespread poverty and worsening food security in the country. It also forces ever more Nepalis to leave home to seek work in Nepal's towns and cities, in India and further afield. The sustainable development of Nepal's villages depends on generating many new local jobs, especially for the rapidly growing number of young job seekers. The Government in its Three Year Interim Plan (2007-2010) calls for creating 100,000 new jobs in small scale enterprises in part due to its importance in removing a major grievance that fuelled the conflict — the lack of job opportunities in rural areas.

➤ The project

MEDEP has been creating off-farm employment and income opportunities for the rural poor and especially for women, young people and disadvantaged people since 1998. The current phase of the project is:

- providing skill and business training and other support, mainly for women and poor and disadvantaged people to set up micro-enterprises;
- helping establish business support services and representative organisations for micro-entrepreneurs; and
- working with the government to improve the policy environment.

Since it began MEDEP has developed over 32,000 micro-entrepreneurs (68% women, 20% Dalits and 67% youth) and created about 37,000 sustainable jobs. Eighty percent of MEDEP enterprises continue to do business — a high success rate that reflects the strength of this programme. The average MEDEP micro-entrepreneur earns over twice what they earned before coming into contact with the programme.

MEDEP has established business support service organisations in all its 31 districts. These are providing a very useful service and are likely to continue as the ex-MEDEP staff that run them earn a good living advising entrepreneurs. The programme has also helped establish micro-entrepreneur associations that now serve their members and are the focal point for the Government and donors to keep in touch with the progress and needs of this sector.

Technical support to the Government helped it produce its Micro Finance Policy, 2007 and its Micro-Enterprise Policy, 2008. These make it Government policy to 1) provide easier access to finance for poor rural people and 2) to enable micro-enterprises to register as formal businesses.

Project details

Nepali name: लघु उद्यम विकास कार्यक्रम

Phase 1: 1998 to 2003

Phase 2: 2004 to March 2008

Phase 3: March 2008 to December 2010

Phase 3 budget: \$10 million

Funded budget: \$5.8 million

Phase 3 donors: UNDP (\$5.5m), Himal Power Ltd (\$0.3m)

Unfunded budget: \$4.2 million

Implemented in: 31 districts



Durga KC's soap-making business



At the district level the programme has supported local governments to implement the MEDEP model and small businesses to access district enterprise development funds.

MEDEP's impressive achievements led the Government in its Interim Plan to allocate \$3 million to replicate the MEDEP model across all Nepal's 75 districts. Its achievements also led to it being highly commended in the International World Business and Development Awards, 2008.

> Two case studies

Local well-paid work — The Dalit community at Byangdhunga, Kavre is now home to a thriving shoe-making business. Until recently most young people from this deprived community were either unemployed or had to work away from home. In 2007, MEDEP encouraged 24 local youths to form a micro-enterprise group. They were trained to run a business and provided with 78,000 rupees (\$1,000) to set up a business on top of which their families provided a 120,000 rupees loan.

The business is doing well. They make about 30 pairs of shoes a day and sold 350,000 rupees worth in their first five months. The enterprise now employs 31 young people who on average earn 5,500 rupees a month, almost twice what they were previously earning. Their hard work, skill and investments are paying off and cooperative members are ambitious to grow their business so more local young people can earn a decent income from home.

A role model for poor rural women — Durga KC of Pyuthan is a role model for poor rural women. From earning nothing and relying on her husband's earnings she now earns around 6,500 rupees a month and can afford to send her children to a private school.

Durga's life changed in 2001 after she took part in a MEDEP soap-making training. She started her business after taking a bank loan on the recommendation of MEDEP. She produces 200 soaps a day made from the oil of the fruits of a local tree. They sell across Nepal and as far afield as Japan. Durga employs her daughters and wants to employ more workers. She trains other women in soap-making and has become a member of Pyuthan's Industry and Commerce Association, winning her considerable social prestige.

MEDEP provided Durga with technical know-how and access to loans. She now realizes that village women can start up their own businesses with a bit of encouragement and access to raw materials.

> Funding gap

In the on-going third phase, MEDEP expects to develop 20,000 more micro-entrepreneurs especially in agro-, forest-, tourism- and service-based micro-enterprises. The programme is looking to donors to provide a further \$4.2 million to fully implement Phase 3.

Project partners

Implementing agency: Ministry of Industry, Commerce and Supplies

Government implementing partners: Ministries of local development and forests, district development committees, Department of Cottage and Small Industries, Cottage and Small Industries Dev. Board

Private sector and civil society implementing partners: Federation of Nepalese Chambers of Commerce and Industry, Nepal Young Entrepreneurs Forum, business houses, micro-finance institutions, Federation of Cottage and Small Industries, the District and National Federations of Microentrepreneurs and Cottage Industries

UNDP's role: Main donor and providing technical assistance and capacity building support

MEDEP's importance to achieving the MDGs:

Reduces poverty and hunger (MDG 1) by increasing the incomes of poor rural households.

Promotes gender equality and empowers women (MDG 3). Eighteen of the 25 district micro-entrepreneurs group associations and 14 of the 31 business development service providing organizations promoted by the project are headed by women. Most of the project's new women entrepreneurs have a strengthened role in household decision making.

Improves school attendance and the health of women and children as women's incomes go mainly on better food, clothing, and education for their kids and to pay for health care (MDGs 2, 4, and 5).

Promotes environmental sustainability (MDG 7) by working with forest user groups for the sustainable harvesting of forest products and by promoting environmentally-friendly enterprises.



Happy to be working from his home village in Kavre

For more information:

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